Accountability Framework initiative

Sourcing deforestation- and conversion-free agricultural and forestry commodity volumes

13 SEPTEMBER 2023

9am EDT | 2pm BST | 3pm CEST

Before we start

Recording
The webinar recording link will be emailed to all participants and available on the AFi website.

Questions
Please use Zoom's Q&A function throughout the webinar to submit your questions and up-vote other questions you'd like to see answered.

Chat
The chat function is disabled in Zoom.

Post-event survey
Please tell us how we can improve in our post-event survey.

Our speakers

Mégane Chesné
Global Sustainable Sourcing Leader
Nestlé

Conal Judd-English
Consultant
Efeca

Jeff Milder
Director
The AFi / Rainforest Alliance

Getting to know each other

How are you involved in supply chains that pose risks for deforestation and conversion?

- I work for a company that produces commodities
- I work for a company that sources commodities
- I'm involved in finance of soft commodities
- I advise or support companies around commodity supply chains
- I'm involved in a sustainability, accountability, or multi-stakeholder initiative
- I'm involved in other ways, or just interested in the topic

Defining the challenge

Which are significant challenges to responsible sourcing?

- Tracing product origins
- Monitoring deforestation and conversion
- Limited availability of certified materials
- Managing for supplier compliance
- Lack of financial or regulatory incentives

The Accountability Framework initiative (AFi)

A collaborative effort to eliminate deforestation, ecosystem conversion, and human rights abuses from agricultural and forestry supply chains

CDP DRIVING SUSTAINABLE ECONOMIES

Ceres Sustainability is the bottom line.

efeca

Forest Declaration Platform Transforming commitments into action

Forest Peoples Programme

SUPPLY CHANGE Commitments that Count

Global Canopy

HCSA HIGH CARBON STOCK APPROACH

HCV Network

imaflora

LTKL Lingkar Temu Kabupaten Lestari

MIGHTY EARTH

National Wildlife Federation

Preferred by Nature™

proforest

RAINFOREST ALLIANCE

Rainforest Foundation Norway

RESOURCETRUST

RIGHTS + RESOURCES

SAI Social Accountability International

The Nature Conservancy

VERITÉ Fair Labor. Worldwide.

Wildlife Conservation Society

WORLD RESOURCES INSTITUTE

WWF

SILAS SIAKOR (LIBERIA)

GITA SYAHRANI (INDONESIA)

Backbone team co-hosted by:

MERIDIAN INSTITUTE

RAINFOREST ALLIANCE

The Accountability Framework

A practical roadmap for ethical supply chains

The Accountability Framework is made up of Core Principles, Operational Guidance, and Definitions that are:

Global

All regions where production of forest and agricultural commodities poses risk of deforestation, conversion, and human rights abuses.

Cross-commodity

Soy, palm oil, beef and leather, timber, rubber, cocoa, coffee, and others.

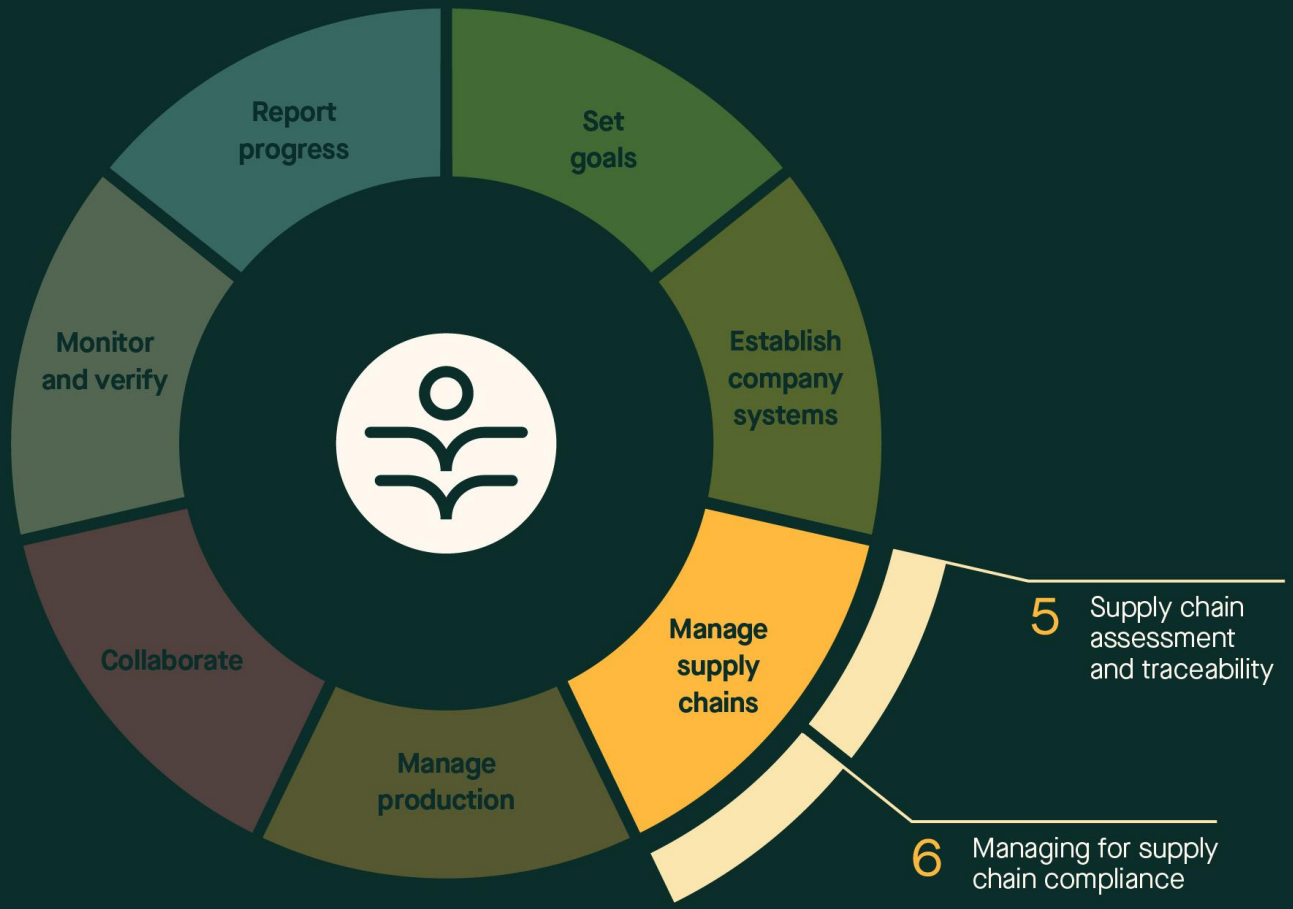
End-to-end supply chain

Producer, processor, aggregator, trader, manufacturer, retailer.

The Accountability Framework

Action areas and Core Principles

Responsible sourcing: a key piece of the puzzle



Deforestation- and conversion-free (DCF)

DCF supply chains: Commodity production and sourcing that do not cause or contribute to deforestation or conversion

- Achieving DCF supply chains generally requires a company to manage for compliance and drive improvements at three levels:

Product volume level
(The focus of today's webinar)

Supplier level

Sourcing area level

Deforestation- and conversion-free (DCF) volumes

DCF volumes: raw, processed, or finished products that are not associated with deforestation or conversion after a specified cutoff date.

- Documenting DCF volumes requires:
  - traceability to a point in the supply chain where DCF status can be assessed
  - valid evidence that no deforestation or conversion occurred in the place of origin (typically a production unit) after the cutoff date

Three approaches to demonstrate DCF volumes

1 Monitoring of production units

- Must know the boundaries of production units in the company's own operations or supply base
- Assess & verify whether there is post-cutoff date deforestation or conversion on each production unit
- (Verified) information on DCF status may be passed to buyers as part of B2B supply chain control mechanisms

2 Certification

Volumes may generally be considered DCF if:

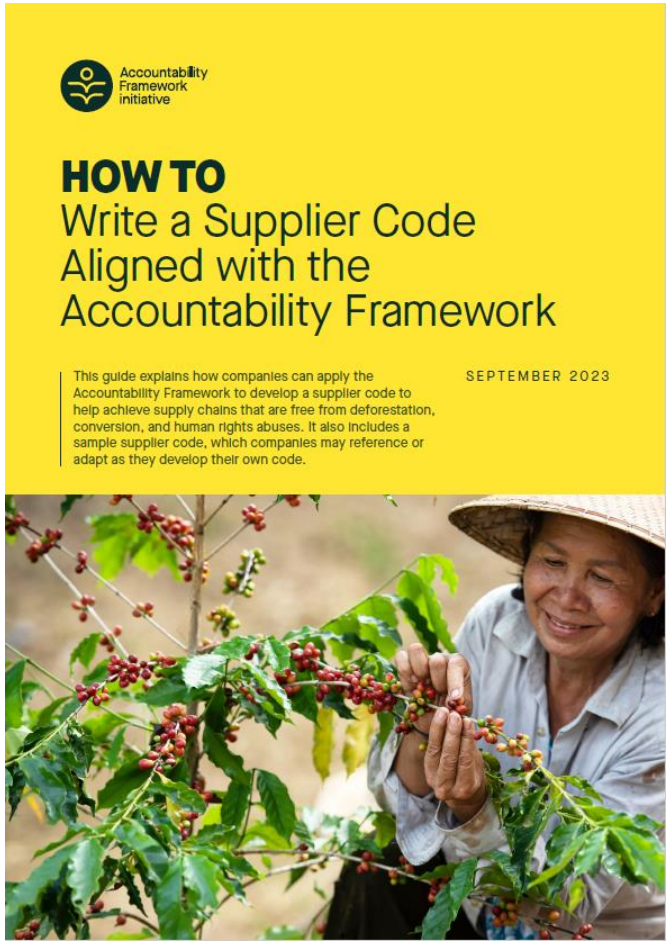
- they are certified according to a standard whose criteria prohibit deforestation and conversion after a specified cutoff date
- they are controlled using a chain of custody model that links products to the sites where they were produced (i.e., segregated and identity preserved)

3 Monitoring of sourcing areas

- Trace materials to a sourcing area where no or negligible deforestation/conversion has occurred since the cutoff date
- Companies must continue to monitor such sourcing areas to for risk or occurrence of deforestation or conversion

Company systems to achieve DCF

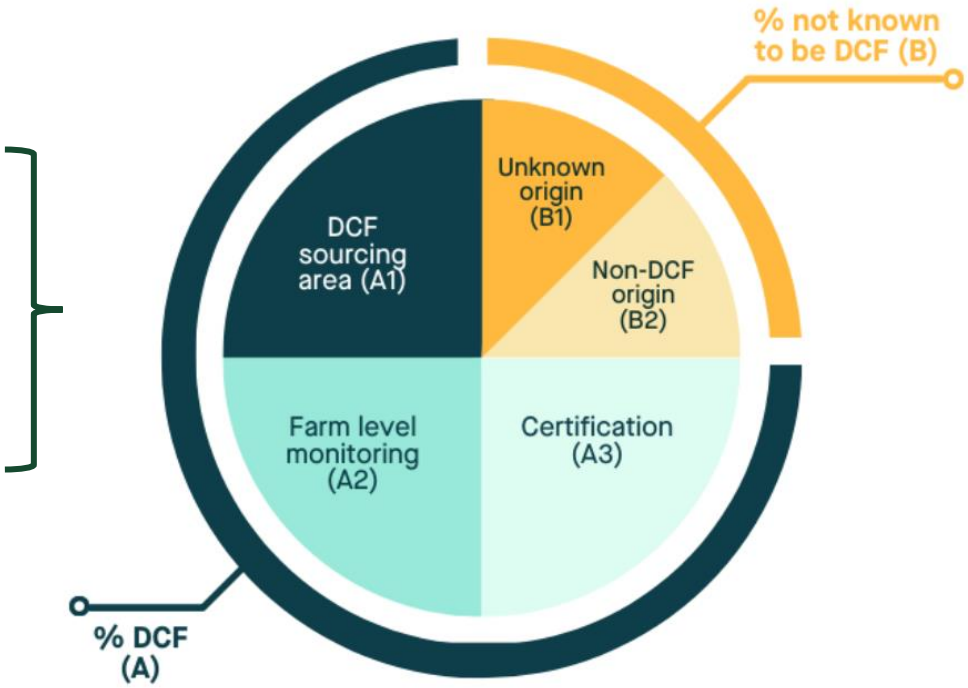
1. Written DCF policies aligned with the Accountability Framework
2. Internal systems: senior leadership oversight; embedding in all relevant company functions; adequate resources
3. Supply chain mapping & traceability to a point where DCF status can be assessed and managed
4. Procurement policies, contracts, and supplier code
5. Supplier management systems, including engagement and support to address performance gaps
6. Systems to monitor performance and track progress
7. Mechanisms to engage stakeholders and provide remedy and environmental restoration where harms have occurred



