

**Engage within and beyond Supply Chains**

The Palm Oil Toolkit supports companies in the responsible sourcing of palm oil, highlighting a wide range of tools and initiatives which aim to decouple palm oil production and trading from deforestation, development on peat and human rights violations. This document summarises how to engage with suppliers and take action towards sustainable sourcing, following the Agricultural Commodity Responsible Sourcing (ACRES) approach, which is introduced in [Briefing Note 01](#) (Figure 1).

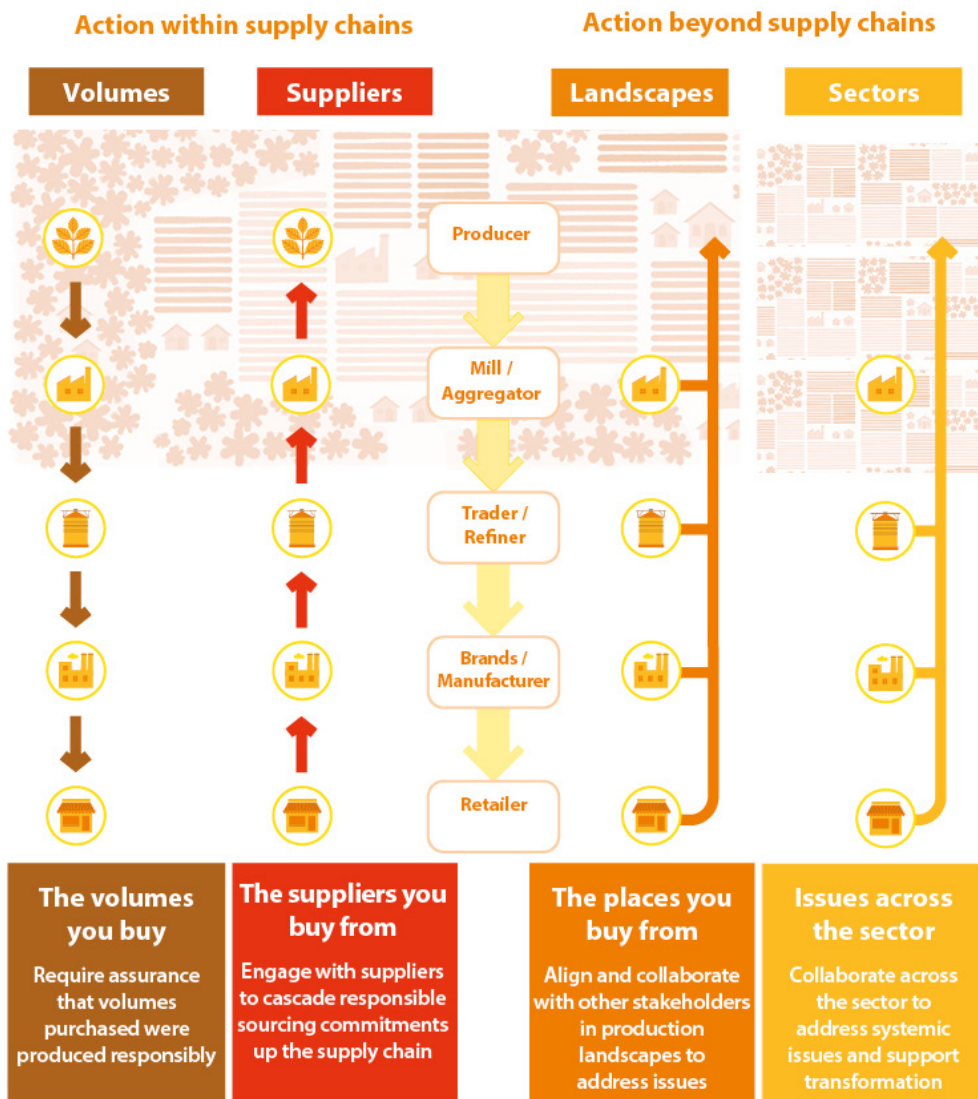


Figure 1: Agricultural Commodity Responsible Sourcing (ACRES) approach.

This approach describes the importance of understanding and addressing issues within and beyond the supply chain to increase the scale and efficiency of delivering commitments. It enables companies to maximise their leverage throughout the supply chain and be more effective in addressing issues and achieving positive impacts. Collaboration is the most important underlying factor in achieving these outcomes. The main points addressed throughout the Briefing Note are as follows:

- Working within supply chains, companies need to deliver compliant volumes and engage suppliers.
- Working beyond supply chains, companies need to engage in the places they buy from and work across the sector.
- Collaborating with other actors is essential to address complex issues that require action from multiple stakeholders.

