Good Practices towards Sustainable Value Chains

Launch Edition

India National Platform on Private Sustainability Standards
Quality Council of India
New Delhi, India
It is a pleasure to be presenting this Handbook towards Good Practices for Sustainable Value Chains to you all. Its launch at the International Convention on Sustainable Trade and Standards marks a significant milestone in India’s journey towards sustainable development and trade.

India's unique position as one of the most important trade centers, as well as a production powerhouse of the world, brings forth a very big challenge – sustainability. With the recent emphasis on the importance of increasing domestic production, more and more Indian producers and exporters are facing the reality of sustainability compliances and standards. In a time like this, this Handbook, highlighting ways to make production sustainable at all levels of the value chain, has a very important role to play. Its objective of highlighting good practices that are being implemented by corporations globally, and inspiring their replication by more and more corporations, is bound to have positive impacts on the knowledge, understanding, and implementation of sustainable value chains around the world.

Corporations are very important stakeholders of the sustainable development ecosystem, and it gives me immense hope for the future of the planet when I read these initiatives taken by corporations, regardless of their size, going beyond mandatory compliances to make their value chains socially, economically, and environmentally sustainable. These good practices have the potential to not only promote sustainable development but also to help businesses in improving their efficiency, thereby benefitting the economy as a whole.

I hope that the Handbook will be successful in achieving its intended impact, and I would like to urge corporations around the world to join us in our vision of creating a community where we can build sustainable value chain models that are replicable, and share the skill, knowledge, and technology developed with all our sustainability stakeholders.
Government policies have emphasized sustainable development. With a rise in consumer awareness, the demand for sustainably produced goods and services is on the rise. Corporations around the world have increasingly focused on making their supply chains environmentally, socially, and economically sustainable. In contrast to the traditional notion of a corporations' sole objective being profit or revenue maximization, a business is now increasingly seen in wider context of the sustainability of its operations.

This Handbook on Good Practices for Sustainable Value Chains is an initiative of the India National Platform on Private Sustainability Standards, established under Quality Council of India. It has collected stories of some corporations that have taken the leap to establish sustainable value chains and reaped the benefits that come along with it. This edition talks about initiatives of sustainable procurement policies, stakeholder awareness campaigns, capacity development of producers, multi-stakeholder initiatives for smallholder development, recycling initiatives, and many more initiatives by corporations to enhance the reach and scope of their efforts to achieve sustainability objectives in their operations. In this context, a number of Corporations have become pioneers in the industry and gained market competitiveness as well.

Each case study in this publication is organized in terms of different sections – *Background* that gives the reader some context for the story, *The Initiative* which broadly talks about the sustainability initiative, *The Good Practice* detailing the unique steps that the corporation took that helped the initiative be a success, *The Impact* stating the quantitative as well as qualitative impacts that the corporation observed, *Learning* which summarises the lessons that the corporation learned through the initiative, and *Replicability and Scalability* providing the possible action points for other corporations that may wish to replicate the good practice into their own value chain.
Through these case studies, we wish the readers to observe how a corporation’s efforts towards sustainability have helped them achieve the level of efficiency and expertise that they otherwise wouldn’t have achieved. These stories can change the perspective on the possibility and benefits of achieving greater sustainability. Such good practices could expand the scope and capability of replicating them in diverse value chains and create larger commercial opportunities in the future.
The Handbook on Good Practices towards Sustainable Value Chains is the outcome of the dedicated efforts of the India National Platform on Private Sustainability Standards team, established under Quality Council of India.

The India National Platform on Private Sustainability Standards (INPPSS) is a national multi-stakeholder platform dedicated to study the sustainability standards ecosystem in India and tackle the challenges that arise out of them for the small producers of India. The Platform, established with the support of UNFSS, facilitates dialogue between public and private stakeholders to maximize the sustainable development benefits and market access opportunities, whilst addressing potential challenges in particular for small-scale producers.

This Handbook is a project that is aimed at achieving this very objective of the INPPSS. The process of collecting successful sustainability initiatives from the public as well as private sector, compiling them in a format that makes the initiatives easily understandable, providing action points for replication, and spreading the message through the means of a publication, is bound to see positive impacts at multiple levels. While the source corporations have achieved a chance to be honored for their dedication towards sustainability, and share their learnings with the world, corporations that are in the early stages of their sustainability journey now have readily available and tested models that they can adopt, and reap the benefits of.

I would like to congratulate all the contributing organizations for the success of their initiatives. The INPPSS shall stay committed to its objective of promoting sustainable value chains, and I invite all our sustainability stakeholders to join us in this, as well as all our future initiatives towards this objective.
Acknowledgement

This Handbook is a product of the India National Platform on Private Sustainability Standards (INPPSS), which is established under Quality Council of India (QCI).

This initiative wouldn’t have been possible without the guidance of Mr. Adil Zainulbhai, Chairman, Quality Council of India, Dr. Harsha Vardhana Singh, President, Steering Council, INPPSS, and former Deputy DP, WTO, and Dr. R. P. Singh, Secretary General, Quality Council of India.

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The editors would like to express their heartfelt gratitude to all the contributors of this Handbook, including our partners at Ambuja Cement, Anugraha Fashion Mills, Johnson & Johnson, IKEA, Nestle, and Tetra Pak; Mr. Rakesh Kumar, ED, Export Promotion Council for Handicrafts; with a special mention to Mr. Sumit Gupta from Global Organic Textile Standard, Mr. Kamal Prakash Seth from Roundtable on Sustainable Palm Oil, Mr. Sam Cagenello and Ms. Stephanie Wilson from Social Accountability Initiative, and Ms. Yasmin Zaveri Roy and Ms. Josa Kårre from Embassy of Sweden for helping us in sourcing case studies from their stakeholders.

The editors would also like to thank the entire team of the International Convention on Sustainable Trade and Standards, including Aastha Ahuja, Kamla Joshi, and Milind Dougall, for creating the right circumstances that allowed the successful completion and launch of this Handbook.
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**Sustainable Procurement Initiative**

*Ambuja Cements Limited*

*India*

**Background**

Worldwide the resource consumption has been increasing due to development activities, to a level where today we need almost two Earths to provide for the demand of these resources. In 2018, development activities worldwide led to achieving the Earth Overshoot Day on 1st August. Hence, resource efficiency becomes the key element of sustainable development, considering the global commitment towards resource efficiency will aid in sustainable consumption and production patterns.

In India, the construction sector has grown at an annual rate of 10% over the last decade. At such a rate, it will surpass the agriculture sector before 2020 and will become the highest material consuming sector in India (Dittrich, 2015). It is expected that 70% of the buildings that will exist in 2030 are yet to be built. The cement industry is estimated to be the 3rd largest coal consumer in India after the power and steel industry. Cement industry also contributes 7% of India's total CO2 emission (WBCSD & IEA, 2011).

In line with these estimations from regulatory authorities, it is imperative that companies take a proactive approach and track their performance to continually improve on their sustainability aspects of economic, social and environmental inclusive growth.

**The Initiative**

Ambuja has taken actions to include environmental sensitivity not only in its operations but also in the supply chain by implementing sustainable supply chain initiatives broadly called as "Sustainable Procurement Initiative (SPI)" at Ambuja Cements Limited (ACL). Ambuja has implemented sustainable procurement through the Supplier Code of Conduct (SCC) which is meant to provide a clear
summary of the Company’s expectation from its suppliers /contractors in all procurement dealings. Transparency and accountability should be strictly adhered to in all procurement activities.

The Good Practice

The SCC lists nine standards that suppliers are expected to adhere to, in addition to complying with local and national laws and regulations, which are: Occupational Health and Safety (OH&S); Working Conditions; Freedom of Association and Non-retaliation; Forced Labor; Child Labor; Non-Discrimination; Environmental Regulatory Compliance; Management of Environmental Impacts; and Bribery and Corruption. SCC covers the standards as specified in the Social Accountability Standard SA8000 and ISO 14000 standards.

Ambuja has aligned its sustainability targets with the "LafargeHolcim Sustainable Development 2030 PLAN" covering Climate, Circular Economy, Water & Nature, and People & Communities, which very well integrates with the 17 UN Sustainable Development Goals (SDGs). A clear business objective setting focus is laid on the fuel mix, alternative fuels and raw materials, gypsum mix, higher fly ash consumption, and maintenance cost.