Reporting on DCF supply chains

What to report

1. Report DCF status of 100% of commodity volumes
2. Disaggregate each type of volumes:
   - DCF volumes: based on method to demonstrate DCF status
   - Non-DCF volumes: based on the nature of the gap
3. Report on DCF-focused engagement and actions being taken at the supplier and sourcing area levels



How to report

- Via CDP Forests questionnaire or company sustainability report

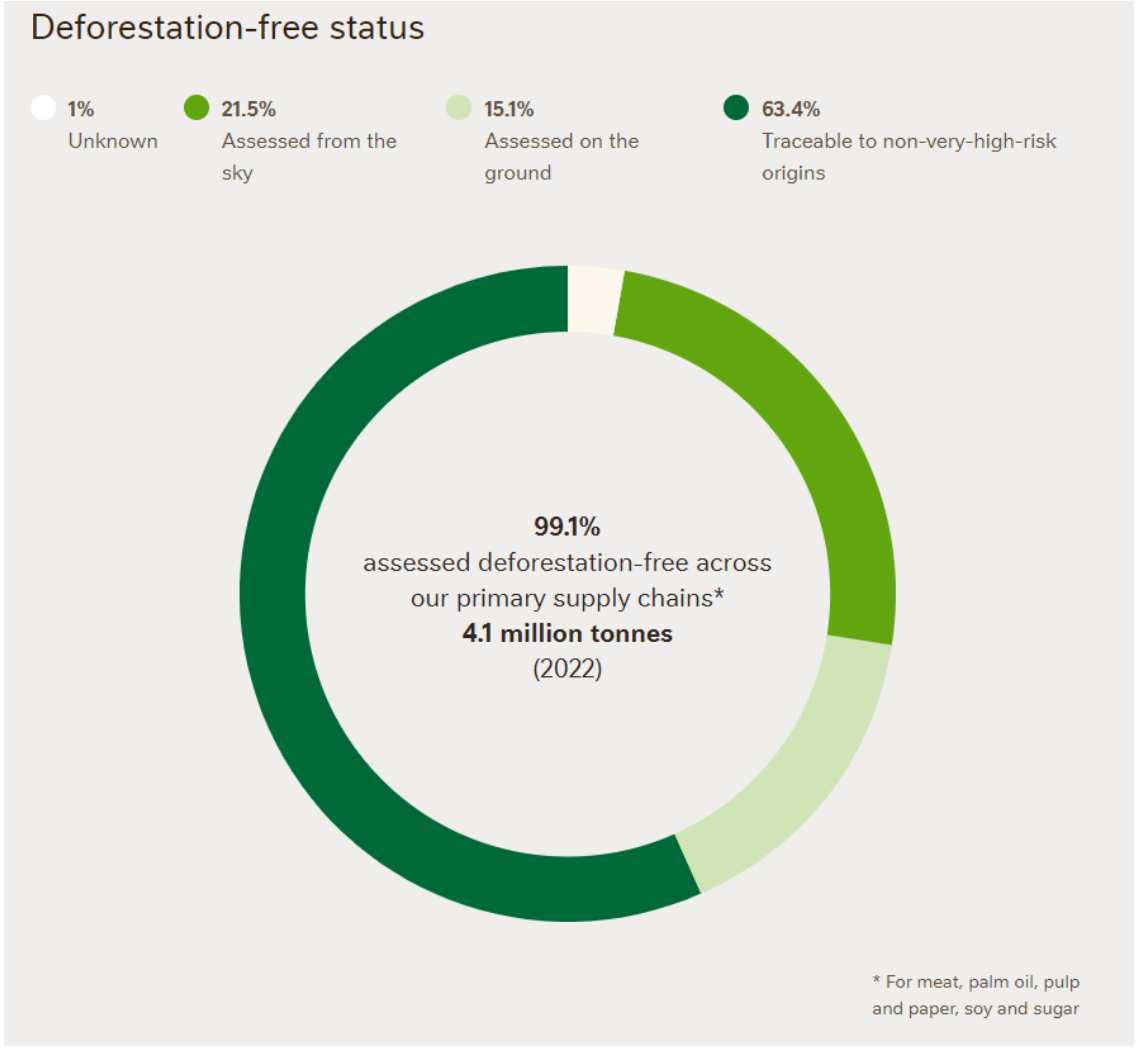
Nestlé Good food, Good life

Deforestation Free Palm Oil supply chain

Mégane Chesné
Nestlé Global Sustainable Sourcing Leader, Palm Oil & Landscapes

13 September 2023

Nestle No Deforestation commitment



+ Coffee and cocoa: 2025 target

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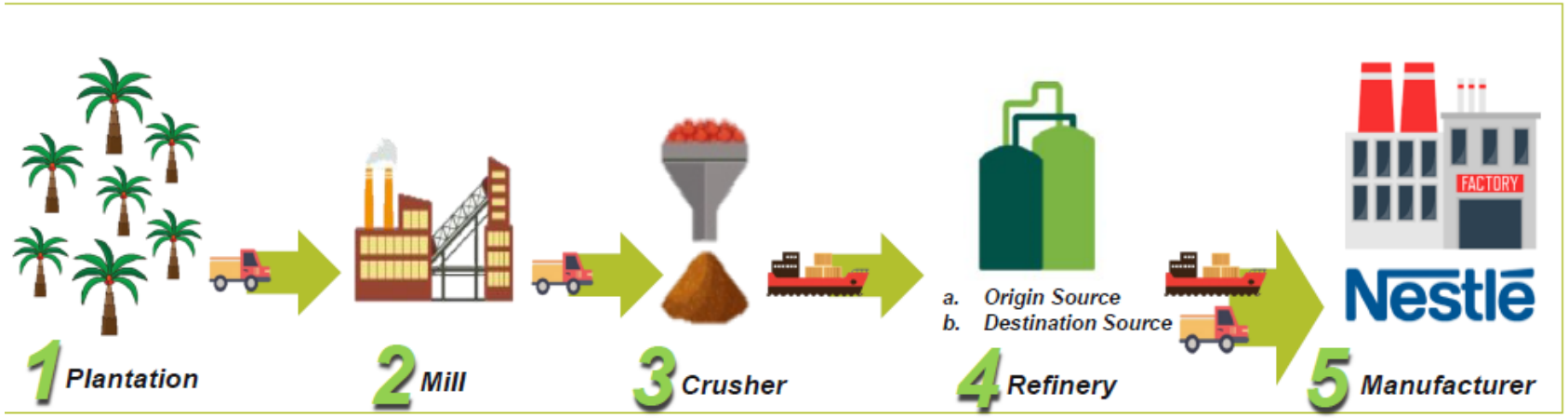
Nestle Palm Oil supply chain

#Countries
21

# of mills
1.674

# of PARENT VENDORS
70

Palm Processing Mapping – Up to Tier 5



Fresh fruit bunches are delivered to mills. The oil is purified and clarified.

Palm kernels are transported to separate crushing facilities. The kernel is crushed to produce palm kernel oil.

The oils are further refined, bleached and deodorized to remove unwanted color, flavor and odor.

The oils are then delivered to various industries, Food and Beverage covering 20% of its total global usage.

Good food, Good life

Nestlé Good food, Good life

Nestle and its satellite monitoring system explained

1. Using Satellite monitoring
2. Key insights in Palm landscapes
3. Using Satellite Imagery to Help Address Deforestation

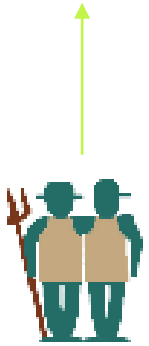
Nestlé Good food, Good life

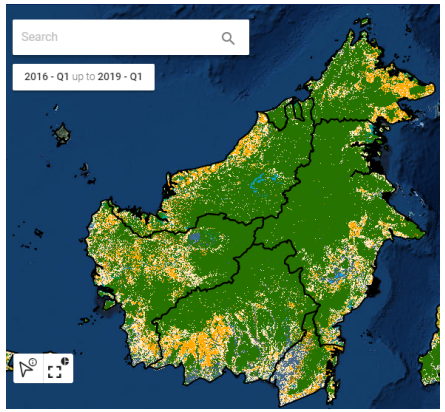
Nestle and its satellite monitoring system explained

1.Using satellite monitoring

Nestlé

Tier 1 (direct) suppliers



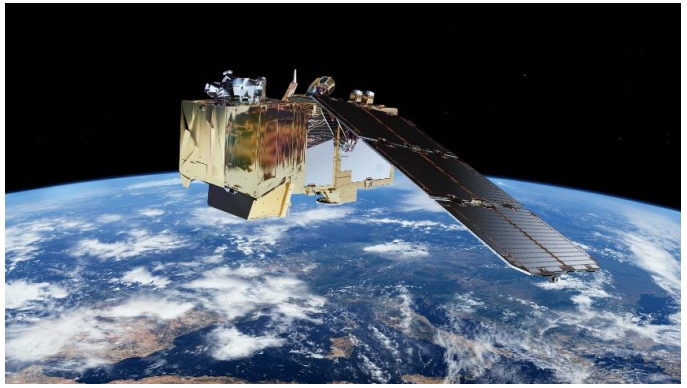


CERTIFIED SUSTAINABLE PALM OIL™
RSPO
CERTIFIED

Good food, Good life

Introduction on Starling

AIRBUS



Earthworm

In 2016, Airbus and Earthworm jointly developed an innovative solution, Starling.
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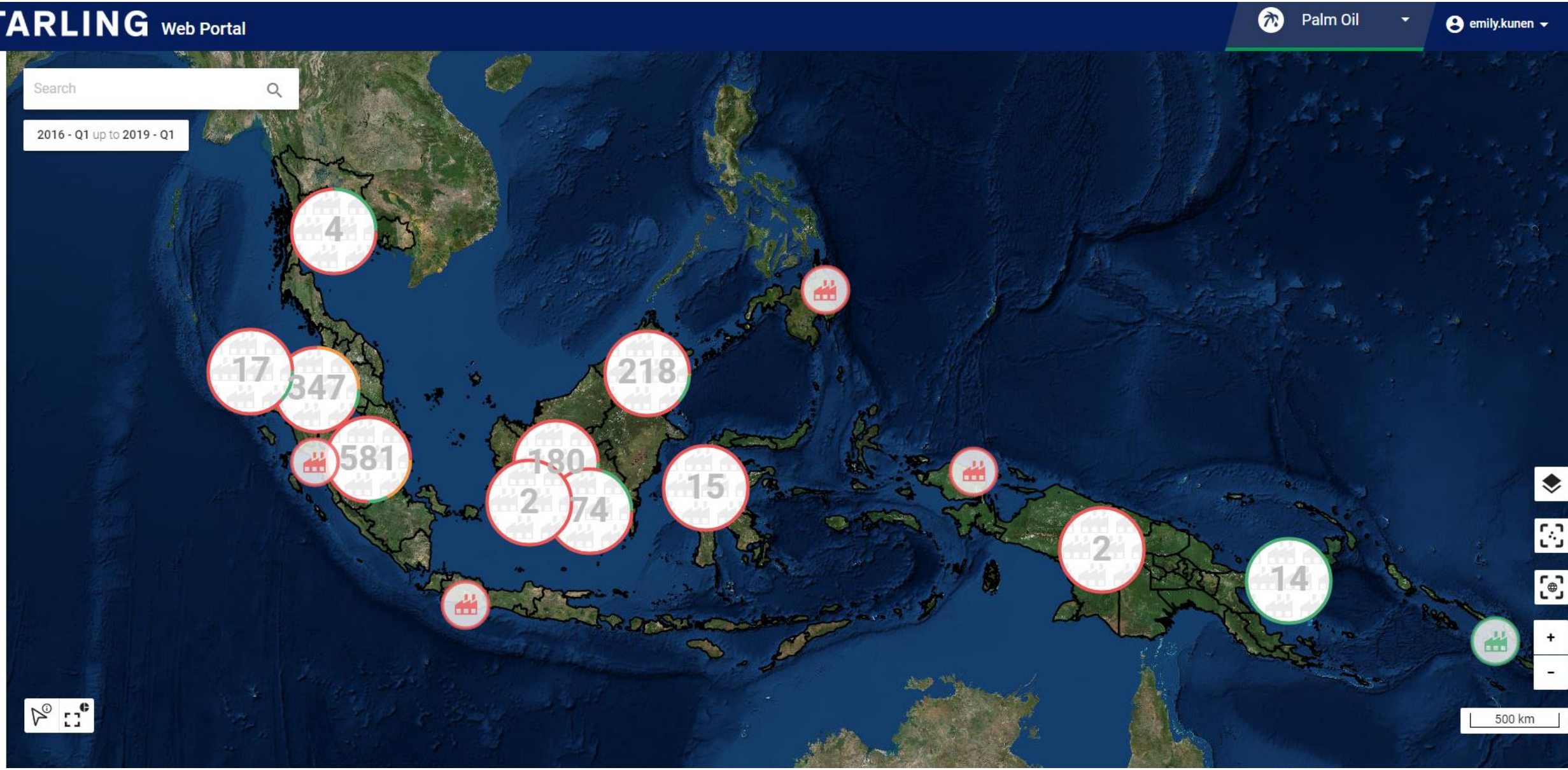
(More information: https://www.starling-verification.com/).