## 01 Working within the supply chain

Most companies begin the process of engaging suppliers by focusing on their own supply chain

and starting with their direct suppliers to leverage existing business relationships. There are two main approaches for engaging with suppliers and ensuring sustainability within the supply chain:

1. **Through 'volumes'** - volumes of crude and/or refined palm oil, palm kernel oil, and palm derivatives that a company buys from its suppliers. Companies can use volumes as a starting point to ensure that the volumes they source are produced in line with their commitments.
2. **Through suppliers** - Most downstream companies do not buy directly from producers. Instead, the majority of downstream actors buy from intermediaries such as mills, traders, refiners, aggregators or manufacturers. Therefore, suppliers need to be part of the solution in achieving responsibly sourced palm oil, with their own commitments and implementation activities to cascade environmental and social requirements on oil palm production up the supply chain.

### What is supplier engagement?

Supplier engagement is a set of interventions that are implemented with suppliers to build compliance with policy commitments across the production base. The ways in which companies can engage with their suppliers will depend on: the company's position in the supply chain, the suppliers' social and environmental performance, and the amount of leverage the buying company has over its suppliers. Find out more about Supplier Engagement here: [Proforest guidance on supplier engagement for responsible sourcing \(November 2022\)](#).

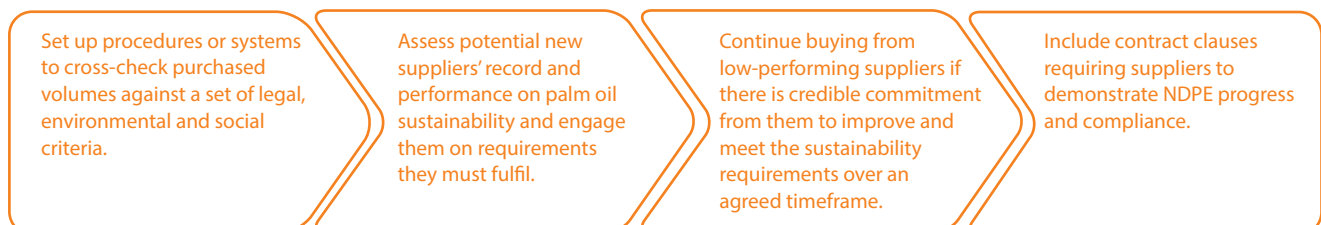
The main objective for supplier engagement is to ensure that all direct suppliers are committed to responsibly sourcing palm oil and are implementing [the ACRES approach](#), or similar approaches, in their own operations and supply chain. Overall, there are four main points of contact a company will have with its suppliers when engaging on sustainability issues:



### 1.1. Develop supplier sustainability requirements and corresponding Key Performance Indicators (KPIs)

To support the implementation of their No Deforestation, No Expansion on Peat and No Exploitation (NDPE) commitments, companies should set clear sustainability requirements for suppliers to fulfil, and monitor their performance. Requirements must include criteria which cover both environmental and social/human rights concerns and must also apply at the supplier company group level.

### 1.2. Supplier screening and onboarding process (for new suppliers)



### 1.3. Measure and assess suppliers' performance

- Determine how supplier performance data will be gathered, e.g. through self-assessment questionnaires, public reporting, reporting platforms – examples include SPOTT, Forest 500, Palm Oil Transparency Coalition.
- Evaluate suppliers' performance on the sustainability requirements set out above using scorecards (Figure 2). Supplier scorecards provide a tool for defining requirements and evaluating each direct supplier's performance against these requirements. Scorecards are used by companies to initially assess their suppliers' performance, and then provide a basis for shared discussion between buyers and suppliers on how to meet these requirements.

**The Implementation Reporting Framework (IRF)** is a reporting tool designed to help companies to systematically understand and track progress in delivering NDPE commitments in their entire palm supply chain. Companies should develop an IRF profile for all their sourced and processed volumes. Volumes allocated to the "Delivering" category would be viewed as compliant. The IRF will be covered in more detail under Briefing Note 04.

