SUSTAINABLE PALM OIL PROCUREMENT GUIDE FOR CONSCIOUS BUYERS IN INDIA

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Project Team

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DATA YOU CAN USE

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<tr>
<td>ACOP</td>
<td>Annual Communication of Progress</td>
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<td>AFi</td>
<td>Accountability Framework Initiative</td>
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<td>B&amp;C</td>
<td>Book and Claim</td>
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<tr>
<td>CDP</td>
<td>Carbon Disclosure Project</td>
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<td>CPKO</td>
<td>Crude Palm Kernel Oil</td>
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<td>CPO</td>
<td>Crude Palm Oil</td>
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<td>CPS</td>
<td>Crude Palm Stearin</td>
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<tr>
<td>CRB</td>
<td>Centre for Responsible Business</td>
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<td>CSO</td>
<td>Civil Society Organisation</td>
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<td>CSPO</td>
<td>Certified Sustainable Palm Oil</td>
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<td>ESG</td>
<td>Environmental, Social, and Governance</td>
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<td>FFB</td>
<td>Fresh Fruit Bunches</td>
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<tr>
<td>FMCG</td>
<td>Fast Moving Consumer Goods</td>
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<td>GHG</td>
<td>Greenhouse Gas</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>HCS</td>
<td>High Carbon Stock</td>
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<tr>
<td>HCV</td>
<td>High Conservation Value</td>
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<tr>
<td>ICAR</td>
<td>Indian Council of Agricultural Research</td>
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<td>IIOPR</td>
<td>Indian Institute on Oil Palm Research</td>
</tr>
<tr>
<td>IP</td>
<td>Identity Preserved</td>
</tr>
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<td>IPOS</td>
<td>Indian Palm Oil Sustainability</td>
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<tr>
<td>ISCC</td>
<td>International Sustainability and Carbon Certification</td>
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<td>ISPO</td>
<td>Indonesian Sustainable Palm Oil</td>
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<td>I-SPOC</td>
<td>Indian Sustainable Palm Oil Coalition</td>
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<tr>
<td>M&amp;V</td>
<td>Monitoring and Verification</td>
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<tr>
<td>MB</td>
<td>Mass Balance</td>
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<tr>
<td>MMT</td>
<td>Million Metric Tonnes</td>
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<tr>
<td>MPOCC</td>
<td>Malaysian Palm Oil Certification Council</td>
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<tr>
<td>MSPO</td>
<td>Malaysian Sustainable Palm Oil</td>
</tr>
<tr>
<td>NDPE</td>
<td>No Deforestation, Peat, and Exploitation</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<tr>
<td>NMOOP</td>
<td>National Mission on Oilseeds and Oil Palm</td>
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<tr>
<td>P&amp;C</td>
<td>Principles and Criteria</td>
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<tr>
<td>Abbreviation</td>
<td>Description</td>
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<td>--------------------------------------------------</td>
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<tr>
<td>PFAD</td>
<td>Palm Fatty Acid Distillates</td>
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<tr>
<td>PKFAD</td>
<td>Palm Kernel Fatty Acid Distillates</td>
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<tr>
<td>PKO</td>
<td>Palm Kernel Oil</td>
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<tr>
<td>POIG</td>
<td>Palm Oil Innovation Group</td>
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<td>RA</td>
<td>Rainforest Alliance</td>
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<td>RBD</td>
<td>Refined, Bleached, and Deodorised</td>
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<td>RSPO</td>
<td>Roundtable on Sustainable Palm Oil</td>
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<td>SDG</td>
<td>Sustainable Development Goal</td>
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<tr>
<td>SEA</td>
<td>Solvent Extractors Association of India</td>
</tr>
<tr>
<td>SG</td>
<td>Segregated</td>
</tr>
<tr>
<td>SOPORAD</td>
<td>Society for Promotion of Oil Palm Research and Development</td>
</tr>
<tr>
<td>SPO</td>
<td>Sustainable Palm Oil</td>
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<tr>
<td>SPOTT</td>
<td>Sustainability Policy Transparency Toolkit</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNGP RF</td>
<td>United Nations Guiding Principles Reporting Framework</td>
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<tr>
<td>ZSL</td>
<td>Zoological Society of London</td>
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</table>
India, as one of the key emerging markets in the world, has been witnessing rapidly increasing populations, food security concerns, and income inequalities, coupled with the rising per capita consumption, resulting in a rising demand for products across sectors, which has, in turn, fuelled the demand of commodities such as palm oil that goes into making many of these. Palm oil has emerged as the main source of edible oil in India due to adequate availability, versatility in usage, and lower cost as compared to other vegetable oils. Almost half of all consumables in supermarkets contain palm oil.

This rising demand is often associated with an irresponsible sourcing and production of palm oil, which causes deforestation across continents and has a far-reaching negative impact on the environment, communities, and biodiversity worldwide.

The good news is that there is a growing consciousness among consumers worldwide about the impact of their everyday purchases on the environment. Now, along with choosing products based on commercial parameters, consumers are also evaluating their choices based on sustainability and environmental friendliness. What's at the back of the pack is also becoming increasingly important to them.

At the same time, brands and manufacturers have also become more conscious of what goes into making their products, not just because customers are increasingly asking questions, but because they're seeing value in sustainable value chains that are not linked to deforestation or the destruction of nature. Being conscious as a corporate entity not only makes business sense, but also builds brand goodwill.

Responsible sourcing is an increasingly important factor that businesses are adopting to leverage new business opportunities and also to mitigate environmental and social risks. A growing number of companies have voluntarily integrated a range of sustainable practices into their core operations, including stringent sourcing policies, traceability mechanisms, and timely disclosures.

This guide is specially curated to help Indian corporates who use palm oil in their products to integrate sustainable practices into their supply chains and add sustainable values to their brand proposition.

**Overcoming the palm oil paradox**

Oil palm is one of the most productive vegetable oil crops available to us today. Being highly versatile and cost-effective, it is an important ingredient in a range of product categories, particularly in the FMCG sector.

However, unsustainable methods of palm oil farming and production continue to contribute to environmental and social problems such as deforestation, biodiversity loss, climate change, and human rights violations. As palm oil is a crucial commodity with significant economic and social benefits, there needs to be a concerted effort to balance the socio-economic benefits of palm oil with the sustainability of the natural eco-systems in which it is produced through strong sustainable sourcing and production policies.

**Indian leverage**

Palm oil not only plays an important role as a cooking medium for India’s growing population, but it is also a vital ingredient used in the consumer goods and food products segment. India is amongst the largest importers and consumers of palm oil globally and therefore can play a significant role in the conservation of forests where palm oil crops are grown.

The palm oil supply chain in India is broadly divided into plantation and milling, refining and processing, and trading and downstream production activities. High demand from India and other consumers such as China, the US, and Europe has led to a significant increase in the cultivation of palm oil in Indonesia and Malaysia, of which only a small part is sustainable.

As significant buyers, Indian companies can, therefore, play a crucial role in advancing the adoption of sustainable palm procurement practices across their upstream supply chain in India and globally. Similarly, Indian palm oil buyers can play a significant role in the support of sustainable palm oil production as part of their imports from neighbouring countries as well as in domestic production as the government increases efforts to produce more palm oil in India.

**A step-wise approach to sustainability**

For those Indian companies that would like to start their journey towards incorporating sustainability as part of their palm oil supply chains, there are a number of certification bodies, frameworks, and initiatives available. Choices include RSPO, POIG, and I-SPOC, which help companies produce, trade, and source sustainable palm oil. They can also help companies mitigate financial, operational, reputational, and regulatory threats and leverage opportunities around palm oil.

In addition, there are many reputational benefits that can result in long-term financial gains, as consumers increasingly recognise and seek companies and brands that demonstrate sustainability efforts.
Sustainable palm oil as an investment

Besides consumer expectations, there are additional expectations from investors around the world that their portfolio companies adopt sustainability as part of their business operations. This includes adopting and reporting on environmental, social, and governance goals and ensuring that their supply chains are free from ESG-related risks.

Sustainable palm oil and the future

Companies in India are increasingly seeing the value in taking action on sustainable palm oil given the global trends towards sustainable sourcing across the value chain and the sustainable policies adopted by many of their global partners. They are looking to adapt to the changing expectations of their stakeholders and are becoming conscious of the various risks associated with continuing with business-as-usual practices. They have already established global sustainable sourcing policies and are supporting multi-stakeholder initiatives on sustainable palm oil. Although the vast majority is used as cooking oil, the remaining 40% is increasingly being used in the Fast-Moving Consumer Goods (FMCG) and Food and Beverage (F & B) segments.

These segments have the propensity to respond to changing market and consumer trends faster than other segments.

This guide seeks to create awareness across these segments as commitments to using sustainably sourced palm oil create an upstream ripple effect, incentivising suppliers, traders, refiners, and producers to transition to sustainable means. A shift at scale also has cascading cost benefits across the palm oil value chain globally.

This report does not cover the production of palm oil globally or in India other than referencing it.

How to use this guide

This guide can help Indian companies take the first step in transitioning their supply chains to incorporate sustainable sourcing and production practices into their business operations. This guide can help business leaders and the senior management of companies consuming palm oil or its derivatives in their supply chains by highlighting the importance and benefits of sustainable palm oil and guiding them through the process of moving towards sourcing sustainable palm oil. It lays down key steps to be taken in this journey, starting with baseline establishment, setting commitments and targets, implementing commitments, and incorporating appropriate monitoring and reporting mechanisms. It also provides users with examples and case studies of companies that have initiated this journey and key lessons that can be taken from them. We expect that this guide will provide interesting insights into the issues associated with conventional palm oil sourcing and production, as well as an understanding of the key action points to overcome them and help their companies and the industry be conscious and truly sustainable!
Traditionally, the sourcing decisions of companies were driven by short-term profitability and cost-efficiency. However, with growing awareness about sustainability worldwide there is an increasing demand for sustainably sourced products and an awakening among brands to be socially and environmentally responsible. Companies are conscious not just of the potential loss of brand value and consumer trust, but also that unsustainably sourced products and negligence around sustainability can lead to regulatory and monetary risks for companies as well.

What is responsible sourcing?

Forward-looking companies have found a way to consume palm oil without compromising sustainability and the environment in which it is grown. Responsible or ethical sourcing is gaining prominence among businesses that proactively source products and raw materials with environmental and social considerations at the forefront of their procurement decisions throughout their supply chain. Responsible sourcing stands on the pillars of accountability, transparency, and traceability, where companies take responsibility for their actions, are transparent about their operations, and know exactly where their products and raw materials are coming from.

To get a sense of how responsible sourcing practices can be beneficial to your company, please see Figure 1. It is important for companies adopting responsible sourcing policies to work in close coordination with their suppliers to trace a product throughout the supply chain and ensure that the production and procurement practices followed are sustainable. Some mechanisms to integrate responsible sourcing into supply chains include time-bound commitments, strict sourcing policies, traceability tools, supplier engagement and management systems, and timely disclosures, among others.

This guide and AFi principles

This Sustainable Palm Oil Procurement Guide has been developed by WWF India to help companies that buy palm oil in India integrate sustainable practices into their supply chains. It provides guidance on developing a sustainable sourcing policy and provides inputs on systems/practices required for effective implementation and disclosure in alignment with the Accountability Framework Initiative (AFi). AFi is a collaborative initiative that works to create a commodity production and trade system that protects natural ecosystems and human rights completely.

The framework is a practical, consensus-based effort to build and scale-up ethical supply chains for agricultural and forest-linked commodities, such as palm oil.

The 12 core AFi principles that form the foundation of the accountability framework are:
The advantages of responsible sourcing.

- Strengthen supplier relations
- Mitigate risks associated with environmental and social issues
- Enhance brand value
- Protect from fines and litigation
- Provide access to new markets
- Prevent supply chain disruptions

Figure 1: Benefits of responsible sourcing
Palm oil and the Indian Market

Palm oil, obtained from the fruit of the oil palm, is the most widely consumed vegetable oil in the world. Oil palm thrives on heavy rainfall, high humidity, and abundant sunlight, and hence, is grown in many countries along the equator, primarily in Indonesia and Malaysia, which account for 84 per cent of the world’s palm oil production.