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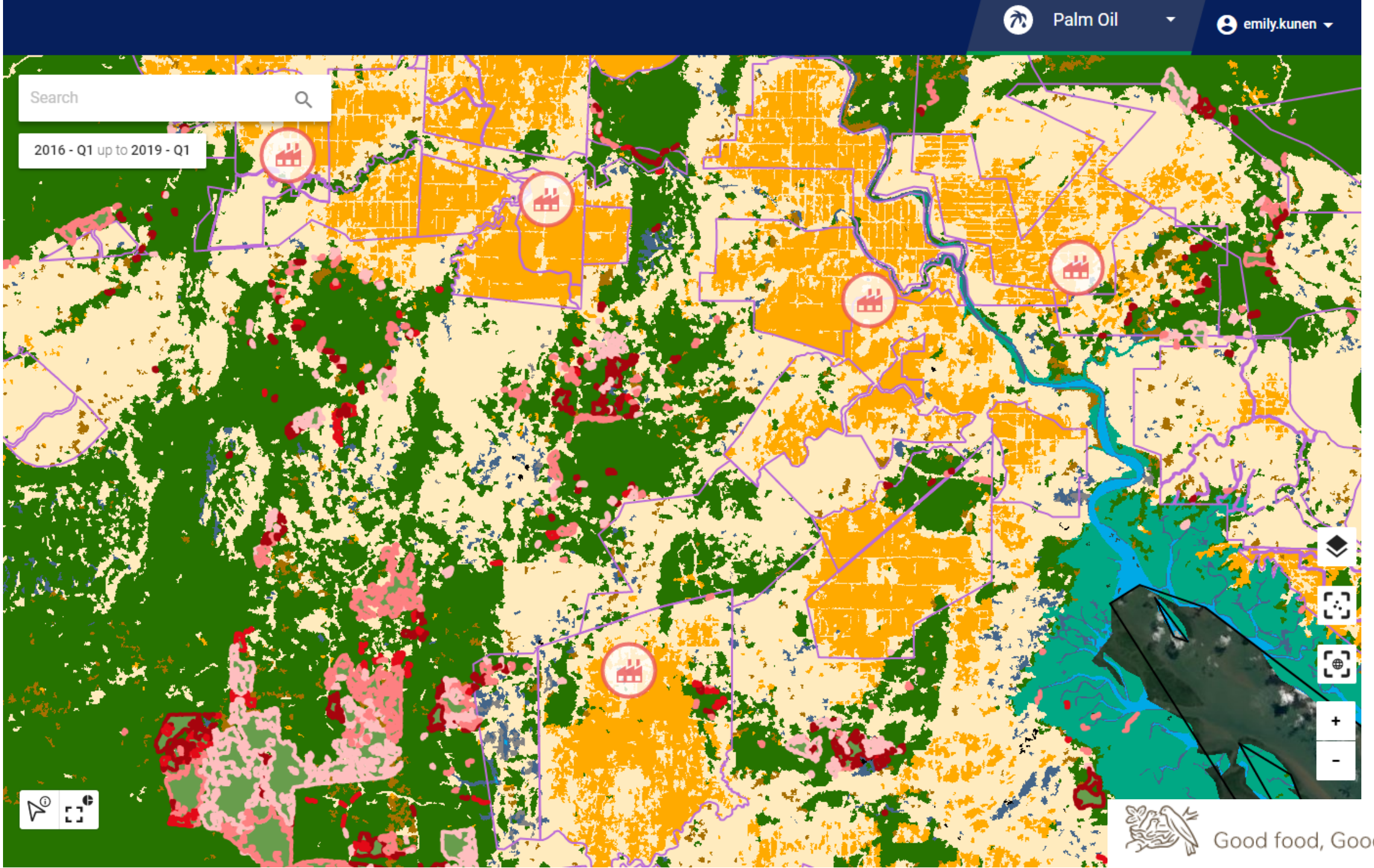
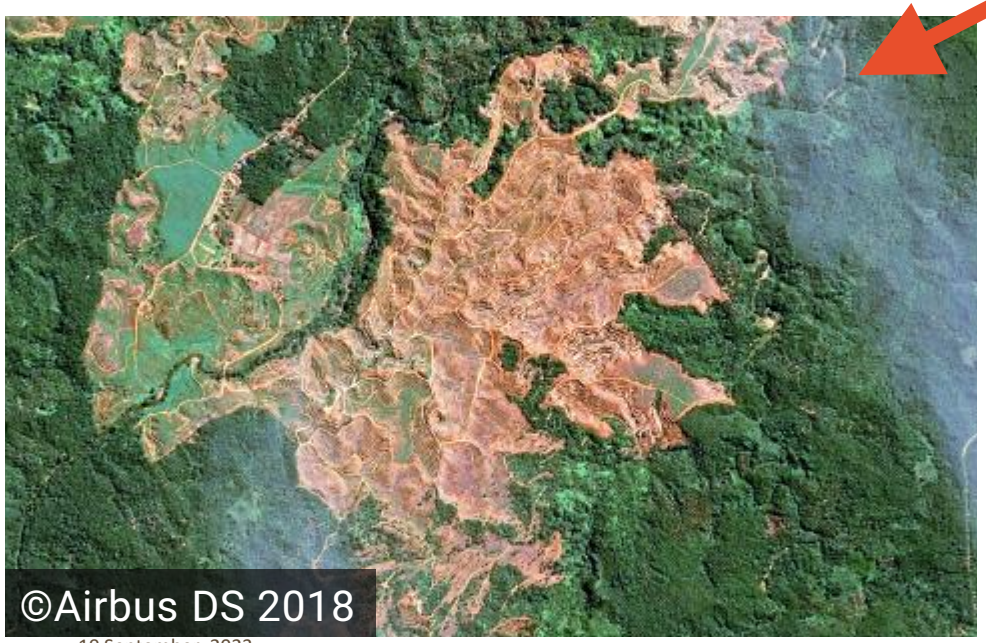

Palm Oil
emily.kunen
Search
2016 - Q1 up to 2019 - Q1
+
-
Good food, Good life

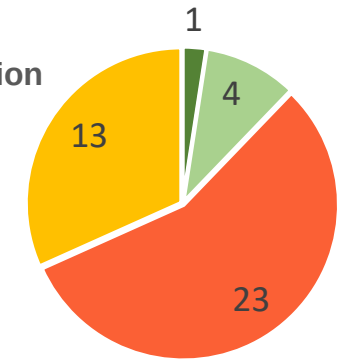
No Deforestation Verification by Supply Chain

TIER 1 SUPPLI	REFINERY / MILL	Alrea No De	Can M to No	Challen g to M
		26%	21%	54%
		26%	21%	54%
		100%	0%	0%
		100%	0%	0%
		0%	0%	100%
		49%	11%	39%
		26%	21%	54%
		0%	100%	
		12%	7%	81%
		0%	0%	100%
		26%	13%	60%
		21%	5%	74%
		0%	0%	100%
		0%	100%	0%
		14%	6%	80%
		0%	0%	100%
		12%	7%	81%
		13%	45%	42%
		26%	21%	54%
		59%	7%	34%
		100%	0%	0%
		49%	11%	39%
		0%	100%	0%
		0%	100%	0%
		0%	100%	0%
		0%	100%	0%
		0%	100%	0%
		0%	100%	0%
		0%	100%	0%
		0%	100%	0%
		0%	100%	0%
		7%	0%	92%
		7%	14%	79%
		0%	39%	61%
		100%	0%	0%
		90%	10%	0%
		54%	0%	46%
		60%	12%	28%
		59%	22%	19%
		36%	21%	43%
		26%	21%	54%
		33%	44%	23%

*Dataset for example only, not accurate



Mill Categorization (ex.)



- Green- 100% of sourcing areas mapped and verified
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- Red- Missing information
- Yellow- 'This member' to take action

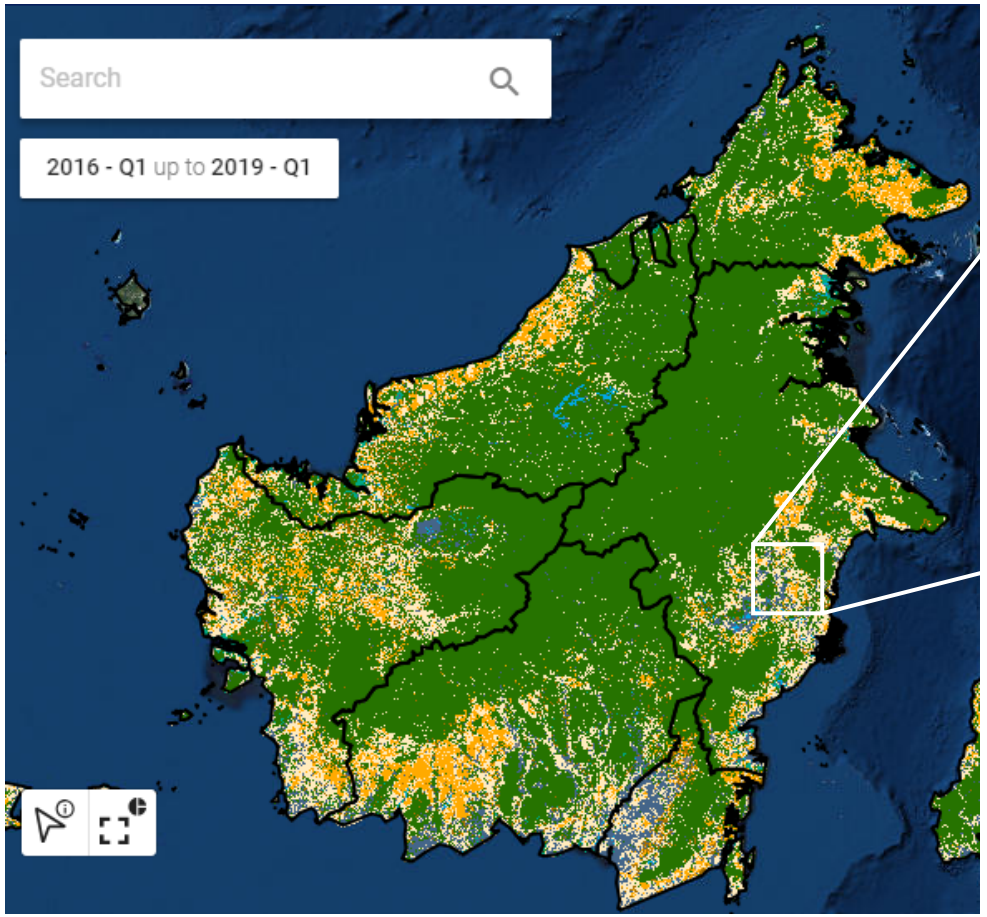
Nestlé Good food, Good life

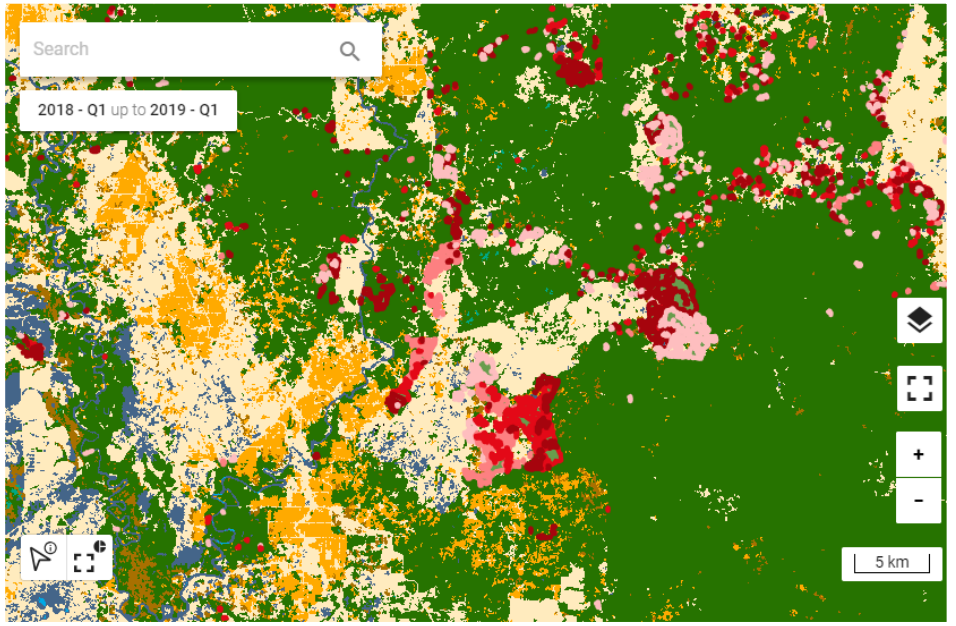
Nestle and its satellite monitoring system explained

