



PROGRESS REPORT

10 YEARS OF RSPO IN LATIN AMERICA





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01

WELCOME WORDS BY
DARREL WEBBER, RSPO CEO

RSPO



Darrel Webber
CEO

2018 marks an important milestone for RSPO as we celebrate our 10th anniversary in the Latin American sustainable palm oil market. We have witnessed steady and encouraging growth in Latam over the last few years, as much of our time and effort has been focused here - the second largest palm oil producing region in the world.

Through our findings, I'm pleased to report that certified sustainable palm oil (CSPO) in LatAm has more than tripled in the last three years. In January 2015, 5 mills produced 250,000 metric tonnes of CSPO. Fast forward three years to January 2018, and we saw 28 mills produce 780,000 metric tonnes. As the 1 million metric tonnes of CSPO milestone nudges closer, we congratulate the growers of LatAm for leading the charge, as the fastest growing CSPO region.

In line with this theme, a noteworthy mention of congratulations is in order for Colombia-based agribusiness, DAABON Group, who became the world's first oil palm grower to achieve RSPO NEXT certification last year. Their RSPO NEXT certification also covers 122 smallholders that supply to the group's mill.

Latin America remains the most diversified region in terms of countries with grower members. As of 30 June 2017, there were 33 RSPO grower members across nine countries and we saw an 11% expansion in certified area across the region. Additionally, the first group of independent smallholders, Asociación de Productores y Comercializadores de Oleoginosas y Frutas Orgánicas (ASOCOFOR) achieved RSPO certification in 2017, proving that RSPO certification is possible for independent smallholders in the region.

Another key development that took place last year was the Ecuadorian national government's official submission of interest to pilot a jurisdictional approach to RSPO certification, within selected areas of the Ecuadorian Amazon. An interministerial agreement was signed by the Minister of the Environment and the Minister of Agriculture of Ecuador, to put a focus on promoting sustainable palm oil production. A memorandum of understanding (MoU) was signed by growers, civil society, and government to embrace sustainable palm oil production according to RSPO standards.





I'm also pleased to note that RSPO has now legally established a regional office based in Colombia, in recognition of the great potential that LatAm has to become one of the leading regions for sustainable palm oil production. Additionally, with the creation of a LatAm working group, comprising a balanced representation from regional growers and NGOs, we're looking forward to seeing these members take a more active role in the RSPO working groups, thus increasing the participation of LatAm in the RSPO decision-making process. We recognize that RSPO has become an engagement platform to discuss how to promote sustainable palm oil production and we're greatly committed to supporting our members and stakeholders in this region.

As with all emerging producer markets like Africa and Latin America, we recognize the importance and need to work with our partners in these regions, to keep collaborations as inclusive as possible with mult-stakeholder representation that considers all levels of the supply chain and affected communities. The reason for this is simple - global solutions cannot be imposed in a local context. For this reason, I'm happy to report that four countries in LatAm have completed the National Interpretation (NI) of RSPO Principles and Criteria (P&C). This includes, Colombia, Honduras, Guatemala,

and Ecuador, with Mexico and Nicaragua currently undergoing the NI process. NI task forces in each of these respective countries will revisit the NI processes next year, following the revised P&C.

In the coming years, the focus will be to increase the local demand for sustainable palm oil products. Colombia will soon have its own RSPO certified cooking oil and we're eager to see Latin America solidify its place in sustainable oil palm agriculture, through responsible agricultural, social, and environmental practices, so that together, we can address the global mission of making sustainable palm oil the norm. We look forward to supporting LatAm through its journey.

Darrel Webber
CEO





02

ABOUT THE ROUNDTABLE ON SUSTAINABLE PALM OIL

RSPO

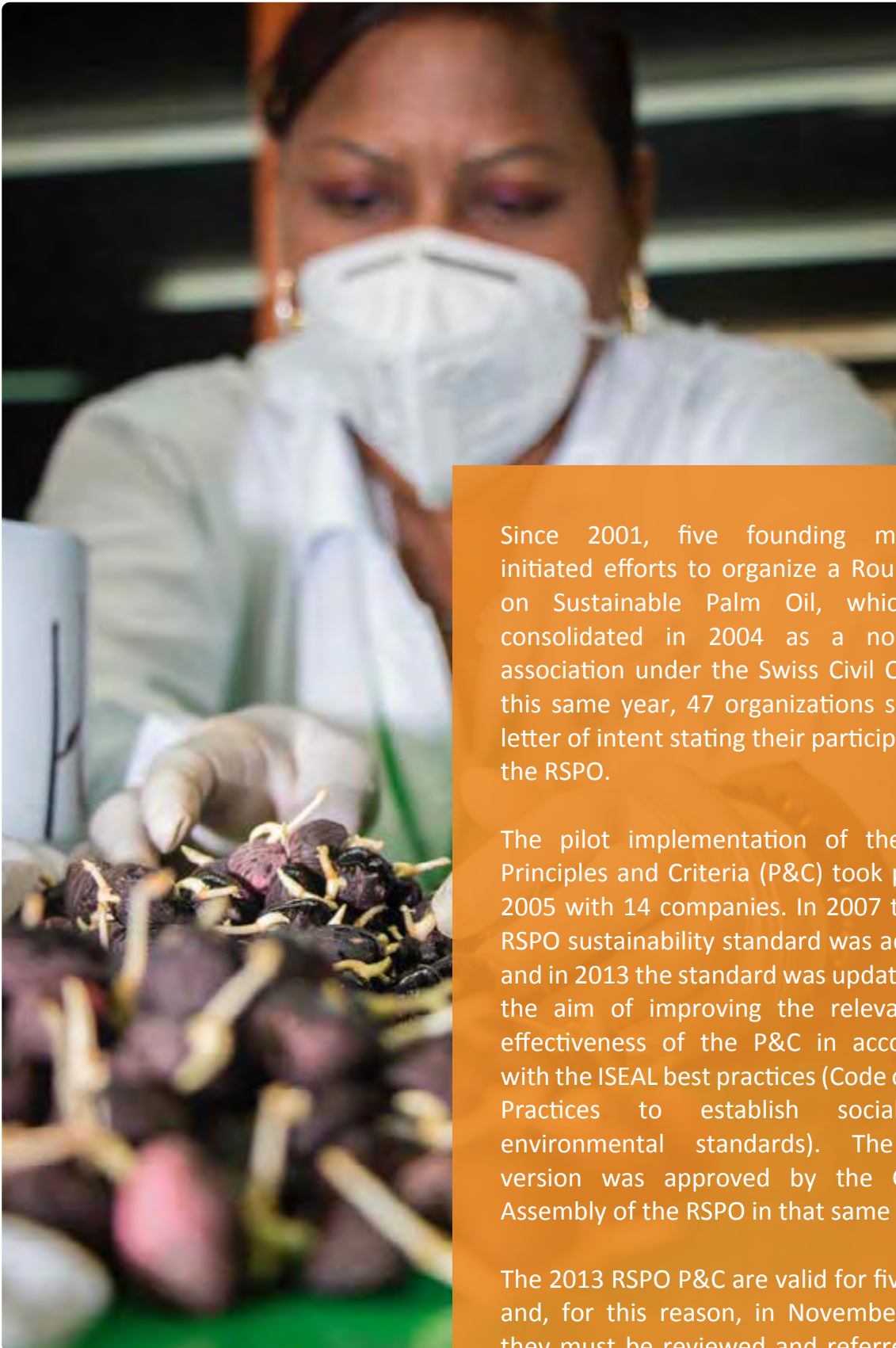
The Roundtable on Sustainable Palm Oil (RSPO) is a non-profit organization that works to promote the production and use of sustainable palm oil products. It develops and implements global standards with parameters of environmental, economic and social sustainability, through open dialog and cooperation with all interest groups.