Oil palm is the most efficient vegetable oil crop and yields five to twelve times more oil per hectare when compared to other common oil crops like sunflower, rapeseed, or soybean. It is also the most popular vegetable oil in the world due to its versatility. Given its multifaceted properties, palm oil has many advantages for the food, cosmetics, pharmaceutical, and biofuel sectors around the world. The cultivation and production of palm oil provide employment to millions of people and generates high export revenues as well. Being extremely versatile, palm oil can be used in many forms and products. With many derivatives, it has a wide range of applications, like acting as a binding agent and increasing the shelf life of FMCG products, to simply being used as a low-cost cooking oil for household and retail foodstuffs. The diagram on the next page showcases the versatility and utilisation of palm oil and its derivatives across categories.
Palm oil utilisation chart

Fresh Fruit Bunches (FFB)

Crude Palm Kernel Oil (CPKO)
- Splitting
- Refining
- Fractioning and refining
  - Hydrogenation
  - Olein
  - Stearin
- Palm Kernel Fatty Acid Distillates (PKFAD)
  - Hydrogenated PKO
  - Confectioneries
  - Coffee
  - Whitener
  - Coating fats
  - Filled milk

Crude Palm Oil (CPO)
- Refining
- Fractioning and refining
  - RBD palm oil and RPO
  - RBD Olein
  - Palm mid-fraction
  - RBD palm stearin
  - Splitting

Products:
- Margarines
- Confectionery fats
- Frying
- Cooking
- Margarines
- Shortening
- Vanaspati
- Frying fats
- Ice-cream
- Margarines
- Cooking
- Soaps
- Food emulsifier

(Source: IVPA, Souvenir Report, 2019)
Unsustainable production of palm oil and its impact

Palm oil is undoubtedly one of the most versatile and useful vegetable oils for a wide range of applications and industries. However, when unsustainably sourced or produced, it is also one of the leading causes of deforestation that further contributes to global warming. Fuelled by increasing consumerism, the rising demand for products across categories has led to a rising demand for palm oil around the world and considerable economic gains for all businesses in the value chain.

Unfortunately, this has also led to a rise in irresponsible and environmentally damaging behaviour across the upstream value chain. Many organisations are turning a blind eye to the consequences of unsustainable sourcing and production of palm oil, and avoiding the adoption of global best practices in sustainability, governance, and good corporate citizenship. In order to be conscious of their role in the protection of forests all over the planet, it is important for companies to first understand the consequences of unsustainable sourcing and production of palm oil.

These challenges have been discussed in the following section:

Deforestation

Oil palm trees are best cultivated in tropical climates, and traditionally, forest lands and their natural flora, fauna, and wildlife are cleared to make way for oil palm tree plantations. This type of unsustainable expansion of palm operations has resulted in large-scale deforestation and the destruction of invaluable peatlands. It is estimated that 70 per cent of the palm oil expansion between 2008 and 2015 occurred on forest land, and 18 per cent on peatland.

Biodiversity loss

Global palm oil expansion has a direct impact on at least 193 threatened species and may affect 54 per cent of all threatened mammals and 64 per cent of all threatened birds globally. Palm oil producing countries have shown a definite reduction in the diversity and abundance of most native species, including precious orangutans and tigers.
Climate change

When forests are used for plantations, the area is often cleared by burning them. This releases a significant amount of greenhouse emissions, accounting for almost 1 per cent of global greenhouse gas (GHG) emissions. This is especially potent when clearing occurs in peat swamp forests, which store a significantly higher amount of carbon.

Pollution and land degradation

The clearing and establishment of oil palm plantations result in the release of Palm Oil Mill Effluent (POME) and agrochemical runoffs that pose threats to the quality of the water bodies and land surrounding the plantations.

Exploitation

Irresponsibly set up and managed oil palm plantations worldwide are rife with incidences of land grabbing, displacement and violence against local and indigenous communities, discrimination, forced labour, low wages, and unsafe working conditions.
Sustainable palm oil advantage

Since the late 1990s, palm oil has gained significance in the global commodities market, and palm oil and its derivatives can be found in around 50 per cent of consumer products produced in India. Given the economic value of palm oil, it cannot be replaced easily, and switching to other vegetable oil sources is not a viable solution as much more land and resources would be needed to produce the same amount of any other oil. Therefore, the best way to balance economic gains with the protection of natural ecosystems is by switching to sustainable palm oil production.

As a first step to ensure the long-term sustainability of the palm oil industry, companies must step up and direct substantial efforts towards addressing the environmental challenges the industry presents. It is imperative for companies to focus on sourcing palm oil from sustainable sources, enact sustainable sourcing policies, and make top-down management and public commitments to be responsible and hold themselves accountable. A thorough supply chain mapping of companies and categories will help identify the presence, origins, entry points, and level of sustainable palm oil in their supply chains. Consistent public disclosures on company commitments, actions, and progress made will further increase transparency, set an example for industry peers, and boost collective action. Most importantly, obtaining sustainable certification and sourcing only Certified Sustainable Palm Oil (CSPO) will help companies gain credibility and build long-term financial and reputational value.

An overview of the Indian palm oil market

Palm oil is the cheapest and most resource-efficient vegetable oil available to Indian manufacturers, which makes it a crucial commodity for India’s growing consumer needs. India is the second-largest consumer and largest importer of palm oil in the world. In 2020-21, India consumed 8.5 million metric tonnes (MMT) of palm oil, 7.5 MMT of which was imported. Over 90 per cent of the palm oil that India imports include 69 per cent from Indonesia and 24 per cent from Malaysia. Around 90 per cent of palm oil used in India is for cooking purposes by end-users in households and in the hospitality, snacks, and confectionery industries.

Palm oil is also used in government-run public distribution systems (PDS) for low-income consumers. Around 13 per cent of palm oil is used in the personal care products and cosmetic industries.

The palm oil supply chain is broadly divided into the following:

- **Plantation and milling**
  Oil palm is cultivated by smallholders as well as on larger plantations. The trees produce fresh fruit bunches (FFBs), which are periodically harvested until the trees senesce.

FFBs are transported to a mill for the oil to be extracted from the palm fruit (crude palm oil) and the palm kernel (crude palm kernel oil).

- **Refining and processing**
  The refined oil and fractions are transported to derivative manufacturing companies that may sell them as is or further process them into derivatives used by consumer goods manufacturers.

- **Trading and downstream production activities**
  Traders are involved earlier in the supply chain as well, and they act as middlemen in the process. Some government agencies also act as intermediaries in India’s public distribution system. Consumer goods companies manufacture various end-products using palm oil and its derivatives, which are sold by retailers to consumers.

A detailed illustration of this can be found in Annexure 3.

Palm oil production in India

With the growing demand for palm oil in India, there is a strong emphasis on self-reliance, by increasing domestic production of palm oil and reducing imports.

The government launched the National Mission on Oilseeds and Oil Palm (NMOOP) in 2014-15 with the mini-mission-II, dedicated to increasing the areas under palm oil cultivation. As part of the programme, the government provides incentives to farmers, including financial and infrastructure assistance, such as drip irrigation systems, diesel or electric pump sets, and training programmes.

The government of India has recently announced the National Mission on Edible Oils–Oil Palm (NMEO–OP) that aims to expand the domestic production of palm oil in India in order to reduce the country’s import dependency on the same.

The government has also encouraged private sector participation in the palm oil industry through MoUs and agreements with companies like Godrej, Ruchi Soya, and 3F Industries, which are allocated designated areas by the government to support growers, with the companies having exclusive rights to acquire all FFB from the plantations in their designated areas. As of 2017, palm oil cultivation is actively undertaken in 16 states across India.
Figure 3: Major states producing palm oil in India from 2017 to 2018

Karnataka:
AC: 43517 Ha
COP: 2224 MT

Kerala:
AC: 5785 Ha
COP: 5191 MT

Telangana:
AC: 18312 Ha
COP: 27274 MT

Andhra Pradesh:
AC: 162689 Ha
COP: 234695 MT

Tamil Nadu:
AC: 30900 Ha
COP: 938 MT

Figure 4: Palm oil production in India from 2013 to 2020

Figure 5: Area under palm cultivation in India
Trends in imports and consumption of palm oil in India

India is highly dependent on palm oil to meet the daily needs of its growing population. Seventy per cent is utilised as edible oil through direct household consumption (40 per cent) or as a frying medium in the food services segment (18 per cent) and for the preparation of snacks and namkeens (13 per cent). The remaining 30 per cent is utilised in the consumer goods industry as special derivatives in the production of processed foods like bakery items (11 per cent), chocolates (0.5 per cent), ice creams (0.50 per cent), ready-to-eat meals (4 per cent), and cosmetic products (13 per cent).9

Given the demand-supply gap, as much as 64 per cent of India’s edible oil requirements are fulfilled by imports, 59 per cent of which is palm oil.10 India imports the majority of its palm oil from Indonesia, Malaysia, and Thailand. In the last decade (2010–2020), India imported an average of 9.2 MMT11 of palm oil and its derivatives, with crude palm oil occupying the major chunk. Other palm oil derivatives imported include Crude Palm Kernel Oil (CPKO), RBD palm olein, crude olein, Palm Fatty Acid Distillates (PFAD), Crude Palm Stearin (CPS), RBD palm stearin (RBD PS), Palm Kernel Fatty Acid Distillate (PKFAD), and some other components. As of April 2021, India has imported about 2.5 MMT of palm oil and its derivatives since January 202112.

In India, consumption of palm oil has increased by more than 230 per cent in the last two decades,13 signalling a drastic shift away from the traditional oils such as mustard and groundnut. The Indian palm oil market is primarily demand-driven due to its low cost, year-round availability, versatility, and the growing Indian middle class’ preference for it over other vegetable oils.

Figure 6: Detailed distribution of palm oil by different end-users

Figure 7: Volume of palm oil imports in India from 2010 to 2020
3. SUSTAINABLE PALM OIL

With the sustainability knowledge and expertise that is available today, companies can source sustainable palm oil without negatively impacting the environment and the communities within which it is grown.

Sustainable palm oil can be produced in a way that is legal, protects forests and nature’s biodiversity, and improves the lives of the millions of people that depend on the industry for their livelihood, while ensuring food security for growing populations around the world.\(^{14,15}\)

These sustainable best practices help the protection of tropical forests, peatlands, HCV/HCS\(^{16}\) forest areas, and other ecosystems.

Sustainability includes respect for legal and customary land rights, and the rights of indigenous and local communities, in line with international norms on human and worker’s rights.

Sustainable palm oil certification and frameworks for companies

The three pillars of sustainable palm oil (SPO) production are accountability, transparency, and traceability. There are several palm oil certification systems that have established principles and criteria to be followed by companies in order to meet the requirements of the three pillars of SPO and get certified. Certification from these bodies indicates that an organisation is adhering to the given standards and working towards sustainably producing palm oil. There are also various multi-stakeholder platforms, frameworks, initiatives, and tools that help companies adopt sustainable palm oil. The table below highlights some of these certification systems, resources, and tools available for companies. These include both voluntary systems as well as processes developed by national governments to encourage sustainable palm oil production in their respective countries.