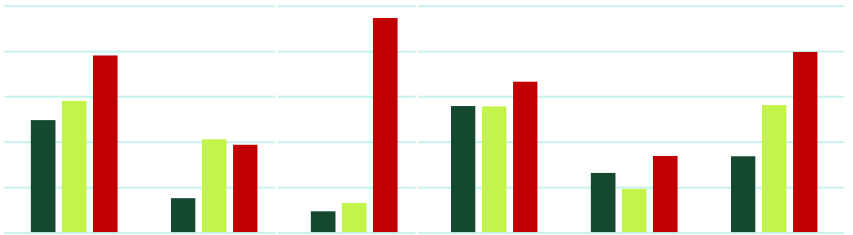
2. Key insights in Palm landscapes

Better **understanding** deforestation patterns around palm oil producing areas
→ Better **engagement** with suppliers

Where







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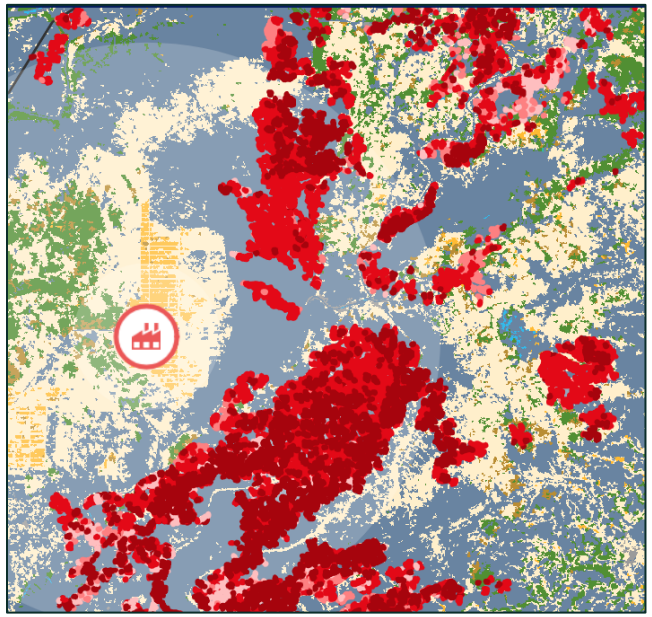
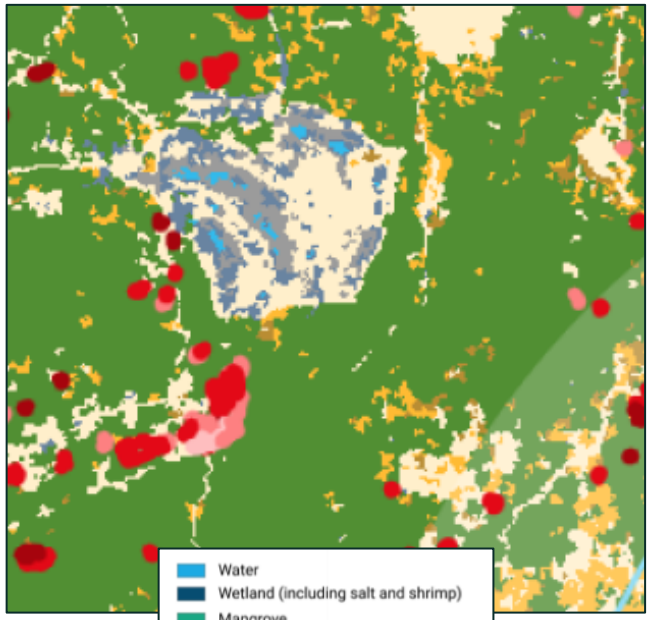
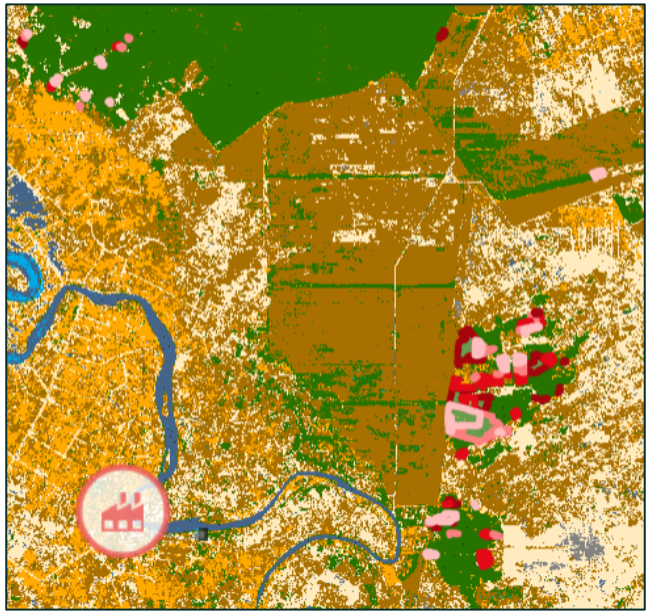
What

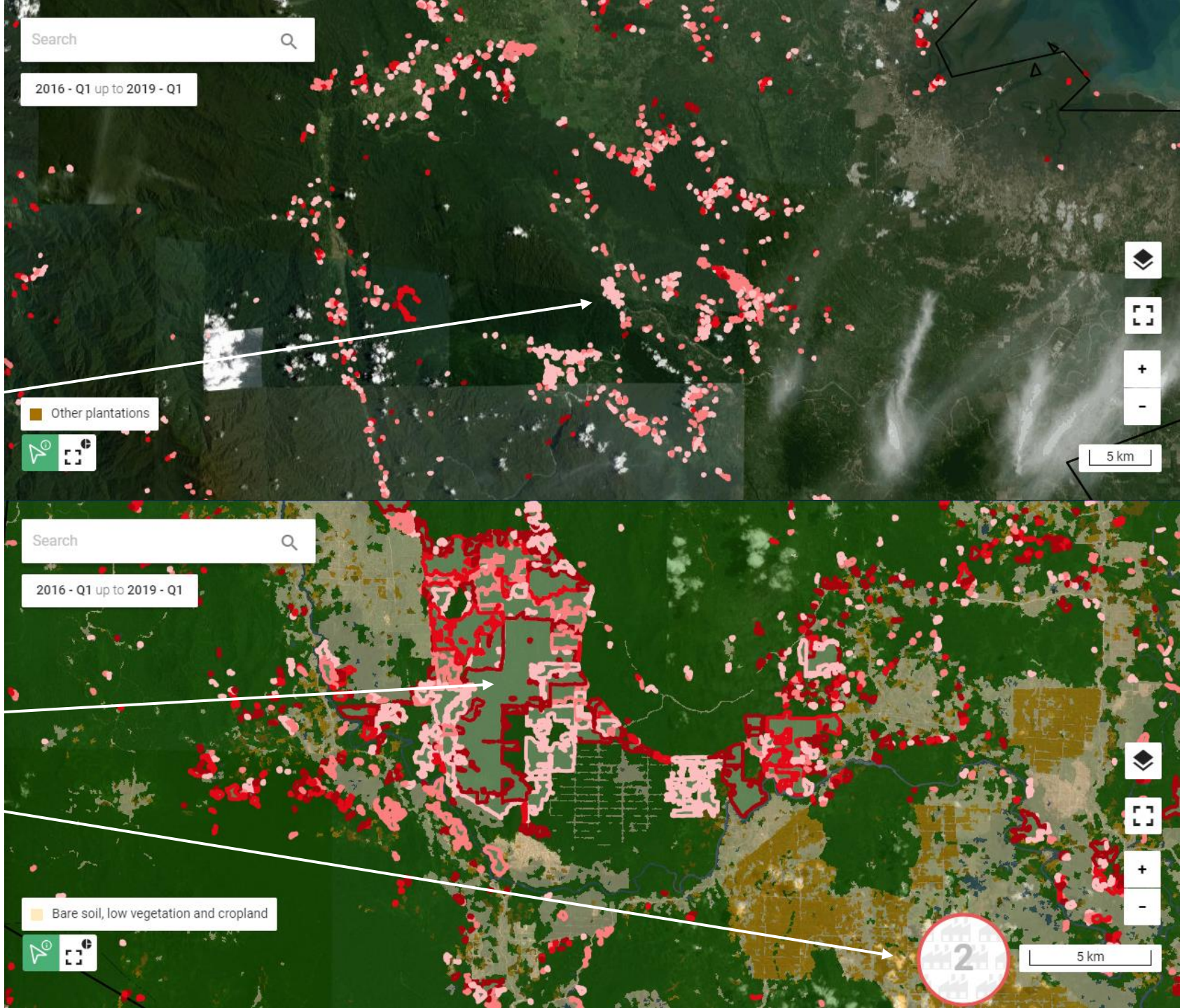


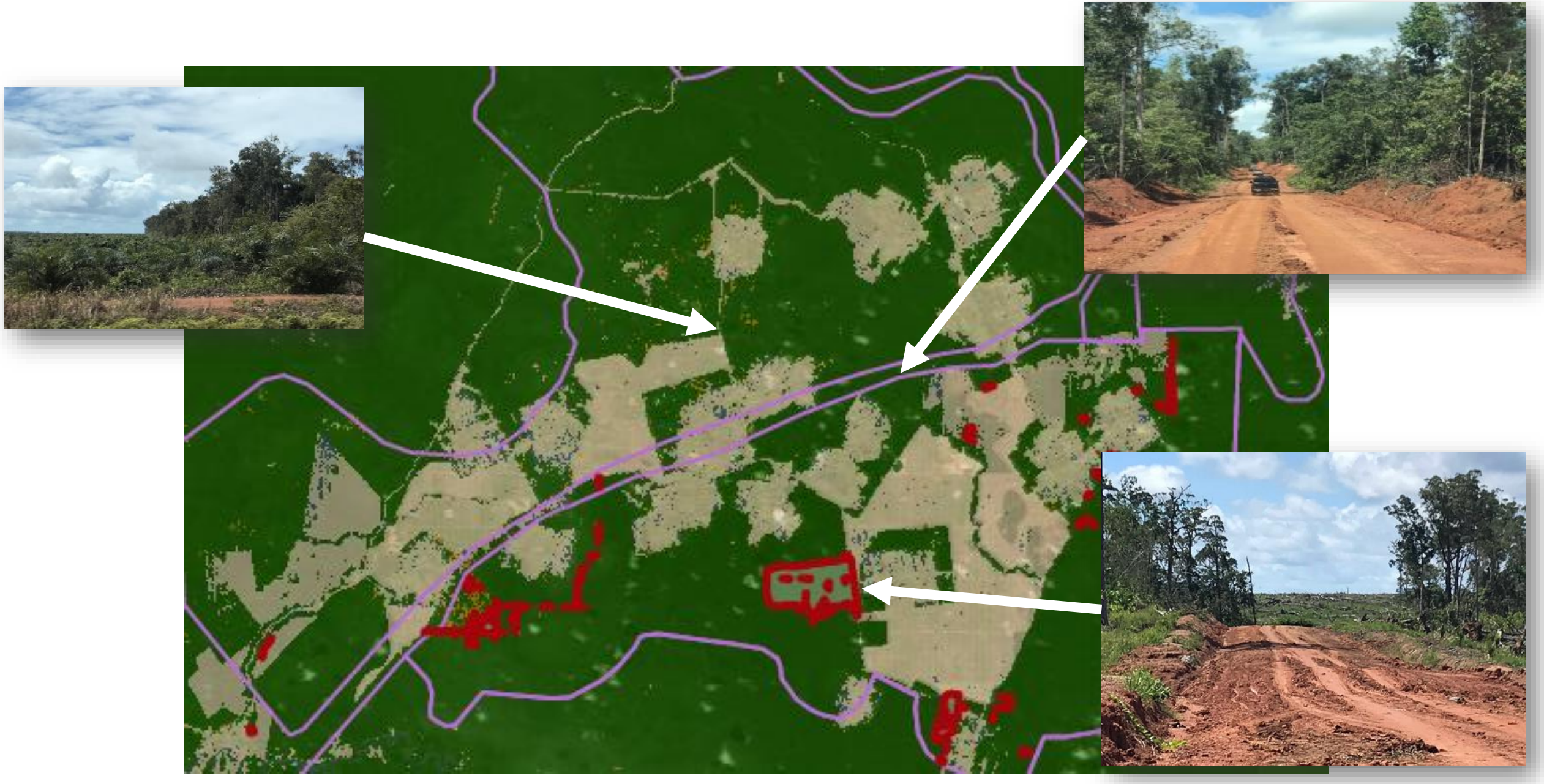




Good food, Good life

Who


Search
2016 - Q1 up to 2019 - Q1
Other plantations
5 km
Search
2016 - Q1 up to 2019 - Q1
Bare soil, low vegetation and cropland
2
5 km



Nestlé Good food, Good life

Nestle and its satellite monitoring system explained

3. Using Satellite Imagery to Help Address Deforestation - Lessons Learned

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Deforestation-free palm oil supply chain

