

The Consumer Goods Forum

Sustainable Palm Oil Sourcing Guidelines

- Supporting Sustainable Value Chains and Business Practices Globally



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1. Introduction

Following its 2010 Deforestation Resolution¹, The Consumer Goods Forum (CGF) recognises its responsibility to ensure that the sourcing of palm oil does not contribute to deforestation, and has consequently taken action in developing the CGF Sustainable Palm Oil Sourcing Guidelines (the Guidelines).

These sourcing guidelines do address deforestation, but also cover other key sustainability issues associated with the production of palm oil.

The CGF wants to encourage its members and other key stakeholders along the supply chain to work together to implement the CGF Sustainable Palm Oil Sourcing Guidelines. These parties include (but are not limited to) growers, commodity traders, agricultural organisations and NGOs, etc.

The CGF Sustainable Palm Sourcing Guidelines should be considered 'a living document' and will be updated from time-to-time to reflect key developments in the rapidly changing palm oil environment.

2. Scope

For the CGF's purposes, the scope of these guidelines applies to palm oil, palm kernel oil and their derivatives² used in a company's products. Retailers and manufacturers should specify the scope of their policies.

It is recommended that companies conduct a materiality assessment across the breadth of their product sourcing to determine the appropriate scope of their individual company sourcing policies. The CGF's Palm Oil Working Group will facilitate sharing of tools to assist with materiality assessments.

3. Risk Criteria and Classifications

Following its Deforestation Resolution, the CGF pledges to help achieve zero net deforestation.

This means that palm oil, palm kernel oil and palm oil derivatives are sourced from plantations and farms that operate in compliance with all laws and regulations and additionally should ensure the following requirements are met:

- Comply with existing RSPO Principles & Criteria, or equivalent standards;
- Protect high conservation value (HCV) areas;
- Involve no burning in the preparation of new plantings, re-plantings or any other developments, including the management of existing plantations;
- Respect human rights, and endorse and support the Universal Declaration of Human Rights;
- Engage in free prior and informed consent of indigenous and local communities concerning activities on their customary lands where plantations are planned for development; and

¹ For the text of the resolution, please see Annex 2

² Derivatives refer to the result of chemically processing palm oil or palm kernel oil.

- Operate an open, transparent and consultative process to resolve complaints and conflicts.

And, in addition, consider developing an approach for addressing the following criteria which go beyond current RSPO certification standards:

- Protect high carbon stock (HCS) forests (see also verification section); and
- Do not establish new developments on peatlands regardless of depth.

While some crops are produced in a range of contexts that are higher or lower priority for delivering the CGF commitment, oil palm plantations are almost always in the same areas as humid tropical forests, so all production regions are considered high priority.

4. Approach

A stepwise approach is recommended for the implementation of commitments to sourcing deforestation-free and sustainable palm oil:

- Individual companies conduct a materiality or priority assessment³ to determine the appropriate scope of the palm oil sourcing policy.
- Develop palm oil sourcing policies for your company that seek transparency along the supply chain and support the production of deforestation-free sustainable palm oil:

A. For companies, who are starting on this journey, the CGF recommends the following steps:

1. Identify where palm oil is used in your products;
2. Seek palm oil certification through the Roundtable on Sustainable Palm Oil (www.rspo.org) or equivalent standards;
3. Retail members should map supply chains from product manufacturers upstream to refinery to identify which 1st importers supply the majority of volume;
4. Engage with 1st Importers to monitor progress on improving sourcing practices in relation to traceability, high carbon stock and peatland; and
5. Continue to work towards a deforestation-free and sustainable supply palm oil supply chain.

B. Companies are encouraged to:

1. In addition to the requirements above, companies are encouraged to include the following risk criteria in sourcing guidelines:
 - a. Protect High Carbon Stock forests;
 - b. No new development on peat of any depth;
 - c. Take a proactive stance to ensure social and human rights are protected; and
 - d. Aim for the inclusion of smallholder farmers.
 2. Require that the Guidelines apply to all suppliers on a group level (including all operations and landholdings, joint ventures and third-party suppliers).
- Disclose time-bound company policies, implementation plans, goals and progress that support deforestation-free and sustainable palm oil in their individual supply chains.

³ The CGF understands materiality as a principle or means that reflect the most important opportunities and risks of a company and its stakeholders and therefore merit particular focus and action for a company– not just from a financial or reporting perspective.