As part of its Circular Economy strategy, by 2020 it will use 9 million tonnes of waste-derived resources per year. By 2030 it targets to use 13 million tonnes of waste-derived resources per year. Due to its aggressive emphasis on co-processing, it has gone a long way in replacing natural resources used in cement manufacturing. This has been facilitated through large-scale investments in R&D and upgradation of pre- and co-processing infrastructure in its plants.

ACL’s procurement operations are well connected with their manufacturing as well as sales units spread across the country. Local procurement teams take care of day-to-day purchase requirements, while India Procurement Organization (IPO) at the head office manages the high-value purchase of commodities. Individual units communicate their requirements to IPO and purchases are made centrally. Preferred vendors are those who demonstrate good corporate citizenship and promote sustainable development. They meet ACL's quality and delivery specifications. They are spread across the country and include reputed manufacturers and trusted brand names; usually, they are the leading 3-4 vendors of their particular industry segment.
All suppliers operating within Indian Territory are termed as local or national suppliers. ACL’s management approach towards the supply chain has been to identify various risks involved and convert them into opportunities to ensure the sustainability of their supply chain. As part of the SPI, ACL assesses its suppliers who are allocated with a sustainability risk rating based on the methodology defined in its SPI manual. Through this process, ACL has mapped its suppliers as having a high, medium or low risk.

Its '2030 PLAN' aims to have 100% of high-risk active suppliers assessed and consequence managed by 2030. In order to strengthen its supply chain assessment and monitoring, it has engaged a third party, global consultant to help manage and take corrective action on identified risks through an assessment tool. The consultant helps to qualify existing and new vendors on the basis of their performance in health and safety, human rights, legal, environmental and ethical issues as defined in the SCC. The exercise in 2017 covered 5% of existing high-risk-high-spend suppliers/ vendors who accounted for about 40% of procurement value excluding Government spends. High-risk-high-spend suppliers at the regional level, across all areas of operation, are trained on aspects of ethics, anti-corruption, and anti-bribery. In 2016, ACL engaged with 8,644 tier 1 suppliers of which 715 were identified as critical to ACL's operations. ACL's procurement policy includes a code of practice that encourages fair, open and transparent competition.

**Contractual Agreement of Compliance GRI 308-2, 414-1, 414-2**

All the purchase orders and agreements incorporate clauses related to occupational health and safety (OH&S), environment management, labor standards, and social responsibility. New suppliers are informed of ACL's expectations, provided with a copy of the SCC, and their consent to follow the SCC obtained. The SCC provides a summary of the Company's expectation from its suppliers/contractors in all procurement dealings. It lists out nine standards that suppliers must adhere to, besides complying with local and national statutes: OH&S; Working Conditions; Freedom of Association and Non-retaliation; Forced Labour; Child Labour; Non-discrimination; Environmental Regulatory Compliance; Management of Environmental Impact; and Bribery and Corruption. The SCC covers the standards specified in SA 8000 and ISO 14000. It is the Company's practice to only employ staff having a minimum age of 18 years. Those below 18 years of age
are not allowed to enter into the plants. ACL also ensures that its contractors strictly comply with these guidelines.

ACL has a system of self-declaration in which vendors answer basic questions about their compliance with these aspects and standards. All suppliers must complete the self-sustainability assessment questionnaire as a condition for eligibility.

**Environmental Principles in Procurement GRI 308**

All agreements with suppliers have the suppliers’ signed consent to comply with SA8000, environmental management and legal requirements. About 5% of ACL’s new suppliers have been screened using environmental criteria.

**The Impact**

Through these measures, the Ambuja reduced its specific net carbon footprint by almost 29% in 2017 compared to 1990 levels. Currently, it is monitoring and reporting GHG emissions as per the WBCSD CSI Protocol.

Performance of the 4 levers of our GHG reduction strategy SDGs Addressed:
Its cumulative water conservation and harvesting initiatives within the fence and outside fence have resulted in great savings, as shown in the following figure:

Ambuja has also developed a methodology to quantify its value creation in the social, environmental and financial aspect across the business value chain. For 2017, ACL’s net positive contribution to the environment and society was about 2,240 crores as compared to about 1,660 crores in 2016 and about 750 crores in 2012. Most of this value creation was achieved through fly ash utilization, water harvesting and recharge projects, agro-based livelihood creation and use of alternative fuels and raw materials (AFR). Our methodology of true value assessment has also been recognized by Harvard Business School and a case study on the same has been developed and included in their knowledge bank.
Learnings

The risk related to scarcity of resources remains high. Furthermore, with the expected future demand for natural resources by the construction sector in India, this will be a risk area that will need to be closely monitored. This will very likely impact consumption patterns and therefore the planned efficiency in resource consumption at the sites will be critical.

Through its initiatives, Ambuja has learned that against the traditional conception of the cement industry being inherently harmful to the environment, there is actually immense scope for cement industries to employ lean efficiency and improve their processes. Adopting sustainability is not only an opportunity to improve the internal processes but also a great opportunity to explore, tap and lead in new market segments. Innovations in the market are a perfect way to get an edge over the competition. ACL's goal of sustainability does not restrict at growing its business, but also helps in enabling sustainable communities.

ACL is now not just compliant with various standards but has gone beyond compliance to become a pioneer in the industry. It is now actively participating in policy advocacy for resource efficiency, which could be useful & effective for future expansion and new projects, assessment of existing & upcoming technologies. It shall also guide Ambuja Cement Foundation (ACF) in the identification of programs, which in turn will help to identify needed interventions areas with more focus & specific projects.

The tangible results of the ACL's work on resource efficiency and circular economy discussed above demonstrate ACL's commitment to supporting resource management inside as well as outside the plant boundary and promoting sustainable manufacturing in the industry. The work carried out by ACF has made a significant impact in the region and positively impacted the livelihoods of those communities sharing the resources that the plant uses.

Replicability and Scalability

ACL’s Sustainable Procurement Initiative lays down the entire blueprint for any organization to start procuring sustainably. Even though the cement industry is seen as an inherent harm to the
environment, this initiative by Ambuja can inspire cement companies all around the world to make their operations sustainable and contribute to the world positively.

The initiative shows how a drastic change is required at all levels of an organization to design such a strong procurement policy and ensure its rightful implementation. Any organization, working in any sector, can go from creating a negative environmental impact to not only combatting it but creating a positive impact, by changing their procurement policy.
Reduction in rate of rejections through stakeholder awareness

Anugraha Fashion Mills
Tirupur, Tamil Nadu, India

Background

Anugraha Fashion Mill Private Ltd is a high quality vertically integrated garment manufacturer based in the knitwear capital of South India – Tirupur. Its manufacturing facilities are spread in four locations – consisting of Spinning, Knitting, Processing, and Garmenting divisions, making it a totally integrated manufacturer from fiber to fashion garment. Anugraha’s group of companies are committed to international standards of quality control, social and environmental sustainability standards, and have been certified for Global Organic Textile Standard & Organic Content Standard.

For its vertically integrated setup, Anugraha consumes about 12000 kg of raw cotton on daily basis to produce 60,000 pcs of Garments per day. Although its capacity allowed the production of 60,000 garments a day, it was noted that only about 52,000 garments were being produced in a day, out of which about 49,000 garments were being exported. Significant leakage was observed across the product supply chain due to various issues like lack of product awareness, poor knowledge about backward & forward product value chain, lack of coordination among stakeholders, etc.

The Initiative

As an organization, Anugraha saw the product value loss across its supply chain not only as a loss to the firm but also to the nation’s economy. Root-cause studies suggested stakeholders’ lack of knowledge of the product supply chain to be the reason behind the product value loss.

To improve economic sustainability of their supply chain, and reduce leakages, Anugraha decided to create awareness about the journey of cotton starting from its field to finally reaching the customers in
Europe as an end product. The water footprint, carbon footprint, manpower used, days and hours consumed in travel, etc. were studied in detail. The study proved to be a turning point for Anugraha’s management, and they decided to communicate the learnings to all their stakeholders.

Anugraha targeted its key stakeholders including employees of spinning, knitting, wet processing, and garmenting, service providers, accessory suppliers, as well as customers to create spread awareness. In order to successfully communicate the learnings, a relatable and easily understandable awareness template was designed. The project was planned in multiple phases to reach out to all the key stakeholders.