The vision of the RSPO is to ensure that the production and use of sustainable

palm oil is the market standard, with the active participation of all stakeholders involved in the oil palm value chain:

- Growers
- Mills and marketers
- Consumer goods manufacturers
- Retail banks and investors
- Environmental NGOs
- Social NGOs





Since 2001, five founding members initiated efforts to organize a Roundtable on Sustainable Palm Oil, which was consolidated in 2004 as a non-profit association under the Swiss Civil Code. In this same year, 47 organizations signed a letter of intent stating their participation in the RSPO.

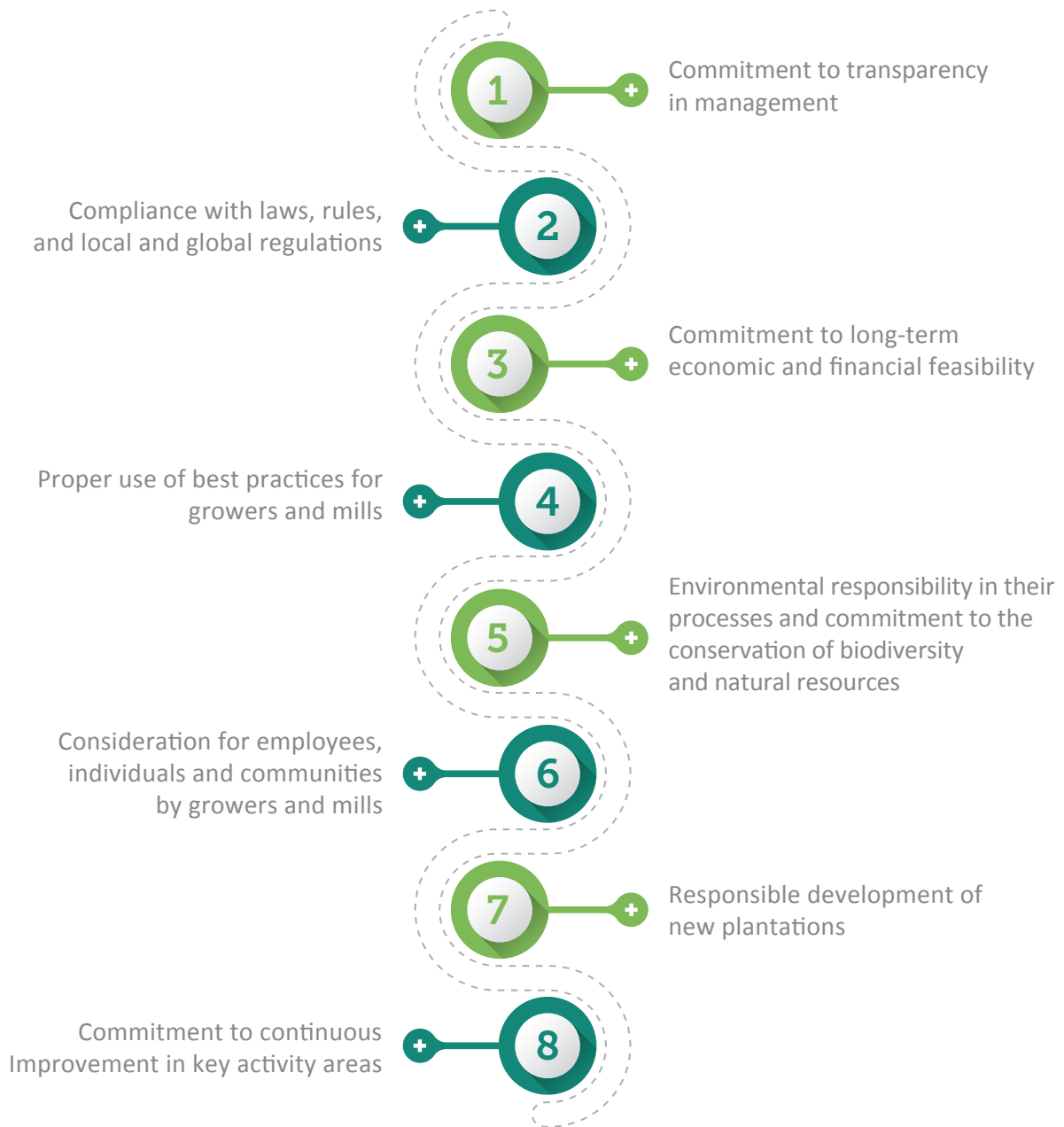
The pilot implementation of the RSPO Principles and Criteria (P&C) took place in 2005 with 14 companies. In 2007 the first RSPO sustainability standard was adopted, and in 2013 the standard was updated with the aim of improving the relevant and effectiveness of the P&C in accordance with the ISEAL best practices (Code of Good Practices to establish social and environmental standards). The 2013 version was approved by the General Assembly of the RSPO in that same year.

The 2013 RSPO P&C are valid for five years and, for this reason, in November 2018, they must be reviewed and referred back for ratification to the RSPO General Assembly in order to ensure conformity with the ISEAL good practices standard.



Principles of Sustainability

The objective of the RSPO is to generate positive impacts on people, the planet and prosperity. To this end, eight sustainability principles were established:



Currently, the RSPO has more than 3,800 members worldwide, who have ratified their commitment to produce, purchase and/or use certified sustainable palm oil.





03

INTRODUCTION



RSPO

This report seeks to present the progress in the production of RSPO certified palm oil in Latin America in recent years, showing the developments on certification volumes and the number of members, the main benefits brought about by the implementation of the standard and the challenges and opportunities for this sector.

This document was developed from quantitative and statistical data from the RSPO and qualitative information collected through interviews with different actors of the value chain of sustainable palm in the region. The data presented includes the vision of growers, mills, guilds, customers and non-governmental organizations (see acknowledgments).

This report seeks to present an overview of the certification in Latin America and its evolution in recent years, highlighting its benefits and identifying the main challenges and opportunities for the future.



Oil Palm gets its name from being a vegetable type oilseed, from which palm oil is extracted from the pulp of the fruit and palm kernel oil from its seed. In the market, this oil is used in the manufacture of mass consumption products and in the food sector (domestic oils, oils and fats for frying, chocolate, confectionery, bakery, ice cream and milk, balanced food, among others), in the cosmetics sector (household soaps, beauty soaps, cosmetics, among others) and in the manufacture of fuels (biofuels).





