

Supplier transformation in Latin America

It is not easy being a palm oil grower. To demonstrate the implementation of their sustainable sourcing policies, buyers expect to see a high level of performance in social and environmental sustainability before a single tonne of oil is purchased. But the relationship between a buyer and a grower need not be purely transactional and, when both parties commit to invest and work towards a common objective, the supply chain's performance can be brought up to international standards.

In the past twelve months Golden Agri-Resources (GAR) has engaged with a prospective but potentially non-compliant supplier, GRUPO HAME and we have observed an impressive transformation in their commitment and performance in sustainability.

About GRUPO HAME and its plantation company REPSA

A family-owned business, GRUPO HAME is Guatemala's largest palm oil grower operating four plantation companies. International NGOs raised grievances against one of these companies, Reforestadora de Palmas de El Petén, S.A. (REPSA), in 2015 after the company was publicly accused of causing a pollution event in June 2015 in La Pasión river.

NGOs also highlighted social conflicts, labour rights violations, and allegations of bribery. Brands, including Nestlé, subsequently suspended REPSA, even though they and other industry actors had limited knowledge of the Guatemalan context in which REPSA operates. REPSA's challenge was not just one of sustainability performance, but also of communications and stakeholder engagement.



La Pasión river



Cattle ranches surrounding the REPSA plantation

As GAR was looking to expand its non-Indonesia sourcing options to take advantage of shorter shipping times with Guatemala, it sent a team of sustainability, stakeholder engagement and communications specialists to conduct an on-site due diligence visit and to explore engagement.

GAR's due diligence visit to REPSA in Guatemala

The GAR team visited REPSA in June 2019 with an open mind. It was the team members' first visit to Guatemala and while they were unfamiliar with the unique social, environmental, economic and political conditions there, they had experience in solving sustainability challenges on the ground in Indonesia. They wanted to understand REPSA's challenges and to assist them on their sustainability journey. The team neither felt qualified nor had the intention to give REPSA a "pass-or-fail" grade.

Over a three-day period, the team conducted a due diligence visit in exactly the same way they would have done in Indonesia, where such visits have been carried out more than a hundred times at supplier plantations since 2016. They visited the plantations and mills, interviewed staff and nearby communities, and met privately with national and international NGOs.

By the end of the visit, the team had a good idea of REPSA's strengths and areas for improvement.

Selected strengths

Areas for improvement

Sustainability

- Good environmental conservation and practices
- Impressive housing facilities for temporary workers
- On track to achieve sustainability certification

- Limited community development programmes, especially alternative livelihood projects for food security and additional income
- Gender-related issues



Discussion with one community in Sayaxché



Selected strengths

Areas for improvement

Sustainability



Restoration of wildlife corridors

Communications

- Collaborations with local and international NGOs, such as ICC and Solidaridad
- Regular public reporting through public progress reports and SPOTT
- Compliance with international market expectations
- Addressing stakeholder grievances

To build on the strengths and to address the areas for improvement, GAR and REPSA agreed on a joint action plan. Simply put, REPSA would submit plans, reports and Standard Operating Procedures based on the recommendations made by the team following the visit and GAR would quality-control these submissions and provide guidance, as necessary.

REPSA's action plan towards compliance with international market expectations

Over a period of ten months, GAR and REPSA exchanged documents and met regularly in person or by phone to monitor progress and to discuss outstanding actions. To set the stage for REPSA's integration in the GAR supply chain, the two companies also started to brief and consult with selected stakeholders on the engagement and the action plan.

One of these was Nestlé. Benjamin Ware, Global Head of Sustainable Sourcing, explains why they see value in engagement, "At Nestlé, we believe in collaborating closely with our suppliers to make the necessary changes happen on the ground to address grievances, even when companies are suspended from our supply chain, and to deliver continuous improvement. This is why we supported GAR in its engagement with REPSA. We are happy to see the progress made so far, as well as the open and transparent collaboration between GAR, REPSA and Nestlé."

Fast forward to June 2020 and GAR has observed a transformation not just within REPSA but within the larger GRUPO HAME, towards meeting international market expectations. The table below highlights the decisions, investments and achievements the management has made to improve its performance in sustainability, communications and governance.

Sustainability

- Boosted its investment and community relations strategy, for example, the Community Relations Unit; the [agri-environmental rural school](#); and various social impact studies
- Upgraded its Procedure for Local Recruitment
- [Certified by the International Sustainability and Carbon Certification \(ISCC\) system](#) and verified by the Ministry of Labour

Communications

- [Initiated a multi-stakeholder initiative for the Comprehensive Management of the La Pasión river](#)
- Engaged with stakeholders on addressing social issue including ILO-member CEGESTI on human rights due diligence; and with Proforest on labour rights and grievance management (ULULA pilot project)
- Re-engaged commercially by [BUNGE](#) and other international stakeholders
- [MOU with Solidaridad](#) to design & establish a Biodiversity Monitoring System
- [Partnership with Acción Ciudadana / Transparency International](#)



Identification of potential sites for biological monitoring in La Pasión River

Governance

- More senior leadership was hired and sustainability responsibilities were integrated at all levels of management to ensure the implementation of action plans
- Re-organised the sustainability operations and expanded the communications team
- Consulted with internationally-recognised experts such as Earthworm Foundation and Proforest LATAM

While REPSA has made much progress, their journey is far from over. GAR expects REPSA to continuously improve their performance and we are in the process of defining the next set of milestones in sustainability and communications.

Lessons learned

What can GAR, GRUPO HAME and other industry actors take away from this experience?

Lesson 1: intense and close collaboration is key. A supplier's transformation encompassing its journey from being controversial and closed, to investing in sustainability, transparency and engagement; and from being considered high risk to verified low risk; needs deep and intense collaboration. Beyond the sustainability policies and the commercial contracts, the buyer and the producer must invest time and resources to understand local challenges and build capacity to address them. GRUPO HAME went beyond what GAR had expected; it restructured its governance to ensure that sustainability and transparency were included in its decision making.

Lesson 2: communicating the journey and process. Companies assume they know how to communicate and engage with stakeholders successfully but they often want to wait until they have an "outcome". This is problematic when processes can take months or years to complete. The process sometimes IS the story and needs to be communicated continuously. This has been a big shift in understanding for GRUPO HAME. Companies can build confidence when they are prepared to communicate the steps along the way and not just its arrival at destination.

In closing, a palm oil grower, whether large or small, in South East Asia or in Latin America, can meet international market expectations when buyers and end users are as committed and invested as the supplier in its sustainability journey. Collaboration is the only way towards making sustainable palm oil mainstream.