<table>
<thead>
<tr>
<th>Name of certification/tool/resource</th>
<th>Description</th>
<th>Type/category of certification/tool/resource</th>
<th>ISEAL compliant?</th>
<th>Key stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RSPO</strong></td>
<td></td>
<td>Voluntary certification</td>
<td>Yes</td>
<td>It has a multi-stakeholder form of governance. Those who seek certification need to be assessed by an RSPO-accredited third-party certification body.</td>
</tr>
<tr>
<td>Identity preserved</td>
<td>The CSPO and derivatives delivered to the user are unique to the mill and its supply base.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segregated</td>
<td>The CSPO comes from RSPO certified sources</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mass Balance</td>
<td>The CSPO comes from sustainable sources, but it is mixed with non-CSPO as well.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credits</td>
<td>It uses tradeable certificates for RSPO and CSPO but does not trace the oil throughout the supply chain.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Name of certification/tool/resource</td>
<td>Description</td>
<td>Type/category of certification/tool/resource</td>
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<td>Key stakeholders</td>
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<tr>
<td>-----------------------------------</td>
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</tr>
<tr>
<td>ISCC</td>
<td>The International Sustainability and Carbon Certification is to certify the biomass and bioenergy industries. Its priority is GHG emissions reduction, sustainable land use, and social sustainability.</td>
<td>Voluntary certification</td>
<td>No</td>
<td>Financed by the German Federal Ministry of Food, Agriculture, and Consumer Protection but is now an independent entity.</td>
</tr>
<tr>
<td>POIG</td>
<td>The Palm Oil Innovation Group is a multi-stakeholder initiative that works to achieve the adoption of responsible palm oil production practices by key players in the supply chain. They have developed a credible benchmark that can be verified and builds on the RSPO.</td>
<td>Multi-stakeholder initiative</td>
<td>No</td>
<td>Developed in partnership with leading NGOs and palm oil producers. The organising committee consists of organisations such as Ferrero, Agropalma, and WWF, among others.</td>
</tr>
<tr>
<td>RSB</td>
<td>The Roundtable for Sustainable Biomaterials works to help develop a sustainable bio-economy through certification, sustainable solutions, innovation, and partnerships. Its Principles &amp; Criteria (P&amp;C) describe how to produce biomass, biofuels, and biomaterials.</td>
<td>Voluntary certification</td>
<td>Yes</td>
<td>A global, multi-stakeholder organisation based in Geneva. Its members include businesses, NGOs, academics, governments, and UN organisations.</td>
</tr>
<tr>
<td>ISPO</td>
<td>The Indonesian Sustainable Palm Oil Standard was established by the Indonesian government and is now part of a wider SPO initiative with the UNDP. In 2011, it was made mandatory for all producers in Indonesia to be ISPO compliant.</td>
<td>Mandatory/government-led certification</td>
<td>No</td>
<td>Designed by the Indonesian Ministry of Agriculture.</td>
</tr>
<tr>
<td>MSPO</td>
<td>The Malaysian Sustainable Palm Oil standard provides ‘general principles’ and, like the ISPO, the standards are in line with existing legal and regulatory requirements. In 2020, it was made mandatory for all producers in Malaysia to be MSPO compliant.</td>
<td>Mandatory/government-led certification</td>
<td>No</td>
<td>Malaysian Palm Oil Certification Council (MPOCC) and the Malaysian government.</td>
</tr>
<tr>
<td>IPOS</td>
<td>The Indian Palm Oil Sustainability (IPOS) framework provides a set of environmental and social criteria to produce and trade in sustainable palm oil in the Indian market. It outlines six principles that producers must try to abide by for good production practices.</td>
<td>Sustainability framework</td>
<td>No</td>
<td>Solvent Extractor’s Association of India (SEA), Solidaridad, Indian Institute of Oil Palm Research, SOPOPRAD, and producing companies in India.</td>
</tr>
<tr>
<td>Name of certification/tool/resource</td>
<td>Description</td>
<td>Type/category of certification/tool/resource</td>
<td>ISEAL compliant?</td>
<td>Key stakeholders</td>
</tr>
<tr>
<td>-----------------------------------</td>
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</tr>
<tr>
<td>I-SPOC</td>
<td>The India Sustainable Palm Oil Coalition (I-SPOC) works to facilitate industry collaboration across the value chain, both in domestic production and in import markets, to promote the uptake of sustainable palm oil by focusing on policy, production best practices, trade linkages, and consumer sensitisation to sustainability.</td>
<td>Industry platform</td>
<td>NA</td>
<td>Founded by Centre for Responsible Business (CRB), WWF-India, Roundtable on Sustainable Palm Oil (RSPO) and Rainforest Alliance and other stakeholder companies and investors.</td>
</tr>
<tr>
<td>Proforest palm oil toolkit</td>
<td>The palm oil toolkit developed by Proforest aims to support companies in implementing commitments on responsible sourcing of palm oil, its by-products, and derivatives. It is an accessible guide to the many initiatives that aim to address key environmental and social issues in the palm oil supply chain, namely deforestation, development on peat lands and human rights violations.</td>
<td>Sustainable sourcing toolkit</td>
<td>NA</td>
<td>Proforest includes both companies and non-profit organisations.</td>
</tr>
<tr>
<td>CGF’s Forest Positive Coalition of Action</td>
<td>The Consumer Goods Forum’s Forest Positive Coalition of Action is a CEO-led initiative representing 20 CGF member companies who are committed to leveraging collective action and accelerating systemic efforts to remove deforestation, forest degradation, and conversion from key commodity supply chains.</td>
<td>Industry platform</td>
<td>NA</td>
<td>The two board members are the CEOs of Carrefour and Mars Inc. They support the work of the Coalition Committee, which is chaired by executives from Mondelez and Carrefour.</td>
</tr>
<tr>
<td>WWF – Palm Oil Buyers Scorecard</td>
<td>WWF’s Palm Oil Buyer Scorecard assesses major retailers, consumer goods manufacturers, and food service companies from around the world on their performances, actions, and commitments toward responsible purchasing of palm oil. It provides a timely and much-needed assessment of companies’ actions towards transforming its own supply chains and beyond to support the wider industry.</td>
<td>Transparency and disclosure tool</td>
<td>NA</td>
<td>Retailers, manufacturers, and food service segments.</td>
</tr>
<tr>
<td>ZSL- SPOTT</td>
<td>The Sustainability Policy Transparency Toolkit (SPOTT) is a free, online platform supporting sustainable commodity production and trade. It assesses commodity producers, processors, and traders on their public disclosure regarding their organisation, policies, and practices related to environmental, social, and governance (ESG) issues.</td>
<td>Transparency and disclosure tool</td>
<td>NA</td>
<td>Developed by the Zoological Society of London (ZSL). Key stakeholders are Investors and buyers. Other key influencers can use SPOTT assessments to inform stakeholder engagement, manage suppliers’ ESG risk, and increase transparency.</td>
</tr>
<tr>
<td>Name of certification/tool/resource</td>
<td>Description</td>
<td>Type/category of certification/tool/resource</td>
<td>ISEAL compliant?</td>
<td>Key stakeholders</td>
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</tr>
<tr>
<td>CDP Forest Disclosure</td>
<td>CDP Forests provides a framework of action that companies can use to calculate and manage risks and opportunities related to forests. CDP Forests also collect data on biodiversity impacts, risks, and opportunities within the mining sector.</td>
<td>Transparency and disclosure tool</td>
<td>NA</td>
<td>CDP, to be used as a disclosure tool by all relevant stakeholders.</td>
</tr>
<tr>
<td>Forest 500</td>
<td>The Forest 500 ranks the most influential companies and financial institutions in forest-risk commodity supply chains. This can be used to hold these powerbrokers accountable.</td>
<td>Transparency and disclosure tool</td>
<td>NA</td>
<td>This is a project of Global Canopy, an environmental organisation targeting the market forces that cause harm to tropical forests.</td>
</tr>
<tr>
<td>Sourcing Hub by Preferred by Nature</td>
<td>It can be used by companies buying palm oil and its derivatives to assess risks in its palm oil supply chain and the suppliers associated with them.</td>
<td>Supply chain risk assessment</td>
<td>NA</td>
<td>It can be used by companies buying palm oil and its derivatives to assess risks in its palm oil supply chain and the suppliers associated with them.</td>
</tr>
</tbody>
</table>

*ISEAL Code Compliant designates members who have successfully undergone independent evaluations against the ISEAL Codes of Good Practice in Standards-Setting, Assurance, and Impacts

**Organisations and initiatives working to encourage sustainable palm oil production in India**

There are many organisations, coalitions, and initiatives in India that are fostering a transition to sustainable palm oil. These include the Indian Sustainable Palm Oil Coalition (I-SPOC), WWF-India, the RSPO, and the Centre for Responsible Business (CRB), among others. With the creation of the Indian Palm Oil Sustainability (IPOS) framework, industry associations such as the Solvent Extractor’s Association of India (SEA) are also playing a role in increasing the uptake of sustainable palm oil. While there are many organisations and certification bodies that are working to create awareness about sustainable palm oil, proactive action from businesses is needed to incorporate such principles and practices into their decision-making processes and value chains. As these transitions can happen over time, the organisations mentioned above will play a greater role in the capacity-building of businesses in the palm oil industry.
4 BUSINESS CASE FOR SUSTAINABILITY

As discussed in Section 2, there is a multitude of environmental and social challenges facing the palm oil industry. With rising awareness around these challenges, there is a greater need for businesses to understand the risks of continuing with conventional practices and the business opportunities that will arise if they explore new, sustainable practices.

Risks associated with conventional palm oil procurement for companies

Conventional palm oil production can present material risks to companies by limiting their market access, jeopardising potential investments and lending opportunities, and increasing operational costs in the long run. Increased awareness of sustainability issues can also damage brand value. Sustainable procurement mandates from downstream stakeholders can affect relations with companies that are continuing with unsustainable practices. Climate change and its associated impacts can worsen resource scarcity and reduce the potential for profits. Some key risks associated with conventional palm oil production include:

Financial

Financial institutions are increasingly placing sustainability considerations as a criteria for financing companies. In 2019, signatories of the UN PRI and 56 global investors outlined their expectations of companies operating across the palm oil value chain. An inability to meet their sustainability criteria may result in exclusion from accessing capital and markets.

Operational

Deforestation from palm oil contributes to climate change, which increases the risk of extreme weather events, forest fires, changes in rainfall patterns, and pests and diseases, resulting in lower productivity and commodity price volatility. Companies may face supply chain disruptions both upstream and downstream in the long run, owing to reduced availability of palm oil, higher purchasing costs, reduced demand, and unprecedented global events.

Reputational

A 2019 study by Chain Reaction Research concluded that given the increasing awareness of deforestation and its impacts, associated reputational risks could become significant for large companies. Multiple studies have documented an increasing awareness amongst millennials in the western world about sustainable practices. Many NGOs (like WWF, CRB, IDH, and the RSPO), along with the media, are raising awareness about the detrimental effects of unsustainably sourced and produced palm oil in India and beyond. Further spread of this awareness can pose strong reputational risks, leading to a loss of market share for companies continuing with unsustainable practices.

The ‘premium’ cost of certified sustainable palm oil in India is in the range of US$ 10 to 50 per tonne of CPO. During stakeholder consultations conducted, a representative from a processed food product company stated that the premium for certified palm oil can at times go as high as US$ 100-150 per tonne. A consumer goods company representative also added that for companies producing hygiene and cleaning products, palm stearin forms a major component of their palm oil usage, which is 20 per cent of the primary product and hence carries five times the premium of the same volume of oil.

Regulatory

Public procurement of goods and services constitutes up to 30 per cent of India’s GDP, and wields immense potential to influence sustainable consumption and production. Significant portions of palm oil imported by India are used by government agencies for public distribution. The Government of India is likely to develop sustainable public procurement policies for certain products, which may pose regulatory pressure on value chain players. Indonesia and Malaysia are introducing measures to address rampant
Reputational improvements can take welfare.

Communities benefit from better environmental quality and fair wages. Particularly around plantations, the wider efficiency along the supply chain. Following RSPO criteria, transparency and traceability can improve operational resilience and mitigate supply chain disruptions. Making the supply chain more sustainable improves operational advantages.

Opportunities associated with a shift towards sustainable palm oil procurement for companies

Environmental, social, and governance (ESG) reporting in supply chains and businesses is gaining traction all over the world. With ever-growing commodity risks, the integration of sustainability principles can help companies develop supply chain resilience. Specific opportunities associated with the uptake of sustainable palm oil have been explored below:

**Financial**

- Investors are more interested in the longevity and resiliency of companies and the incorporation of ESG principles. There is an increasing inflow of ESG funds in India, and in recent years, the NIFTY 100 ESG Sector Leader’s Index has outperformed the NIFTY100 Index whilst being less volatile. Since 2007, MSCI India ESG Leaders have consistently outperformed their counterparts as well.

- A survey of over 1800 Indian consumers conducted by the Human Circle (in partnership with China Dialogue) in early 2021 found that the youth in India are concerned about the environmental and social issues associated with palm oil production and are willing to pay 5-10 per cent more for sustainably sourced palm oil.

- Given the growing demand for sustainably sourced and produced products in higher-value markets, such as North America and Europe, producers can gain access to such markets with SPO.

- Sustainable palm oil carries a premium price and, hence, can be sold at a higher value and with higher margins than conventional palm oil. For example, RSPO premiums can range from US $2/tonne(credits) to US $200/tonne (IP/SG).

**Operational**

Making the supply chain more sustainable improves resilience and mitigates supply chain disruptions. Transparency and traceability can improve operational efficiency along the supply chain. Following RSPO criteria for palm oil production can make farmers and labourers more productive due to better working conditions and fair wages. Particularly around plantations, the wider communities benefit from better environmental quality and improved welfare.

**Reputational**

- Improving sustainability practices, traceability, and transparency can help companies improve their reputation, boost their ESG performance, and provide necessary assurances to interested stakeholders about their sustainability credentials. The RSPO predicts that the demand for CSPO in growing markets like India is only going to increase, and early adopters will have a competitive advantage.

- Sustainable sourcing practices, beyond improving brand identity amongst customers, can also help companies boost staff retention and satisfaction. MNCs transitioning to using more CSPO can have trickle-down effects along the supply chain, and this can encourage smaller companies to transition to CSPO as well.

**Regulatory**

- India is looking to increase its expansion of oil palm plantations in the country through the National Missions on Edible Oil. By providing farmers with higher quality seeds and resources to boost production. The monetary savings from government support and reduced import tariffs (reduction of taxes on CPO from 30.25 to 24.75 per cent in September 2021) can be allocated towards sustainable palm oil production.

**Early birds of sustainability and corporate responsibility**

Driven by their vision of a sustainable future, several companies in India have already started working to enhance their brand values and mitigate the risks associated with conventional palm oil production by implementing sustainable sourcing policies. Stakeholder consultations indicate that a key driver of change for upstream suppliers was the adoption of sustainable procurement policies by downstream stakeholders, such as consumer goods companies. Important actions taken by companies include having a sustainable palm oil sourcing policy with an NDPE commitment, purchasing certified palm oil, implementing traceability mechanisms, as well as engaging with suppliers and farmers to encourage more sustainable practices across the supply chain. A key finding from the stakeholder consultations was that “the more companies that start working with sustainable palm oil, the lower the premiums can be (from a buyer’s perspective), which can incentivise even more players to procure it.” Below are some case studies from companies leading the way in sourcing sustainable palm oil.

The WWF Palm Oil Buyer’s Score Card values are from the 2021 report. The palm oil uptake values are obtained from the company’s 2020 ACOP disclosures.
### Ferrero

**Memberships:** RSPO, RSPOI, I-SPOC  
**WWF POBS Score:** 21.71/24  
**Highlights:** Ferrero has been sourcing 100 per cent SG RSPO CSPO for their own brand products since 2015.  
**ACOP 2020:** 220,570 tonnes of CPO/PKO derivatives uptake. 99.59 per cent per cent is certified.

Ferrero has one of the strongest commitments to CSPO among FMCG companies. They are also members of two sustainable palm oil platforms.