Mégane Chesné
Nestlé Global Sustainable Sourcing Leader, Palm Oil & Landscapes

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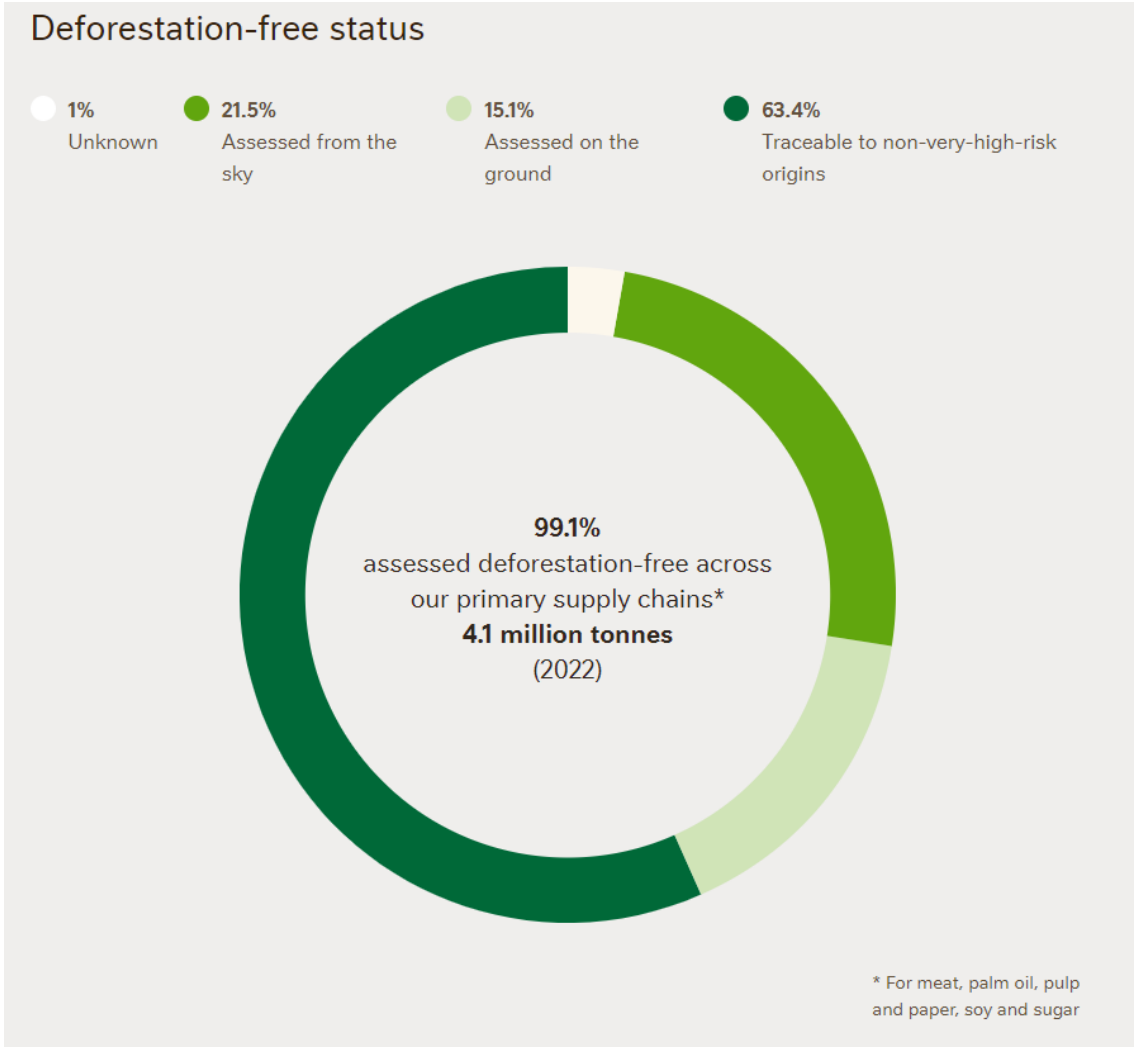

+ Coffee and cocoa: 2025 target

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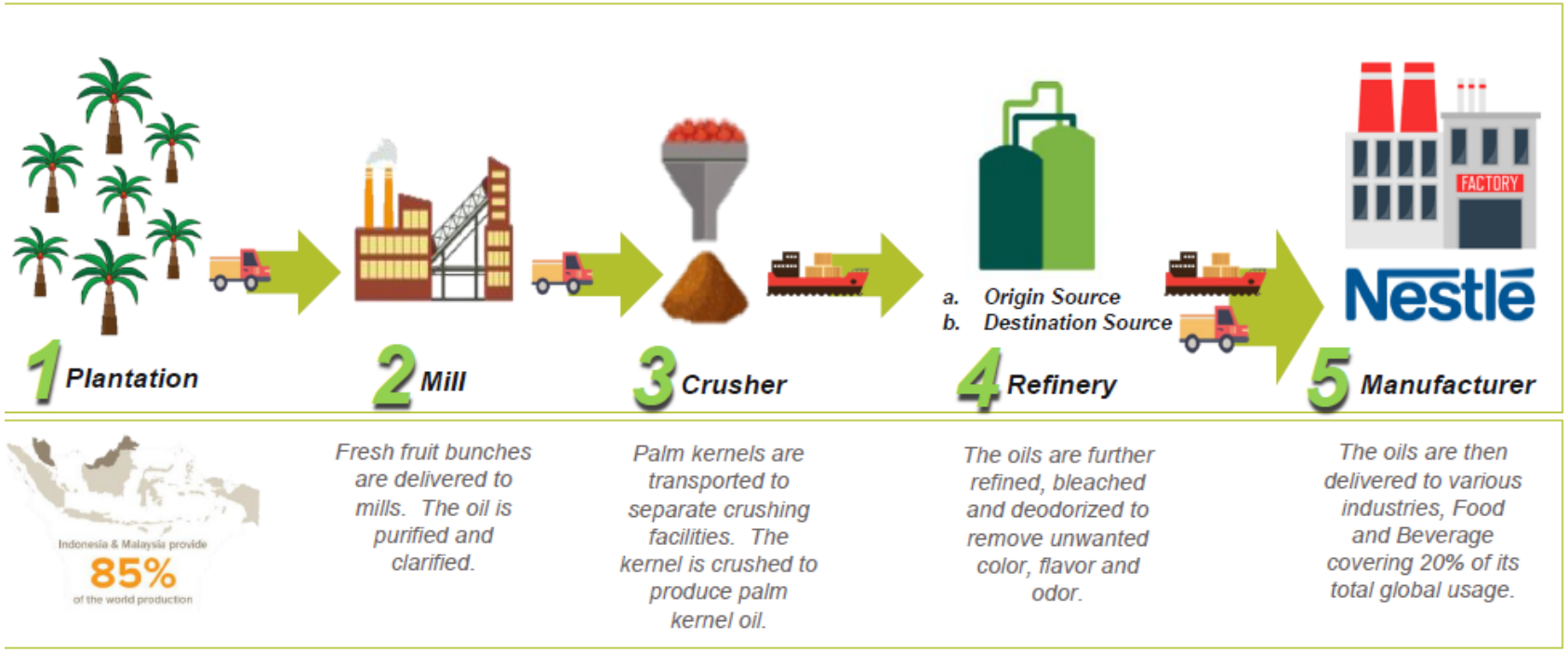
Nestlé palm oil supply chain

Palm Processing Mapping – Up to Tier 5



#Countries
21

# of mills
1.674

# of PARENT VENDORS
70

# of countries we serve
66

# of PLANTS
166

Good food, Good life

Nestlé Good food, Good life

Nestlé and its satellite monitoring system explained

1. Using satellite monitoring
2. Key insights in palm landscapes
3. Using satellite imagery to help address deforestation

Nestlé Good food, Good life

Nestlé and its satellite monitoring system explained

1. Using satellite monitoring

Accepted Methodology Used in the NDV Analysis

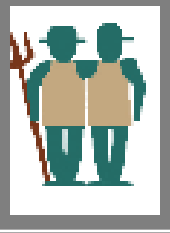
STARLING
Reliable, unbiased

A concession/ farm is considered **Deforestation Free** when it meets all the following criteria:

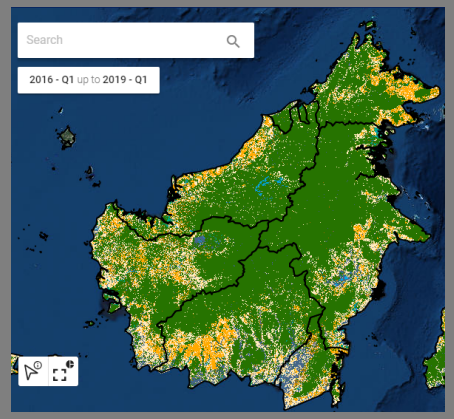
1. **Origins are known:** Traceability is provided (*See next slide for options*).
2. **Verified from the sky or from the ground**:
   - Satellite monitoring systems shows no deforestation since 31 December 2015.
   - On the ground HCS/HCV assessments identify areas for conservation and no development occurred in these areas since December 31st, 2015.
   - Satellite monitoring systems detect deforestation, but a verification process that follows the decision tree of concludes there is no deforestation via evidence provided by the supplier connected to this alert.
   - Nestle also recognizes other tools used by the palm industry for verification: POIG verification, RSPO SG or IP certification, NDPE IRF "Delivering" volumes verified by a 3rd party, and direct review of imagery from satellite monitoring platforms.
3. **Systems are in place to monitor future deforestation**
   - Nestlé expects suppliers to continuously monitor that no deforestation occurs in their supply chains using a combination of the above tools and to proactively alert us to any deforestation events that they identify.

Using a combination of tools to monitor deforestation in Nestlé palm supply chain

Supply chain mapping



Satellite monitoring



On-the-ground verification

Certification

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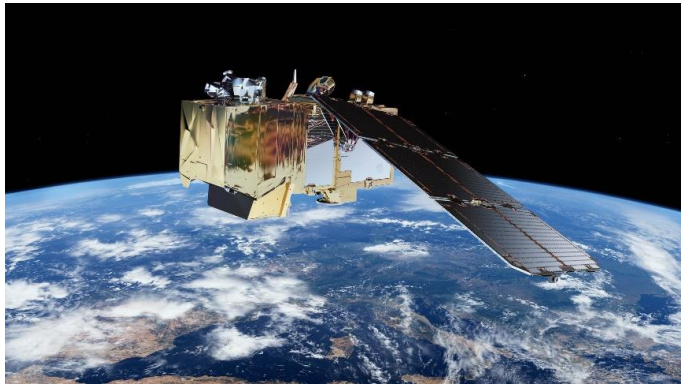
Introduction on Starling