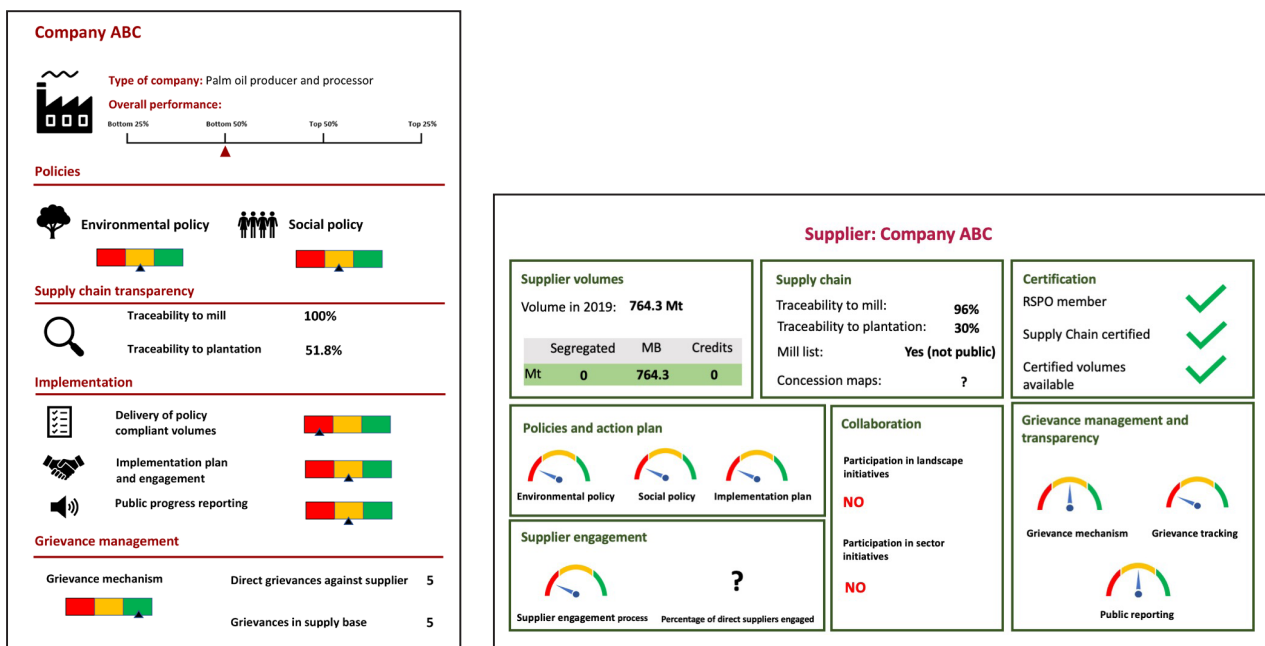


Figure 2: Example of supplier scorecard used for monitoring progress towards sustainability requirements.

### 1.4. Taking Action with Suppliers

An integral part of supplier engagement is supporting suppliers to take action towards meeting NDPE commitments and achieving compliance with policy requirements. The level of engagement may differ between suppliers. The process should lead to the supplier having a robust action plan for implementing its policy commitments, over an agreed timeline, including an appropriate combination of certification, legality, and supplier engagement mechanisms. Actions to support change depend on factors such as supplier type and size, presence of incentives, or local cultural norms.

### 1.5. Support Suppliers in Making Progress

Companies can support suppliers to gain more knowledge and improve their performance through actions such as:

- Providing guidance and capacity building to suppliers such as workshops and webinars to introduce key concepts such as NDPE policy, timebound implementation plans, and how to implement responsible sourcing more widely.
- Funding supplier projects and workstreams (e.g., HCV-HCS assessments, provision of personal protective equipment (PPE)), and support for smaller suppliers who have limited resources.
- Developing and implementing clear incentives and consequences for suppliers who do not meet the requirements (e.g. reduced volumes, preferential sourcing). These incentives can be developed over time after initial engagement and based on individual suppliers' performance.

## 1.6. Monitor supplier performance and progress against agreed improvement action plans

- Regularly check in with suppliers to see how they are progressing in implementing agreed actions, and whether they will meet agreed deadlines.
- Update action plans as necessary (e.g., if supplier has met agreed requirements, move on to next set of requirements).
- Further monitoring and verification approaches are described in Briefing Note 04.

## 02 Working beyond the supply chain

Many issues have complex underlying causes and can only be addressed through collaboration between different stakeholders, including supply chain companies. It is strongly recommended that companies should work beyond the supply chain through one or more of the following approaches:

- **Landscapes or jurisdictions** – these are the places where the commodities are produced. Landscape approaches enable scaling-up of impact by focusing on wider supplier engagement. This is done through pre-competitive collaborations between industry peers sourcing in the same regions, landscapes or jurisdictions, thereby increasing leverage and reaching more suppliers
- **Sectoral approaches** – address systemic issues that occur within the sector. It is important for companies to collaborate across the sector, both to address systemic issues and to support long-term transformation by changing the perception of ‘business as usual’ within the sector.
- **Broader multi-stakeholder initiatives** – the global, regional, national places where standards and legislative frameworks are developed. Multi-Stakeholder Initiatives (MSIs) are collaborations between businesses, civil society and other stakeholders that seek to address issues of mutual concern, including human rights and sustainability.

## 03 Next Steps

Engaging within and beyond the supply chain is crucial to delivering on NDPE commitments, through various mechanisms including relationships with suppliers, pre-competitive collaborations, multistakeholder initiatives, and capacity building and interventions. These should be implemented as a long-term commitment to continuous engagement and integrated into companies’ policies and action plans. Once engagement activities are taking place, companies should monitor the effectiveness of their actions and progress towards meeting commitments. The outcomes of these actions should be verified and reported on a public platform to ensure that the company’s progress is transparent. These activities and processes are detailed in [Briefing Note 04](#).

### Learn more and help us improve

For more information, see the full briefing note, available at [www.palmoiltoolkit.net](http://www.palmoiltoolkit.net)

Please also share with us information that will improve this Briefing Note (via [palmoiltoolkit@proforest.net](mailto:palmoiltoolkit@proforest.net)).

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