In 2015, world-wide palm oil consumption was 60 million tonnes, and it is estimated that for 2050 demand will exceed 80 million tonnes. This oil has intrinsic characteristics that differentiate it from other vegetable oils, including:

- Versatility: it is suitable for various uses because it remains semisolid at room temperature and has a high melting point.
- Taste and texture: it is odorless, with a smooth and creamy texture and it can be used in various recipes and baked goods because it does not alter the flavor and provides the necessary consistency.
- Preservation: Palm oil has a natural preservative effect that prolongs the useful life of the product.
- Efficiency: the per hectare oil production yield is 4 to 10 times greater than that of other crops, so its production is less expensive.



WHY IS PALM OIL SO POPULAR?

Latin America is a major producer of this oil at the global level. Despite producing lower volumes compared to Southeast Asian countries such as Indonesia, Malaysia and Thailand, Latin America has successfully positioned itself in the global market and, thanks to the accelerated growth of palm cultivation in recent years, it has become the second region in the production of palm oil in the world.

Latin America is an important supplier of sustainable oil in markets with greater environmental and social requirements and the RSPO has driven the positioning of the region in the world market.

In 2018, the RSPO celebrated being in Latin America for 10 years.



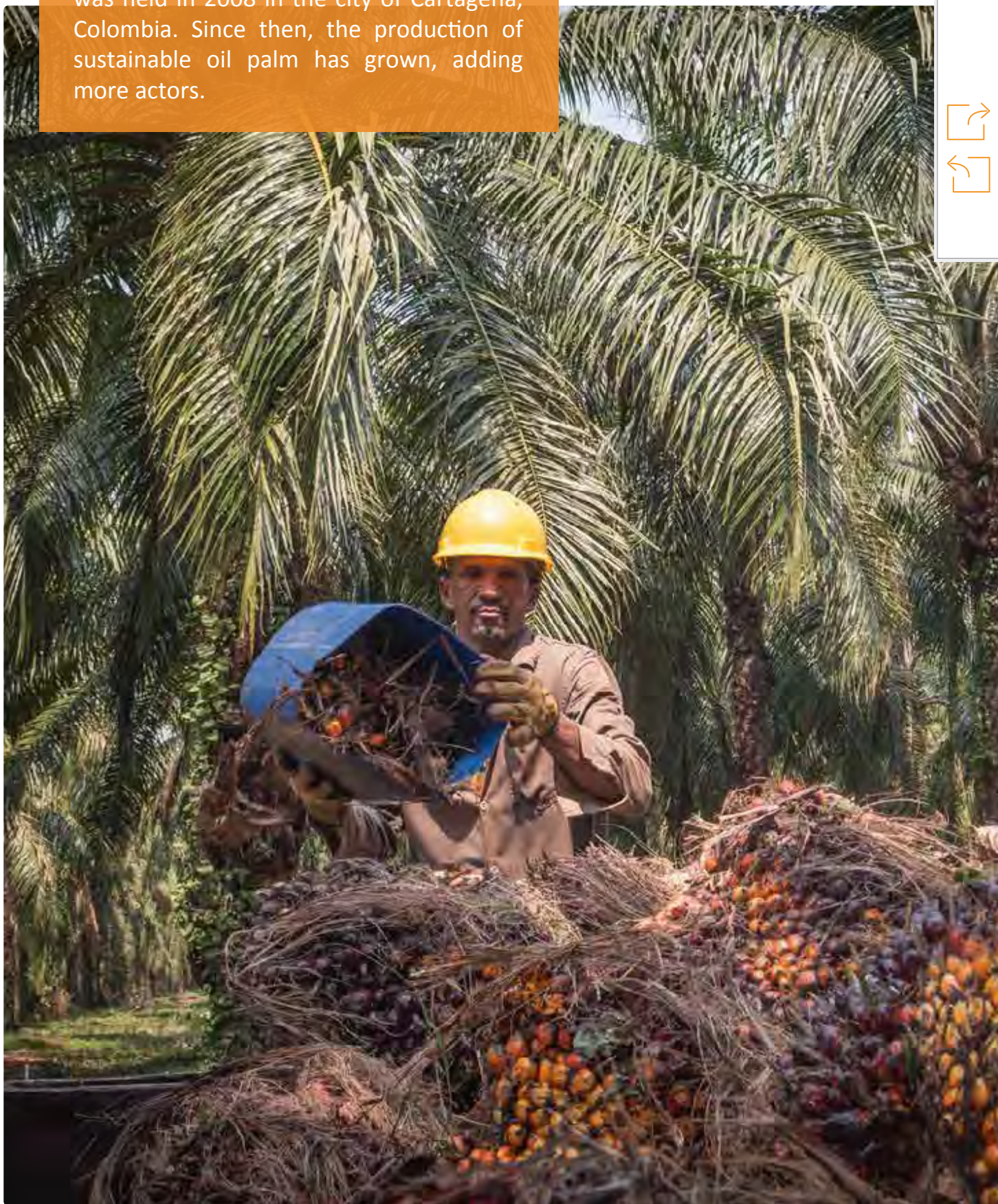
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GROWTH TRENDS IN LATIN AMERICA

