AFi case study

Musim Mas

Engaging suppliers to deliver on sustainability commitments

10-minute read
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This case study was produced by the Accountability Framework initiative (AFi) and Sofia Perez (www.sofia-perez.com).

ABOUT THE AFi: The Accountability Framework initiative (AFi) is a collaborative effort to build and scale up ethical supply chains for agricultural and forestry products. Led by a diverse global coalition of environmental and human rights organizations, the AFi works to create a “new normal” where commodity production and trade are fully protective of forests, other natural ecosystems, and human rights. To pursue this goal, the coalition supports companies and other stakeholders in setting strong supply chain goals, taking effective action, and tracking progress to create clear accountability and incentivize rapid improvement.

ABOUT THE AFi CASE STUDIES: The AFi case study series features examples of companies and industry groups that have adopted policies and practices for ethical supply chains in alignment with the Accountability Framework. The cases illustrate some of the ways that organizations can apply the Framework to achieve or support ethical supply chains. While the case studies highlight specific policies and practices of interest, they do not imply an endorsement of the organizations featured in the case studies, nor their products or services, by the AFi or its coalition members.

The case studies make reference to norms and guidelines for ethical supply chains contained in the Accountability Framework, which was created through a consultative process following applicable good practices for multi-stakeholder initiatives and which represents the consensus of the AFi Steering Group members that participated in its development.

DISCLAIMER: This work product is intended to be informational only and is not intended to serve as a legal opinion or legal advice on the matters treated. The reader is encouraged to engage counsel to the extent required.

SEE WHO’S INVOLVED:
For a full list of the AFi coalition members and funders, please visit www.accountability-framework.org/who-is-involved
Summary

Musim Mas is one of the world’s leading palm oil companies. In addition to its own plantations, the company sources oil-palm fruit and palm oil from a complex, geographically diverse supply network of direct and indirect suppliers. It has used the Accountability Framework to assess its supplier engagement tools and system; review its approach to addressing non-compliance; and report on progress.

Company: Musim Mas
Commodity: Palm oil
Geography: Global presence in 13 countries, sourcing raw materials from Malaysia and Indonesia, and production plants located across Asia and Europe.
Scope: The suppliers in scope include Musim Mas’s supply base of nearly 600 mills that belong to 250 different corporate supplier groups.
Challenge: Improve compliance across the company’s large and diverse supply base; effectively address non-compliances and support suppliers where needed; and assess progress toward goals.
Solution: Use the Accountability Framework to: 1) improve tools and procedures for supplier engagement; 2) solidify an approach to managing non-compliance; and 3) report on progress in a clear and credible way.

Application of Accountability Framework:
- Core Principles
- Definitions
- Operational Guidance on Supply Chain Management
- How to Use the Implementation Reporting Framework to report in alignment with AFi
Challenge

As one of the world’s leading palm oil companies, Musim Mas is involved in every stage of the commodity’s production and use—from cultivating and processing oil-palm fruit, to refining the oil and manufacturing industrial ingredients and consumer goods that contain it. Headquartered in Singapore, the company has operations in 13 countries. Its supply chains include nearly 600 mills belonging to 250 different supplier groups, which in turn source from a large number of independent smallholders.

In 2020, the company updated its 2014 Sustainability Policy built on a commitment to no deforestation, no peat, and no exploitation (NDPE) and applicable across its global operations, as well as its direct and indirect third-party suppliers. Balancing inclusiveness with strict compliance requirements throughout the supply chain remained a challenge as the company continued to require all of its suppliers to adopt and implement NDPE policies at a corporate group level. Recognizing that its suppliers were at various stages of capacity and that its global supply network was very complex, Musim Mas realized the need for a nuanced approach to achieving its commitments.

Some mills in Musim Mas’s supply chain were wary of sharing performance data because they did not understand how the information might be used. They also needed training and support to fully understand what was required to implement Musim Mas’s commitments. Others were interested in sustainability but lacked the financial or human resources to engage the smallholders from whom they were sourcing their oil-palm fresh-fruit bunches (FFBs) to help them improve their practices. For Musim Mas to be successful in implementing its Sustainability Policy, its supplier engagement efforts needed to balance providing support with enforcing clear requirements.

“We could have given a directive and immediately cut all non-compliant suppliers from our supply chain,” says Olivier Tichit, Musim Mas’s Director of Sustainable Supply Chain, “but we wanted to be realistic about the challenges they were facing and figure out how to create multiple pathways for them to achieve our NDPE commitments.”
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Director Sustainable Supply Chain, Musim Mas
Solution

With the publication of the Accountability Framework in 2019, Musim Mas saw an opportunity to evaluate its own policy, tools and systems against the Framework's consensus-based guidelines.