[Link to policy](https://www.ferrerosustainability.com/int/sites/ferrerosustainability_int/files/2021-06/palm_oil_charter.pdf)

### Unilever

**Memberships:** RSPO, I-SPOC  
**WWF POBS Score:** 19.13/24  
**Highlights:** In 2020, 94.3 per cent of palm oil sourced was RSPO CSPO. Committed to be deforestation-free by 2023.  
**ACOP 2020:** 803,602 tonnes of CPO/PKO and derivatives uptake. 99.59 per cent is certified.

Unilever, a founding member of RSPO in 2003, built roadmaps with suppliers to enable them to identify environmental and social risks in plantations that can help suppliers comply with their sourcing policy. Being an early mover provides a competitive advantage to the company.

[Link to policy](https://www.unilever.com/planet-and-society/protect-and-regenerate-nature/sustainable-palm-oil/)

### AAK

**Memberships:** RSPO, I-SPOC  
**WWF POBS Score:** 14.34/24  
**Highlights:** 100 per cent traceability till mill and 70 per cent till plantation. 38 per cent of global volumes RSPO is certified.  
**ACOP 2020:** 1,238,493 tonnes of CPO/PKO derivatives uptake. 31.12 per cent.

AAK was also one of the founding members of RSPO in 2003. The company’s sustainable palm oil approach consists of understanding its supply base, engaging with suppliers, and driving impact beyond its supply base.

[Link to policy](http://www.aakkamani.com/sustainability/rspo.aspx)

### Colgate Palmolive

**Memberships:** RSPO, I-SPOC  
**WWF POBS Score:** 15.69/24  
**Highlights:** In 2020, 94.3 per cent of palm oil sourced was RSPO CSPO. Committed to be deforestation-free by 2023.  
**ACOP 2020:** 803,602 tonnes of CPO/PKO and derivatives uptake. 99.59 per cent is certified.

Colgate-Palmolive has NDPE commitments central to its sustainable sourcing policy. They allow CSPO products to be traced to the plantation. Their policy focuses on no deforestation, reducing GHG emissions, no exploitation, and smallholder inclusion.

[Link to policy](https://www.colgatepalmolive.com/en-us/sustainability/our-sustainability-policies/palm-oil)
### L'Oreal

<table>
<thead>
<tr>
<th>Membership(s):</th>
<th>RSPO, POIG, I-SPOC</th>
<th>WWF POBS Score:</th>
<th>18.71/24</th>
<th>Highlights:</th>
<th>Since 2010, 100 per cent of palm oil purchased has been RSPO SG.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACOP 2020:</td>
<td>82,383 tonnes of CPO/PKO derivatives uptake. 100 per cent is certified.</td>
<td></td>
<td></td>
<td></td>
<td>Traceability of POD is a key part of L'Oreal’s supply chain. Currently, 92 per cent is traceable to the mill, and 27 per cent to the plantation. They are working on smallholder inclusion and transforming purchasing policies by creating an index to assess the derivatives suppliers buy.</td>
</tr>
</tbody>
</table>

### P&G

<table>
<thead>
<tr>
<th>Membership(s):</th>
<th>RSPO, I-SPOC</th>
<th>WWF POBS Score:</th>
<th>18.71/24</th>
<th>Highlights:</th>
<th>40 per cent palm oil sourced from smallholder farmers and 98 per cent traceability to mills.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACOP 2020:</td>
<td>213,932 tonnes of CPO and PKO derivatives are consumed. 7.40 per cent is certified.</td>
<td></td>
<td></td>
<td></td>
<td>Since P&amp;G primarily deals with PKO as opposed to CPO, the company is working to increase the availability of certified SG PKO in the market. P&amp;G ensures there is no deforestation in their supply chain and has policies to respect indigenous people's rights and protect wildlife.</td>
</tr>
</tbody>
</table>

### Cargill

<table>
<thead>
<tr>
<th>Membership(s):</th>
<th>RSPO</th>
<th>ZSL Spott Score:</th>
<th>63.2 per cent</th>
<th>Highlights:</th>
<th>A founding member of the RSPO. Works with 22,000 smallholder farmers.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACOP 2020:</td>
<td>401,267 tonnes of CPO/PKO derivatives uptake. 100 per cent is certified.</td>
<td></td>
<td></td>
<td></td>
<td>Cargill’s commitment to sourcing and producing SPO is based on NDPE. 95 per cent of their PO comes from third parties. Therefore, traceability and transparency are central to their sustainability policy, which applies to all palm oil products Cargill produces, trades, and processes.</td>
</tr>
</tbody>
</table>

### Reckitt

<table>
<thead>
<tr>
<th>Membership(s):</th>
<th>RSPO, I-SPOC</th>
<th>WWF POBS Score:</th>
<th>11.45/24</th>
<th>Highlights:</th>
<th>88 per cent traceability till mill in 2018. Has an established smallholder engagement programme.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACOP 2020:</td>
<td>190,669 tonnes of CPO/PKO derivatives uptake. 15.30 per cent is certified.</td>
<td></td>
<td></td>
<td></td>
<td>Reckitt is working to achieve NDPE in its supply chain and has partnered with Earthworm to map its value chain and understand risks. They publish a full list of mills and use satellite monitoring to map mills against HCV/HCS areas.</td>
</tr>
</tbody>
</table>
Godrej

Memberships: RSPO, I-SPOC

WWF POBS Score: 9.92/24

Highlights: Palm oil policy covers 100 per cent of palm oil in their supply chain and strong NDPE commitment.

ACOP 2020: 52,564 tonnes of CPO/PKO and derivatives uptake. 21.29 per cent is certified.

Galaxy Surfactants

Memberships: RSPO, ISPOC

Disclosures: CDP, use TCFD recommendations

Highlights: 194x increase in sale of finished goods with certified PO (MB) and 78x growth in purchase of RSPO (MB) certified raw material.

ACOP 2020: 68,659 tonnes of CPO/PKO derivatives uptake. 35 per cent is certified.

Disclaimer: The data for the case studies has been taken from secondary sources.

As the largest importer and second-largest consumer of palm oil globally, if the Indian palm oil industry transitions to more sustainable practices, it could have a substantial impact on the sustainability issues associated with palm oil production. While most of the palm oil in India is used as household cooking oil, even if only 30 per cent of consumer goods companies commit to sourcing CSPO to begin with, it will incentivise traders and refiners further up the supply chain to transition to CSPO as well. If larger companies also support smaller stakeholders in their value chain in following sustainable practices, it will make their operations more resilient and help bring about a transformation in the overall industry. Governments also play a key role in controlling deforestation and the use of land through binding legislation, strong policies, economic and technical incentives, cross-country collaboration, and international cooperation, to create enabling conditions for private sector action. This promotes shared responsibility among stakeholders.

The increased flow of ESG funds into India combined with the increasing demand for CSPO in export markets such as the EU and North America are an incentive to source and produce CSPO. Investors pushing for sustainability standards and consumers increasing their demand for sustainably-sourced products can encourage companies to implement sustainable sourcing policies and obtain certification. Overall, palm oil itself is an incredibly efficient and relatively cost-effective oil crop, and replacing the existing demand for palm oil with another crop is not viable. Among the many benefits associated with certification, the transparency and traceability required by some certification bodies can increase operational efficiency, and better working conditions and wages can improve the well-being and productivity of workers. In the interest of climate change and the risks it poses to existing supply chains and the cultivation of oil palm itself, it is important that companies work on implementing environmentally and socially responsible practices to ensure their business sustainability, avoid being seen as irresponsible by consumers, and circumvent the risks of losing market access in the long run.
This guide has been developed in line with the AFi framework, to support the three major stakeholder groups in the Indian palm oil supply chain.

It will not only guide these stakeholder groups in their sustainable palm oil journeys, but it will also help other players in the supply chain get involved in this initiative as well. For example, a consumer goods company at the end of the supply chain sourcing sustainable palm oil would need to ensure its suppliers from plantation onwards follow their sustainability policy.

This guide provides broad actions that need to be taken for sustainable procurement, and it touches upon several areas where a collaborative approach is needed between all supply chain partners.

This guide is divided into four sets of action points. One, establish a baseline, which includes understanding where palm oil is in your company’s supply chain and any sustainability issues present. Two, help set new and strengthen existing goals with a clear scope and target. Three, implement commitments by establishing a clear policy on sustainability. Four, monitor activities and verify them as essential, as well as manage compliance and non-compliance. All of which are required to produce and source sustainable palm oil, and are detailed in the following pages:

01 Establish a baseline

In a company’s supply chain, palm oil can exist in various forms, from liquid crude, to refined fractions, and solid derivatives. Given the wide range of palm oil derivatives present, carrying out a baseline exercise to understand your palm oil footprint and supply chain is important. The idea is to map the supply chain and develop a repository of surrounding palm oil usage in the company.

There are two approaches to palm oil procurement:

<table>
<thead>
<tr>
<th>Long-term approach</th>
<th>Short-term/ad-hoc approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies enter into long-term or medium-term agreements with established suppliers to procure palm oil over the decided period at fixed prices.</td>
<td>Palm oil procurement is price-dependent, and companies engage with different traders or suppliers offering the best price at the time of procurement.</td>
</tr>
</tbody>
</table>

Sample illustration templates for data collection for companies utilising the long-term procurement approach can be found in Annexure 6. A self-assessment questionnaire is provided in Annexure 6 as well, to help companies understand where they stand in their sustainable palm oil journey.
02 Set and strengthen commitments

After a baseline is established, it is important to set targets and commitments for sustainable palm oil and responsible sourcing. Ideally, these would be long-term and extend throughout the entire supply chain. However, easily achievable short-term targets (such as establishing a traceability mechanism) and periodically reviewing progress made against these targets is a substantial step in this process. Some common environmental and social commitments applicable to SPO are:

**Environmental**

- Commit to eliminating deforestation and conversion of non-forested natural ecosystems like wetlands and peatlands from the company’s supply chain.
- Commit to undertaking measures to support and protect forests and natural ecosystems.
- Commit to sourcing certified sustainable palm oil.
- Commit to establishing a traceability mechanism.

**Social**

- Commit to respecting internationally recognised human rights and labour rights, and the rights of indigenous people and local communities.
- Commit to conducting business in keeping with the Universal Declaration of Human rights and ILO Fundamental Conventions.
- Commit to including and supporting palm oil smallholders.

The above assurances can be communicated in the form of an NDPE (no deforestation, peat, and exploitation) commitment. While setting commitments, it is important to:

- Define the scope for application of the commitments clearly specifying the products, operations and financial transactions included in and excluded from the scope.
- Publicly specify the time-bound and geographically specific targets, and establish associated indicators and metrics.
- Utilise common definitions and terminologies while describing your commitments. Refer to the Accountability Framework Initiative’s ‘Definitions’ document.

**Garner support from senior leadership**

The goal towards achieving sustainability requires dedicated efforts and a well-defined strategy for which the top management should be held accountable. The organisation/s should establish strong and supportive senior leadership (CEO level or board level) to:

- Back-up the sustainability commitments that have been made.
- Push for effective implementation of policies, processes, and standard operating procedures around sustainable palm commitments.
- Communicate commitments and requirements to the wider set of internal stakeholders in the organisation, suppliers, and the public.

**Define targets**

**Target examples**

- No deforestation and conversion in supply chain by year xxx.
- Fair wages/no exploitation in entire supply chain by year xxx.
- X per cent sourcing of certified palm oil by year xxx.
- X per cent traceability in supply chain till plantation/MILL/tier-1 supplier by year xxx.
- X per cent of compliant suppliers by year xxx.

Once broad commitments have been adopted, more specific, time-bound targets can be set. Targets can also be broken down into intermediary milestones. Targets can start from the traceability mechanism’s coverage and extend to quantitative targets on the percentage of traceability in the supply chain, percentage of deforestation, conversion, exploitation free or certified palm oil to be used in the overall product mix, and move towards 100 per cent NDPE procurement. With sustainable options such as RSPO, IP and SG available, however, companies can begin by sourcing MB or B&C and move towards IP/SG. Targets can also be set based on the level of commitment and willingness from senior leadership. An internal cost-benefit analysis can be useful to establish targets and see what changes need to be made to achieve them.

In Annexure 2, there is a database of companies’ targets and policies on sustainable palm oil and a sample sustainable sourcing policy.

From a stakeholder consultation with Galaxy Surfactants, their palm oil journey and commitments can be seen on the following page.

The manager responsible and accountable for leading Galaxy Surfactants Limited’s RSPO and Oil Palm traceability journey till date highlighted some parts of the journey as well as some of the challenges Galaxy Surfactants Limited faced. Being an early adopter of RSPO was a significant task, there was very little knowledge available at that time. The RSPO manager stated that their approach was to learn along.
Galaxy Surfactants Ltd. is one of India’s leading manufacturers of surfactants and other specialty ingredients. Galaxy Surfactants Ltd.’s products find application in a host of consumer-centric personal care and home care products. They have made significant progress toward sustainability through the RSPO and the traceability of palm oil and its derivatives. This was primarily driven by business sustainability and addressing the needs of relevant business stakeholders.

