

## Monitoring Progress with NDPE Volumes for Palm Oil

Update 04, March 2019

### 1 Completion of Phase 1: Proof of concept

In June 2018 a group of companies and other stakeholders began collaborating to develop an approach to monitoring and reporting on progress with delivering NDPE commitments for palm oil volumes they use based on the No-deforestation, No-peat and No-exploitation (NDPE) Implementation Framework (see Annex 1 for a full overview). A three-phase development process was planned:

Phase 1: Proof of concept

Phase 2: Trialling at scale

Phase 3: Full implementation

Between June and December Phase 1 was completed, with development of the concept and pilot studies carried out by companies throughout the supply chain including PepsiCo, Cargill, Sime Darby, AAK, Musim Mas and Bunge, and early results were discussed at a workshop convened by Cargill and PepsiCo at the RSPO RT in November. For more information of the results of Phase 1 see Update 03.

### 2 Moving to Phase 2: Engagement and scale-up

The objective of Phase 2 is to scale up implementation, further developing and improving the methodology in the process, to prepare for routine use of NDPE Implementation Framework Volume Profiles in Phase 3 (See Box 2). Proforest and Earthworm Foundation (formerly TFT) are coordinating Phase 2, supported by a core working group of companies. There will also be collaboration with the Accountability Framework (AFi) to ensure compatibility. The main activities in Phase 2 will be further development of the methodology, implementation and engagement and consultation:

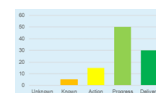
#### **Further development of the methodology, implementation tools and guidance:**

Based on experience from the pilot tests and inputs from companies and other stakeholders in Phase 1, the methodology for creating NIF Volume Profiles is being revised and improved. This includes reviewing the number of categories included in the Volume Profile, revising the criteria for allocating volumes to categories, developing tools and guidance on the allocation process and developing guidance on creating and communicating Volume Profiles.

One of the outcomes of Phase 1 was agreement that mills will be allocated to a category by a refinery or other first aggregator. The methodology will therefore focus on supporting refineries and aggregators to do this, and pass the profiles down the supply chain. As we move into Phase 3, mills will be requested and supported to allocate FFB to progress categories based on production practices in the concession or smallholder plot where the FFB is produced, which will become more feasible with increasing Traceability to Plantation (TTP) information.

#### **Implementation:**

With a growing number of companies engaged with the NDPE Implementation Framework, the plan is to begin by trialling the revised methodology and tools in the refineries (or other first aggregation



points) belonging to or closely linked to these engaged companies. In parallel, downstream companies buying palm oil and palm oil derivatives will begin to raise awareness with their suppliers as part of a transition towards standardising NDPE Implementation Framework Volume Profiles within procurement processes. As experience and awareness grows, there will be more systematic and proactive engagement with refineries not involved in the process.

## Engagement and consultation:

Regular communication both within the group of companies involved in implementation and between companies and other stakeholders is essential to ensure that the approach is practical, credible and effective. Therefore, the plan is to convene two working groups for further consultation:

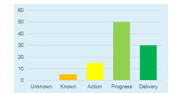
- The **company working group (CWG)** will include all the companies actively engaged in implementing the concept including both upstream companies creating the initial NDPE Implementation Framework Volume Profiles or downstream companies requesting Profiles from their suppliers. The aim of the CWG will be to share experience and to highlight and resolve any issues or challenges.
- The **stakeholder working group (SWG)** will include all those with an interest in credible and effective delivery of responsible sourcing commitments. The aim of the SWG will be to build awareness of and support for the approach, and to provide ongoing inputs to help address any challenges and to ensure that the methodology is credible and effective.

Much of the WG interaction will be via email, with the possibility of occasional calls and the intention to have physical meetings at events where significant numbers of the participants are present, in particular RSPO RT meetings including EURT in June and the Global RT in November. PepsiCo and Cargill have offered to host the workshops again just before each of these events.