When it came time to refresh its Sustainability Policy, the company found the Framework's definition of 'corporate group' useful to clarify the policy's scope. As defined in the company's refreshed Sustainability Policy (2020-2025), the policy applies to all subsidiaries and operations worldwide including all palm oil plantations, facilities involved in processing, refining and trading of palm oil products, as well as joint venture partnerships and investments. The policy also applies to the company's third-party suppliers and contractors. As specified in the Accountability Framework's Core Principle 3 on Specification of Commitments, broad scope is essential if commitments are to drive transformative change while minimizing displaced impacts.

To deliver on its updated Sustainability Policy, the company committed to continuing to support and lead transformation across third-party supply chains through supplier engagement. In October 2020, the Accountability Framework initiative (AFi) Secretariat and Proforest (a member of the AFi coalition that supports responsible production and sourcing) held a training session for relevant Musim Mas staff to familiarize them with the Framework—including the Core Principles and Operational Guidance associated with supplier management, monitoring, and human rights. Then, the AFi team worked with Musim Mas to review the company's supplier engagement tools. The review informed decisions to update the tools. The company also continued to explore ways for the Framework to guide other relevant areas in their responsible supply chain journey, including how to connect supplier performance more directly to the company's own reporting efforts.
Musim Mas applied the Accountability Framework to:

1. Improve tools and procedures for supplier engagement.
2. Solidify an approach to managing non-compliance in its supply chain.
Improving tools and procedures for supplier engagement

Although Musim Mas began working on environmental and human rights issues several years before the launch of the Accountability Framework, the company found the Framework helpful for improving its supplier engagement efforts. “We see the Framework as a common language, which is a very good first step to build trust with suppliers,” says Olivier. “By using this shared language, our commitments and reports are clearer to all stakeholders.” Musim Mas found that the Accountability Framework’s versatility—the fact that it is not a compliance standard, and that its guidance can be applied to many different commodities and positions along the supply chain, or across an entire landscape—made it particularly useful when trying to align a wide range of suppliers, each with varying capacities and resources.

Following Core Principle 4, buyers are expected to have a supplier management system for all supply chains that are covered by sustainability commitments or otherwise subject to environmental or social risks. Because Musim Mas’s supplier engagement tools had been developed incrementally over time, the company wanted to benchmark them against the Accountability Framework’s guidance to ensure that it remained on track toward its original goals and was well aligned with the latest global best practice. The company worked with the AFi team to review its supplier engagement tools, including its self-assessment tool, traceability to plantation form, and supplier No Deforestation, No Peat and No Exploitation (NDPE) roadmap template.

Following the Accountability Framework’s Core Principle 5 on supply chain assessment and traceability, as well as the AFi’s Operational Guidance on Supply Chain Management, Musim Mas deploys a systematic but tailored approach to ensure that suppliers receive appropriate guidance and monitoring to meet the company’s group-level Sustainability Policy. The first step was to develop a deeper understanding of the entire supply base. Using publicly available information and data provided by suppliers, the company created profiles of supplier operations and identified potential sustainability risks.
To support the implementation process, Musim Mas engaged in one-on-one discussions with corporate suppliers and held group workshops and training sessions for them, covering topics such as deforestation, governance, workplace human rights, community and social rights, traceability, and certification. The aim was to help suppliers understand why Musim Mas was requesting certain information, how it would be used, and what goals the company had set. “It is all about building a good relationship,” says Olivier. “We are part of the same larger ecosystem, and it’s mutually beneficial to work together. We want to be mentors to them rather than police.”

Once a corporate supplier has agreed to comply with the main elements of the Sustainability Policy, Musim Mas helps that supplier apply its self-assessment tool to identify any existing gaps. Based on the assessment results, Musim Mas then works with the supplier to create a roadmap to work toward the NDPE requirements and demonstrate compliance. These tailored roadmaps include time-bound plans, with benchmarks and milestones to monitor progress. Mills and supplier groups are also expected to work toward 100% traceability for the FFBs they source and must complete a Traceability to Plantation form to identify their growers.

The AFI’s review revealed that the main aspects of Musim Mas’s supplier management systems were already consistent with the Accountability Framework, such as the traceability requirements and specifications required in its supplier NDPE roadmap. Several areas in its self-assessment tool were identified for further alignment with the Framework, and it was also acknowledged that Musim Mas could increase overall efficiency in its supplier management systems in terms of how its tools and other relevant mechanisms such as grievance procedures and management of non-compliance are used in tandem. This entails enhancing internal systems to better track suppliers’ progress over time and how Musim Mas is meeting its own group-level NDPE commitments.

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Solidifying an approach to managing non-compliance

In keeping with the Accountability Framework’s Core Principle 6 on managing for supply chain compliance and Operational Guidance on Supply Chain Management, Musim Mas follows a multi-step approach to identify and address non-compliance. Musim Mas manages Compliance Grievances, breaches against its Sustainability Policy and Roundtable on Sustainable Palm Oil (RSPO) standards and Dispute Grievances which involve conflicts between two or more parties. The company then links grievance resolution to purchasing decisions through a comprehensive process called the Controlled Purchase Protocol.