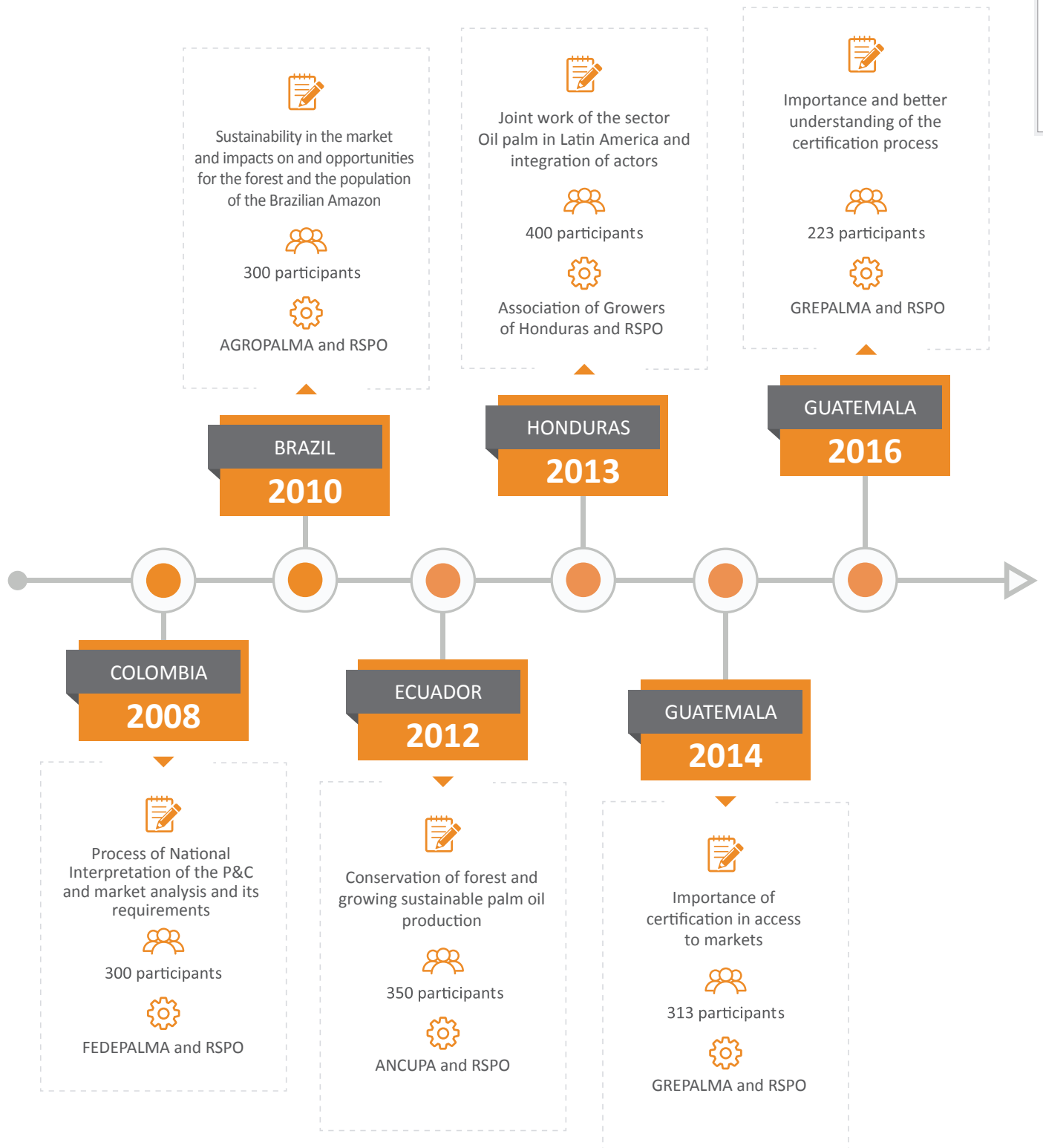
The commercial production of palm oil in Latin America is a relatively new industry, and it has become an emerging market with accelerated growth with crops in 12 countries of the region, representing 6% of global production.



The first RSPO conference in Latin America was held in 2008 in the city of Cartagena, Colombia. Since then, the production of sustainable oil palm has grown, adding more actors.



In collaboration with associations of local producers, six regional conferences have been held in several countries of Latin America. These spaces serve as a platform to display the progress and future projections of the sector, and allow for sharing experiences among experts and the various actors that promote the establishment and representation of RSPO in the region



4.1

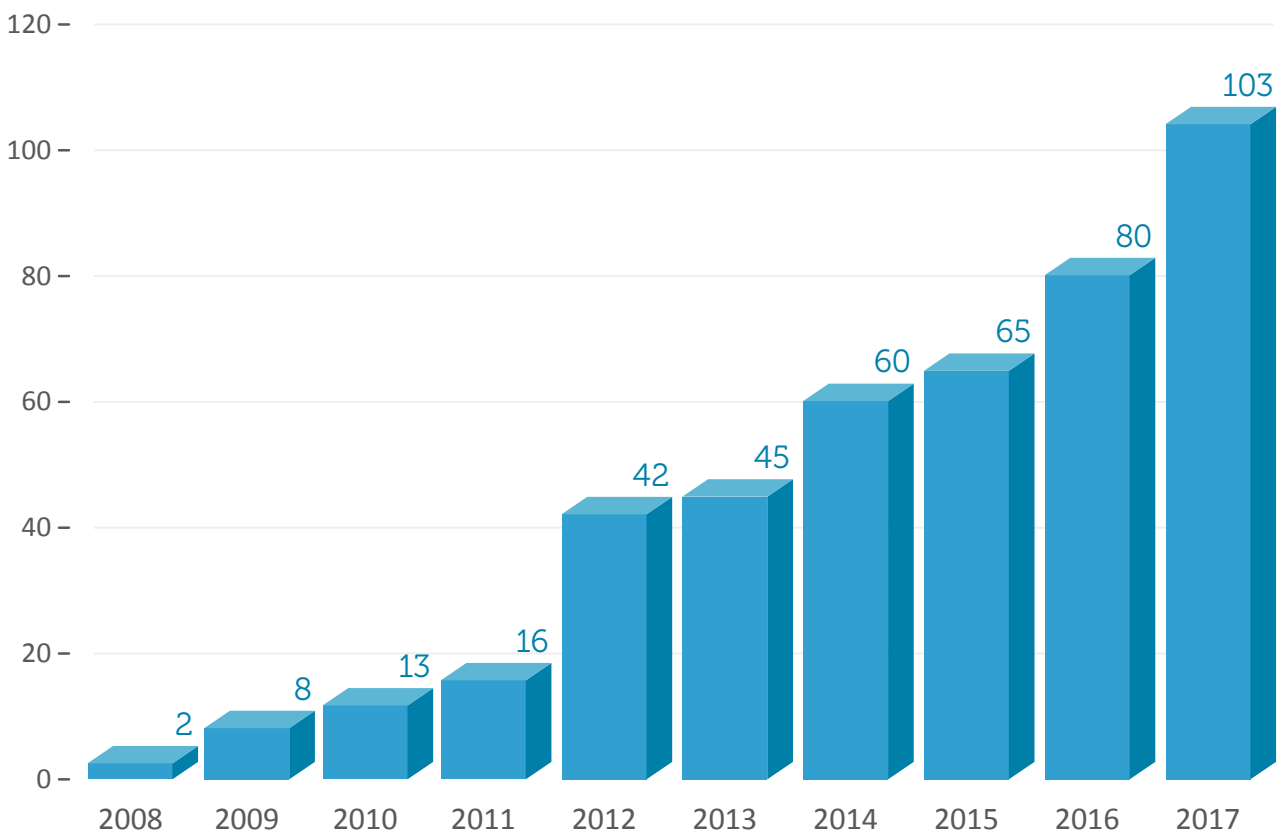
RSPO MEMBERS

At the global level, the membership has three categories:

- **Ordinary members:** This category includes the seven key stakeholders of the sector, who are directly related to the palm oil value chain.
- **Associate Members of the supply chain:** This category includes actors that buy, use, or market less than 500 tonnes of certified palm oil per year.
- **Affiliate members:** This category includes those who do not intervene directly in the supply chain, but do have a vested interest in the objectives of the RSPO, such as: academia, researchers, development organizations, donors and sponsors.

As of May 2018, the RSPO had 3,787 members, distributed in 89 countries. The number of members in Latin America has grown significantly in recent years, by an astounding 145%, going from 42 to 103 members.

NUMBER OF RSPO MEMBERS IN LATIN AMERICA





4.2

CERTIFICATION SCHEME AND ADVANCES IN THE REGION

The RSPO certification is a tool that allows guaranteeing, to all stakeholders (clients, end consumers and other stakeholders), that a product has been manufactured under sustainable practices.