AIRBUS



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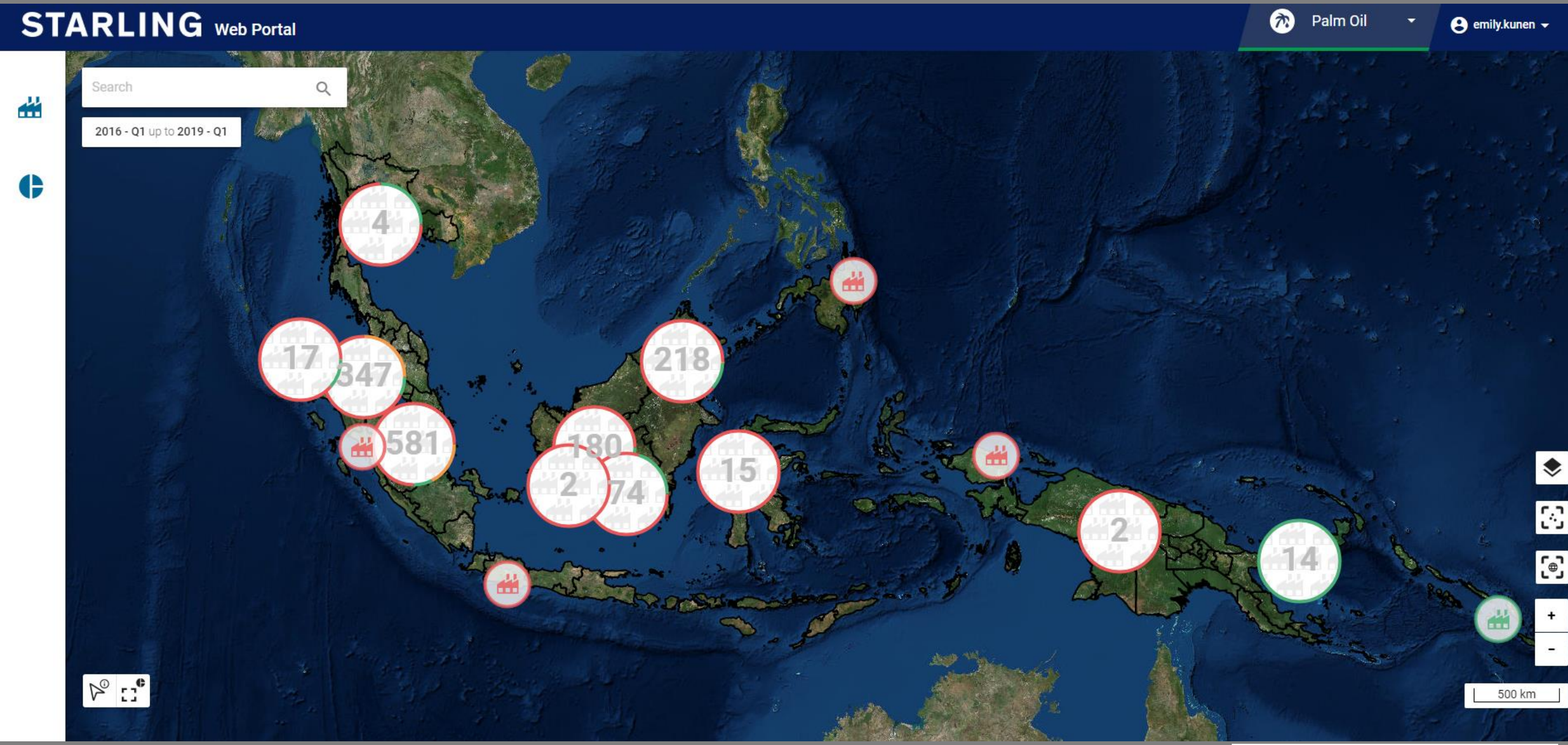
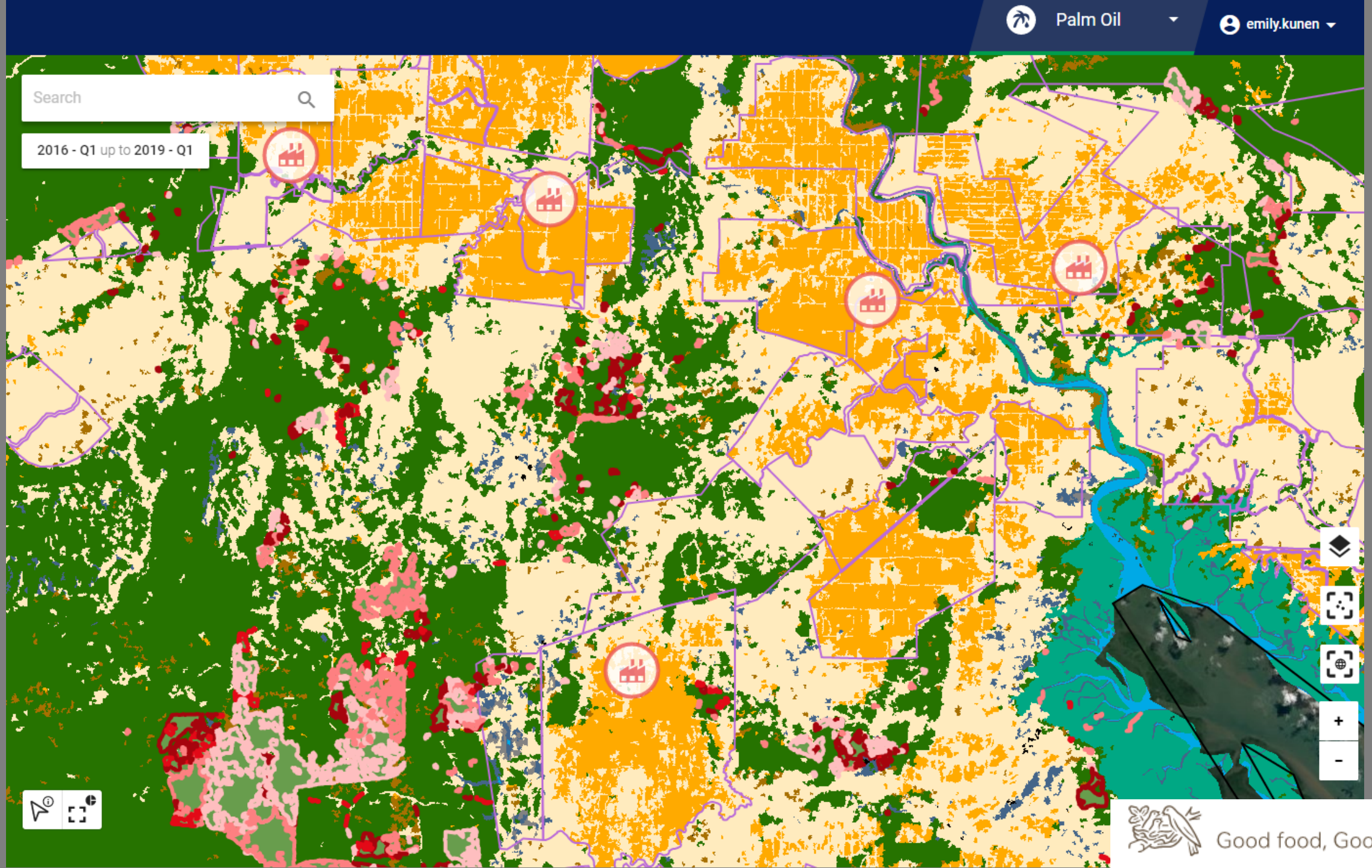


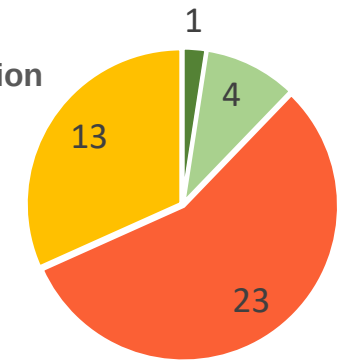

Palm Oil
emily.kunen
Search
2016 - Q1 up to 2019 - Q1
Good food, Good life

No deforestation verification by supply chain

TIER 1 SUPPLI	REFINERY / MILL	Alrea No De	Can M to No	Challen g to M
Fuji	PALMAJU EDIBLE OIL SDN	26%	21%	54%
SUB-TOTAL		26%	21%	54%
Fuji	PALMAJU EDIBLE OIL SDN	100%	0%	0%
SUB-TOTAL		100%	0%	0%
Apical	Lubuk Gaung	0%	0%	100%
Fuji	FUJI OIL SINGAPORE	49%	11%	39%
	PALMAJU EDIBLE OIL SDN	26%	21%	54%
Itochu	Musim Mas	0%	100%	
	Wilmar Sandakan	12%	7%	81%
	Wilmar Pelitung	0%	0%	100%
KLK	Lahad Datu	26%	13%	60%
	Pasir Gudang	21%	5%	74%
Mewaholeo Industr	Pasir Gudang	0%	0%	100%
Musim Mas	Belawan	0%	100%	0%
Wilmar	Lahad Datu	14%	6%	80%
	Pelintung	0%	0%	100%
	Sandakan	12%	7%	81%
SUB-TOTAL		13%	45%	42%
Fuji	PALMAJU EDIBLE OIL SDN	26%	21%	54%
Keck Seng	Keck Seng Refinery	59%	7%	34%
UniFuji	Unifuji Refinery	100%	0%	0%
SUB-TOTAL		49%	11%	39%
GAR	Belawan	0%	100%	0%
	Lubuk Gaung	0%	100%	0%
	Tarahan	0%	100%	0%
	Victory Tropical Oil USA	0%	100%	0%
Musim Mas	MM BELAWAN	0%	100%	0%
	MM KIM 1	0%	100%	0%
	Lubuk Gaung	0%	100%	0%
SUB-TOTAL		0%	100%	0%
HOK HUAT	Bukit Pasir	7%	0%	92%
	Kluang	7%	14%	79%
LDG TAI TAK	Tai Tak	0%	39%	61%
MAHAMURNI PLTI	Pasir Panjang	100%	0%	0%
	Tereh	90%	10%	0%
	Sindora	54%	0%	46%
	Sedenak	60%	12%	28%
Keck Seng	Keck Seng Refinery	59%	22%	19%
JIN LEE	JIN LEE	36%	21%	43%
SUB-TOTAL		26%	21%	54%
GRAND TOTAL		33%	44%	23%

*Dataset for example only, not accurate

Mill Categorization (ex.)



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Earthworm Good food, Good life

Nestlé Good food, Good life

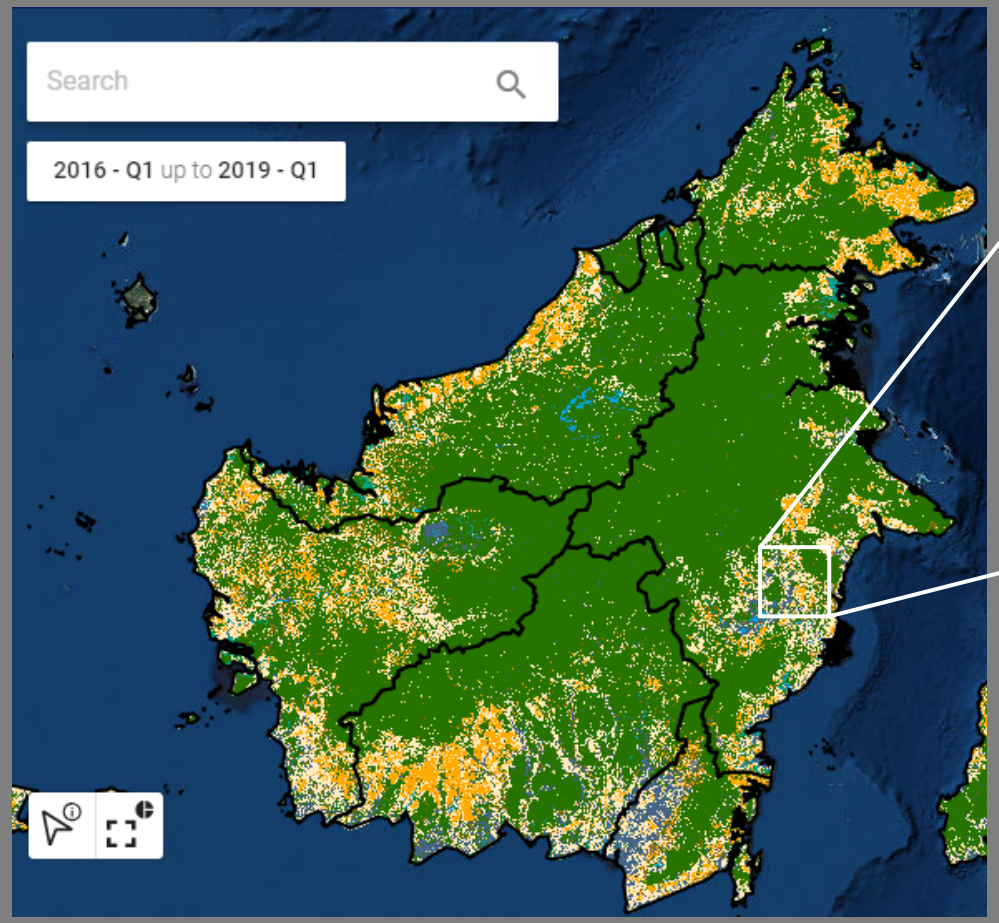
Nestlé and its satellite monitoring system explained

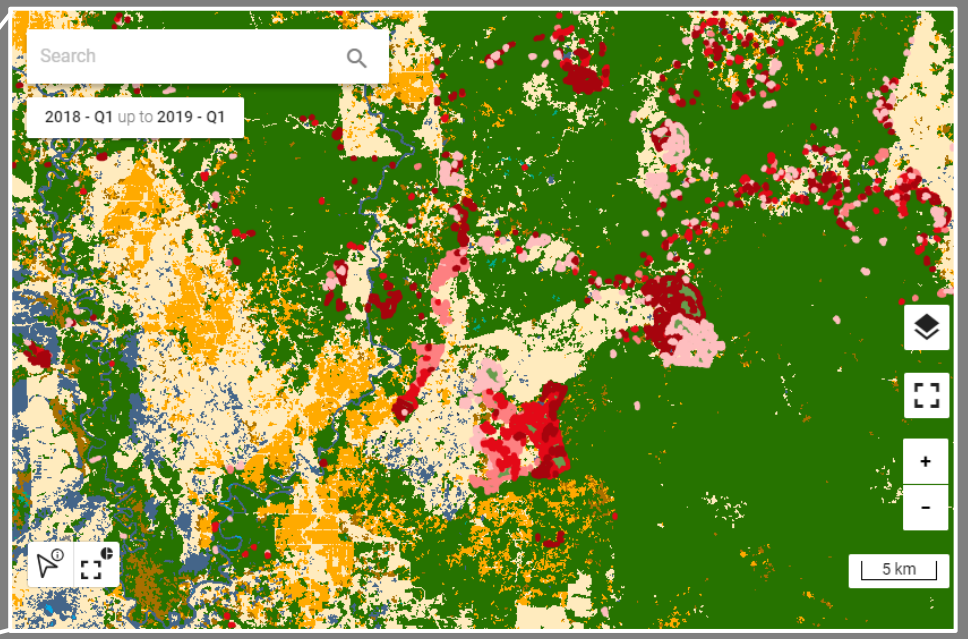
2. Key insights in palm landscapes

Better understanding deforestation patterns around palm oil producing areas
→ Better engagement with suppliers