This process begins when a grievance has been made against a supplier by a stakeholder – including employees, local communities and NGOs. First, Musim Mas investigates the grievance—conducting an internal analysis and engaging with the supplier and other stakeholders to assess its validity. Grievances that are confirmed to violate the company’s policies and commitments are then categorized as either “non-critical” or “critical.” Examples of critical grievances include new deforestation, new development of peatlands, critical legal violations, or withdrawal or termination of membership in the Roundtable on Sustainable Palm Oil.

If the grievance is deemed non-critical, the supplier is allowed to continue selling to Musim Mas as long as it works to correct the non-compliance(s) according to an established action plan that includes milestones for measuring the supplier’s progress. If the grievance is critical, however, or if a supplier refuses to engage with the company or make progress on a non-critical grievance, Musim Mas suspends trade relations with that supplier. AFI’s guidance on the topic of non-compliance reassured the company of its approach and parameters in assessing the severity of non-compliances and appropriate courses of action.

“Ultimately, it’s about maintaining relationships so that you can build towards a solution and actually improve what you are doing throughout your supply chain,” says Olivier. “We believe in supporting suppliers with an intent to change, instead of excluding first and providing support afterwards,” he continues, because the latter approach could lead to a growing leakage market, whereby excluded producers feel less pressure to change and simply sell their product to less-demanding buyers instead.
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Director Sustainable Supply Chain, Musim Mas
Spotlight:
Addressing non-compliance in a biodiversity hotspot

One of Musim Mas’s many suppliers is PT Pati Sari, a privately-owned palm-oil mill in Aceh Tamiang, on the Indonesian island of Sumatra. The mill is located on the boundary of the Leuser Ecosystem, a UNESCO World Heritage Site that features 6.5 million acres of rainforest and carbon-rich peatlands. This biodiversity hotspot is also the only place on earth where tigers, elephants, orangutans, and rhinos still live together in the wild.

In 2014, the NGO Rainforest Action Network alerted Musim Mas that Pati Sari had purchased oil-palm fruit from a plantation company engaged in illegal deforestation of the Leuser Ecosystem. In keeping with its Controlled Purchase Protocol, Musim Mas sent members of its sustainability team to Pati Sari to assess the allegations. Next, the company carried out an assessment to map the mill’s supply base, conducted audits of Pati Sari’s operational processes, and studied its procurement policy and procedures. Musim Mas also verified legal documents related to national environmental laws and Indonesian Sustainable Palm Oil (ISPO) standards.

As part of Musim Mas’s direct engagement with the supplier, Pati Sari immediately ceased buying FFB from the plantation company in question. While Pati Sari continued to sell its oil to Musim Mas, the latter conducted workshops to raise the mill operators’ awareness of the company’s Sustainability Policy and possible consequences of non-compliance. Musim Mas also held training sessions for the mill’s suppliers.

Pati Sari completed full traceability of its FFB, documented fulfillment of legal requirements, went through stage 2 of ISPO certification and enrolled in Musim Mas’s Extension Services Program to help its third-party smallholder suppliers improve farm productivity. By September 2019, Musim Mas had engaged nearly 200 smallholders that sell their oil-palm fruit to Pati Sari—providing them with training on how to replant, increase yields through good agricultural practices, confirm the legality of their land titles, and improve their market access. More recently in 2019, Pati Sari completed its NDPE Roadmap and Musim Mas is actively monitoring its compliance and progress towards meeting the roadmap targets.
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Reporting on progress

As a member of the Palm Oil Collaboration Group (POCG) and following requests from customers, in 2019 Musim Mas began trialing the NDPE Implementation Reporting Framework (IRF) to track progress on deforestation and peat commitments of its suppliers. Developed under the POCG and facilitated by AFi coalition member Proforest, the IRF is closely aligned with the Accountability Framework and provides a streamlined way to monitor and report mill-level progress toward NDPE criteria and to aggregate such progress measures across a company’s entire supply base. The IRF can help companies report on progress toward their NDPE commitments in alignment with the Accountability Framework’s Core Principle 12 on reporting disclosure and claims and associated Operational Guidance.

In 2020, after collaborating with the AFi to review its supplier engagement tools, Musim Mas was further encouraged to connect its supplier assessments more directly to the IRF indicators to facilitate the reporting process. Musim Mas is now using the IRF to assess and report on the progress of its non-certified suppliers that are working toward the company’s Sustainability Policy. The IRF’s alignment with the Accountability Framework makes it easier for companies like Musim Mas to link their supply chain volumes from non-certified suppliers to traceability and compliance attributes. Musim Mas’s active engagement with the POCG and use of IRF is an example of how some companies are coming together to participate in industry-wide initiatives designed to transform the palm sector.

With the IRF’s increasing focus on the No Exploitation component of NDPE policies, Musim Mas is also developing labour assessment requirements for its mill-level suppliers to assess their performance against the company’s labour commitments. The information gained from these assessments will help Musim Mas to map labour risks in its supply chains and identify appropriate responses in accordance with a human rights due diligence approach.