The certification has three main components:

- ① **Standards:** Guidelines and requirements that must be met in order to become certified.
- ② **Accreditation:** Mechanism to ensure that the certification entities that will audit compliance with the standards have the competence to carry out a consistent and accurate audit.
- ③ **Certification Process:** The process by which it can be established if the requirements for certification have been met. It is carried out by an accredited certification entity.

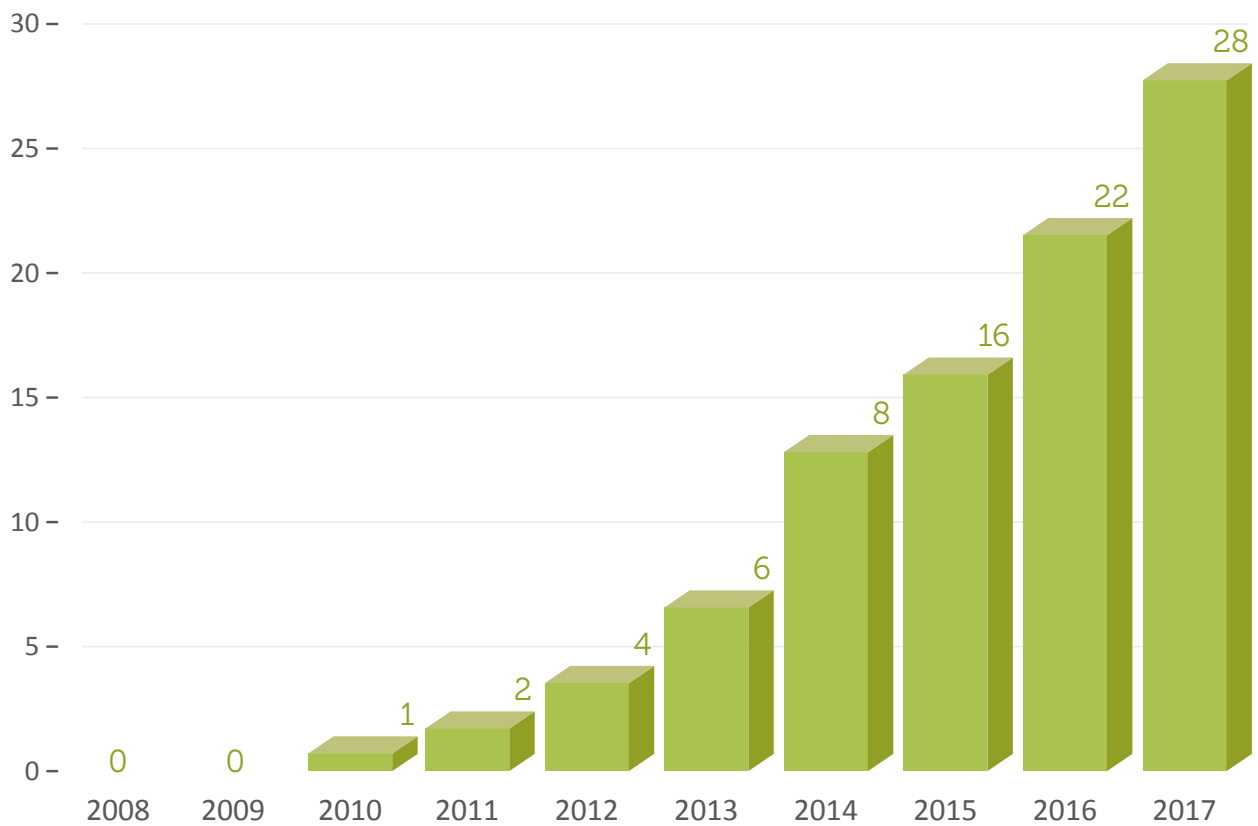
The RSPO has four types of complementary standards:

- **P&C (Standard for Sustainable Palm Oil Production Certificate - CSPO):** This system is responsible for ensuring that palm oil and palm kernel oil are produced in a sustainable manner both in plantations and mills.
- **SCC (Supply Chain Certification Standard):** This system is responsible for ensuring the integrity of the sustainable palm oil trade in the supply chain, this is, that oil sold as sustainable has actually been produced by certified plantations.
- **RSPO Next:** Voluntary system implemented by companies that have complied with the current RSPO Principles and Criteria requirements, and that in addition, through their policies and voluntary actions, have surpassed management expectations.
- **RSPO RED (Requirements for compliance with the EU Renewable Energy Directive requirements):** Certification standard for bio-fuels made from palm oil.

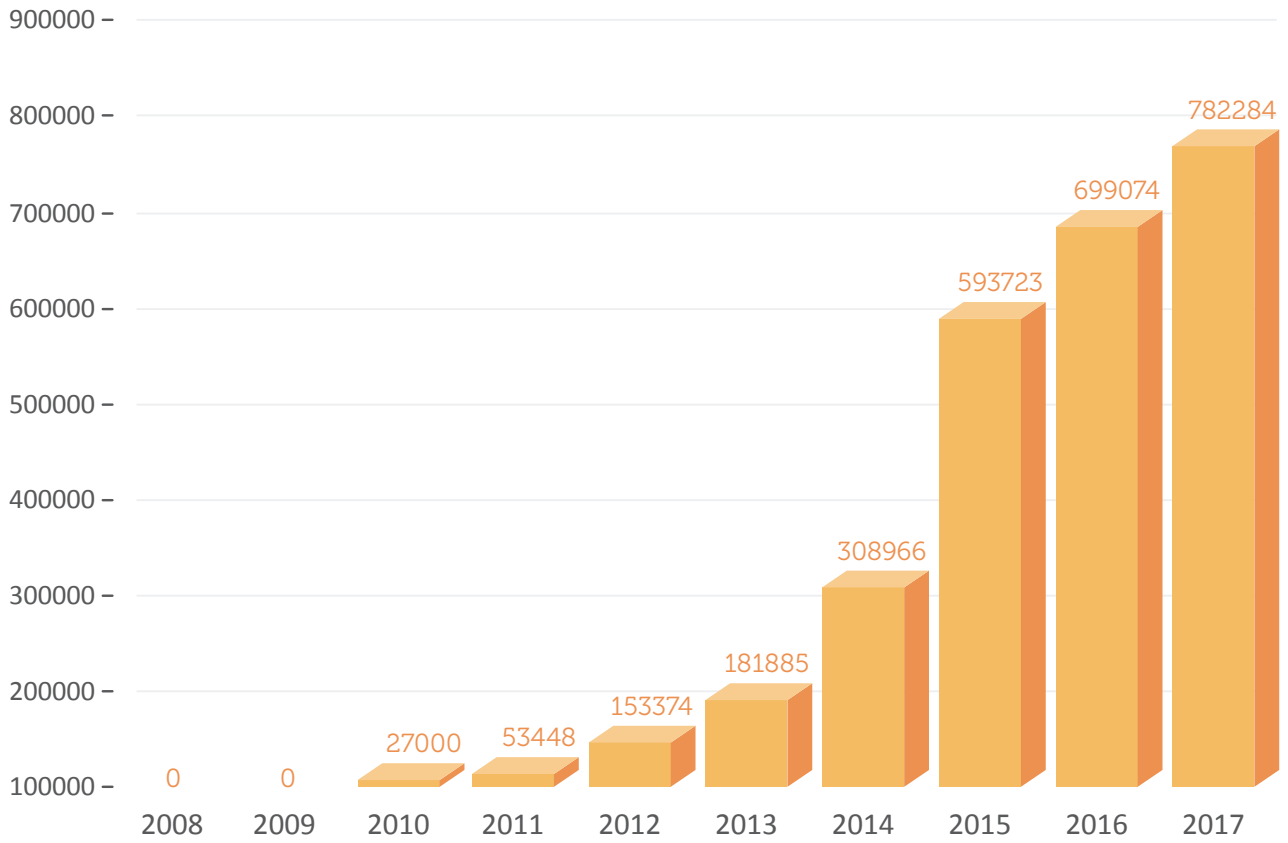
Certified mills have increased significantly in recent years to the point of reaching a 60% growth since 2012. By the end of 2017, there was a production of 782,284 tonnes of CSPO, which means more than a 400% increase in production in comparison to 2012 (153,374 tonnes). In addition to this, the growth in the number of certified facilities in the supply chain (from 18 facilities in 2012 to 159 in 2017) reveals a positive development in the region.