**The Good Practice**

Anugraha identified all the key stakeholders and conducted training programs in multiple stages. The information shared with the stakeholders included the amount of resources consumed, manpower effort put in, water consumed, fuel combusted, greenhouse gases emitted, distance traveled, etc. The awareness about these factors was used to sensitize the stakeholders, and to make them understand the consequence of a rejection. They were now cognizant of the fact that a small error in garmenting could lead to rejection of a garment at the inspection table, and this rejection was not only of the garment but of the entire product supply chain, right from the cotton field, to the final product.

Some of the information collected through the study and shared with the stakeholders during the trainings-
Case Study of Garment

- Harvesting Cotton/Polyester
- Spinning and Weaving
- Usage of Machine for making the different parts
- Use of Dye
- Washing
- Labelling
- Transportation
- Packaging
- Reaches Consumers
- Marketing Campaigns
- Retail Stores
- Recycling

Case Study of Wet Processing house

- Coal = 2.80 kg
- Steam = 9.40 Kg
- Water = 63.30 Lt
- Energy = 1.35 Kw
- Waste Generated = 0.12 Kg
- GHG Emission CO2 = 5.98 Kg

1 Kg of Fabric Consumes
The Impact

After repeated training and awareness camps, there was a tremendous change in the behavior and attitude of all Anugraha's operators. They were now able to identify and account for the different aspects of the production process, like water, fuel, manpower, economic value, etc. This has led to an improvement in the quality of the product and a significant reduction in the rejection rate of garments. The cut to pack ratio has considerably increased and the export consignments were now On Time and In-full (OTIF).

<table>
<thead>
<tr>
<th>Quantitative indicator</th>
<th>Before the practice</th>
<th>After the practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Garments Rejections</td>
<td>7%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Fabric Rejections</td>
<td>12%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Cut to Pack Ratio</td>
<td>92%</td>
<td>98%</td>
</tr>
<tr>
<td>Export Inspection Pass Rate</td>
<td>88%</td>
<td>97%</td>
</tr>
</tbody>
</table>

Learnings

This initiative was one that truly transformed the way Anugraha Fashion Mill's stakeholders viewed their role in the value chain. The main learning was that instead of being limited to their specific task, if the stakeholders are aware of the entire product value chain, they can relate to the organization as a whole, hence performing their tasks in congruence with the organization’s objectives, and enhancing the economic sustainability of the organization.

Replicability and Scalability

Anugraha's initiative of conducting an extensive root-cause study, identifying the problem of lack of knowledge, and implementing a training session to overcome the problem, is easily replicable by any organization. The model is also not only limited to a challenge of losses by rejections but any organizational challenge that requires an intervention across all levels of management. For successful dissemination of information, the organization must ensure that inputs are taken from all stakeholders in the supply chain in each step of the initiative and that everyone is fully aware of its importance.

Any organization that wishes to learn about its operations more deeply can take inspiration from Anugraha and conduct a detailed study and calculate all the indicators for at least a year. The big picture that is created after such a study has the power to by itself initiate action from the stakeholders.
Certification scheme to promote responsible and legal use of wood

Export Promotion Council for Handicrafts
India

Background

Illegal logging is a global issue that has several significant negative impacts. These impacts tend to vary from economic, environmental to social consequences. In economic terms, illegal logging leads to a loss in revenue among many other foregone benefits whereas environmentally, it is often associated with deforestation leading to climate change and loss of biodiversity.

To combat this, in October 2010, the EU adopted a new Timber Regulation to combat trade in illegally harvested timber. This is one of several actions under the 2003 EU Action Plan on Forest Law Enforcement Governance and Trade (FLEG).

The main obligation of the International Regulations was to prohibit the placing of the illegally harvested timber and products derived from such timber in the international market. This required the traders, who were placing their products in the international market for the first time, to exercise 'due diligence' or 'due care' and keep a proper record of all their suppliers.

Once this International regulation came into existence, the buyers started raising questions about the legality of the Indian wood. No fool-proof credible mechanism was available to prove and validate the legality of Indian wood. Lack of an acceptable standard system raised questions on the origin of the wood, authenticity of documentation and validity and veracity of timber legality documents in acceptance. The Indian Handicrafts industry was first to feel the heat as small artisans would have lost their livelihood in the absence of a credible mechanism that ensured that all the requirements of EUTR and other international requirements were being met.
The Initiative

EPCH then initiated VRIKSH – Timber Legality Assessment and Verification Scheme to promote the responsible and legal use of wood in the handicrafts and home décor industry, keeping in mind our social and environmental obligations. QCI is one of the members of the Steering and Technical committees providing inputs towards aligning the Scheme to international best practices.

In addition to the certification Scheme, VRIKSH Shipment certification (CITES Comparable Document) is also being issued by EPCH (Designated authority for the issuance of CITES comparable document) under the ambit of VRIKSH for the export of Handicraft items made of Dalbergia sissoo and Dalbergia latifolia post the inclusion of Dalbergia spp. in Appendix II of CITES.

The Good Practice

The VRIKSH – Timber Legality Assessment and Verification Scheme is designed to ensure that the companies comply with all international timber regulations like EUTR, FLEGT, Lacey Act, etc. Compliance with this standard allows organizations to demonstrate that they are implementing best efforts to avoid the trade in illegally harvested timber. This scheme was specifically designed to suit the Indian context and recognized various other certification schemes. Their risk assessment and verification program which included batch-wise tracking and traceability was an extremely important feature of this certification. Besides ensuring the legal right to harvest and trade, it also provided an institutional support and backing of the office of DGFT and a complaints and grievance redressal mechanism. VRIKSH covers government forests, private wood sources as well as agro forestry and farm forestry.

The VRIKSH standard verifies the legality aspect of the wood originating from India by auditing an applicant against an array of criteria ranging from Quality system requirements, Legality compliance, Raw material supply, and production as well as the sale of VRIKSH legally verified wood to Risk Assessment and Mitigation Program. The standard aims to ensure that all the aspects pertaining to the verification of the legal origin of the wood are covered by checking critical control points such as supplier verification, inward entry of the raw material, material balance records, segregation procedures, production procedures, conversion factors etc.
The Impact

Post successful VRIKSH certification, significant changes have been observed in the internal procedures adopted by the companies to demonstrate the compliance against the requirements of their overseas buyers. This, in turn, has established VRIKSH as a brand and a credible system for the acceptance of Indian Handicraft Items worldwide. With strict compliance to the standard and robust procedures for the verification of the origin of the wood, VRIKSH has helped a lot in curbing the flow of illegal wood into the handicraft industry.

Till date, a total of 521 applications have been received by EPCH for VRIKSH certification, out of which 477 companies have already been certified.

Till date, approx. 6500 comparable documents have been issued by VRIKSH amounting to a total export of approx. INR 650 crores.

Learnings

Going forward, VRIKSH plans to explore new clusters of handicraft manufacturers and exporters and bring them under their realm. Future strategies are being shaped around the promotion of the scheme amongst the international buyers as a credible mechanism and an alternative to other certification schemes in the market as well as the promotion of Indian handicraft items made from legally verified sources on international platforms. VRIKSH also plans to include imported timber, MDF, HDF, engineered wood products and recycled wood in the scope of the present standard as well as sawmills, wood traders and other associates of EPCH members in the ambit of their certification. They propose Product identification with the help of barcodes on all the products exported worldwide.

Replicability and Scalability

The VRIKSH Scheme covers government forests, private wood sources as well as agro forestry and farm forestry. Such a certification program can be replicated keeping in mind the social and environmental obligations and buyer requirements. It can be initiated for entities who want to accurately track and make claims about legal origin and transport of their products.
The Initiative

IKEA Social and Environmental approach is to make work with social and environmental issues an integrated and natural part of daily business. This means that IKEA products must be manufactured in a responsible way.

For that reason, in 2000 IKEA established a code of conduct “The IKEA Way on Purchasing Home Furnishing Products” (IWAY). The document consists of:

- “The IKEA Way on Purchasing Home Furnishing Products” (IWAY)
- “The IKEA Way on Preventing Child Labour”
- “The IWAY Standard” (specification of the demands in the code of conduct)

“The IKEA Way on Purchasing Home Furnishing Products” is based on international conventions and declarations, and includes provisions mainly based on the UN Declaration of Human Rights, 1948, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work (the eight core
conventions), 1998, and the Rio Declaration on Sustainable Development, 1992. The specification of all the international conventions and declarations on which IKEA's code of conduct is based is available in the IWAY Standard.

Since its inception in 2000, The IKEA supplier code of conduct – IWAY – has been at the heart of our approach for 18 years. It sets out the minimum requirements on environmental, social and working conditions. It is a starting point for developing shared values and expectations with IKEA’s suppliers. IWAY has been regularly updated to address emerging social and environmental risks.

