

ALIGN PROCUREMENT SPECIFICATIONS AND SUPPLIER CONTRACT TERMS WITH LANDSCAPE/JURISDICTIONAL GOALS AND TARGETS

IN THE REAL WORLD

Rewarding growers who graduate into green production

Unilever is engaged in several jurisdictional initiatives that seek to achieve jurisdiction-wide Roundtable on Sustainable Palm Oil (RSPO) certification.

Beyond upfront support to help smallholders in these jurisdictions qualify for certification (see [“Support farmer training”](#)), **Unilever company leverages its procurement power - purchasing the certified palm oil that they produce - to incentivize smallholders to become certified.**

In 2019, the company purchased 40,000 tons of certified palm oil and palm kernel oil from 30 Independent Smallholder Farmer Groups that represent more than 6,900 independent smallholders across Indonesia, Malaysia and Thailand.



DURATION

Short

(3-6 months)



COST

(\$)

Preparing new supplier contracts
or corporate policies

(\$\$)

Possible increased cost of supply
due to new contract terms

KEY POINTS FOR COMPANIES

Companies already participating in L/JIs should align procurement policies and supplier contracts with the initiative's objectives. Those not yet engaged should focus on L/JIs in one or more landscapes/jurisdictions where the company buys a lot of product.



Translate the L/JI's targets into a demand signal for suppliers. This can be accomplished in a few ways:

- ◆ Incorporate landscape/jurisdictional targets into the terms of supplier contracts to ensure that supply is produced in accordance with the targets. For example:
 - » One of Mato Grosso's targets is that 90% of rural properties be registered in the environmental rural registry. To support this target, a company could write supplier contracts to require that supply originate only from registered farms.
 - » Mato Grosso is one of many L/JIs that include a target to reduce deforestation or conversion of other ecosystems. Companies can drive this target by aligning their own deforestation/conversion-free sourcing policies with [Accountability Framework](#) guidance, and linking the demand they make of suppliers for commodities produced without deforestation or conversion with the L/JI's targets.
- ◆ Create positive incentives for suppliers by offering long-term contracts, price premiums, and/or additional payments for environmental services to suppliers who demonstrate they are meeting the L/JI's goals by producing sustainably, restoring, and/or conserving forest areas.
- ◆ Incorporate jurisdictional targets into corporate policies to guide the company's decisions within the landscape/jurisdiction. In Mato Grosso, for example, one target is to reduce conversion of the Cerrado biome by 95% below historical levels. A company could support this target by a principle ensuring its commodity sourcing does not originate from recently converted land in the Cerrado. That policy could then guide how supplier contracts are drafted, where investments are directed, and advocacy priorities with the government.

Review the L/JI's goals and targets. These vary by landscape/jurisdiction, but often include economic, environmental and social components.

- ◆ In Mato Grosso, Brazil the "Produce, Conserve, Include" initiative has formulated a set of targets that nest within the three categories represented in the initiative's name. "Produce" targets include ambitions for grain, livestock, and timber yields and for land area under cultivation. "Conserve" targets include land area covered with native vegetation, percentages in the Amazon and Cerrado biomes being converted, and the area of degraded land being restored. "Include" targets include percentages of families receiving technical assistance and rural extension, proportion of smallholders with market access, and amount of credit available to family farms.



Ask suppliers what incentives they need to achieve landscape/jurisdictional objectives. Such outreach better ensures the desired outcomes and also creates a sense of shared commitment and ownership.



An LJI's targets may lack enough detail to easily or immediately incorporate them into company policies or contracts. In such cases, reach out to the government or entity leading the LJI to clarify the target that the company should support.

EXTERNAL CONDITIONS

THAT IMPROVE LIKELIHOOD OF SUCCESS

- ◆ Well-articulated jurisdictional targets/objectives.
- ◆ Good relationships with suppliers in the jurisdiction.
- ◆ Contracting methods that ensure agreements can be well specified, verified, and enforced by purchaser and supplier.
- ◆ Effective legal, arbitration, or alternative dispute resolution bodies that allow parties to address conflicts and disagreements.



THE BUSINESS CASE FOR THIS INTERVENTION

- ◆ Referring to LJI targets when making requests of suppliers can help justify what might otherwise be perceived as burdensome requirements.
- ◆ Contracting fairly with suppliers to achieve an LJI's objectives strengthens suppliers' understanding and commitment to mutually desired outcomes.
- ◆ Aligning LJI targets with a company's policies is a low-cost way to signal long-term support for the sustainability objectives of a landscape/jurisdiction it values.
- ◆ This alignment can also help ground and focus further actions the company might take to advance the targets.