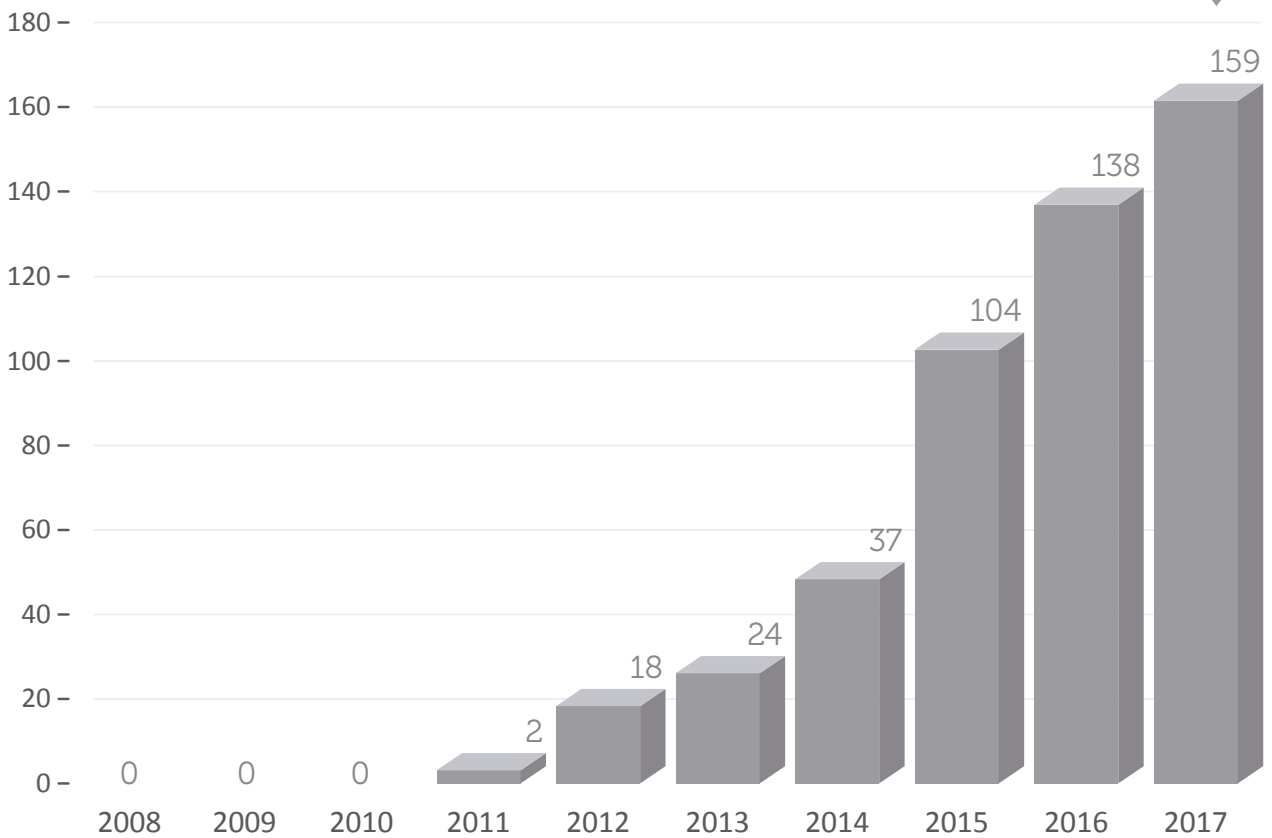
CERTIFIED EXTRACTION PLANTS

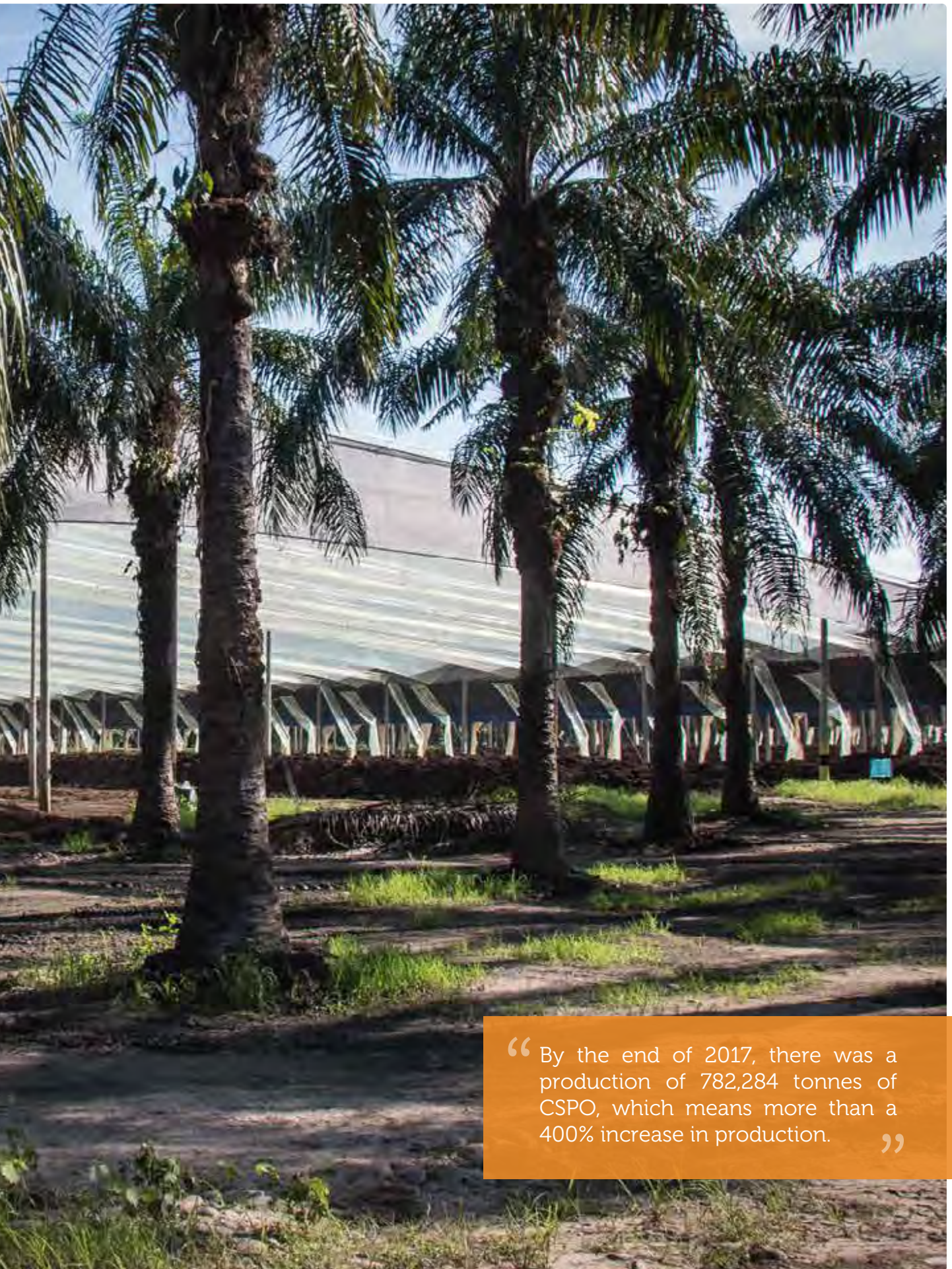


CSPO VOLUME (TONNES)



CERTIFIED FACILITIES IN THE SUPPLY CHAIN





“ By the end of 2017, there was a production of 782,284 tonnes of CSPO, which means more than a 400% increase in production. ”

4.3

ACCREDITED CERTIFICATION ENTITIES

While in 2014 only one certification authority was accredited, we currently have six accredited entities that have diversified significantly the supply of this service.






-  page web site
-  type of accreditation
-  geographical scope




BCS ÖKO GARANTIE COLOMBIA

-  <https://www.kiwabcs.com>
-  RSPO P&C (Single Site & Group); RSPO SCCS
-  Brazil, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama and Peru.



NATURACERT

-  <http://www.naturacert.org>
-  P&C (Single Site & Group) y SCCS en Colombia, Honduras, and Guatemala
-  Colombia, Honduras, Guatemala




CONTROL UNION

-  <https://www.petersoncontrolunion.com/es>
-  P&C (Single Site & Group) and SCCS
-  Global



SCS

-  <https://www.scsglobalservices.com/es>
-  SCCS
-  Global

IBD CERTIFICATIONS LTD

-  <http://ibd.com.br>
-  SCCS y P&C (Single Site & Group)
-  Global

SGS

-  <http://www.sgs-latam.com/>
-  P&C (Single Site & Group) and SCCS
-  Global

4.4

CERTIFICATION OF SMALLHOLDERS

In accordance with the certification criteria, smallholders are defined as growers whose plantations do not exceed 50 hectares. In most cases, they combine oil palm with daily subsistence crops and labor is divided between the members of the family, palm growing being their main source of income.

The RSPO certification helps smallholders improve their crop productivity thanks to the transfer of technology and the application of good practices, achieving better performance and ensuring their access to local and international markets. Furthermore, it enables them to improve their livelihoods and reduce the risk of land conversion.

Currently, the region has 1.263 associated certified smallholders distributed in Brazil, Ecuador, Costa Rica and Guatemala. These smallholders generate a total of 820.276 tonnes of certified fresh fruit bunches.



ASSOCIATED CERTIFIED SMALLHOLDERS AS OF APRIL 2018:

Country	Certified area in hectares	Certified area in production	Tons of Certified Fresh Fruit Bunches	Number of certified smallholders
Brasil	34,146	16,040	280,294	466
Colombia	16,677	13,550	200,461	171
Costa Rica	11,030	10,751	146,454	465
Ecuador	10,030	6,419	94,824	144
Guatemala	3,448	3,448	98,243	17
Total	75,331	50,208	820,276	1,263



Latin America is characterized for having a significant representation of independent smallholders: oil palm growers with individual land titles that work their own crops without making a part of a company. These smallholders represent 85% of all growers and handle 40% of the total planted area in the region.

Ecuador is a pioneer country, where 36 independent smallholders have been certified, with 1,668 hectares of certified production area that represents 24,825 tonnes of certified Fresh Fruit Bunches.