Broadly, IWAY is divided into two parts i.e. IMUST (Startup Requirements) and regular IWAY requirements. IWAY Musts are the immediate requirements that IKEA suppliers must meet before a contract can be signed – critical home-furnishing sub-suppliers are audited against these requirements. All the new suppliers are provided 12 months to secure 100% IWAY Std. requirements from their first date of delivery.

**Startup Requirements**: Prior to starting up a business relationship with IKEA, potential IKEA suppliers must fulfil the startup requirements (IMUST) as listed below. Failure to meet IMUST requirement in subsequent annual / verification audit will lead to a direct business exit.

1. **No Child Labor**
2. **No Forced & Bonded Labor**
3. **Business Ethics**
4. **No Severe Environmental Pollution**
5. **No Severe Health & Safety Hazard**
6. **Transparent & Reliable Working Hours**
7. **Minimum Wages**
8. **Workers’ Accidental Insurance**
9. **Wood Traceability (For Wood Supplier)**
10. **Factory License**

Communicating requirements and tracking progress through regular audits helps us to maintain consistent standards. Training and support are provided to resolve ongoing or emerging challenges, and we work with suppliers to help them make a clear link between better working conditions and business success.
IKEA has a special forum called the IWAY Council for issues relating to its code of conduct. The IWAY Council is headed by the Group President.

**The Good Practice**

Being a responsible company, IKEA secures good social, environmental and working conditions for the many people in the IKEA supply chain. We work with 400,000 people employed through the extended Supply Chain, 80,000 farmers involved in better cotton production & 1,200 women artisans in Next Generation.

IWAY standard is governed by IKEA's Sustainability Strategy "People and Planet Positive" and one of the change drivers is "**Supply Chain I Trust**". In order to have complete visibility in its supply chain, IKEA is consistently maintaining sub-supplier database used for IKEA Production, Raw Material and Services in its web-based tools named as "**Sub Supplier Tracking System**" wherein all the sub-suppliers are being registered in all tiers (wherever applicable) by respective IKEA Suppliers upon signing the business agreement with IKEA. Subsequently, all IKEA Supplier communicate our IMUST requirements within their supply chain.

Critical Sub-suppliers are where processes performed are considered to be potentially highly harmful to the environment, health or safety of the workers, or are in an industry or supply setup that is prone to child labor, and forced or bonded labor.

IKEA also support a number of home furnishing suppliers to train and audit their own suppliers (IKEA sub-suppliers). For some issues, such as child labor, IKEA may undertake targeted audits with sub-suppliers to better understand the nature of the risk and the current situation in the lower tiers of the supply chain.

As part of IWAY requirements, all IKEA suppliers have to secure IMUST requirements at first tier critical sub-suppliers however in South Asia, IKEA suppliers are responsible for ensuring IMUST requirements are followed in the entire supply chain irrespective of first tier critical sub-suppliers. In order to ensure audits are consistent and result oriented, audits are also performed by independent bodies at suppliers and their respective sub-suppliers. Often these audits are carried out unannounced. IKEA is consistently active in securing
Better Living & Working Conditions for the many people through the implementation of IMUST requirements.

A sub-supplier is defined as a company supplying, services, raw material, components, and/or production capacity to an IKEA supplier.

**The Impact**

<table>
<thead>
<tr>
<th>QUANTITATIVE INDICATOR</th>
<th>BEFORE THE PRACTICE</th>
<th>AFTER THE PRACTICE</th>
</tr>
</thead>
</table>
| Sub-Supplier Management (IMUST @ Sub-Suppliers) | • Unorganized Supply chain  
• Suppliers were not aware of their sub-suppliers in different tiers. | • Manage to have complete visibility in the supply chain  
• Contribution in better everyday life for the many people |
| Children Education | Child Labor Risk in the supply chain | • IKEA initiated a project with the support from UNICEF wherein Alternative Learning Centres (ALCs) were introduced in India. The project aims to create awareness about the prevention of child labor and mobilize rural communities in India  
• ALCs acts as a bridge school so that the children eventually can be mainstreamed in the formal education system |
### STAKEHOLDER | QUALITATIVE IMPACT
--- | ---
Workers in IKEA Supply Chain | • Improved in the livelihood by ensuring Min Wages.  
• Safe & Secure working conditions, coverage under worker’s accidental insurance  
• Securing best interest of child through basic education right of the child.  
• Securing best interest of environment by implementing waste water treatment.  
Suppliers / Partners | • Build a strong foundation of mutual respect and transparency  
• Responsible Supply Chain  
• Better business opportunities

### Learnings

- Biggest risks were lying at bottom of the pyramid and there was no tool to keep track of supply chain.  
- Based on the information about supply chain, Risk classification & Risk Matrix developed.  
- Currently, IKEA has managed to reach out to a good extent of supply chain however complete visibility is still a challenge e.g. raw material supply chain which is further leading to the value chain.  
- IKEA suppliers were not aware of their supply chain at all and to overcome this challenges, many production processes were planned in-house and in some cases, suppliers initiated consolidation of their production centers.  
- Poor legal enforcement of applicable laws  
- The difficult mindset in the lower tier of the supply chain w.r.t. to adapting and driving the change  
- Connecting with like-minded organization, consolidate supply chain by awarding regular business to bring positive impact in the supply chain.  
- This is still a journey to reach out to many people through this tool

### Replicability and Scalability

- By sharing proven practices with the stakeholders  
- Communicate and engagement with stakeholders  
- Regular monitoring and Continuous discussion
Using certification to improve production and social performance

Johnson & Johnson
Brazil

Background

Johnson & Johnson's Project Phoenix started with a desire to get more post-consumer recycled waste into Band-Aid boxes. The boxes in question are manufactured in Brazil, and the personal care product company was looking for a local supply of used paper to convert into box material. In Brazil, recycling happens not at the hands of a municipal recycling agency, but at the hands of scavengers called "catadores." The World Bank estimates that 1-2 percent of urban populations make their living through scavenging. Catadores have the dangerous and thankless job of picking through landfill refuse to find useful materials that might be resold.

The Brazilian government mandates that catadores organize themselves into co-ops, which provide a bit of additional structure and security for this vulnerable population. There are currently around 500 co-ops in Brazil employing around 60,000 pickers. This infrastructure is fairly unique and provided Johnson & Johnson a prime opportunity to help one co-op formalize its approach and thereby raise the standard of living for all its members while providing a ready supply of used paper for its supply chain.

The Initiative

Johnson & Johnson decided to work with the Future Cooperative on the paper project. But the co-op, while a lot more organized than a bunch of individuals picking the landfills on their own, was not quite functioning highly enough to provide a reliable stream of waste paper to meet Johnson & Johnson’s demand. Project Phoenix was implemented and modeled on the SA8000 certification standard. With capacity building from HM Sustainability and BSD Brazil, it helped the group move from being an average co-op to a high performing one.
that could provide high-quality product utilizing fair labor practices to protect the workers. The process of going through a certification was quite foreign for Futura, but they were motivated by the opportunity from a big client like Johnson & Johnson, as well as the chance to formalize and improve the working conditions for their members.

The Good Practice

Project Phoenix helps cooperatives improve their operational processes, document policies and develop a stronger social infrastructure. Project Phoenix is modeled on SA8000, a global social accountability standard for ethical working conditions, developed by Social Accountability International. SA8000 is based on the United Nations Universal Declaration of Human Rights, Convention on the Rights of the Child and various International Labour Organization conventions. It includes nine basic principles, such as documented policies on child labor, discrimination and health, and safety.

Social and operational infrastructure will enable the cooperatives to grow responsibly, while documented policies will reduce risks, making the catadores more attractive to businesses.

The Impact

<table>
<thead>
<tr>
<th>QUANTITATIVE INDICATOR</th>
<th>BEFORE THE PRACTICE</th>
<th>AFTER THE PRACTICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productivity</td>
<td>Low</td>
<td>The company has seen a 50 percent increase in productivity since obtaining the certification. They are processing more waste, improving the environment by reducing the volume of landfills and they are employing at-risk members of society and giving them meaningful work – lives are unquestionably better</td>
</tr>
</tbody>
</table>
Workers and managers of the collective are left with a feeling of pride with their SA8000 certificate and the systems they have put in place.

