



ASD

ACTION FOR SUSTAINABLE DERIVATIVES



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ANNUAL UPDATE ON PROGRESS

SEPTEMBER 2020



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SUMMARY

Action for Sustainable Derivatives (ASD), an industry-led collaboration aimed at achieving responsible production and sourcing of palm oil derivatives, has achieved three significant milestones in its first nine months of operation:



Individual & collective transparency to source

—
for its 18 member companies



Risk prioritization

—
of production hotspots and players for collective engagement



An impact oriented strategy

—
to focus collective resources in support of responsible production practices and relevant conservation, restoration, and livelihood initiatives

18
Members

covering 450,000 tons of palm-based materials

81%

transparency to mills for collective palm volumes achieved

This annual update on progress for 2019/2020 provides more detail on these achievements and ASD, with information for interested companies on how to engage. For more information or to join ASD, please contact **Jane Tousco** (jane.tousco@transitions-dd.com) or **Thibault Gravier** (tgravier@bsr.org).



THE CHALLENGE

The production and distribution of palm oil present significant environmental and social challenges. Corporate users of palm and palm kernel oil based derivatives are seeking solutions to gain visibility over and accelerate the compliance of their upstream supply chains with deforestation-free and responsible sourcing principles.

However, the complexities of the palm derivatives supply chain, and the limited leverage of downstream users with relatively small purchasing volumes compared to other sectors, present significant barriers to progress.

The overlapping bilateral approaches of downstream users lead to significant duplication of efforts, which are often resource-intensive and prohibitive for smaller players. Transparency to source is therefore limited, and the significant collective influence of the palm derivatives sector is yet to be fully utilized.

FOUNDING CONCEPTS

ASD was launched in late 2019 to bring together companies in the cosmetics, the home, health and personal care, and oleochemicals industries to collectively tackle these issues.

ASD's vision is to achieve and promote palm derivatives sourcing that is free from deforestation, respects human rights, and supports local livelihoods.

ASD pursues this vision through three workstreams that make up ASD's mission:



Increase transparency and proactively monitor risks along the global derivatives supply chain



Drive market alignment on NDPE principles and secure verified responsible supplies



Generate positive impact on the ground in priority production landscapes

NDPE principles stand for:

- **No Deforestation:** No development of High Carbon Stock (HCS) or High Conservation Value Areas (HCVA) as defined by the High Carbon Stock Approach
- **No Peat:** No development on peat regardless of depth
- **No Exploitation:** Respect human rights as defined in the UN Guiding Principles on Business and Human Rights, including the rights of all workers, land tenure rights and the rights of indigenous and local communities, and the rights of vulnerable and marginalized groups



ASD members work together to harmonize approaches, standardize tools and methodologies, and mutualize efforts, recognizing that this collective approach creates efficiencies and redirects resources from supply chain mapping to environmental and social impact. Moreover, taking a sectoral approach allows for economies of scale, participation of smaller derivatives sector players, and an aligned derivatives sector voice in the supply chain.

ASD also recognizes the significant work of stakeholders active in the sustainable palm production sector, particularly upstream, and the opportunity to align with and leverage these practices through collaboration, rather than duplicating efforts.

Nine months into its journey, ASD is proud of the rapid progress that has been made and the resulting proof points to its founding collaborative and impact-oriented approach.



TRANSPARENCY & MONITORING

Increasing transparency and establishing a common framework to focus efforts and proactively monitor **risks along the global derivatives supply chain**



SUPPLY & MARKET TRANSFORMATION

Building a roadmap towards change through joint efforts to drive market **transformation and supply chain alignment on NDPE principles**



POSITIVE IMPACT

Generating positive impact on **the ground in priority production landscapes**

Collective Transparency: AN ACHIEVABLE GOAL

Transparency to source is an achievement for any complex supply chain. Achieving transparency to source collectively for annual purchase volumes of **18 users of palm oil and palm kernel oil derivatives** covering **450,000 tons of palm-based materials**, is a real feat. This represents mapping of **6 percent of the global palm oleochemicals market** (in terms of volumes) and **11 percent of the PKO oleochemicals market**.

ASD was able to engage with 96 percent of the collective palm feedstock equivalent in scope, through exchanges with over 130 suppliers and distributors, investigating more than 700 palm-based ingredients. This achieved up to **90 percent transparency to refineries** and crushing facilities, and **81 percent transparency to mills** for collective volumes. ASD has also provided individual company supply chain mapping reports, which in some instances resulting from previous engagement with suppliers, achieved up to 94 percent transparency to mills level.