INDEPENDENT CERTIFIED SMALLHOLDERS AS OF APRIL 2018:

Ecuador	Certified area in hectares	Certified area in production	Tons of Certified Fresh Fruit Bunches	Number of certified smallholders
ASOCOFOR Group	1,668	1,668	24,825	36



Certification is a symbol of credibility, which positions smallholders in the industry through the adoption of sustainable practices in their operations. This generates important social, environmental and economic benefits, as it helps to establish long term growth and cooperation relations.



GENERATION OF LOCAL CAPACITIES FOR SMALLHOLDERS OF TUMACO AND TIBÚ

NOTABLE CASE COLOMBIA

Linking smallholders to the cultivation of oil palm has been a key factor in the growth of this agro-industry in Colombia. According to data by FEDEPALMA, 70% of the area sown belongs to small and medium-sized growers. In addition, this inclusion has led to the consolidation of licit, cost-effective and sustainable productive alternatives for a large number of families, especially in marginal areas heavily affected by violence, such as the Municipalities of Tumaco, in the department of Nariño and Tibu in North Santander.

Through a project developed by the organizations CORDEAGROPAZ and ASOPALFLOR, with the support of SOLIDARIDAD, a project was developed to consolidate the economic, social and environmental sustainability of palm growing in the areas of the smallholders of Tumaco and Tibú, through the generation of local capacities to enable them, in the medium term, to become certified in the RSPO Principles and Criteria.

During the first phase of the project, executed in 2016, progress was made in the generation of capacities in the technical teams of CORDEAGROPAZ and ASOPALFRONT through attendance to training courses led by national and international experts for the adoption of best practices, through the strategy called "Sample Farm with Multiplier Leader Farmers".

Smallholders, leaders of organizations and technicians, have managed to learn about experiences through knowledge-exchange visits, as well as the broadcast of the RSPO Principles and Criteria on the basis of a methodology for the communication of information to all members, under the name of "Farmer Field Schools".

During the third phase of the project executed in 2017, 15 farmer leaders were identified and trained as good practices multiplier agents, and the RSPO P&C were implemented in nine farms associated to these growers. At the same time, seven technicians who lead organizations for the articulation of smallholders systems have been trained and strengthened.





ENCOURAGING SUPPORT FOR SMALLHOLDERS

NOTABLE CASE HONDURAS

The palm sector in Honduras consists mostly of Independent Growers that cover 63% of the market, while social and private companies hold only 37%. Independent growers are those who have individual land titles and work their own plantation, without being part of a company. They are also recognized as smallholders.