- Support CGF's engagement with key purchasing countries and companies (especially China, India, Malaysia and Indonesia) in the creation of awareness of the links between deforestation and sourcing of commodities, and the development of sustainable best practices.

Individual companies are encouraged to set out their own requirements, which may include higher standards than the minimum recommended in these guidelines, and move further as quickly as possible.

5. Verification

There are a range of verification mechanisms that may be used to increasingly reduce the risk of sourcing palm oil contributing to deforestation in companies' supply chains.

The minimum recommended mechanism in these guidelines are the RSPO standards and criteria and/or an equivalent standard like the Sustainable Agriculture Network (SAN) standard or any other credible independent third-party mechanisms that verify low risk of sources that are unsustainable or contribute to deforestation. Experts and key stakeholders should be engaged to assure the verification process is transparent and credible and assesses against criteria currently not included in the certification standards. The Palm Oil Innovation Group is one group that has developed criteria and indicators for third-party verification of practices that go beyond RSPO.

The RSPO supply options 'Identity Preserved', 'Segregated' and 'Mass Balance' are all accepted, as well as the GreenPalm option as an interim mechanism.

Upstream suppliers should comply with RSPO (or equivalent) supply chain certification standards to ensure that certification claims are robust and verified. For the requirements on peatland and HCS forest the CGF recommends an independent verification, which should be transparent in its methodology, process and verification criteria.

The Indonesian Sustainable Palm Oil System (ISPO) and the Malaysian Sustainable Palm Oil System (MSPO) are recognised for verification of legality in their respective countries – and can be a useful addition to the recommended RSPO standards.

The CGF recognises the value of traceability throughout the supply chain to deliver the overall objective of achieving zero-net deforestation in the value chain. As a first step, companies are expected to work with their suppliers to identify the mill sources of their palm oil. Traceability of Fresh Fruit Bunches (FFB) to where they are grown is currently not possible in much of the palm oil supply chain. As a first step towards FFB traceability, companies and their suppliers are encouraged to engage mills in known deforestation hot-spots to map their plantation and smallholder suppliers.

The CGF also recognises the work of the Traceability Working Group and the desire to align its definition and approach of Traceability with RSPO, and to develop industry-wide traceability mechanisms.

6. Transparency (for individual CGF members)

Participating members of the CGF are urged to disclose their palm oil sourcing policies, goals or milestones and progress in reaching/delivering goals.

7. KPIs (for the CGF membership)

Goal:

The goal for CGF members is to help achieve zero net deforestation by 2020 through the sourcing of sustainable commodities.

The KPIs in this section should provide an update on the status of the implementation of the Deforestation Resolution and should focus on the behaviour the CGF wants to encourage.

The CGF are therefore suggesting the following KPIs:

1. Number of CGF members for which the sourcing of palm oil is relevant with a public commitment on the sourcing of sustainable palm oil.
2. Number of CGF members for which the sourcing of palm oil is relevant that have published a time-bound implementation plan.
3. Number of CGF members for which the sourcing of palm oil is relevant that publicly report annually on progress towards meeting these guidelines.

8. Antitrust

All work of The Consumer Goods Forum is carried out in accordance with the CGF's Antitrust Guidelines, and in compliance with all competition laws, thus ensuring independence of activity, collaboration only on non-competitively sensitive issues, and confidentiality of information.

Participating companies will undertake their own decisions on IF and HOW to implement the elements of this proposal in their individual supply chains.

Annex 1: The CGF Resolution on Deforestation (November 2010)

“As the Board of The Consumer Goods Forum, we pledge to mobilise resources within our respective businesses to help achieve zero net deforestation by 2020.

We will achieve this both by individual company initiatives and by working collectively in partnership with governments and NGOs.

Together we will develop specific, time bound and cost effective action plans for the different challenges in sourcing commodities like palm oil, soya, beef, paper and board in a sustainable fashion. We will also work with other stakeholders – NGOs, Development Banks, Governments etc. – to create funding mechanisms and other practical schemes that will incentivise and assist forested countries to conserve their natural assets and enable them to achieve the goal of zero net deforestation, whilst at the same time meeting their goals for economic development”.