**Key milestones on Galaxy Surfactant’s RSPO journey:**

- **RSPO member in 2012 - Ordinary membership**
- **Galaxy all India locations certification Tarapur, Jhagadia**
- **Galaxy addition of G-99 for certification**
- **Galaxy trademark logo permission**
- **Galaxy becoming an I-SPOC member in 2019**

**Achievements:**

- In 2020, their fifth traceability cycle was completed, and they achieved more than 90 per cent traceability till the mill level.
- Galaxy Surfactants witnessed an increase in the sale of RSPO MB certified finished goods by 194 times.
- There was a 78 times increase in the growth of RSPO MB certified raw materials purchased.
- Galaxy Surfactants saved an additional 8,216 ha of land usage by adopting RSPO MB certified material usage.
- They saved 64,926 metric tonnes of additional CO₂ emissions.
- Globally, all relevant Galaxy sites are RSPO certified.
the way. In addition, it was a challenge for them to bring relevant stakeholders from across their oil palm supply chain under one system Galaxy formed an internal team to plan and execute their sustainable palm oil initiatives. Galaxy accordingly allocated dedicated resources required for their execution.

Employees across the organisation were trained on RSPO P&C as well. They faced significant challenges in oil palm traceability. However, as a result of full commitment from top management, suppliers, and collaboration with customers they were successful in their initiatives.

03 Implementation of commitments

Developing a sustainable sourcing policy

In order to implement sustainable practices, establishing and adopting an effective sustainable palm oil sourcing policy is important. A formal, organisation-wide policy helps strengthen commitments and serves as a pillar to bring together different departments within your organisation to work towards the goals together. A Sustainable Palm Oil Policy must be a clear and concise document reflecting the company’s commitments, targets, scope, and actions to attain sustainable palm operations. It is common practice to publish the policy on the company’s website to communicate the message clearly to internal and external stakeholders.

Undertaking supply chain mapping and traceability

A strategic supply chain mapping and traceability exercise can be conducted either internally with available resources and a dedicated and qualified in-house team, multistakeholder coalitions such as I-SPOC can support with guidance and strategic advice on conducting such assessments. Define tools, processes, and templates to map the supply chain (for example, certifications, commercial supply chain mapping services, blockchain, etc.).

• Start with direct suppliers/derivatives manufacturers and subsequently map second- and third-tier suppliers to understand your company’s supplier network and then conduct plantation level mapping.

• Collect supplier information through surveys asking for:
  o Supplier location
  o Workforce characteristics
  o Certifications held
  o Dates and results from audits
  o Supplier’s sourcing locations
  o Sustainability attributes
  o Certification status
  o Other

• Communicate your targets with your suppliers and clarify your intent behind seeking information on their sub-suppliers and plantations.

For refiners and derivatives manufacturers, understanding the requirements of buyers is important. In the case of multiple buyers and/or their own commitments, they can follow the following steps as part of the mapping:

• Maintain a repository of all sub-suppliers till the plantation with information on location, supplier size, production capacity, and certification status.

• Map customer base/companies to differentiate offerings based on their sustainability requirements/commitments.

• Adopt a collaborative approach with suppliers to ensure that they can provide further data that customers may require, as part of their mapping/traceability process.

Traceability can be achieved through:

• Tracing PO/derivatives to the production/processing units of origin.

• Tracing them back to an immediate supplier who traces them to the units of origin and can provide evidence.

• Utilising credible assurance systems (such as RSPO) that can link raw material suppliers with production units and have specific compliance and performance attributes.

Establishing a supplier management system

It is important to have a supplier management system with operational policies, procedures, expectations, and an engagement strategy. The goal is to align sourcing strategies with supply chain commitments and address non-compliance. Your supplier management system should include:

• Ethical and sustainable supplier policies (compliant with local laws). These should specify the requirements, parameters, and considerations on which purchasing terms with current/prospective suppliers will be based.

• Strategies/procedures to ensure compliance by all tiers of suppliers and a requirement for suppliers to report on adherence/progress towards your policies.

• Procedures to address non-compliance.
• A mechanism to ensure that when suppliers take action to expand their operations, the new activities do not proceed without effective due diligence, planning, and stakeholder consultations so the expanded operations comply with set policies.

• A grievance mechanism to lodge complaints and address grievances with suppliers’ operations.

• Risk assessments to characterise the new suppliers. Use their websites, sustainability reports, and tools such as ZSL’s Sustainability Policy Transparency Toolkit (SPOTT) and WWF’s Palm Oil Buyers Scorecard (POBS), which assess suppliers and buyers of palm oil on their practices and can help make informed decisions while initiating new suppliers.

• Activities to build and strengthen supplier capacity, smallholders, in particular, to support them in effectively implementing commitments such as:
  o Training
  o Peer exchange
  o Financial support
  o Technical assistance

• A system to monitor and verify supplier performance. The contracts with suppliers should help ensure this and that your company has the right to verify compliance for assurance purposes. This includes having access to data sources and other information to determine compliance.

This can be identified through:

• Risk assessments

• Supplier performance measurement system

• Grievance mechanisms

• Secondary literature (articles, research studies, etc.)

First, assess the severity of non-compliance, which is based on the intensity and scale. Less intense would be inadequate M&V, moderately intense would consist of labour rights violation, and highly intense non-compliances would include forced labour, violence, or deforestation. The scale of severity relates to the size of the area and the number of people affected, and the irreversibility of impact. Persistence of non-compliance should be looked into here. Then an assessment of the degree to which the supplier addresses the non-compliance, and what efforts have they already made.

Assess the supplier’s track record and their current commitments, practices, and capabilities relative to your requirements. This can indicate the likelihood of the supplier remedying the non-compliance.

Respond to the non-compliance by:

• Engaging: work with the supplier to resolve non-compliance.

• Retaining: continue purchasing products from the supplier while engaging with them to resolve the non-compliance.

• Suspend: temporarily pause purchasing from the supplier but continue engaging to resolve non-compliance.

• Exclude: end the purchasing relationship.

This can be selected based on the suppliers that your company has the greatest leverage/influence on and the suppliers that showcase the maximum potential for change.

If you decide to engage with non-compliant suppliers: document and share efforts undertaken by the suppliers to become compliant as part of the supplier engagement plan

• Supplier implementation plans:
  o Description of non-compliance
  o Analysis of the impact of non-compliance
  o Roles and responsibilities within supplier organisations and/or through contractors or upstream suppliers for implementing corrective action
  o Time-bound targets and milestones for corrective action
  o Means for monitoring, verifying, and reporting on improvements

• Company’s supplier engagement plans with:
  o Clear definitions and parameters for defining non-compliance
  o Time-bound actions that the company will take to support, incentivise, oversee, monitor, and engage the supplier to address non-compliance
  o Courses of action followed in case of cancellation of contacts
  o Criteria describing when the suspension may be lifted

04 Monitoring, reporting, and verification system

It is important to regularly monitor compliance and progress made by establishing a robust monitoring and verification (M&V) system. This should be based on technically sound approaches to measure progress and compliance. All M&V
activities must be well documented and conducted by competent and dedicated personnel (internal or third party). Undertaking third-party verification to provide independent assurance of claims can boost your credibility. Utilise the results from your M&V to help in decision-making and continuous improvement. M&V metrics include:

- percentage of deforestation-free/certified palm oil
- percentage of certified facilities
- percentage of traceability
- number of supplier programmes to help suppliers comply
- number of suppliers with comprehensive policies and procedures
- number of grievances recorded by the company and its suppliers
- number of non-compliance from suppliers

**Reporting, disclosure, and claims**

Reporting on the progress achieved in commitments and targets for sustainable palm oil sourcing is an equally important part of the process. For consumer-facing companies, it is an important tool to build a public reputation and communicate with consumers transparently. However, even for refiners and derivative manufacturers, it is important from a business sustainability perspective to disclose and communicate their progress to buyers who have public commitments or targets on sustainability. A few points to consider while managing disclosures include:

**What is being reported?**

- Public reporting must include the following components:
  - Company exposure to environmental and social risks
  - Commitments, scope of commitments, and targets
  - Management systems and activities related to the implementation of commitments like certifications
  - Degree of traceability
  - Progress and outcome of implementation activities towards commitments
  - Metrics of progress relative to public commitments
- If any quantitative claims are made in the disclosures or reports, it is a good practice to make third-party verification reports publicly available.
- While putting out claims on traceability and transparency, it is important to publicly disclose material on supplier information, supply origins, nature and status of non-compliances and grievances.
- Information on company exposure to environmental and social risks (sourcing, purchasing) should also be disclosed in these reports to demonstrate self-awareness.

**Mode of reporting**

- Public disclosures can be made in the form of reports, news announcements, or content on the website. Some reporting frameworks and standards include RSPO ACOP disclosures, CDP forest, United Nations Guiding Principles Reporting Framework (UNGP RF), and Global Reporting Initiative (GRI).
- Reports must be freely available in formats and languages accessible to stakeholders.

**Frequency of reporting**

- Public disclosures on commitments, progress, and actions must be undertaken at least once a year.

**Additional actions**

In addition to establishing sustainability policies across your supply chain, there are additional activities that your company can undertake. The first step can be to become a member of multi-stakeholder industry platforms such as the I-SPOC, which is an overarching portal to help companies move towards sustainability. In India, the I-SPOC (detailed in section 4) is a coalition whose members also help in promoting sustainable consumption and trade of palm oil and its derivatives across the supply chain. Becoming a member of such coalitions can increase engagement with other companies with similar commitments and create an opportunity to learn more about how to make supply chains more sustainable and resilient. It is also important that your company encourages other companies and their suppliers to become members of organisations and coalitions such as RSPO and I-SPOC.

In India, there needs to be a wider discourse on sustainable palm oil and increased awareness about it. To foster this, companies need to work on encouraging discussions and broadening the dialogue to address the possibilities and challenges associated with integrating sustainable palm oil into supply chains. A big part of this is increasing consumer awareness of the issues associated with conventional palm oil as well, and this increased awareness can lead to increased demand for sustainable palm oil. This is where certification labels, such as the RSPO logo on a product and the WWF Palm Oil Buyers Scorecard, for example, can enable consumers to make better choices.

In conclusion, incorporating a set of interventions to make a supply chain more sustainable is one aspect. There are a plethora of issues associated with conventional palm oil at every stage of the supply chain, and it is vital that companies keep strengthening their commitments and efforts to address as many of these issues as they can. A sustainable palm oil industry can be achieved only when
all stakeholders come together to bring about a transition in the modus operandi. Although it is a distant goal as yet, more and more companies have started recognising the opportunities in this area and have started establishing sustainable sourcing policies, commitments, and targets. Some companies have even initiated public disclosures on the progress made against these commitments, which not only builds a culture of transparency but also creates peer pressure within the industry to catalyse similar initiatives. Increased availability of sustainable palm oil can also lower the collective costs associated with it, which can subsequently increase consumer demand for it, thus positively reinforcing the sustainable palm oil supply chain.
## ANNEXURE 1: COMPANY TARGETS AND INITIATIVES ON SUSTAINABLE PALM OIL