This was in part enabled by the trust and maturity built in the supply chain by Transitions with derivative users and their suppliers to pilot and scale ASD's traceability model over the last five years. Suppliers newer to the process have also noted the benefits of a harmonized request, streamlined process, and centralized organization from ASD, in comparison to the often fragmented and varying requests and enquiries from their clients.

To refineries



90%

To mills



81%

700+
ingredient
types mapped

ASD is confident that its collective transparency model holds huge potential to drive alignment and efficiencies in the sector. There are, however, still challenges to address.

Non-transparent suppliers remain at different levels of the supply chain, and spot trading and shadow sourcing practices are still common among large players. ASD plans to address these challenges through both collective engagement and capacity building on a pre-competitive basis. Similarly, as the ASD membership builds, so too does its scope of coverage of the global oleochemicals market, moving towards a sector norm for harmonized, collective transparency.

The next wave of annual supply chain mapping will be for 2020 purchased volumes, commencing in December 2020 for all ASD Members.





Risk Prioritization:

FOCUSING EFFORTS TO DRIVE TRANSFORMATION

With an aggregated and anonymized collective sourcing list, ASD has been able to leverage and overlay existing environmental and social risk data and assessment methodologies. Each ASD Member receives a report of the relative weighting of its own confidential supply base to risk at both the geographic and facility level.

From a collective standpoint, ASD has been able to provide two outputs to inform its strategic framework for action:

- ✓ Identification of priority landscapes to focus monitoring efforts and investments in field projects addressing the underlying issues influencing responsible practices.
- ✓ Identification of priority supply chain players (refineries, crushers, and producer groups) to focus engagement efforts to improve practices.

While ASD's various layers of risk assessment constitute a first step for prioritizing and focusing efforts, ASD is now working to build a more proactive monitoring system and will develop a responsive process to track grievances and alerts while increasing response capacity at individual and collective levels.

ASD is also continuously seeking engagement and consultation with wider stakeholders to share and gain learnings, update and refine methodologies, and identify opportunities to co-build and co-implement solutions. ASD will focus on exploring collaborative approaches to enhanced deforestation monitoring and expansion of its assessment methodologies, including human rights due diligence.

ASD welcomes outreach and opportunities from interested stakeholders.



Impact Strategy:

DIRECTING RESOURCES TO WHERE IT COUNTS

Having established a common framework that identifies key sourcing areas and players prioritized at the collective level, ASD's next step is to establish the roadmap for action.

ASD has aligned on two key areas of focus for the coming year:

- ✓ **Collective supply chain engagement**, with aligned expectations to support progress towards transparency and sustainability
- ✓ **Shared strategy towards impact on the ground** through support to existing landscape projects via a collective funding model

ASD has already carried out extensive preparatory work in this regard, including the mapping of over 100 projects in Indonesia and Malaysia and prioritization of these for ASD Members' consideration and further consultation.

GET INVOLVED

ASD is excited and motivated by its progress to date and the momentum of its Members to take collective, pre-competitive action to address complex challenges together.

ASD's ultimate goals rely on comprehensive sector-level participation and industry collaboration. We therefore invite new companies to join us and interested stakeholders to co-build and co-implement solutions with us.

For more information or to join ASD, please contact **Jane Tousco** (jane.tousco@transitions-dd.com) or **Thibault Gravier** (tgravier@bsr.org).

ABOUT ASD

ASD is a collaborative initiative co-managed and co-facilitated by BSR and Transitions, two organizations with extensive experience and expertise in supply chain sustainability and business collaborations.

ASD is a sector-wide initiative that brings together companies in cosmetics, the home, health and personal care, and oleochemicals industries to collectively tackle supply chain issues around palm oil.

ASD facilitates the sharing of information, data, constraints, and solutions to accelerate wholesale transformation of the palm derivatives sector. ASD also acts as an operational platform providing tools, methodologies, and concrete opportunities for its members to partner on specific topics. ASD's activities are rooted in its impact vision, mission, and strategic framework.



BSR transitions

CONTACT US

Membership is open to downstream users of palm derivatives, including cosmetics, personal care and detergent manufacturers; specialty chemicals, oleochemical and surfactant producers; integrated players; retailers; distributors; and flavor and fragrance manufacturers.

PARTICIPATING COMPANIES

Beiersdorf



CHANEL

CLARINS

CRODA

ESTÉE
LAUDER
COMPANIES

EVONIK
POWER TO CREATE

GOODY INDUSTRIES
CHEMICALS

GROUPE
L'OCCITANE



GATTEFOSSÉ

Henkel

innospec

L'ORÉAL

LVMH

STÉARINERIE
DUBOIS

SEPPIC

ZS
Ch
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