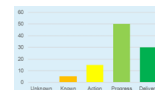
The planned activities and timelines for 2019 are:

Action	Detail	Q1	Q2	Q3	Q4
Development of methodology and tools	Revision of progress categories and draft allocation criteria				
	Development of tools and guidance for refineries or other first aggregators				
	Development of tools and guidance for use by downstream buyers				
	Development of tools and guidance on how to use aggregation to provide volume profiles to customers (see box 3)				
	Development of methodology for mills to assign FFB to progress categories as this becomes feasible				
	Discussion and development of approach to verification of results to build credibility and reliability				
Working groups	Form a company working group (CWG) to coordinate all the companies involved in trialling and scaling up use of the Framework				
	Regular communication within the CWG by email, calls if needed and with physical meetings at RSPO RT				
	Form a stakeholder working group (SWG) to get input and support on the approach from all interested stakeholders				

# NDPE Implementation Framework



Action	Detail	Q1	Q2	Q3	Q4
	Regular communication by email with possible calls and/or physical meetings				
Implementation	Trials with revised methodology and tools in refineries and first aggregation points belonging to or associated with CWG companies				
	Downstream companies request suppliers to provide Volume Profiles				
	Systematic outreach and engagement with other refineries and first aggregation points				
	Support routine reporting through supply chain				
	Develop and test approach to verification of Volume Profiles				
	Develop methodology and approach to allocating FFB, and test				
	Review effectiveness with CWG and SWG and plan for Phase 3				



## Annex: Using the NDPE Implementation Framework for Palm Oil NDPE Volumes: Phase 2 Overview

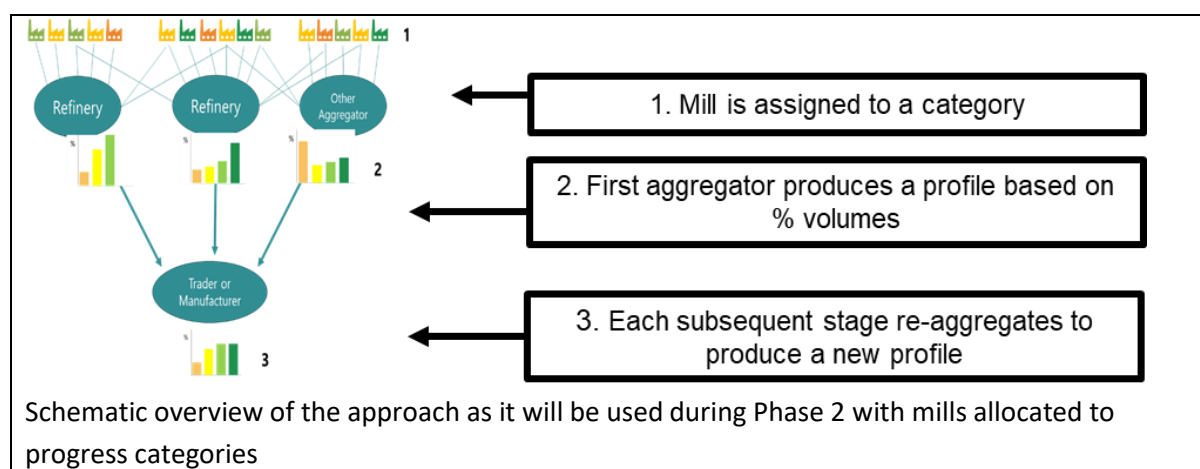
The NDPE Implementation Framework is a tool for systematically monitoring progress with implementation of responsible sourcing commitments across a range of commodities. In June 2018 a group of companies and other stakeholders began collaborating to use the approach for monitoring and reporting on progress with delivering NDPE (No deforestation, no peat, no exploitation) commitments for palm oil volumes they use. A three-phase development process was planned: Phase 1: Proof of concept; Phase 2: Trialling at scale and Phase 3: Full implementation. Phase 1 was completed at the end of 2018. This annex provides an overview of the NDPE Implementation Framework approach for NDPE as it will be used during Phase 2.

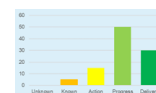
### Overview

The NDPEIF works by allocating volumes to one of six **progress categories** for each NDPE commitment, making it clear what progress has been made, and what remains to be done. This requires developing and using a set of **allocation criteria** for each commitment (deforestation, peat, exploitation) to allow systematic allocation of volumes to each category of progress. Once the volumes have been allocated, a **Volume Profile** can be produced showing the proportion of total volume in each of the categories. This can then be aggregated through the **supply chain**, providing information on progress to downstream companies. There will also need to be discussions about how the accuracy of Volume Profiles can be **verified** to ensure they are credible and reliable.