<table>
<thead>
<tr>
<th>STAKEHOLDER</th>
<th>QUALITATIVE IMPACT</th>
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<tbody>
<tr>
<td>Workers and Managers</td>
<td>Workers and managers of the collective are left with a feeling of pride with their SA8000 certificate and the systems they have put in place.</td>
</tr>
</tbody>
</table>

**Learnings**

As noted by one executive, certification programs can be more than just a signal to stakeholders about social practices. It can be a source of pride for owners and operators of the system, as well as for the workers themselves. In situations such as with the catadores and co-ops, that pride and ownership can make a huge difference in workers' lives. Workers take visitors to the wall to show the displayed certification. They touch it and tell you what it means to them. Not only do they receive more business and it makes doing business easier, but it also brings a sense of meaning and accomplishment. They are no longer simply scavengers, instead, they are citizens doing valuable work for the community and the planet.

**Replicability and Scalability**

This project shows how a management systems approach to social performance can have an impressive impact on production and reliability even in the most unorganized and under-funded sectors there are. While the development of the systems may have taken some initial funding from a large company such as Johnson & Johnson, they received the added benefit of having a reliable resource for recycled paper.

In many different industries, this circular economy model can help companies and municipalities to achieve their reduced waste and environmental targets, achieve bottom-line business benefits, and lift
the lives and livelihoods of some of the most vulnerable workers in global supply chains. Project Phoenix is now being replicated in India and expanded to other countries, companies, and industries as the iWRC initiative, spearheaded by project founder HM Sustainability in partnership with BSD Brazil and SAI.
#6

Voluntary Certification Scheme for ensuring quality in AYUSH products
Ministry of AYUSH and Quality Council of India
India

Background

The concept of Traditional Medicines in India has been around since 2500 to 500 BC and has been mentioned in various ancient scriptures like the Vedas. The various Components of this are Ayurveda, Yoga & Naturopathy, Unani, Siddha, and Homeopathy or AYUSH. The Department of Indian System of Medicine and Homeopathy (ISM&H), which was created in 1995, was later renamed as Department of AYUSH, in 2003, and eventually came to be known as the Ministry of AYUSH in 2014 with the view to provide focused attention on the development of these techniques.

The Initiative

With the vision to promote the development of AYUSH, the Voluntary Certification Scheme for AYUSH Products was inaugurated to create a standard that would help maintain the quality of these natural remedies and help educate people about their importance and relevance in everyday life.

The scheme has been developed and is co-owned by the Quality Council of India. The mark aims to help in achieving SDG 3- Good Health and Well-Being as well as SDG 12 – Responsible Consumption and Production among others.

The Good Practice

AYUSH mark was implemented with two levels –

a. AYUSH Standard mark – which is based on compliance with domestic regulations
b. AYUSH Premium mark – which is based on GMP requirements based on WHO guidelines and product requirements with the flexibility
to certify against any overseas regulation provided these are stricter than the former criteria.

In the recent years, the products manufactured under this mark have found their entry into international markets. Some of the biggest markets for AYUSH products are US, UAE, Europe, CIS Countries among many others.

Till date, 1633 products have been certified with AYUSH Standard and Premium Marks.

**The Impact**

In order to check the impact of AYUSH mark, a survey was conducted amongst all the standard holders under various broad categories such as Profile of the Respondent, Impact of the Standard, Market for the Standard and their Feedback.

Although co-owned by the Union of India’s Ministry of AYUSH, the awareness about AYUSH mark is yet to take flight. This has impacted the sales of the manufacturers as there is not much demand for the certified product. One of our respondents stated that even though the AYUSH Premium mark audit is done on the WHO–GMP procedure, many of the neighbouring markets have yet to accept the mark and demanded a WHO&cGMP for further processing.

AYUSH mark does ensure an increase in the quality of the products being manufactured as well as the raw materials being procured as ingredients. The Quality of life of the workers too has been impacted in a positive manner.

Due to the maintenance of WHO norms, calibrations of the equipment, air conditioning, AHUs etc., there has been an increase in the cost of production of the medicines by about 10-30%, however, the income generation doesn’t commensurate to the incurred cost. The manufacturers are unable to demand a higher price premium for their products even with the AYUSH mark certification.

**Learnings**

Although, there are many benefits that were mentioned by respondents, such as entering into a foreign market, such as increase in turnover, improved profitability, diversified markets and buyers
base, product innovation, improvement in packaging and designing etc. 33% of the respondents were able to clearly gain entry into new markets because of the AYUSH mark.

Moreover, the issuing of the Certificate of Pharmaceutical Products (CoPP) has proven to be a grey area for the AYUSH mark scheme. A Certificate of Pharmaceutical Products (CoPP) is a certificate issued in the format recommended by the World Health Organization (WHO), which establishes the status of the pharmaceutical product and of the applicant for this certificate in the exporting country. Although mentioned in the Scheme document in Section IV as the basis of issuing CoPP, 100% of the respondents claimed that the state Governments sought fresh information for them to issue CoPP which increased the burden on them cost wise. CoPP along with the GMP Certifications are the necessary requirements for a manufacturer if they wish to export their products to foreign markets. While GMP are ensured by the mark, CoPP has to be applied for separately.

Replicability and Scalability

AYUSH Premium Mark is a need of the hour in the domain of traditional medicines for exports as well as for sustainability impact. The vision to promote traditional medicine will help the people to turn back to tried and tested methods that have been passed down for centuries. However, while the government is busy trying to fulfil the targets for the SDGs, it is very important that the enablers are active in trying to implement a system that is more sensitive to the woes of the stakeholders. Government across the world can replicate this good practice by establishing certification schemes for any sector that they wish to promote, keeping the following recommendations in mind:

1. *Increase in Awareness*: The mark in itself holds significant value, however, there is not sufficient awareness about it to cause an impact. The market, Traders, Consumers etc. are awaiting cognizance of AYUSH mark so that there is a demand within and outside the country for the manufacturers to access newer markets and receive a higher premium. Hence, awareness is a key factor for the success of any new certification.

2. *Issuing of CoPP*: The Certificate of Pharmaceutical Products (CoPP) is a necessary requirement, along with GMP certification, if a person wishes to export their products to another country. Any new mark needs to position itself as a pre-requisite for issuing
other existing certificates by the competent authority through gaining recognition.

3. **Grievance Redressal:** A task force needs to be set up that would work actively towards resolving the issues of the mark holders.
Technical, skill, and knowledge development of farmers to make dairying sustainable

Nestlé
Moga, India

Background

Nestlé’s dairy development heritage in India started in Moga in 1961 and from collecting 511 kilograms of milk on the first day of the factory’s operations to our current 1.2 million kilograms of milk per day, it is an exemplary synergistic case of collaboration, innovation & sustainability in a single business model. Since its inception in Moga, Nestlé has been working with its milk farmers and ancillary suppliers towards improving quality and productivity.

An insight into the local economic landscape and living standards before Nestlé set up factory in Moga would be useful to understand the full picture. In 1960, Punjab’s Moga was a place of abject poverty, widespread malnutrition, high population growth, mud houses, poor transportation, very few houses had access to electricity, low productivity, and subsistence agriculture as the main economic activity. Water-supply, irrigation systems, and transportation were mostly animal-operated. Dairying was a low-output, low-income supplementary activity to agriculture. The dairy sector was largely unregulated and also subject to adulteration and arbitrary practices.

With the Moga factory opening in 1961, Nestlé started developing a milk economy. The dairy sector was organized and ancillary economic services began to mushroom. It contributed to the development of the region through direct and indirect employment, steady income for milk and other suppliers and technology transfer. Over the years, developing a sustainable and thriving milk economy has been a collaborative effort with over 90,000 farmers, farm extension workers, suppliers, ancillary companies, local communities, and consumers.

The essential formula for building successful dairy operation has been spearheaded by sustainable farm practices and innovations in the entire value chain from the collection of milk at village level till the milk reaches Nestlé’s processing plant. At the farm level, from providing over 1500 milking machines, innovations find a place at every stage including milk collection centres featuring payment systems, quality and safety controls, electronic weighing equipment and cooling tanks.
The Initiative

Understanding the need for local production, Nestlé decided to develop the milk economy in Moga. Motivated to increase quantity and quality of milk, and enthused by a greater social objective of transforming the existing conditions of the local community, Nestlé positioned itself at the forefront of the dairy industry in Moga. It conducted assessments of various demographic, economic and existing conditions of milk supply for identifying the challenges involved in developing a sustainable milk economy.