Table 2: Description of company targets and initiatives on sustainable palm oil

<table>
<thead>
<tr>
<th>Company name</th>
<th>RSPO member</th>
<th>Since</th>
<th>NDPE Commitment</th>
<th>Target year for 100% RSPO certified estates and mills</th>
<th>Target year for 100% RSPO certification of all palm processing facilities</th>
<th>From ACOP 2020: Proportion of sustainable palm oil uptake % of sustainable palm oil in India</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMCG - Food and beverages</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hindustan Unilever (Unilever)</td>
<td>Yes</td>
<td>2004</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
<td>99.56%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9%</td>
</tr>
<tr>
<td>Pepsico</td>
<td>Yes</td>
<td>2009</td>
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<td>NA</td>
<td>100.00%</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.00%</td>
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<td>2005</td>
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<td>NA</td>
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</tr>
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<td></td>
<td></td>
<td></td>
<td>2.00%</td>
</tr>
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<td>Mars</td>
<td>Yes</td>
<td>2010</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
<td>100.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.00%</td>
</tr>
<tr>
<td>Target for 100% RSPO certified palm oil in own brand products</td>
<td>Target for 100% RSPO certification of all palm processing facilities</td>
<td>From ACOP 2020: Proportion of sustainable palm oil uptake in India</td>
<td>% of sustainable palm oil in India</td>
<td>Sustainability initiatives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------------</td>
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<td>-------------------------------------------------------------</td>
<td>----------------------------------</td>
<td>----------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019 (missed target), new commitment for 2023</td>
<td>NA</td>
<td>99.56%</td>
<td>9%</td>
<td>Their palm oil strategy focuses on helping women and smallholders whilst protecting forests and wildlife. They have implemented technologies to improve transparency and traceability along their supply chain.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>NA</td>
<td>100.00%</td>
<td>0.00%</td>
<td>Their company policy emphasises NDPE commitments. They are also committed to action, transparency, and engagement. Their company plans to achieve 100 per cent NDPE by 2022, and by the end of 2021, all suppliers are required to manage, monitor, and report on NDPE commitments.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015 (achieved)</td>
<td>NA</td>
<td>100.00%</td>
<td>2.00%</td>
<td>From 2015 onwards, they have been using 100 per cent RSPO CSPO. They also have 100 per cent segregated CSPO in their supply chain, which improves traceability. The not-for profit Ferrero palm oil charter is working on further improving these issues.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015 (achieved in 2013)</td>
<td>NA</td>
<td>100.00%</td>
<td>0.00%</td>
<td>They have reduced the number of mills in their supply chain from 1500 to 100 by 2021 and aim to halve this by 2022 as they shift from mass balance to segregated supply chains. Their ‘Palm Positive Plan’ further addresses deforestation and human rights and aims to deliver 100 per cent deforestation-free PO by the end of 2020. The company has achieved 98 per cent traceability to mill level. The company achieved their target of sourcing 100 per cent RSPO certified PO in 2013 (MB).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company name</td>
<td>RSPO member</td>
<td>Since</td>
<td>NDPE Commitment</td>
<td>Target year for 100% RSPO certified estates and mills</td>
<td>Target year for 100% RSPO certified palm oil sourcing and palm oil products</td>
<td></td>
</tr>
<tr>
<td>------------------------------</td>
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<td>------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Danone</td>
<td>Yes</td>
<td>2010</td>
<td>Yes</td>
<td>NA</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>McDonald’s</td>
<td>Yes</td>
<td>2012</td>
<td>Yes</td>
<td>NA</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>Domino’s Pizza</td>
<td>Yes</td>
<td>2015</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>Yum Brands Inc/ Pizza Hut</td>
<td>Yes</td>
<td>2017</td>
<td>Yes</td>
<td>NA</td>
<td>2030</td>
<td></td>
</tr>
<tr>
<td>Mondelez</td>
<td>Yes</td>
<td>2011</td>
<td>Yes</td>
<td>2020</td>
<td>2025</td>
<td></td>
</tr>
<tr>
<td><strong>FMCG - Non-edibles</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colgate Palmolive</td>
<td>Yes</td>
<td>2007</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>Procter and Gamble</td>
<td>Yes</td>
<td>2010</td>
<td>Yes</td>
<td>NA</td>
<td>2025</td>
<td></td>
</tr>
<tr>
<td>Godrej</td>
<td>Yes</td>
<td>2006</td>
<td>Yes</td>
<td>2027</td>
<td>2025</td>
<td></td>
</tr>
<tr>
<td>Company Name</td>
<td>RSPO Member Since</td>
<td>NDPE Commitment</td>
<td>Target Year for 100% RSPO Certified Estates and Mills</td>
<td>Target Year for 100% RSPO Certified Palm Oil Sourcing and Palm Oil Products</td>
<td>Percentage of Sustainable Palm Oil Uptake in India</td>
<td>Sustainability Initiatives</td>
</tr>
<tr>
<td>--------------</td>
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<td>-------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Danone</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
<td>98.54%</td>
</tr>
<tr>
<td>McDonald's</td>
<td>Yes</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
<td>79.42%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Domino's Pizza</td>
<td>Yes</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
<td>100.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Yum Brands Inc/Pizza Hut</td>
<td>Yes</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
<td>100.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Mondelez</td>
<td>Yes</td>
<td>Yes</td>
<td>2020</td>
<td>2025</td>
<td>100.00%</td>
<td>6.00%</td>
</tr>
<tr>
<td>FMCG - Non-edibles</td>
<td></td>
<td></td>
<td>2014</td>
<td>2025</td>
<td>61.95%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Colgate Palmolive</td>
<td>Yes</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
<td>7.98%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Procter and Gamble</td>
<td>Yes</td>
<td>Yes</td>
<td>2010</td>
<td>2025</td>
<td>11.24%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Godrej</td>
<td>Yes</td>
<td>Yes</td>
<td>NA</td>
<td>2024</td>
<td>11.24%</td>
<td>4.00%</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Target for 100% RSPO Certified Palm Oil in Own Brand Products</th>
<th>Target for 100% RSPO Certification of All Palm Processing Facilities</th>
<th>From ACOP 2020: Proportion of Sustainable Palm Oil Uptake</th>
<th>% of Sustainable Palm Oil in India</th>
<th>Sustainability Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2021</td>
<td>98.54%</td>
<td>0.00%</td>
<td>They are committed to eliminating deforestation and sourcing 100 per cent segregated palm oil by 2020. They have disclosed all their suppliers and are working on projects to improve livelihoods as well.</td>
</tr>
<tr>
<td>NA</td>
<td>NA</td>
<td>79.42%</td>
<td>10.00%</td>
<td>They aim to eliminate deforestation from global supply chains by 2030. They are also working on protecting HCV forests. 100 per cent of their palm oil is sourced from deforestation-free supply chains.</td>
</tr>
<tr>
<td>2015</td>
<td>NA</td>
<td>100.00%</td>
<td>0.00%</td>
<td>They are committed to no development on HCV or HCS forests. They are working towards traceability through the supply chain and following human rights laws.</td>
</tr>
<tr>
<td>2030</td>
<td>NA</td>
<td>100.00%</td>
<td>0.00%</td>
<td>They have NDPE commitments as well as work towards the protection of land rights, ensuring no forced labour, no child labour, or gender-based discrimination. They expect their suppliers across the supply chain to adhere to this also.</td>
</tr>
<tr>
<td>2014</td>
<td>2025</td>
<td>100.00%</td>
<td>6.00%</td>
<td>By 2020, they aim to source CPO and CPKO and derivatives from ‘sustainably and responsibly produced’ sources that can be traced from plantation to product.</td>
</tr>
<tr>
<td>2020</td>
<td>NA</td>
<td>61.95%</td>
<td>2.00%</td>
<td>They have a sustainable network of supplier mills and have ensured there is no deforestation on their supplier plantations. They support RSPO standards, and 40 per cent of their palm oil is sourced by smallholder farmers. The company has 98 per cent traceability to mills.</td>
</tr>
<tr>
<td>2021 end</td>
<td>2016</td>
<td>7.98%</td>
<td>0.00%</td>
<td>They aim to achieve 100 per cent transparency up to mills and refineries by 2025. They are committed to NDPE and protecting HCV and HCS forest areas as well. As of 2020, there has been only 11.2 per cent of MB supplies.</td>
</tr>
<tr>
<td>NA</td>
<td>2024</td>
<td>11.24%</td>
<td>4.00%</td>
<td>They aim to achieve 100 per cent transparency up to mills and refineries by 2025. They are committed to NDPE and protecting HCV and HCS forest areas as well. As of 2020, there has been only 11.2 per cent of MB supplies.</td>
</tr>
<tr>
<td>Company name</td>
<td>RSPO member</td>
<td>Since</td>
<td>NDPE Commitment</td>
<td>Target year for 100% RSPO certified estates and mills</td>
</tr>
<tr>
<td>------------------------------</td>
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<td>-------</td>
<td>-----------------</td>
<td>-------------------------------------------------------</td>
</tr>
<tr>
<td>L’Oreal Paris</td>
<td>Yes</td>
<td>2007</td>
<td>Yes</td>
<td>NA</td>
</tr>
<tr>
<td>Reckitt Benckiser</td>
<td>Yes</td>
<td>2006</td>
<td>Yes</td>
<td>NA</td>
</tr>
<tr>
<td>The Body Shop</td>
<td>Yes</td>
<td>2010</td>
<td>Yes</td>
<td>NA</td>
</tr>
</tbody>
</table>

**Refiners/traders**

<table>
<thead>
<tr>
<th>Company name</th>
<th>RSPO member</th>
<th>Since</th>
<th>NDPE Commitment</th>
<th>Target year for 100% RSPO certified palm oil sourcing and palm oil products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cargill</td>
<td>Yes</td>
<td>2004</td>
<td>Yes</td>
<td>2022</td>
</tr>
<tr>
<td>Golden Agri Resources and Gemini Edibles (global GAR group commitments)</td>
<td>Yes</td>
<td>2005</td>
<td>Yes</td>
<td>2020 (missed)</td>
</tr>
<tr>
<td>Emami Agrotech</td>
<td>Yes</td>
<td>2012</td>
<td>No</td>
<td>2030</td>
</tr>
<tr>
<td>Company Name</td>
<td>RSPO Member Since</td>
<td>Commitment</td>
<td>Target for 100% RSPO certified palm oil in own brand products</td>
<td>Target for 100% RSPO certification of all palm processing facilities</td>
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<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>L’Oreal Paris</td>
<td>Yes 2007</td>
<td>Yes 2012</td>
<td>NA</td>
<td>100.00%</td>
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<tr>
<td>Reckitt Benckiser</td>
<td>Yes 2006</td>
<td>Yes 2025</td>
<td>NA</td>
<td>1.31%</td>
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<td>The Body Shop</td>
<td>Yes 2010</td>
<td>Yes 2020</td>
<td>NA</td>
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<td>Cargill</td>
<td>Yes 2004</td>
<td>2022 2030</td>
<td>NA</td>
<td>2030</td>
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<tr>
<td>Golden Agri Resources and Gemini Edibles (global GAR group commitments)</td>
<td>Yes 2005</td>
<td>2020</td>
<td>NA</td>
<td>2017</td>
</tr>
<tr>
<td>Emami Agrotech</td>
<td>Yes 2012</td>
<td>No</td>
<td>2030</td>
<td>2030</td>
</tr>
<tr>
<td>Company name</td>
<td>RSPO member</td>
<td>Since</td>
<td>NDPE Commitment</td>
<td>Target year for 100% RSPO certified estates and mills</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>-------------</td>
<td>-------</td>
<td>-----------------</td>
<td>-------------------------------------------------------</td>
</tr>
<tr>
<td>South India Krishna Oils and Fats Pvt Ltd</td>
<td>Yes</td>
<td>2004</td>
<td>Yes</td>
<td>NA</td>
</tr>
<tr>
<td>Adani Wilmar</td>
<td>Yes</td>
<td>2010</td>
<td>Yes</td>
<td>2025</td>
</tr>
<tr>
<td>VVF</td>
<td>Yes</td>
<td>2008</td>
<td>Yes</td>
<td>NA</td>
</tr>
<tr>
<td>3F Industries</td>
<td>Yes</td>
<td>2014</td>
<td>Yes</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Derivative manufacturers</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Galaxy Surfactants</td>
<td>Yes</td>
<td>2012</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Aarti Surfactants</td>
<td>Yes</td>
<td>2013</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Fine Organic Industries Limited</td>
<td>Yes</td>
<td>2012</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Manorama Industries</td>
<td>Yes</td>
<td>2019</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Company Name</td>
<td>RSPO Member</td>
<td>NDPE</td>
<td>2020: Proportion of sustainable palm oil uptake</td>
<td>% of sustainable palm oil in India</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-------------</td>
<td>------</td>
<td>------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>South India Krishna Oils and Fats Pvt Ltd</td>
<td>Yes</td>
<td>2004</td>
<td>6.95%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Adani Wilmar</td>
<td>Yes</td>
<td>2010</td>
<td>2.27%</td>
<td>100.00%</td>
</tr>
<tr>
<td>VVF</td>
<td>Yes</td>
<td>2008</td>
<td>21.14%</td>
<td>79.00%</td>
</tr>
<tr>
<td>3F Industries</td>
<td>Yes</td>
<td>2014</td>
<td>0.00%</td>
<td>NA</td>
</tr>
<tr>
<td>Galaxy Surfactants</td>
<td>No</td>
<td>NA</td>
<td>39.95%</td>
<td>63.00%</td>
</tr>
<tr>
<td>Aarti Surfactants</td>
<td>Yes</td>
<td>NA</td>
<td>41.12%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Fine Organic Industries Limited</td>
<td>Yes</td>
<td>NA</td>
<td>0.79%</td>
<td>60.00%</td>
</tr>
<tr>
<td>Manorama Industries</td>
<td>Yes</td>
<td>NA</td>
<td>100.00%</td>
<td>99.00%</td>
</tr>
</tbody>
</table>
ANNEXURE 2: EXAMPLES OF SUSTAINABLE SOURCING POLICIES

A sustainable sourcing policy on palm oil should typically comprise the following: the company’s vision statement on sustainability considerations in its palm oil supply chain, a message from senior leadership on the subject, key targets or commitments around sustainable sourcing (such as NDPE commitments, level of traceability, sustainability considerations in purchase strategy, or share of sustainable and certified palm oil in the product mix), an overview of memberships of organisations working on sustainable palm oil, and a mention of the key monitoring and reporting mechanisms adopted for the same. Some examples of sustainable palm oil sourcing policies from large companies have been given below:

AAK were founding members of the RSPO in 2003. They are also primary members of the I-SPOC in India. There are three key elements to their SPO policy. Link to policy: http://www.aakkamani.com/sustainability/rspo.aspx

1. Understanding their supply base

This is important in achieving 100 per cent traceability. They map plantations where there is a risk of deforestation and are developing a KPI with Proforest to understand the percentage of deforestation-free volumes.

2. Engaging with suppliers

With Proforest, they are developing supplier score cards for suppliers to understand where they stand with regard to AAK’s standards. They have also built an online mill engagement platform with Proforest.