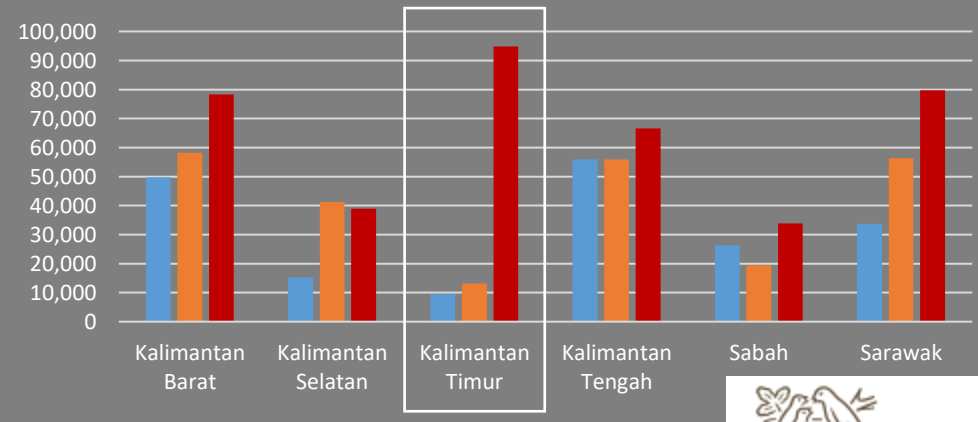
Where does deforestation occur

Example: Borneo





Deforestation – Annual Ha Forest Cover Loss

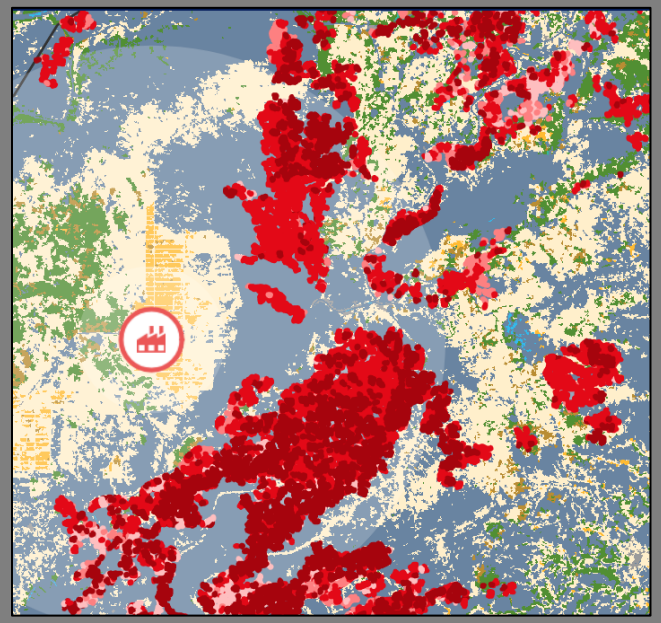


Good food, Good life

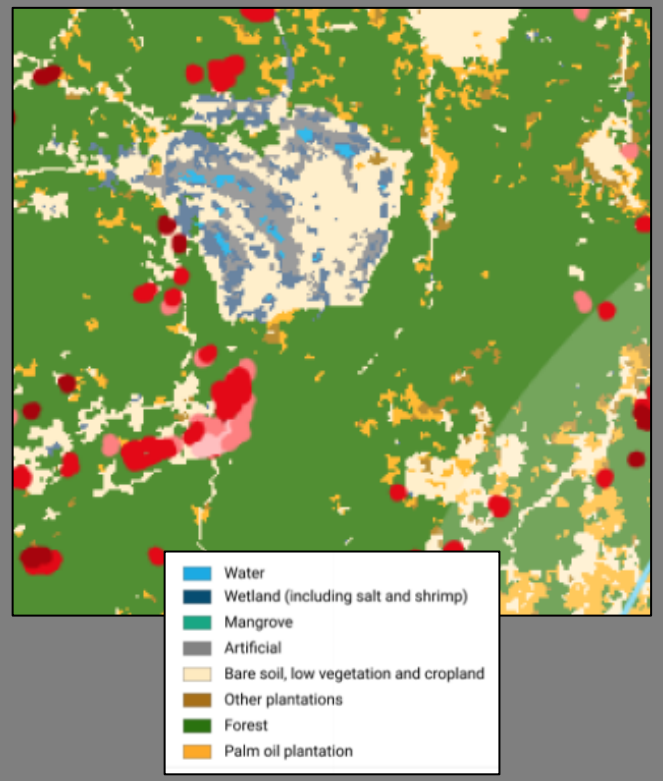
What are the drivers of deforestation

Data suggests deforestation due to:

Urban development



Mining



Rubber plantations

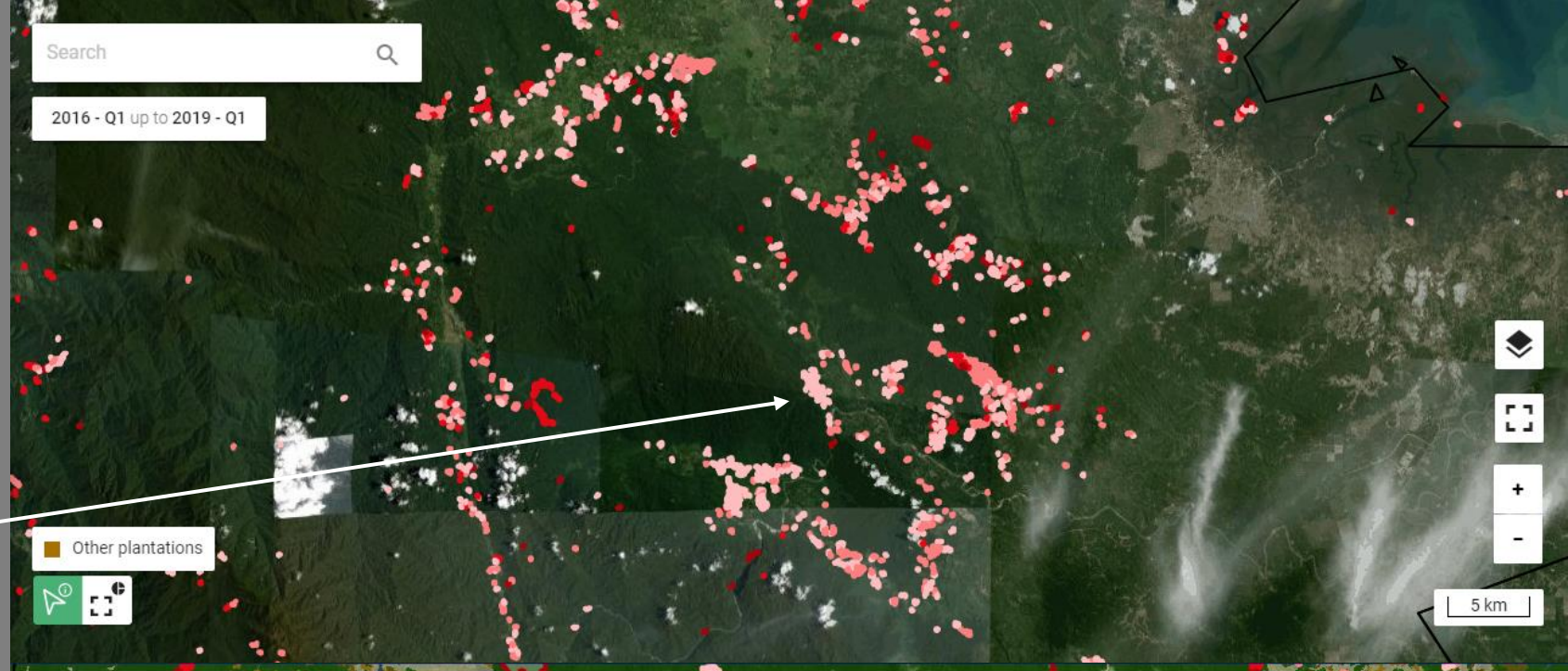
Good food, Good life

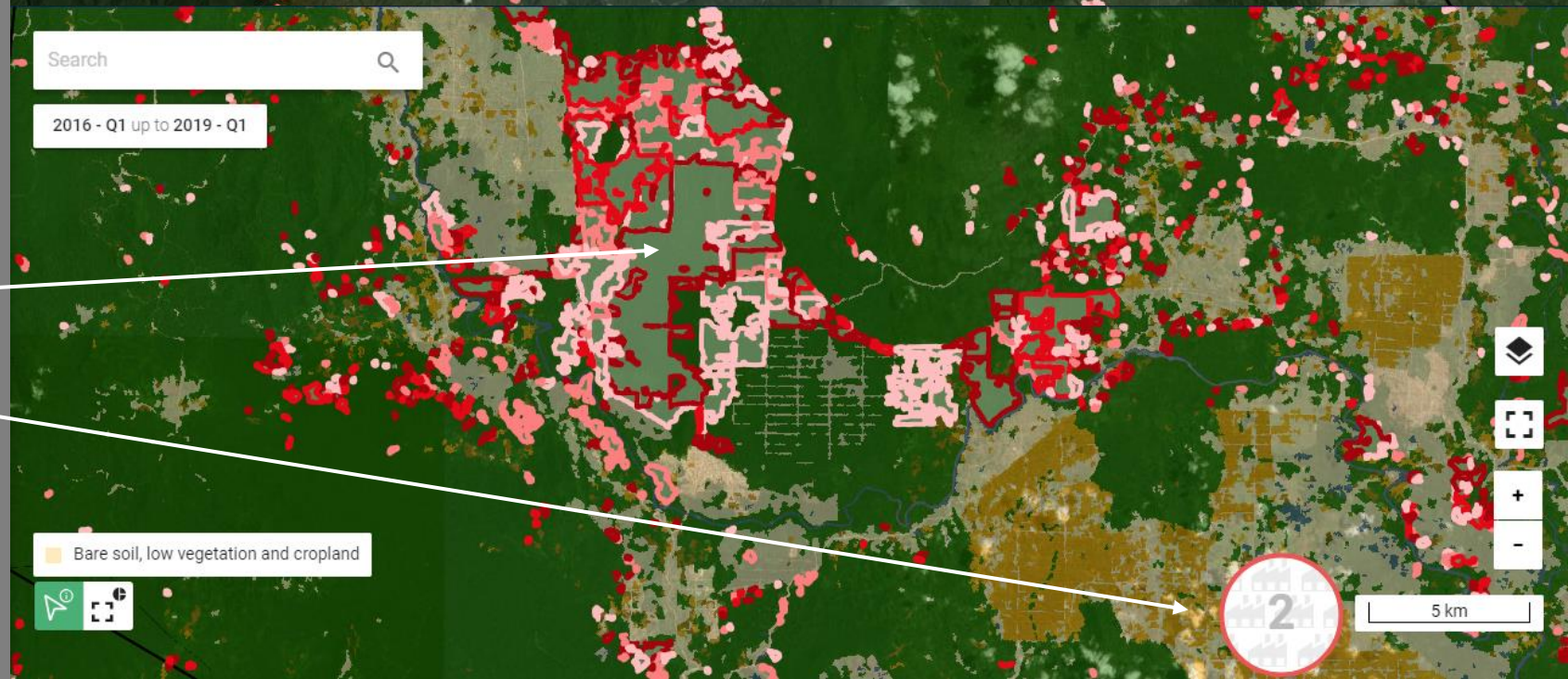
Who is linked to the deforesation

Smallholder farmer deforestation pattern

Vs.