Progress in Moga required the company to invest in extension services to educate and advise farmers in various aspects of dairying – from increasing the milk yield of their cattle through improved dairy farming methods, to irrigation, crop management practices and helping with the procurement of bank loans. Milk collection centres at various points in the region were set up to ensure prompt collection and payment, and it helped to instill confidence in the dairy business. A network of veterinary and field staff was made available to the farmers round the clock.

The Good Practice

Nestlé successfully established long-term positive and symbiotic relations with its primary stakeholders in Moga by linking social progress with corporate success and profitability. This integration of business practices with the needs of the local communities resulted in positive spillovers, benefitting local consumers, producers, dairy farmers and the community at large. Nestlé provided technical assistance, conducted training and education programmes for farmers and promoted sustainable dairy farming. Field camps run by Nestlé Agricultural Services helped many farmers improve their farming practices and milk quality. Separately, the Village Women Development Programme has trained over 68000 women dairy farmers. Supporting the sustainable development of farmers by increasing their knowledge and skills has largely helped in the success of the sustainable supply of fresh milk, responsibly sourced, adding value to local dairy farming communities. Our approach means that whether it’s an individual farmer with one cow or a large farmer in Moga, every litre of milk purchased will meet the stringent quality and safety standards. Reliable and sustained dairying culture with better quality, traceability, and increased productivity with
lower cost of production in the value chain are the results of integrating these good practices.

All the efforts to develop the dairy in Moga translated in the mechanization and specialization of dairy farms, and an increase in cattle genetic potential, yields, and quality of the milk procured. The company provided:
- Technical assistance to farmers for scaling up their herd size and helping them stay in the dairy sector
- Training to farmers on good dairy management practices
- Knowledge of farm management, modern breeding techniques, and feed management
- Animal welfare, veterinary support
- Field camps and workshops, organized exposure visits to demonstration farms as well as factory visits and educational tours for farmers
- Technical support for silage making techniques, biogas generation and vermicompost from animal waste
- Access to organized milk-collection centres
- Special programme for women- Village Women Dairy Development Programme to train village women on good dairy practices

The benefits of backward integration with community collaboration have reaped multi-fold benefits for all stakeholders.

The Impact

Starting from Moga, Nestlé India has expanded to 33 districts from where milk is collected in states of Punjab, Haryana, and Rajasthan. Given below is the growth trend of quantitative indicators.

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Number of milk farmers</td>
<td>180</td>
<td>62,183</td>
<td>90,743</td>
</tr>
<tr>
<td>Milk routes</td>
<td>3</td>
<td>31</td>
<td>37</td>
</tr>
<tr>
<td>Milk volume supplied in kilos</td>
<td>511 Kg</td>
<td>236 m kg</td>
<td>291 m kg</td>
</tr>
<tr>
<td>Number of milk collection centres in Punjab</td>
<td>63</td>
<td>1,483</td>
<td>1,540</td>
</tr>
</tbody>
</table>
Nestlé’s presence in Moga turned the region into an economically, socially and environmentally better place to live in. Importantly, the main impact was on small and marginal farmers. The farmers constituted the largest percentage of people supplying milk to Nestlé and thus benefitted the most from the company’s presence at Moga. Over time, the local dairy sector went from being a marginal activity to an organized, profitable economic activity. The community’s standard of living, other ancillary firms establishing in the region, improved physical infrastructure, more village women becoming aware of good farming practices, employment generation for local community are the key impact factors that contributed to the sustainable development.

In addition, value creation in terms of environmental conservation is interesting to note, there has been 74.3% reduction in water consumption, a 73% decline in wastewater production, and a 65% reduction in energy consumption, per ton of Nestlé product produced, between 1997 and 2010 (Springer, 2014).

<table>
<thead>
<tr>
<th>STAKEHOLDER</th>
<th>QUALITATIVE IMPACT</th>
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<tbody>
<tr>
<td>Farmers</td>
<td>Improved standard of living and quality of life helping them stay in the dairy sector.</td>
</tr>
<tr>
<td>Women farmers</td>
<td>Empowering women through training in good cattle practices, positively impacting their socio-economic status thus contributing to better living conditions. Additional, continuous and reliable income generally used for children’s education.</td>
</tr>
<tr>
<td>Local community</td>
<td>Creating employment opportunities among the community people and raising the standard of living.</td>
</tr>
</tbody>
</table>
Cattle feed suppliers | Nestlé encouraged companies to enter into cattle-feed business and provide quality feed for cattle.
---|---
Milk collection agents | The agents are well respected in villages and regarded as efficient and trustworthy persons by both farmers and the company.
Other dairy industries | The success of Nestlé in Moga attracted other dairy industries to the area.
Ancillary firms | Other ancillary firms have benefitted from the reputational capital and social prestige associated with Nestlé brand like it helped one of the suppliers expand its spices operations and sell more of its products to other multinational corporations.

Learnings

Nestlé’s engagement in Moga stands out as a pioneering case of how a company can position itself at the forefront by matching corporate objectives with local opportunities, endowments, and needs. The experience at Moga shows business strategies can effectively remain profitable, bring about financial returns and at the same time deliver social, environmental and economic benefits to the communities. The success of the Moga factory is intertwined with the improving of the lifestyles of the milk suppliers, farmers, and community.

One of the learnings from the Moga case-study is that as the company and societies are undergoing continuous change, we have to re-evaluate our impact from time to time to make sure our impact is relevant, check whether our business activities actually do create real and relevant value for individuals and see if this value truly matters for the communities around our operations. It will ensure continuous improvement so the value created becomes more significant, both in quantity and quality.

Replicability and Scalability

The case of Moga is an example how a company can promote the development of an industry dominated by smallholder farmers in order to ensure secured supply source for its own processing activities while also contributing to the modernization of the dairy sector. Such rationale, of deliberately pursuing rural development initiatives as part of its corporate model, sets in sustainable and forward-looking
business models. Farmer prosperity and company success have made dairying viable, sustainable and scalable. This practice may be replicated in other sectors as well by integrating with the social, cultural, economic life of communities within which a company operates. Long-term and sustainable community development programmes significantly contribute towards successful business models.
Background

In Malaysia, smallholders are defined as growers with lands under 40 hectares. Smallholder farms cover about 38% of the total area of oil palm cultivation in this country (MPOB, 2014). Smallholders in Malaysia can be further divided into scheme or organized smallholders and independent smallholders. Organized smallholders’ land area accounted for 24% of the total oil palm planted area in the country while 14% belongs to independent smallholders (Kamalrudin & Abdullah, 2014).

Scheme or organized smallholders are growers who cultivate oil palm, along with subsistence production of other crops, with the support of an organization, which can either be a government agency, private corporations or even NGOs. They are provided with technical assistance, agricultural inputs or financing. Scheme smallholders are often limited to choose the crop they develop and are managed by the managers of the mill, estate or scheme to which they are linked (RSPO, 2015). They are also usually bound to sell their crops to their local mills. Unlike scheme smallholders, independent smallholders are growers who cultivate oil palm without direct assistance from any third party. They may also receive some technical assistance from the government normally in the form of extension services (e.g. TUNAS-Malaysian Palm Oil Board). In contrast with scheme smallholders, independent smallholders sell their crops directly to local mills or traders and are free to bargain in order to obtain the best price.

However, most studies have shown that independent smallholders perform far less than the scheme or organized smallholders. The yield per hectare of the organized smallholders is 19 tons and is in contrast to the 16-17 tons for the yield of independent smallholders. This is supported by further studies where independent smallholders in Malaysia are generally perceived to be inefficient and unproductive, producing barely half of the national average yield.

The current expansion of oil palm cultivation in Malaysia occurs mainly in Sabah and Sarawak. As of 2014, the total land area for oil palm smallholders in Sabah reached 214,818 hectares (14.21%) while smallholders in Sarawak had 121,425 (9.61%) of the total land area per sector (MPOB, 2014). Today, one-third of the accounted land areas in Sabah and Sarawak are planted by independent smallholders, and it is projected that 80% of independent smallholder growth is to occur in these two states (Wild Asia, 2013).
The Initiative

The WAGS-MPOB’s SPOC is located in Telupid Sub-District, Beluran, Sandakan, Sabah, Malaysia (hereinafter referred to as Sapi). It is a formal collaboration between Wild Asia and MPOB to help support independent small farmers towards RSPO certification. That initiative is also supported by a member of RSPO – Wilmar International Limited, through its Sapi Palm Oil Mill in the local area.