One of the outcomes of Phase 1 was agreement that while the long-term aim is for each mill to allocate FFB to progress categories based on production practices in the concession or smallholder plot where the FFB was produced, this is not yet possible. So, in the short-term allocation should be done by refineries (or other first aggregators such as ports) by allocating each mill supplying them to a progress category.

Therefore, the methodology is currently focusing on allocation of mills to categories by refineries or other aggregators, but once trials are underway further work will be done to develop the methodology for allocation of FFB to categories by mills.





## 2.1 Progress categories

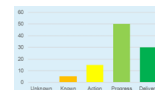
Based on the outcomes from Phase 1, six categories have been agreed, five of which refineries will use to allocate to mills, with two others necessary for downstream companies to assign volumes that are traceable but the mill is not engaged ('known') or untraceable ('unknown'). Note that, as explained in the next section, mills will be assigned to progress categories for each NDPE issue separately so a mill can be in different categories for each issue.

Unknown	The 'unknown' category should not be needed for refineries or other aggregators buying direct from mills, but may be necessary for downstream actors who still have volumes from unknown sources. No criteria are needed.
Known	The 'known' category will be used if no information on engagement with or action by the mill is available. <i>Note that in practice this may be because the refinery or downstream actor does not have any information even though there has been engagement or action by others but this has not been shared.</i>
Awareness	The 'awareness' category is for mills where there has been initial engagement such as a request for a self-assessment or attendance at a workshop or training event, but no further action or commitment has taken place
Commitment and starting action	The 'commitment and starting action' category is for mills where there is actual commitment or the beginning of action to deliver NDPE such as policy commitments, development of an action plan or agreement to actions like training workers or publication of concession maps
Progress	This category is for mills where any challenges to achieving NDPE have been identified and actions are underway which should lead to full delivery of commitments within a reasonable time frame
Delivery	This category is for mills buying FFB and producing volumes which deliver on the no deforestation, peat and exploitation commitments made in NDPE commitments

## 2.2 Allocation criteria

One outcome of Phase 1 was to confirm that it is necessary to address each issue related to NDPE compliance separately. Combining the issues doesn't work as it is possible to be 'delivering' on one issue (e.g., no expansion on peat) while still only meeting 'awareness' for another (e.g., forced and child labour). Combining into some sort of average would undermine the purpose of the NDPE Implementation Framework, which is to make it clearer what has been achieved, and what still needs to be done. Therefore, allocation criteria are needed for each issue within NDPE commitments. Allocation criteria are being developed for: No-deforestation, No expansion on peat, no forced labour, no child labour, and respect for land rights.

As noted in the Overview above, during Phase 2 the focus will be on allocating mills to progress categories and so the current version of the criteria has been developed for this approach. Further work will be done during Phase 2 to develop criteria to allow FFB entering a mill to be allocated to categories, so a mill can develop its own NDPE Implementation Framework Volume Profile.



## 2.3 Producing an NDPE Implementation Framework Volume Profile

To produce a Volume Profile, a refinery or other aggregator will need to allocate each mill supplying it to a progress category, combine this with the volume supplied by each mill and then calculate the total volume from mills in each progress category as set out in the Box 2 below.

The long-term aim is that mills will do the allocation themselves since they have the best information about the FFB they purchase. However, in the short-term the allocation will be done by refineries or other first aggregators based on the information they have. This raises issues about sharing information (see Box 1).

There is also a question of how frequently the Volume Profile should be updated. Initially it will follow the same approach as information on mills (mill lists) which is to update regularly (e.g., quarterly, six-monthly, annually) based on the figures from the previous update. Where purchases are relatively stable this should provide a good approximation of the current situation. If there are significant changes from one update to another then it may be necessary to review this approach.

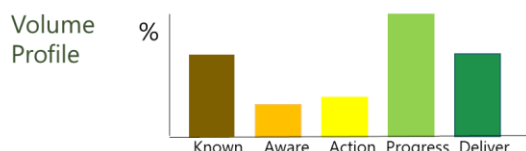
### Box 1: Sharing Information

In some cases, the information available to a refinery about a mill is likely to be incomplete. This is because much of the initial awareness raising and early action is supported by refineries or other downstream actors buying from mills and currently this information is not being shared due to concerns about confidentiality, free-loading and competitive advantage.