Annex 2: Definitions

Zero net deforestation:

The CGF follows the [WWF definition](#) of zero net deforestation. “Zero net deforestation” can be distinguished from “zero deforestation”, which means no deforestation anywhere. It acknowledges that some forest loss could be offset by forest restoration. Zero net deforestation is not synonymous with a total prohibition on forest clearing. Rather, it leaves room for change in the configuration of the land-use mosaic, provided the net quantity, quality and carbon density of forests is maintained. It recognises that, in some circumstances, conversion of forests in one site may contribute to the sustainable development and conservation of the wider landscape (e.g. reducing livestock grazing in a protected area may require conversion of forest areas in the buffer zone to provide farmland to local communities). However, zero net deforestation is not achieved through the conversion of primary or natural forests into fast growing plantations. Such conversion would count as deforestation in assessing progress against the target.

High Carbon Stock (HCS) Forests:

Forests and trees act as natural carbon stores, but this carbon is released when the trees are felled and the area deforested. The amount of carbon stored within an area of land varies according to the type of vegetation cover, so it is beneficial for developments to take place on areas with low carbon stock. The HCS approach distinguishes natural forest from degraded lands with only small trees, scrub or grass remaining.

There are a number of definitions for High Carbon Stock forests – including the RSPO GHG tool as well as the HCS approach used by TFT, Greenpeace and others. The CGF is seeking to drive convergence among HCS approaches and the integration with existing tools like for example High Carbon Value (HCV) and the RSPO.

A multi-stakeholder dialogue and consultation process should be used to develop a pragmatic framework to determine the ‘no go’ areas among the different classes of vegetation. The HCS framework may need to be customised depending on geographies (e.g. African landscapes where the vegetation strata may have a different range to SEA landscapes and consequently the HCS threshold may be different). To achieve the long-term protection of HCS forest areas this will also include pragmatic assessments of social, economic and political factors.

High Conservation Value (HCV) areas:

“High Conservation Value” areas refer to the areas necessary to maintain or enhance one or more High Conservation Values (HCV), where a HCV is a biological, ecological, social or cultural value of outstanding significance or critical importance. More detail is available through the High Conservation Value Resource Network via www.hcvnetwork.org.

Traceability of Sustainable Palm Oil

Currently there are no industry wide systems to deliver traceability to mill or plantation/ smallholder producers. Companies are encouraged to work with their palm oil suppliers to implement traceability systems. The CGF will coordinate with other partners the development of an industry standard and process on traceability.

1st Importers

Means those companies who import, process, supply, and/or use substantial volumes of palm oil for food and consumer goods markets. The term is not prescriptive and may be extended to other companies deemed to be material to retailers and consumer goods companies’ palm oil supply chains.

Drive positive economic and social impact on people and communities

Universal Declaration of Human Rights

<http://www.un.org/en/documents/udhr/index.shtml>

As well as other sources:

United Nations Guiding Principles on Business and Human Rights

<http://business-humanrights.org/en/un-guiding-principles>

FAO Voluntary Guidelines on the Responsible Governance of Tenure

<http://www.fao.org/nr/tenure/voluntary-guidelines/en/>

International Labour Organization (ILO) Core Conventions

<http://www.ilo.org/global/standards/lang--en/index.htm>

Respect the rights and title of indigenous and local communities, and including the Free, Prior and Informed Consent (FPIC) of indigenous and local communities to activities on their customary lands where plantations are developed. Refer to the *FPIC and RSPO: A Guide for Companies*.

http://www.rspo.org/file/FPIC%20and%20the%20RSPO%20a%20guide%20for%20companies%20Oct%2008_cover.pdf

About The Consumer Goods Forum

The Consumer Goods Forum is a global, parity-based industry network that is driven by its members to encourage the global adoption of practices and standards that serves the consumer goods industry worldwide. It brings together the CEOs and senior management of some 400 retailers, manufacturers, service providers, and other stakeholders across 70 countries, and it reflects the diversity of the industry in geography, size, product category and format. Its member companies have combined sales of EUR 2.5 trillion and directly employ nearly 10 million people, with a further 90 million related jobs estimated along the value chain. It is governed by its Board of Directors, which comprises 50 manufacturer and retailer CEOs.

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The CGF Sustainable Palm Oil Sourcing Guidelines are intended to assist companies in the development of their own policies for effectively sourcing palm oil, and were developed by a large set of retailers and manufacturers from across the CGF membership, together with input from a number of external stakeholders.

The CGF has been working collaboratively across its membership and with external stakeholders, including palm oil producers, processors, banks and NGOs, to promote the growth and use of sustainable palm oil. It will remain actively involved in engaging its global membership to help ensure the industry-wide implementation of these guidelines.