Wilmar International Limited, founded in 1991, is one of Asia's leading agribusiness groups today. The company's business activities include oil palm cultivation, oilseed crushing, edible oils refining, sugar milling and refining, specialty fats, oleochemicals, biodiesel, and fertilizer manufacturing and grain processing. It is the global leader in processing and merchandising of oil palm and lauric oils, as well as the production of oleochemicals, specialty fats, palm biodiesel, and consumer pack oils. Wilmar has over 450 manufacturing plants in 18 countries and has an extensive distribution network covering China, India, Indonesia, and some 50 other countries.

The company advocates sustainable growth and is committed to its role as a responsible corporate citizen. Wilmar promotes sustainable palm oil production and is one of the first palm oil companies to achieve RSPO certification. The company attained its first certification for four estates and three mills in December 2008.

Under this collaboration, there has been a significant development in the district of Beluran. In September 2013, 42 independent small producers who operate on some 253 hectares of land in Kampung Toniting achieved RSPO certification.

The Good Practice

Wild Asia Group Scheme (WAGS), in collaboration with Malaysian Palm Oil Board’s Smallholder Palm Oil Cluster (MPOB SPOC), organize and assist the smallholders towards RSPO certification and good agricultural practices. The collaboration provides technical advice and management support to smallholders in achieving compliance with RSPO standards. The joint project also offers training and capacity building to help the smallholders improve their management practices and farming skills. In return, smallholders help WAGS-MPOB SPOC to determine potential smallholders. Furthermore, smallholders coordinate with the scheme's head
through their specified village heads in order to achieve compliance with RSPO standards. The FFBs produced by certified smallholders are being transported and sold to several mills under Sapi Palm Oil Mills. Certified smallholders are not bound in any contract of trading FFBs to a certain mill although WAGS-MPOB SPOC encourages them to sell their FFBs to the nearest mills which are RSPO certified Sapi mills.

The group scheme also helps out Sapi mill on identification and recruitment of potential smallholders. Meanwhile, Sapi Palm Oil Mill demonstrates their shared value with smallholders who sell them FFBs through the provision of advisory services and pay premiums. During the second half of 2015, Sapi Palm Oil Mill started to give payment premiums of RM5 per ton to certified smallholders under the collaboration. The initiatives are supported by Sapi Palm Oil Mill through sponsorships like accommodation for WAGS's staffs and subsidizing rental of WAGS's office.

**Social Structure of smallholders in Sapi**

**The Impact**
An extensive study was conducted in Sapi to analyse the impact of this initiative on smallholders. The following is the Breakdown of RSPO certified, waiting for certification, and non-certified respondents in Sapi:

Certified smallholders in both areas, Keresa and Sapi, are better trained in fertilizer, herbicide and pesticide applications and handling. Certified smallholders in both areas are found to use lesser amounts of herbicides at their farms than the non-certified smallholders. In Sapi, the quantity of chemical application used for land preparation among certified farmers and the ones waiting for certification has dramatically reduced as a result of RSPO certification. The percentage of smallholders with proper agricultural inputs to storage facilities is also higher than their non-certified counterparts. Proper handling and storage of chemical inputs, apart from optimizing use and ensuring the health and safety of the farmers, would minimize the externalities generated by its application to the environment.
Learnings

Through this initiative, we learned that a multi-stakeholder approach is required to address the issues faced by smallholders and include them in certification schemes. Extensive on ground work with smallholders can help them develop the capacity to become certified, thereby becoming more economically, socially, and environmentally sustainable.

Replicability and Scalability

Standard making bodies across the world can collaborate with different stakeholders to execute initiatives that help smallholders in adopting the certification. Moving forward, we propose several recommendations.

• Beyond certification, extension services are paramount. Continuous education and support should be provided to the smallholders to constantly improve their productivity and to help achieve maximum benefits of the certification. There is an incentive for certified mills to provide these services in exchange for a continuous quality supply of FFBs;

• Smallholders are responsive to economic incentives. Premium pricing of FFBs and transparency in pricing and payment mechanisms can attract more smallholders to get certified. Certified mills could transfer some of the premium they get from selling certified sustainable palm oil (CSPO) to the certified smallholders. Certified mills are also more transparent towards grading, pricing, and payment for FFBs; and

• Group managers need to play an active role in organizing certified smallholders not only for certification purposes but also as a farm business decision-making entity. RSPO certification provides a platform for the smallholders to be organized as a unit to enable collective bargaining in terms of input purchase, request for extension services, transportation, and FFB sales.
Bringing together workers and managers to solve health and safety issues
TenSquared program
Brazil, China, and Turkey

Background

Every 15 seconds, a worker dies from a work-related accident and 153 others are injured while performing their professional duties. The human cost of this daily adversity is enormous and the economic burden of poor occupational health and safety practices is estimated at 4% of global Gross Domestic Product each year. Whilst business managers increasingly realize that making improvements in workplace health and safety can positively affect the bottom line, responses to the challenge often fail, due to poor employee engagement, communication and trust breakdowns, immature management systems, training and skills gaps, and heavy reliance on outside consultants.

To address these challenges, Social Accountability International (SAI) and the Rapid Results Institute (RRI), with support from The Walt Disney Company, created the TenSquared program.

TenSquared is an innovative program that brings together teams of workers and managers to solve workplace issues in 100 days. It builds upon two decades of worker and worker–manager training methodologies developed by SAI with inputs from stakeholders, including unions, companies, governments, as well as change management methodologies developed by Rapid Results Institute. Since 2011 the TenSquared program has been used to solve occupational health and safety problems in factories throughout Brazil, China, and Turkey.

The Initiative

Created by SAI and the Rapid Results Institute in 2011, TenSquared was designed to respond to the vast human and economic impacts of poor occupational health and safety practices in workplaces around the world.
The program starts from the premise that trust between workers and managers is both possible and critical for making progress on health and safety issues. Rather than viewing health and safety as a compliance issue that pits managers and workers against each other, TenSquared induces both groups to view the matter as a jointly owned problem that they are challenged to solve. Worker-manager teams are brought together to analyze the root causes of their health and safety challenges and select ambitious goals to pursue over the course of 100 days.

In addition to the dramatic health and safety results achieved, the shift in the dynamics of collaboration between managers and workers is the most powerful and enduring legacy of the TenSquared program.

**What was the good practice?**

The TenSquared program launches worker-manager teams on highly choreographed 100-day projects, capturing the power of Team, Goal, and Process. Each step of the program is carefully built to support the teams in meeting their challenging goal, sustaining health and safety improvements and permanently altering the worker-manager dynamic in the company.

1. **The Power of the Team**
   Health and safety efforts rarely succeed when plans are drawn up by managers alone. Including workers in the process ensures that their valuable day-to-day knowledge and expertise from the factory floor or field are acknowledged and leveraged. Workers are also more likely to adopt and utilize new processes if they have been involved in their creation. TenSquared brings together teams of ten workers and managers, who work together over 100 days, to improve communication, creativity and the entire company’s commitment to tangible change.

2. **The Power of the Goal**
   Each TenSquared project is designed to produce visible and sustainable results in only 100 days – not six months or a year like other change management and capacity building approaches. This increases motivation and accountability, breaks relational barriers, and spurs innovation. The team is challenged to identify an ambitious, measurable health & safety goal that can be achieved in 100 days – the goal should be so ambitious that
the usual ways of doing things are not enough to achieve it, thus driving new ideas.

3. The Power of the Process
The TenSquared methodology contains tools for the worker-manager team to analyze the root causes of their health and safety challenge and identify effective actions. The teams then learn how to turn actions into processes, so that their results are sustained beyond the 100 days.

The Impact

<table>
<thead>
<tr>
<th>QUANTITATIVE INDICATOR</th>
<th>BEFORE THE PRACTICE</th>
<th>AFTER THE PRACTICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Preparedness &amp; Response</td>
<td>Company evacuated workplace in 12 minutes</td>
<td>75% reduction in evacuation time from 12 minutes to under 3 minutes</td>
</tr>
<tr>
<td>Accident Prevention</td>
<td>The company had 21 accidents per 100 days</td>
<td>83% reduction of accidents, from 21 accidents to 4 accidents per 100 days</td>
</tr>
<tr>
<td>Accident Prevention &amp; Absenteeism</td>
<td>Injured workers were absent from work 155 hours per month</td>
<td>60% reduction in worker absenteeism due to injury, from 155 hours per month to 62 hours per month 12% increase in productivity in peak production months</td>
</tr>
<tr>
<td>Fire Prevention</td>
<td>The company had 50 chemical fire risks</td>
<td>Elimination of all chemical fire risks</td>
</tr>
<tr>
<td>Chemical Handling</td>
<td>Workers exposed to hazardous chemicals for 10 hours, 28 minutes per product manufactured</td>
<td>70% reduction in worker exposure to hazardous chemicals, from 10 hours 28</td>
</tr>
</tbody>
</table>
TenSquared creates safer working environments and leverages factories' existing resources and personnel to drive critical and sustainable occupational health and safety improvements. These improvements have clear business benefits and are often lifesaving.