Plantation deforestation pattern & proximity to mills





Supplier engagement: example

Nestlé Good food, Good life

Nestlé and its satellite monitoring system explained

3. Using satellite imagery to help address deforestation - lessons learned

Lesson 1: Existing systems show us where and what action is needed today

Lesson 2: No system will ever give us the perfect information to act on

Lesson 3: There is need for clear messaging from companies about expectations

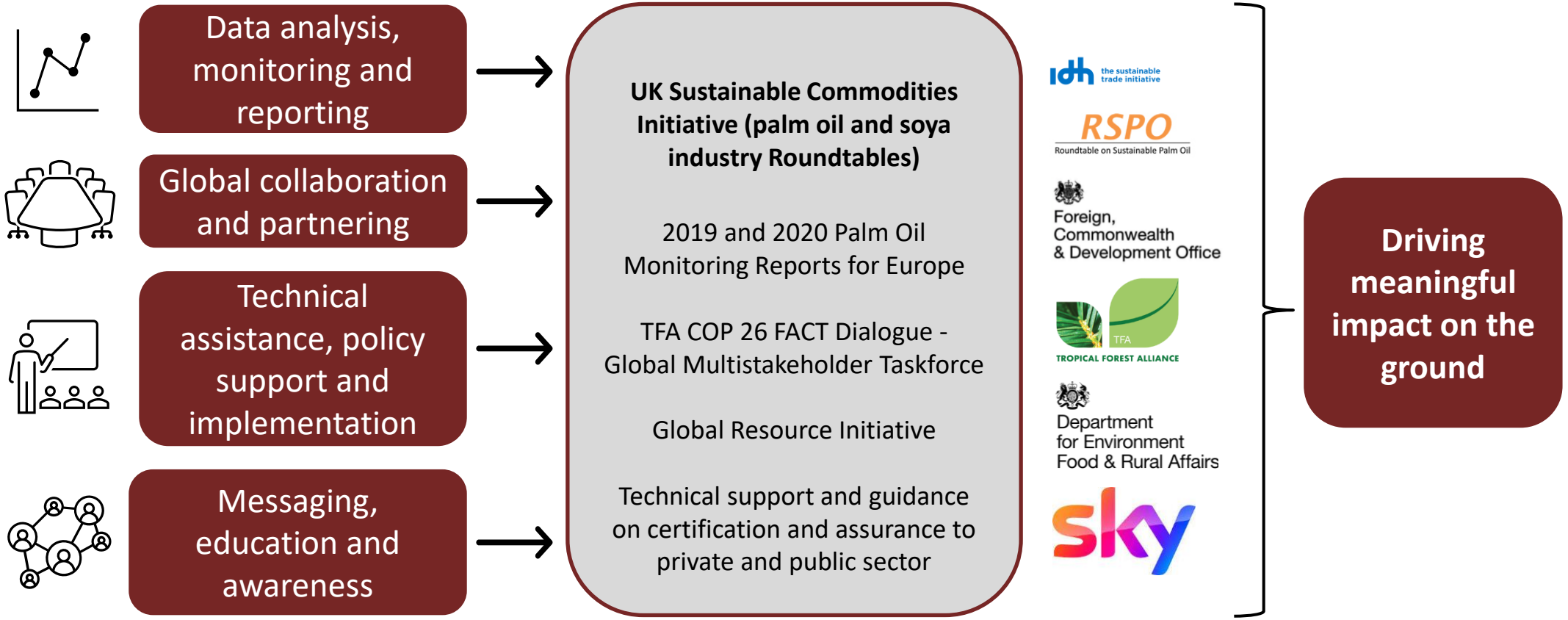
Working towards vDCF in complex palm oil supply chains

Conal Judd-English – Consultant, Efeca

13th September 2023

Efeca – who we are

We provide advice and technical support to public and private sectors on policies, regulations and commitments, for responsible sourcing of forest risk commodities



UK Sustainable Commodities Initiative

efeca economics climate environment

A cross-commodity platform enabling cross-sector collaboration

What is the UK SCI?

- UK government-funded initiative
- Technical assistance to industry on sustainable palm oil, soy, coffee, cocoa and other commodities
- Emerging broader focus on carbon (SBTs) and social issues (e.g. living income)
- Outreach to global National Initiatives
- Beyond – Efeca also facilitates the UK Soy Manifesto

The UK SCI includes an industry-led palm oil Roundtable:

- **Over 60 participants:** UK-wide industry participation with civil society partners
- **Major trade associations and supply chain actors**: refiners, manufacturers, contract caterers, retailers
- **Cross-sector representation**: food, home & personal care, animal feed
- **Working groups, outreach**, and an interface for industry-govt dialogue

Goal: developing sustainable and resilient UK commodity supply chains, whilst driving a positive global impact

Partnerships for Forests

Downstream company perspective

‘vDCF palm oil’ ~ No Deforestation, no development on Peatland, no Exploitation (NDPE)

The ‘v’ – mechanisms of verification/assurance

- **Assessing risk of origin and/or using satellite monitoring tools** – *requires element of traceability; less of an option for smaller companies*
- **Reporting tools –** *such as the NDPE Implementation Reporting Framework*
- **Certification: voluntary and national standards –** *RSPO key for many (also ISCC, ISPO, MSPO)*

Where are the major gaps?

- 93% of imports into Europe RSPO certified (incl. credits)
- But still a significant gap in complex supply chains – **oleochemicals/derivatives**

Why is this such an issue?

- Oleochemicals represent a major challenge for companies in meeting their commitments
- New regulatory drivers around deforestation and legality – EU Deforestation Regulation and UK Due Diligence

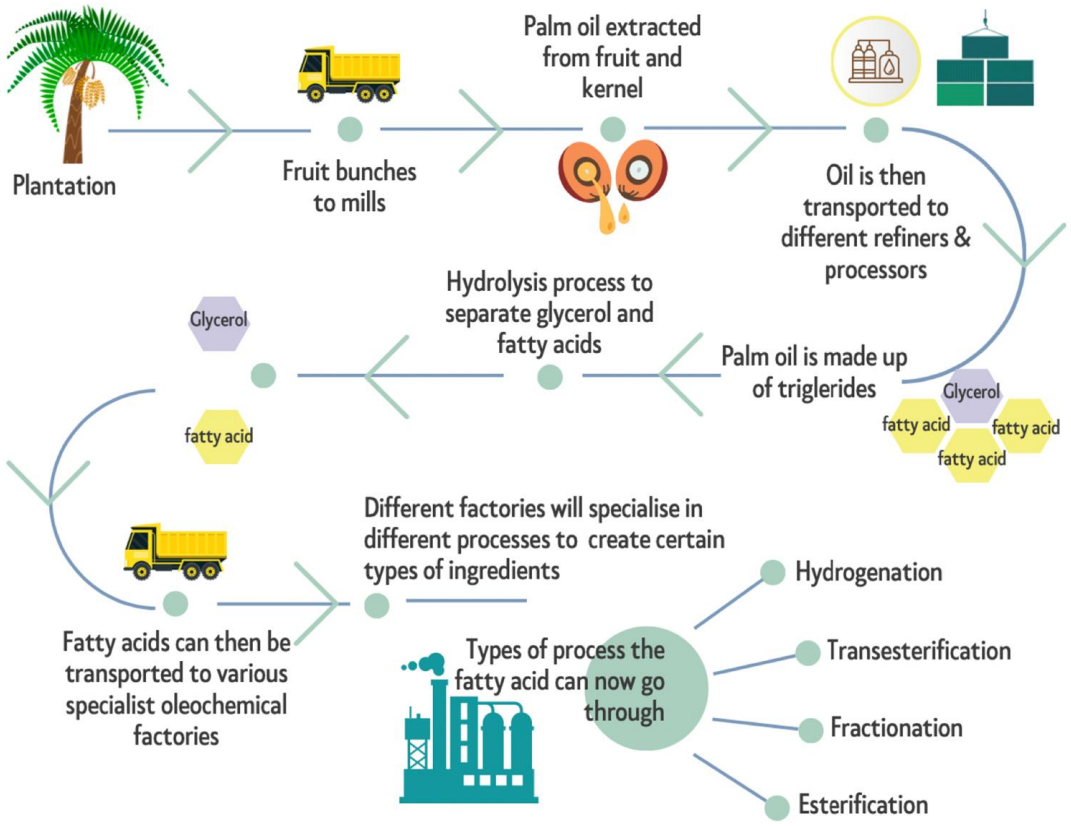
Complex supply chains

What challenges are companies in palm oleochemical supply chains facing in sourcing vDCF volumes?

Clarity
- Hundreds of possible palm-derived oleochemicals.
- Need to identify if using one, and then if it is indeed palm derived.

Traceability
- Multiple processing stages across different sites and countries – lack of visibility, and thus assurance, through supply chain.

Assurance
- Lack of availability of RSPO Segregated – practicality and cost of volume segregation.
- Reliance on RSPO Mass Balance – does not provide the level of assurance many are aiming for through their commitments or are required to achieve under incoming regulations.

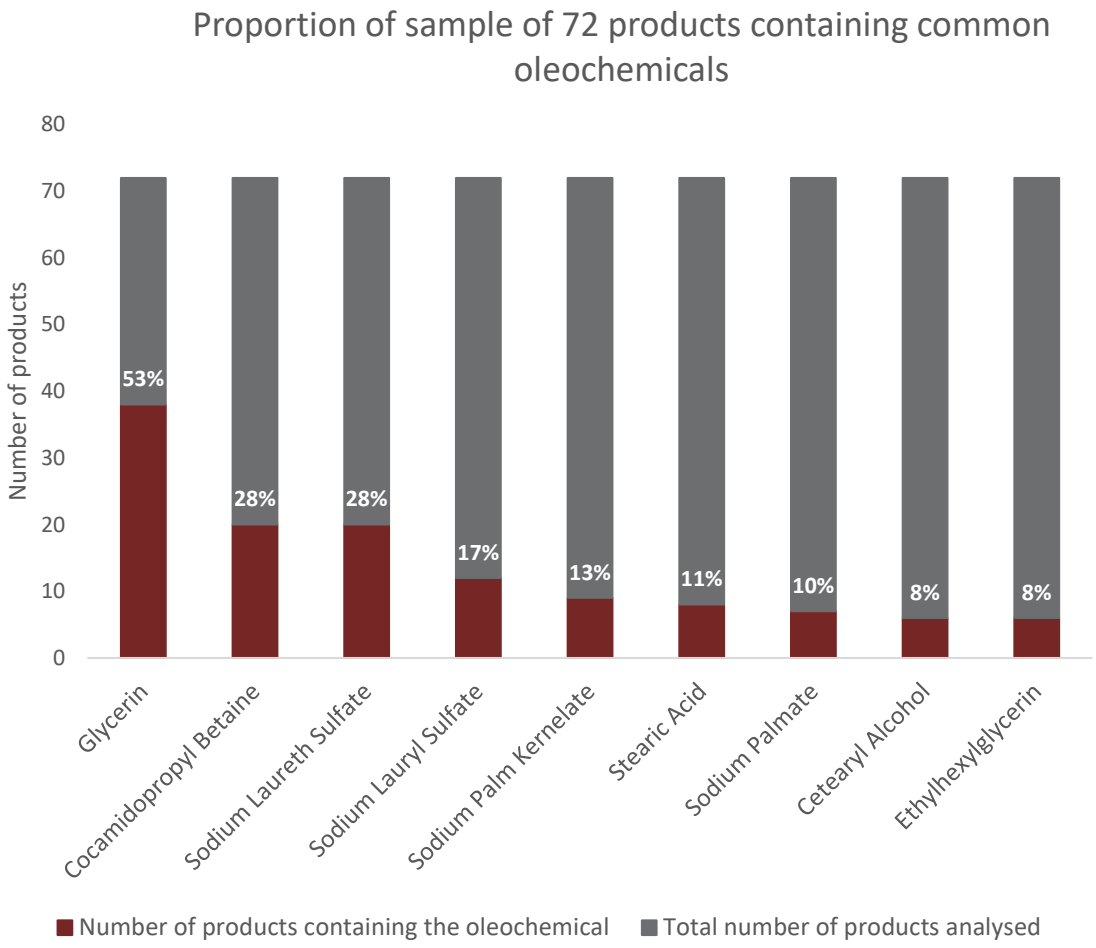


Source: Murdoch Associates

Identifying common oleochemicals

UK SCI Oleochemicals Working Group –
Small sample of 72 retailer products analysed:

- **Glycerin** is the most common oleochemical ingredient – in **53%** of products sampled
  - A humectant (moisturising agent)
- Often palm-derived – by-product of biodiesel production
- Can be sourced as RSPO MB (as can others)
- **A cross-commodity issue:**
  - Glycerin (and others) is also derived from other vegetable oils, or animal sources
  - The first hurdle is identifying what an oleochemical is derived from – and this is often unclear
- **This complexity highlights the challenge of achieving vDCF in this sector**



vDCF in palm oleochemical supply chains

What does good practice currently look like?

- Engage with suppliers – map out supply chain
- Be transparent, and use transparency to work towards traceability
- Source RSPO (MB) certified volumes, SG/IP where at all possible; purchase credits (IS preferably) to cover conventional use
- Work collaboratively – industry groups like Action for Sustainable Derivatives, UK SCI Oleochemicals Working Group

What could be reasonably practicable in future?

- A key question we are aiming to address through collaborative action
- Ambition from companies to increase sourcing of RSPO SG oleochemicals
- Base level of assurance of legality and deforestation-free (by some definition) – coverage of national standards

Actions to improve availability of vDCF derivatives? E.g.:

- 2022 RSPO study into enhancing robustness of RSPO MB supply chain model
- Raising the base – the role of national standards (the role of ISPO, MSPO)

Thank you

Contact:
conal.juddenglish@efeca.com

Audience Q&A

Submit your questions via the Q&A box in Zoom and our panel will do their best to answer as many as possible.

Accountability Framework initiative

Thank You!

Recording
You will receive an email with a link to the webinar recording shortly.

Post-event survey
Please take our survey to help us improve our future events.

Contact
Email the AFi Backbone Team via:
contact@accountability-framework.org