3. Driving further impact beyond their supply base

In Sabah, Malaysia, AAK is supporting the jurisdictional certification approach to help smallholders hold rights to their land. In Mexico, they are helping three palm oil social enterprise cooperatives in obtaining RSPO certification.

Deeply understanding out supply base

<table>
<thead>
<tr>
<th>Traceability to mill 2020</th>
<th>Ambition 2025: 100%</th>
<th>Traceability to plantation improved by 27% to 70% compared to 2019</th>
<th>+27%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

Verified deforestation-free improved by 92% to 50% in 2020

RSPO certified volume improved by 23% to 38% in 2020

Engaging with suppliers and farmers

- Code of conduct signed 2020: 100%
- Palm oil policy or equivalent to palm oil policy signed 2020: 100%
PepsiCo

PepsiCo is committed to promote sustainable production of palm oil and use their role to achieve this. Their global policy includes NDPE commitments and applies to their entire supply chain. [Link to global sourcing policy.]

Nestle

Nestle’s Responsible Sourcing Standard aims to protect peatlands and HCS forests. Alongside this, their policy has specific requirements for suppliers to adhere to, including RSPO compliance. [Link to global sourcing policy.]

Ferrero

After achieving 100 per cent RSPO SG palm oil in their supply chain in 2015, their Palm Oil Charter works to address challenges and engage with suppliers to go beyond high certification standards. [Link to Palm Oil Charter information and pillars.]

Godrej

Their sustainable palm oil policy distinguishes the principles they stand by and lays out their action plan. The aim of their policy is to benefit their growers through sustainable production and extraction of palm oil. [Link to sustainable palm oil policy.]

L’Oreal

The focus of their policy is on the PKO derivatives they source since those form the bulk of the palm oil they use. Traceability, smallholder support, and transformational purchasing policies form the core of their policy. [Link to Sustainable Sourcing Approach.]

Procter and Gamble

P&G have a ‘forest positive’ sourcing policy. The aim of this is to protect forests and natural ecosystems, and this applies to their entire supply chain, including third parties. [Link to Forest Positive sourcing policy.]

Danone

Danone’s policy looks at innovation for deforestation-free palm oil. Building on prior policies, their policy works to make risk assessments and progress transparent. [Link to palm oil policy.]

Mondelez

Their Palm Oil Action Plan focuses on the long-term environmental and social impacts from palm oil production. There are governance and grievance mechanisms as well to monitor supplier compliance. [Link to palm oil action plan 2020 update. Original plan link.]

Colgate-Palmolive

Their palm oil policy is centred around no deforestation, which applies to other forest commodities as well. Alongside NDPE, there is also a focus on smallholders, implementing policies and compliance. [Link to policy on responsible and sustainable sourcing of palm oil.]

Adani Wilmar

Their sustainability policy is based on responsible sourcing, operations, and business. It covers traceability, certification, EHS, as well as consumer involvement. [Link to sustainability policy.]

By 2023, Unilever’s ambition is to have a deforestation-free supply chain for palm oil, paper, tea, soy, and cocoa. [Link to sustainability policy.]

3 main components of the policy:

- Halt deforestation
- Protect peatlands
- Drive positive social and economic impact

Unilever follows a 4-step approach that stems from these 3 components:

1. Trace palm oil back to an identified ‘universe’ of mills
2. Conduct a risk identification of associated plantation to the mills
3. Accelerate important supply sheds for sustainability
4. Support smallholders


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As a founding member of the RSPO, Cargill has a commitment to a transparent, traceable, and sustainable palm oil supply chain. It emphasises the importance of farms and forests coexisting. [Link to policy](https://www.cargill.com/doc/1432076149492/palm-oil-policy-statement-pdf.pdf)

The elements of their sustainable policy are:

- **Mitigate GHG emissions and air pollution**
  - No burning for new plantations and re-planting.

- **NDPE**
  - Protect HCV, HCS areas and all peatlands.

- **Uphold the rights of workers, indigenous peoples, and local communities**
  - Social impact assessments and the FPIC process need to be implemented prior to its use. Prohibit the use of human trafficking and illegal labour.

- **Smallholder inclusion**
  - Respect their authority and provide support to enable and empower them.

- **Transparency and traceability**
  - Use time-bound implementation plans and achieve third-party verified compliance.

**Hindustan Unilever**

HUL’s sustainable sourcing policy centres on protecting natural ecosystems, respecting human rights, transparency, and traceability, and being a ‘force for good’ for nature and people to influence others. [Link to people and nature policy](https://www.cargill.com/doc/1432076149492/palm-oil-policy-statement-pdf.pdf). This replaced HUL’s sustainable palm oil sourcing policy in 2020.

**A sample sustainable palm oil sourcing policy**

**Overview of a baseline assessment**

Following a baseline assessment, our company uses crude palm oil, palm kernel oil, and palm stearin. These products are found in all the products that we sell to retailers, and annually, we work with 150,550 tonnes of palm oil and associated derivatives. Currently, our palm oil is RSPO MB certified. However, we are working towards sourcing RSPO SG certified palm oil and associated products by 2030. Our company generally uses long-term purchasing contracts with our suppliers. All the oil we source originates in Indonesia and is imported into India after it has been milled. We source derivatives from XX company.

**Our commitments**

- **NDPE**
  - Be traceable till the plantation.
  - Originate from plantations where proper HCV and HCS assessments were conducted.

  - Not originate from any plantations that were converted from peatlands of any depth.

  - Originate from plantations and mills that respect the rights of indigenous people and local communities to provide free, prior, and informed consent to operate on the land that they hold the legal, communal, or customary rights too.

  - Come from and are processed by plantations and companies that do not exploit workers, pay fair wages, and do not engage in any illegal activity.

In addition, we commit to respecting internationally recognised human and labour rights and will conduct business in line with the Universal Declaration of Human Rights and the ILO’s Fundamental Conventions (and only work with suppliers that also conduct business in accordance with the same).

- **Transparency and traceability**

  - Our direct suppliers are based in Maharashtra and Karnataka in India and in Java and Sumatra in Indonesia. We ensure that these suppliers map out their suppliers, which in turn maps out our supply chain. There is currently 90 per cent traceability up to the mill level, and we are working to achieve 100 per cent traceability up to the plantation by 2030.

- **Support smallholder farmers**

  - We strongly believe in supporting smallholder farmers, and therefore currently support 10,000 farmers in Sumatra, Indonesia through our Smallholder Training Programme, where we provide them with the tools and training to get certified and implement sustainable practices in their farms.
Supplier standards, grievance mechanism, and addressing supplier non-compliance

To support our suppliers, we have our Supplier Support Fund, to help spread awareness of the importance of sustainable palm oil and our commitments, and train the suppliers, so they have the capacity to uphold our commitments. As part of our stringent SPO sourcing policy, we are working to map out our suppliers and have conducted risk assessments of the 25 mills (and subsequently plantations), four refiners, and one derivative manufacturer that our company sources from. This will help in evaluating their capability to follow our policy and the likelihood of non-compliance. We have recently partnered with a satellite monitoring agency to map mills in the HCV/HCS forest area to ensure that no deforestation and land conversion takes place in these areas.

We have communicated our requirements to our suppliers and conduct frequent internal audits to verify compliance, and biannually we conduct third-party audits for the same. There is an established grievance mechanism to lodge grievances against our suppliers, and then our grievance and compliance management team will take it forward by conducting site visits to the supplier and evaluating the non-compliance. To address supplier non-compliance, our internal policy is to:

- Assess the severity of supplier non-compliance based on its intensity and scale.
- Assess the degree to which the non-compliance can be addressed/remedied.
- Based on the above assessments and the supplier’s track record, decide whether to continue working with the supplier or not.

Certification and accountability

We are already RSPO members and are working to get out entire supply chain RSPO certified as well. We also aspire to work towards sourcing RSPO segregated palm oil by 2030. Third party audits and verification are a part of RSPO certification and information from this will be publicly disclosed. In addition, our company will disclose to the CDP Forest Disclosure to calculate and manage risks and opportunities related to forests. We are also going to become members of the I-SPOC and incorporate principles from the IPOS framework into our practices.

Our list of suppliers and how we have addressed the non-compliance will be publicly disclosed as well.

Our senior leadership is dedicated to upholding these policies and is actively working to communicate these commitments throughout our supply chain and to other stakeholders.
ANNEXURE 3: DETAILS OF RSPO CERTIFICATION AND PALM OIL SUPPLY CHAIN

RSPO membership

Companies can become members of the RSPO based on their size, placement in the value chain, and level of commitment towards sustainable palm oil. The various types of memberships available and the costs associated with them are provided as follows:

Table 3: Description of RSPO memberships

<table>
<thead>
<tr>
<th>Type of membership</th>
<th>Description and applicability</th>
<th>Cost per year (in Euros)</th>
</tr>
</thead>
</table>
| Ordinary           | Open to organisations part of the following groups handling (purchase, use or trade) more than 500 metric tonnes (MT) of palm oil annually:  
• Oil palm growers  
• Palm Processors and traders  
• Consumer goods manufacturers  
• Retailers  
• Banks and investors  
• Environmental or nature conservation NGOs  
• Social or developmental NGOs  
  The membership is valid for two years at the time of application and can be renewed annually.  
  The members hold the right to vote in meetings of the General Assembly and gain access to all RSPO information. | € 2000 |
| Supply Chain Associate | The membership is open to all entities in the above stakeholder group, handling (purchase, use, or trade) less than 500 metric tonnes of palm products per year. | € 100 |
| Affiliate          | This membership is open to individuals and organisations not directly involved in the seven stakeholder groups described above but who have expressed an interest in the objectives and activities of RSPO.  
  The members can participate in any of the General Assembly meetings. However, they hold no voting rights. They can participate in RSPO activities and may be invited to join in working groups, where appropriate.  
  The membership is valid for 2 years at the time of application and can be renewed annually thereafter. | € 250 |

Supply chain options

RSPO certified palm oil can be traded through four supply chain modes. These vary in the scale of physical segregation and have differential costs associated with them. These modes are further explored below in detail. To better understand the certified supply chains, let’s take a look at the conventional option first. Palm oil in the conventional supply chain does not undergo any certification. Its production is also likely to be associated with unethical environmental and social practices. Palm oil has zero traceability and poses the highest level of corporate risk.
Figure 9: Conventional palm oil supply chain

**Mass balance (MB)**

A mixed model, which allows companies along the supply chain to mix RSPO certified palm oil with conventional palm oil to avoid the costs associated with maintaining two separate supply chains. The model contains partial traceability; however, the supply chain contains a percentage of conventional palm oil.

Source: Sustainable Sourcing Guide for Palm Oil Users, WWF

Figure 10: Mass balance supply chain

**Segregated (SG)**

This model ensures complete separation between RSPO certified palm oil and conventional palm oil throughout the supply chain. It allows for the mixing of RSPO certified palm oil from different sources. The model guarantees full traceability till plantation level.

Source: Sustainable Sourcing Guide for Palm Oil Users, WWF

Figure 11: Segregated palm oil supply chain

**Identity preserved (IP)**

The IP model also ensures complete separation between RSPO certified palm oil and conventional palm oil throughout the supply chain and guarantees full traceability till plantation level. RSPO certified palm oil from each mill and its supply base are kept physically isolated.

Source: Sustainable Sourcing Guide for Palm Oil Users, WWF
**Book and claim (credits)**

This model works on RSPO credits—an RSPO credit represents 1 metric tonne of CSPO/CSPKO. Purchasing a credit supports sustainable production and allows for investment in sustainable palm oil through PalmTrace. Buying credits is a step towards increasing the demand for SPO products in the global market. Downstream companies (such as manufacturers and retailers) can purchase credits through the PalmTrace platform instead of physically purchasing CSPO.

**Costs and price premiums associated with CSPO**

Premium prices vary depending on the type of certified palm oil – balance (MB), segregated (SG), identity preserved, or credits. SG and IP have higher associated costs in comparison to Mass Balance.

For companies using the credits mechanism, a trading fee worth US$ 1.3-1.4 is charged per tonne of palm oil on the RSPO’s PalmTrace platform.
According to industry sources, prices for RSPO certified sustainable palm oil in India before the COVID-19 pandemic are described below:

Table 4: Tentative premium costs associated with RSPO certified sustainable palm oil

<table>
<thead>
<tr>
<th>Type of supply chain for sustainable palm oil</th>
<th>Premium cost in US$ (per tonne)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credits – Mills</td>
<td>$2-5</td>
</tr>
<tr>
<td>Credits – Independent smallholders</td>
<td>$15-20</td>
</tr>
<tr>
<td>Mass balance (MB)</td>
<td>$30-50</td>
</tr>
<tr>
<td>Segregated (SG)</td>
<td>$100-200</td>
</tr>
<tr>
<td>Identity preserved (IP)</td>
<td></td>
</tr>
</tbody>
</table>

More information on RSPO credits can be found [here](#).