"Through this project, we identified the weaknesses in our health and safety practices. There is now better organization and coordination around these issues. We had nothing before, but now we can achieve our health and safety goals." Manager

TenSquared is strategically choreographed to break down relational barriers, change attitudes, foster trust, establish communication channels, promote teamwork, and translate the shared interests of workers and managers into bold actions and real results – in 100 days.

98% of workers say management's commitment to health and safety improved significantly as a result of TenSquared

As a result of TenSquared, 97% of workers feel comfortable sharing suggestions with management.
72% of workers said their management is very open to workers’ suggestions after TenSquared

**Professional Development**
TenSquared equips workers and managers with new professional skills and abilities, including problem-solving, root cause analysis, leading teams, conducting meetings, implementing solutions, data analysis, and communication and public speaking skills.

“I didn’t have much value before. I was just an operator. Now I’m a repair person because I know all of the workstation roles. It was a promotion of three levels.” Worker

**Organizational Change**
TenSquared is designed to improve the culture of a factory and generate improvements in workplace communication, management systems, and collaboration. TenSquared is a catalyst for ongoing change and dialogue. Many TenSquared factories integrate the principles and essence of the program in their organizational structure and operations.

81% of workers say that communication regarding health and safety has increased as a result of TenSquared.

“Now, employees will go to management and let them know when there are problems. The culture has changed, employees are more aware of health and safety, absenteeism is lower, and accidents are fewer.” Manager
What were your main learnings?

1. TenSquared Proves the Power of Worker Engagement

Worker engagement and empowerment is often spoken about in vague terms in the labor rights field. Whilst there is an underlying belief that worker engagement is important and beneficial, the real power of worker engagement has rarely been proven in a quantifiable way. Through TenSquared, SAI has been able to break down the concept and process of worker engagement in a tangible and concrete way and has collected data and testimonials on the measurable impact of worker engagement.

2. The Need for a Shift from Auditing to Capacity Building

For many brands, retailers and buyers, the extent of their social compliance program begins and ends with auditing. Hundreds of thousands of audits are conducted each year to ensure minimum compliance with laws and corporate codes of conduct. Yet extensive research has shown that auditing alone fails to generate sustained improvements in workplace conditions, including occupational health and safety. Considering this, SAI believes that monitoring programs should always be complemented with capacity building programs such as TenSquared.

How can this best practice be replicated?

There is tremendous potential to use TenSquared to improve workplace issues (beyond health and safety) in all types of companies, regardless of country, industry, size, context or resource constraint. Almost every company that has participated in TenSquared to date has experienced a significant improvement in performance in the challenge area they targeted. TenSquared is not a health and safety program, but instead a worker-management joint approach to risk assessment and corrective action. For this reason, TenSquared can be used as an audit replacement, a remediation tool, or a capacity building program.
Establishing a sustainable ecosystem for carton recycling
Tetra Pak
India

#10

Background

Tetra Pak cartons are mainly made of paper, i.e. on average close to 75% of the carton comes from paperboard, and they are fully recyclable. However, despite numerous legislations in place, retrieving used Tetra Pak cartons from municipal solid waste has been a challenge in India as waste is not segregated at source. It is left to informal waste collectors who are largely unorganized; organizing informal waste collectors has its own set of challenges. Organizing them for collections depends a lot on volumes available for collection and an attractive price. There is a lack of awareness in general about the recycling of used cartons among consumers. Overall, a complete and robust ecosystem for used cartons recycling has been missing.

The Initiative

For Tetra Pak, sustainability is at the core of our growth strategy, and we take a full life-cycle approach with regards to sustainability, including end-of-life for used cartons. Therefore, we have spent the last 15 years establishing a sustainable ecosystem for carton recycling in India-
1. Partner with recyclers that see the benefit of recycling post-consumer cartons;
2. Establish collection networks by engaging waste pickers and
3. Invest in educating consumers and others in the waste chain about the recyclability of Tetra Pak cartons and proper waste management practices.
This combination of short-term (interventions to establish collections and recycling) and long-term approach (education) form the basis of an economic model where the buyer (the recycler) pays an attractive price to the seller (the waste collector) and the model feeds itself, save for some interventions from Tetra Pak in terms of communication, promotion and equipment support.
The Good Practice

A] ESTABLISHING A NETWORK OF RECYCLERS

Key constituents of Tetra Pak cartons – wood fibres, plastic, and aluminium – can all be recycled, making a Tetra Pak carton fully recyclable. Our recycling partners produce sheets from full cartons (Eco Link Boards) that find good applications in pallets, furniture etc. They also re-pulp used Tetra Pak cartons and use the paper for making various items like bags, notebooks and more.

B] ENGAGING WASTE PICKERS... ESTABLISHING COLLECTION NETWORKS

We partner with NGOs, waste management companies etc. to set-up collections in cities where carton sales are higher. A typical collection centre would have a compacting machine to compress the collected cartons for dispatch to recyclers, and trucks to collect cartons in the city. Through workshops, street plays, health camps, Paryavaran Mitra clubs for waste pickers, we also help the waste trade distinguish a Tetra Pak carton and help them understand its value.

Waste pickers are highly vulnerable to health problems and organizing health camps for them and their families not just helps on health grounds, but also helps foster engagement for carton collections. We also run vocational training centers and non-formal education centers for the children of waste-pickers, which brings additional value to them and their families.

C] EDUCATING SOCIETY ON WASTE MANAGEMENT

Over the years, we have run many consumer awareness initiatives reaching millions of consumers through on-ground events, social media campaigns, awareness workshops (at schools, RWAs, retail stores), press articles, advertising, and in-store activations. Many of these programs have been in partnership with institutions like TERI, or environment-focused organizations like RUR Greenlife, GiZ, Centre for Sustainable Development etc. One such initiative which is currently live in Mumbai – Go Green with Tetra Pak – has collected over 28 lakh cartons since 2010 and donated 260 desks made of recycled cartons to schools for the lesser privileged.
The Impact

Currently, it’s estimated that at least 1 in every 3 cartons sold in India is being recycled today. What is unique about the Tetra Pak carton collection model is that it addresses not just an environmental concern but also a social one. We have been able to involve thousands of waste collectors who go about collecting cartons collection every day and thereby, generate extra income. The Paryavaran Mitra clubs and health camps are a step forward towards increasing social affiliation for waste collectors. Recycling operations generate additional livelihoods.

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<tr>
<td>Recycling rate</td>
<td>The complete ecosystem did not exist</td>
<td>&gt;33%</td>
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<tr>
<td>Cities covered</td>
<td></td>
<td>13</td>
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<tr>
<td>Collection centers</td>
<td></td>
<td>33</td>
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<tr>
<td>Used cartons drop-off points for consumers</td>
<td></td>
<td>186</td>
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<tr>
<td>Recycling partners</td>
<td></td>
<td>4</td>
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<td>Collection centers with Indian Army</td>
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<td>10</td>
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<tr>
<th>STAKEHOLDER</th>
<th>QUALITATIVE IMPACT</th>
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<tr>
<td>Waste-pickers</td>
<td>Improved social affiliation; enhanced livelihood; improved education, health, and sanitation</td>
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<tr>
<td>Consumers/citizens</td>
<td>Increased sensitization, active participation and behavioral shift on waste segregation</td>
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Learnings

Tetra Pak has learnt that while they continue to do their bit, in order to bring a transformational change in their recycling rates, collaboration is the key. The government has a larger role to play in enforcing legislation on source segregation and consumers’ active participation is integral.
Replicability and Scalability

The model is replicable in any other geography and other recyclable waste categories. The model is scalable and requires identifying stakeholders across the value chain, for example, the right collection and recycling partners, strong consumer education programs, collaboration with local government bodies.