



# Supplier Engagement

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A guide to setting robust policy commitments  
in palm oil supply chains

Thematic Guide No.3



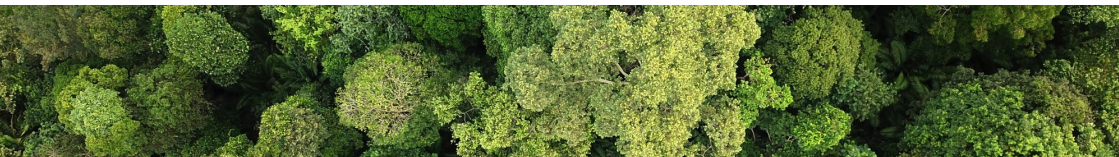


# What is supplier engagement?

This guide is designed to help companies engage with their suppliers to ensure policy commitments are being met. It is relevant whether you are a palm oil producer, processor, trader or a buyer of products containing palm oil derivatives.

- Supplier engagement is crucial to ensuring that sustainability policy **commitments are being met** throughout the supply chain. Supply chains can consist of a large number of supplying companies, many of which may not have put sustainability commitments in place and may have little awareness of the issues involved.
- Having a traceable supply chain allows companies to identify **high-risk areas** to prioritise for engagement to ensure that suppliers are in compliance.
- **Risk assessments** provide a way of prioritising suppliers for engagement when supply chains consist of a large number of supplying mills. It is important to identify mills that pose a high risk for potential deforestation, for example through geospatial mapping to identify mills that may be in proximity to fragile or protected areas or areas of past deforestation.
- Usually, a 50 km sourcing radius is used to assess risk, however recent research by sustainability consultancy 3Keel suggests a **250 km radius** would be more appropriate in some places, given developments in infrastructure which allow further transportation of Fresh Fruit Bunches (FFB) within a shorter time-period.
- Another way to support monitoring of compliance is through **grievance mechanisms**, which can enable the early identification of risks within a company's supply chain.
- While some stakeholders might demand immediate suspension or exclusion of suppliers suspected of non-compliance, to drive change within the palm oil industry companies should take responsibility for their supply chains and support them to improve their sustainability practices.

Read our full report '*Palm oil crushers and refiners: Managing deforestation risk through a supply chain bottleneck*' at [www.spott.org/reports](http://www.spott.org/reports)





# Supplier engagement recommendations



Policies should extend to all suppliers, including independent FFB suppliers and smallholders, and should be clearly **communicated**.



Sourcing policy requirements should be incorporated into contracts and should include clauses on **monitoring and verification** to be implemented by the upstream suppliers to reach plantation level. Contracts should also include the right of the company to verify a supplier's compliance with its policies.



Risk assessments of supplying mills should be used for prioritising engagement, using an appropriate radius for analysis, which may be **larger than 50 km**.



Companies should establish a supplier compliance/suspension committee and define **suspension and exclusion criteria** for suppliers.



When suppliers are found to be non-compliant, buying companies should document engagement activities including implementation plans, actions taken, and progress achieved and establish **time-bound plans for compliance** in collaboration with suppliers.



Companies should continuously engage with suppliers to monitor implementation. Downstream companies can use tools such as the **Implementation Reporting Framework (IRF)**.



A **grievance mechanism** should be in place which is accessible to both internal and external stakeholders, and companies should publish all grievances along with actions taken and status.



Companies throughout the supply chain should assist with **capacity building** of upstream suppliers to help them work toward compliance,



Companies should ensure that **smallholders are not excluded** as a result of raising procurement standards, and should commit to assisting them to achieve compliance.



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SPOTT assesses commodity producers, processors and traders on their public disclosure regarding their organisation, policies and practices related to environmental, social and governance (ESG) issues. Investors, buyers and other key influencers can use SPOTT assessments to inform stakeholder engagement, manage ESG risk, and increase transparency across multiple industries.

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Find more SPOTT Thematic Guides for the palm oil sector here:

- [Thematic Guide No.1: Zero Deforestation](#)
- [Thematic Guide No.2: Traceability](#)

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