The palm oil supply chain in India is broadly divided into three categories:

1) Plantation and milling
2) Refining and processing
3) Trading and downstream production activities

Palm oil supply chain in India

Oil palm is cultivated by smallholders and on large plantations in producing countries and in India. The trees produce fresh fruit bunches (FFB) after three years, which are harvested periodically. The FFBs are transported to a mill to extract oil from the fruit and the kernel or seed to produce crude palm oil (CPO) and crude palm kernel oil (CPKO).

The refined oil and fractions are then transported to derivative manufacturing companies who may sell them as is or process them further into more complex fractions and derivatives used by consumer goods manufacturers. The end products (edible and cosmetic and hygiene products containing palm oil) are then sold by retailers to consumers.

Refined oil in India is also distributed to derivative companies, consumer goods manufacturers, and consumers through a network of local wholesalers and traders acting as middlemen in the process. Some government agencies also act as intermediaries to support the country’s public distribution system.
ANNEXURE 4: DETAILS OF ORGANISATIONS AND INITIATIVES WORKING ON SUSTAINABLE PALM OIL IN INDIA

The below table describes the roles played by some key organisations and initiatives in India that are working towards promoting awareness of sustainable palm oil:

Table 5: Description of initiatives and organisations actively working in India for sustainable palm oil

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Sustainable Palm Oil Coalition for India (I-SPOC)</td>
<td>It is a multistakeholder coalition that works with businesses and other ‘ecosystem players’, such as civil society organisations, industry associations, and financial institutions, to “promote sustainable palm oil production and consumption through collective action on awareness generation, value chain capacity building, good practices and knowledge exchange, and policy recommendations and action”. It was founded in 2018 by WWF-India, the Roundtable on Sustainable Palm Oil (RSPO), the Rainforest Alliance and the CRB. The steering committee consists of the four founding members and four other members from the industry, consisting of two end-users and two supply chain actors. Presently, there are only seven members in the steering committee. As part of the I-SPOC, there are working groups on government policy, supply chain, and end-users. The steering committee members, along with primary and affiliate members of the coalition, are expected to participate in I-SPOC’s activities and reach out to potential members. Some of the members include HSBC, HUL, L’Oreal, Godrej, Haldiram’s, and more.</td>
</tr>
<tr>
<td>Rountable for Sustainable Palm Oil (RSPO)</td>
<td>Established in 2004, the RSPO is a multi-stakeholder global standard for sustainable palm oil. Their principles and criteria layout these standards for members to comply with, and the three impact areas that these P&amp;C fall under are to increase prosperity (competitiveness and resiliency of palm oil), support people (sustainable livelihoods and reduce poverty), and protect the planet. The RSPO has a smallholder support fund as well to help smallholder farmers obtain certification. Alongside being a sustainability standard, the RSPO also works to unite stakeholders involved in the palm oil industry. In the Indian context, this is particularly relevant because of the large number of stakeholders that work with palm oil from the mill level onwards, as well as the oil palm grown in India as well.</td>
</tr>
<tr>
<td>WWF-India</td>
<td>WWF-India works across the palm oil value chain to raise awareness of the issues associated with conventional palm oil production. They work to promote sustainability in the palm oil supply chain; standards such as the RSPO are one mode of engagement. They also extensively engage with the corporate sector to increase consumer awareness and support government policy to actually drive this transition. They have a palm oil scorecard that evaluates companies’ commitments to sustainable palm oil and help consumers make better choices. Alongside this, they have released many reports detailing the use of sustainable palm oil and how these transitions can be made.</td>
</tr>
<tr>
<td>Centre for Responsible Business (CRB)</td>
<td>The CRB, established in 2011, is a ‘think tank’ to help businesses integrate sustainability into their core business practices. Their model involves engaging multiple stakeholders to develop action plans to promote sustainable and responsible business practice across various sectors in India. Recently, at the Retail Leadership Summit in 2021, they worked with the RSPO as silver partners and held a panel on how to transition to sustainable palm oil in India.</td>
</tr>
</tbody>
</table>
Rainforest Alliance (RA)

A non-profit founded in 1987, RA was one of the first international organisations working to protect tropical forests. They are an alliance of farmers, forest communities, companies, and consumers. The key issues they are tackling are forests, climate change, livelihoods, and human rights. In 2020, the Rainforest Alliance launched the Sustainable Agriculture Standard with the aim of offering farmers a framework to protect the areas they operate in whilst improving their livelihoods.

Indian Palm Oil Sustainability (IPOS) framework

The IPOS framework was created by the Solvent Extractors Association of India alongside Solidaridad (an international CSO working to make communities more resilient), the IIOPR and SOPOPRAD (Society for Promotion of Oil Palm Research and Development) in 2017 to lay out a set of environmental and social criteria to produce and trade in sustainable palm oil in the Indian context. The three pillars of their framework are environmental protection, economic viability, and social benefits. The SEA-IPOS Council works to institutionalise the IPOS framework to enable collective action and reduce barriers whilst facilitating trade and production in a sustainable manner. The IPOS framework highlights key challenges with palm oil production and imports in India, such as the irrigation and land requirements, for example, as well as the price sensitivity in the local trading market and the supply chain complexity in India since most palm oil is sold loose without branding.

Solvent Extractor’s Association (SEA)

The SEA, formed in 1963, was developed to grow the solvent extraction industry in India. They are an industry association that works all over India and have recently created the IPOS Framework alongside some other bodies. They are encouraging the government to ban the import of refined palm oil to support domestic production, and they state this can help make India more self-reliant in the use of edible oils.

Due to regional differences, if sustainability certifications and guidelines are tailored to the region, they can reach a wider group of people and could have a wider impact. The Indian Council of Agricultural Research (ICAR) established the Indian Institute of Oil Palm Research (IIOPR) in 2014 to be a centre for research on all areas of oil palm production, improvement, conservation, and protection, as well as post-harvest technologies.
ANNEXURE 5: LIST OF STAKEHOLDERS CONSULTED FOR THE DEVELOPMENT OF THIS GUIDE

Representatives from the following companies were engaged in order to understand their respective sustainable palm oil journeys and to learn more about their perspectives on the Indian palm oil market:

- Adani Wilmar
- Allana
- Godrej Agrovet
- Reckitt Benckiser
- Galaxy Surfactants
- Proctor & Gamble

Representatives from the following organisations were also contacted to learn more about certification standards and other aspects associated with sustainable palm oil:

- RSPO
- ISEAL
- Centre for Responsible Business
### ANNEXURE 6: TEMPLATES FOR BASELINE MAPPING AND ASSESSMENT

#### Supplier-based inventory

<table>
<thead>
<tr>
<th>Name of supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
</tr>
<tr>
<td>Total palm volume supplied</td>
</tr>
<tr>
<td>Types of palm oil and derivatives supplied</td>
</tr>
</tbody>
</table>

#### List of palm products supplied

<table>
<thead>
<tr>
<th>Product name</th>
<th>Quantity</th>
<th>Cost</th>
<th>Source of product</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Product-based inventory

<table>
<thead>
<tr>
<th>Name of product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of palm oil used</td>
</tr>
<tr>
<td>Total volume of used (MT)</td>
</tr>
</tbody>
</table>

#### List of supplier

<table>
<thead>
<tr>
<th>Supplier name</th>
<th>Location</th>
<th>Quantity</th>
<th>Source for supplier</th>
<th>Sustainability commitments</th>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

#### Customer list

<table>
<thead>
<tr>
<th>Customer name</th>
<th>Location</th>
<th>Quantity</th>
<th>Sustainability commitments</th>
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<td></td>
<td></td>
<td></td>
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<td></td>
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</tbody>
</table>
ANNEXURE 7: SELF-ASSESSMENT QUESTIONNAIRE

Basic information regarding palm oil in your operations

For this self-assessment, begin by listing out all operations and subsidiaries that use palm oil in some form (crude palm oil, palm kernel oil, and any related derivatives). As a part of this, map out your supply chain to identify all possible upstream stakeholders to trace the palm oil derived from your suppliers.

1. What are the current volumes of palm oil and palm oil products in your operations and subsidiaries?

<table>
<thead>
<tr>
<th>Product</th>
<th>Total volume (MT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude palm oil</td>
<td></td>
</tr>
<tr>
<td>Crude palm kernel oil</td>
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<tr>
<td>Palm kernel expeller</td>
<td></td>
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<tr>
<td>CPO/PKO-based derivatives &amp; fractions</td>
<td></td>
</tr>
</tbody>
</table>

Level of sustainable palm oil sourcing

1. Do you procure any sustainable palm oil or palm oil products currently?

- None at all
- We have plans to start soon
- We have already started

2. If you have already started procuring sustainable palm oil, what percentage is currently sustainable, what sort of supply chain do you use and to what extent is the palm oil (and/or palm oil products) traceable?

<table>
<thead>
<tr>
<th>Product</th>
<th>Sustainable volume (MT)</th>
<th>% Sustainable from total volume</th>
<th>Supply chain: IP, SG, MB, or credits</th>
<th>% traceable to mill</th>
<th>% traceable to plantation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude palm oil</td>
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<tr>
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</tbody>
</table>

3. Do you request documentation and verifiable evidence from your suppliers regarding their certification and sources of palm oil?

- Yes
- Not yet
4. Do you categorise your suppliers into the following three categories and the volumes of CPO, PKO, and derivatives/fractions sourced from them?

<table>
<thead>
<tr>
<th>Supplier name</th>
<th>Product sourced from the supplier (CPO, PKO, etc.)</th>
<th>RSPO certified</th>
<th>Certified sustainable (other)</th>
<th>Unknown &amp; possibly unsustainable</th>
<th>Volumes used from supplier</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

5. For companies sourcing RSPO certified palm oil, which of the following criteria do you follow?

- Following RSPO P&C and implementing the best practices in line with POIG
- Just following RSPO P&C
- Following RSPO NEXT criteria

6. Which of the following criteria do you ensure your suppliers follow?

- Following RSPO P&C and implementing the best practices in line with POIG
- Just following RSPO P&C
- Following RSPO NEXT criteria

7. Do you have a robust monitoring system to monitor and verify your suppliers and your own CSPO uptake?

- Yes
- It is not robust enough, but we have a monitoring and verification system.
- No, we do not have any monitoring and verification system.

8. Are you working to support your suppliers in their efforts to obtain certification and implement sustainable practices?

- Yes
- No, but we have plans to
- No

Do try and verify that your suppliers can comply with your standards and consider switching suppliers if they cannot.

**Targets and policies**

1. What are your targets/commitments for sourcing sustainable palm oil?

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Target (X%)</th>
<th>By year</th>
</tr>
</thead>
<tbody>
<tr>
<td>% certified sustainable crude palm oil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% certified sustainable crude palm kernel oil</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>% certified sustainable CPO/PKO based derivatives &amp; fractions</td>
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<td></td>
</tr>
</tbody>
</table>
2. Do you have any other targets regarding the use and production of sustainable palm oil?

☐ Yes
☐ No

If yes, what are these targets?

3. Do these commitments cover all your operations?

☐ Yes
☐ No

If no, what part of your operations do they cover? And what part do they not cover? For the parts they do not cover, detail why those parts of your operation are not covered.

4. Do you have a target to source 100 per cent certified sustainable palm oil and palm oil products from physical supply chain options (IP, SG, MB, Credits)?

☐ IP
☐ SG
☐ MB
☐ Credits

5. Have you made these targets/commitments public?

☐ Yes
☐ Not yet
☐ No, and we do not plan to

6. Do you publicly disclose your palm oil uptake?

☐ Yes
☐ Not yet
☐ No, and we do not plan to

7. Do you have a policy addressing the following? If not, where is the policy lacking and in what ways can it be improved?

☐ Labour rights
  ☐ No forced, illegal, and child labour
  ☐ No harassment
  ☐ No discrimination
  ☐ Fair wages
  ☐ Appropriate working conditions
Freedom of association
Occupational health and safety
Human rights
Land use
Compensation
Free prior and informed consent
Environmental impacts, climate change, and GHG emissions
Scope 1, 2, and 3 emissions
Plans to reduce the emissions
Energy use
Wastewater
Pollution
Biodiversity
Waste management
Water management

For the checkboxes you have not ticked, do you have plans to implement a policy addressing those issues?
☐ Yes
☐ No

8. Does the above policy extend to your suppliers as well?
☐ Yes
☐ No, but we have plans to
☐ No

9. Does your company (or do your suppliers) support independent smallholder groups in a fair manner that works to improve their livelihoods?
☐ Yes
☐ No, but we have plans to
☐ No

If yes, or if you have plans to, detail them below:

10. What work are you doing in addition to what has been mentioned above to support the uptake of CSPO?
☐ Encourage other companies to procure sustainable palm oil.
☐ Became a member of multi-stakeholder industry platforms such as the I-SPOC, POIG, the Rainforest Alliance, the Sustainable Agriculture Network, and the RSB, among others.
☐ Encourage other companies to become members of multi-stakeholder industry platforms as well.
☐ Encourage suppliers outside your supplier network to work with sustainable palm oil.
☐ Encourage broader discussions on the need for sustainable palm oil to increase consumer awareness
☐ Any other initiatives (detail below)
REFERENCES

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OUR MISSION IS TO CONSERVE NATURE AND REDUCE THE MOST PRESSING THREATS TO THE DIVERSITY OF LIFE ON EARTH.