There is general recognition that it would be more effective to share information, but the various concerns will need to be addressed to make it possible. This will be a key discussion topic for the company working group (CWG) during Phase 2.

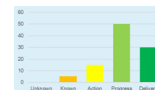
### Box 2: Producing the NDPE Volume Profile

1. Each mill allocated to a progress category (during Phase 2 develop methodology to allocate FFB)
2. Volumes purchased from each mill added (but do not have to be shared with customers)
3. Volumes for each category summed and used to produce the Volume Profile for customers. This shows % of total volume in each category and can be provided together with the overall mill list



4. Information used to allocate to categories and volume data can potentially be independently verified

Mill Name	Category Assigned	Volume Purchased
Mill 1	Known	x
Mill 2	Known	x
Mill 3	Progress	x
Mill 4	Deliver	x
Mill 5	Aware	x
Mill 6	Progress	x
Mill 7	Progress	x
Mill 8	Known	x
Mill 9	Progress	x
Mill 10	Progress	x
Mill 11	Aware	x
Mill 12	Progress	x
Mill 13	Known	x
Mill 14	Aware	x
Mill 15	Progress	x



An **Excel-based tool** will be available to support allocation of mills to categories and preparation of Volume Profiles for any refinery or aggregator involved in Phase 2 trials. It is pre-populated with the Universal Mill list and public data and allows additional data on mills held by the refinery or aggregator to be added, allocating mills to progress categories based on the information provided. It also allows purchase volume data to be added and produces a Volume Profile automatically. All participating companies are welcome to use the tool and other interested stakeholders are invited to review and comment.

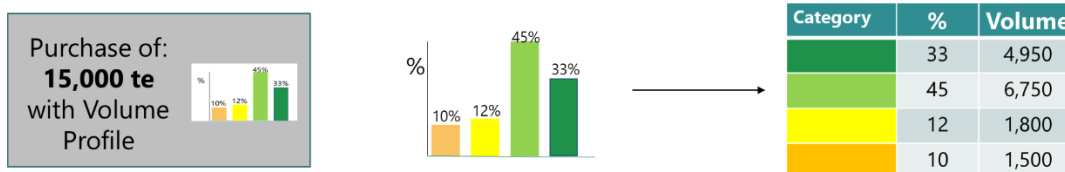
## 2.4 Moving volumes through the supply chain

Once a refinery or other aggregator has developed a Volume Profile, this can accompany all volumes sold. Downstream customers will be able to use the Profile to understand in detail progress towards full delivery of commitments.

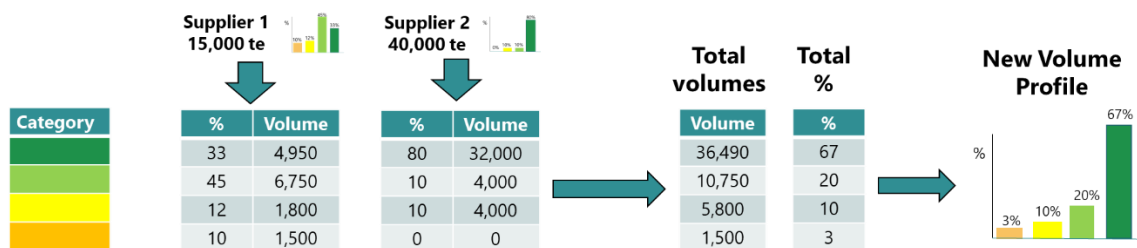
Customers in mid-supply chain will both receive Volume Profiles and need to create their own by combining profile information and volume information from each of their suppliers. If some suppliers do not supply a Profile or equivalent information, all volumes from that supplier will have to be allocated to the 'Unknown' category for subsequent Volume Profiles. Box 3 shows how information can be moved through the supply chain in practice.

### Box 3: Moving Volume Profiles through the supply chain

#### A. Converting an individual purchase to volumes per category



#### B. Aggregating and creating a new Volume Profile



## 2.5 Verification

An important strand of development during Phase 2 will be the development of guidance on how information can be verified to build credibility and consistency. Initially a lot of the monitoring will be done by the organisations involved in developing the approach as part of the learning process.

However, going forward, the intention is to develop guidance for independent verifiers to check aspects such as information used to allocate mills to categories, volumes purchased from each mill and calculations used to produce the Volume Profile.