The company JAREMAR has more than 2000 independent growers as its suppliers, distributed in the four Atlantic coast departments: Atlántida, Colón, Yoro and Cortés. Despite the diversity of challenges, this represents an opportunity to promote the organization of independent smallholders. Thus, JAREMAR alongside with PROFOREST and RSPO, initiated a project to provide technical and financial support so that the certification of the first group of independent producers gathered in UNPLA (Union de Palmeros del Litoral Atlantico) is achieved in three years.

The project is intended to accompany the growers of the Atlantic Coast to promote the adoption of sustainable practices based on the RSPO Principles and Criteria, which in turn promote the growers' certification process.



4.5

REPRESENTATION AND CONSULTATIVE GROUP FOR LATIN AMERICA

At the beginning of 2016, and with the approval of the RSPO Secretariat, the RSPO Advisory Group for Latin America (GCAL) was consolidated. This group is a space of discussion where the various actors in the region address the main topics of interest related to the sustainable production of palm oil in Latin America. It comprises 20 members, experts in different branches of industry: growers, mills, federations, trade unions and non-governmental organizations.

The objective of CGLA to make the region part of the decision making process of the RSPO at the global level also meets a double function:

- Bring to Latin America the discussions that take place within RSPO working groups in Southeast Asia.
- Provide information to the working groups of South East Asia on the regional context of Latin America.

	MEMBERS	COUNTRY	ENTITY / ORGANIZATION
1	Alejandra Rueda	Colombia	NES NATURALEZA
2	Bella Sosa	Honduras	PROFOREST
3	Camila Cammaert	Colombia	WWF
4	Daniel Arancibia	Colombia	PROFOREST
5	Felipe Guerrero	Colombia	DAABON
6	Flavio Linares	Guatemala	SOLIDARIDAD
7	Francisco Arreola	México	OLEOFINOS
8	Huascar Blanco	Costa Rica	GRUPO NUMAR
9	Jan Pierre Jarrín	Ecuador	CIECOPALMA
10	Jorge Coronel	Ecuador	PALMACA



	MEMBERS	COUNTRY	ENTITY / ORGANIZATION
11	Jorge Rivas	Ecuador	WWF
12	Jose Roberto Montenegro	Guatemala	AGROCARIBE
13	Juan Espinosa	Colombia	FEDEPALMA
14	Luis Suárez y Carolina Rosero	Ecuador	CI INTERNACIONAL
15	María Goretti	Colombia	SOLIDARIDAD
16	Miguel Tejada	Colombia	AGROBIZ
17	Omar Palacios	Honduras	SOLIDARIDAD
18	Oscar Molina	Guatemala	LAS PALMAS
19	Suyapa Díaz	Honduras	JAREMAR
20	Tulio Dias	Brasil	AGROPALMA





4.6

NATIONAL INTERPRETATIONS

Each region and each country has its own characteristics and, for this reason, in addition to the P&C we recommend the development of national interpretations (NI) of the indicators and guidelines set out in the P&C, to enable their implementation at the local level. The NI process allows raising awareness among all interest groups in the country and facilitating the implementation of indicators by including normative and local context references.

The National Interpretations do not modify the P&C but rather facilitate their implementation in accordance with the national regulations, they help gain a better understanding and describe their relationship with sectoral policies, legal requirements and conventions.

NIs have proposed indicators and guidelines for each case. Compliance with a criterion and the guidelines help to understand how to put each criterion and/or indicator in practice through information and references each topic.

Currently, four countries in the region have completed the National Interpretation process. Two countries are in process: Mexico and Nicaragua.

The National Interpretation process must meet three requirements:

① In each country, a National Interpretation Task Force (NITF) must be created, comprising the participation of entities and/or representatives who are significant players in the sector and thematic experts (trade unions, environmental and social NGOs, growers, mills, authorities and industry).

The NITF must hold periodic meetings to address and resolve issues and to develop the document for the interpretation of the P&C, depending on the national context, the regulatory framework and best practices for the sector.

③ Finally, it must submit the document for public consultation and hold the necessary review and adjustment rounds for the final approval on the part of the RSPO



4.6.1

COLOMBIA

The National Interpretation on the P&C for Colombia was adopted by the RSPO Secretariat on September 26, 2016.

The NI of Colombia adopted the same principles and criteria of the RSPO 2013 standard and added six indicators (four indicators to Principle six and two indicators to Principle seven):

Principles 6 - Consideration for employees, individuals and communities by growers and mills.

- ① Guidance for companies: identify child labor and forced labor cases.
- ② Insertion of children who work in family plantations into the educational system.
- ③ Progressive implementation of the due diligence process with respect to the regulations of international human rights organizations.
- ④ Not hiring people with criminal backgrounds and criminal investigations in progress or who have committed crimes against humanity in security and private surveillance services.

Principle 7 - Responsible development of new plantations.

- ⑤ Training and communication to employees on rare, threatened, or endangered species.
- ⑥ Use of due diligence in the acquisition of land.

4.6.2

HONDURAS

The National Interpretation on the P&C for Honduras was adopted by the RSPO secretariat on September 9, 2015.

This NI was carried out under the option of National Interpretations for Smallholders, since the total production volume of crude palm oil (CPO) of the country does not exceed 5% of global production.

In accordance with the foregoing, the NI follows the same Principles and Criteria of the RSPO 2013 Standard, as well as the same indicators.





4.6.3 GUATEMALA

The National Interpretation on the P&C for Guatemala was adopted by the RSPO secretariat on December 10, 2015.

As for Honduras, the Guatemala NI was carried out under the option of National Interpretations for Smallholders and covers the same principles and criteria of the RSPO 2013 Standard, as well as the same indicators.

4.6.4 ECUADOR

The National Interpretation on the P&C for Ecuador was adopted by the RSPO Secretariat on March 8, 2018.

Just like Honduras and Guatemala, this was carried out under the option of National Interpretations for Smallholders and covers the same principles and criteria of the RSPO 2013 standard, as well as the same indicators.

In Ecuador, moreover, it was established that smallholders are those who manage land of up to 75 hectares.

4.6.5 NICARAGUA

In 2017, the National Interpretation process of the RSPO Standard in Nicaragua, promoted by Solidaridad Network and CAPRO-PALMA (Chamber of Palm Growers and Processors). The Technical Committee was formed with the active participation of representatives of companies engaged in the production and processing of oil palm fresh fruit, smallholders, government institutions, civil society organizations, universities and the regional government of the Caribbean coast south of Nicaragua.

During this year, six meetings of the Technical Committee were held, producing the first draft of the National Interpretation document, which shall be subjected to a public consultation process to be submitted to the RSPO secretariat.

4.6.6 MÉXICO

Mexico is in the process of developing its NIs, for which the formal start request was submitted to the RSPO in January of 2017. In August of the same year, the NITF was formed, and so far they have held two meetings with all the actors of the national technical team and a facilitator team, for the evaluation of the criteria and initiating the elaboration of the NIs document.

A first draft of the NI document has been published for consultation. Notwithstanding the foregoing, the possibility of extending this NI process until 2019 is being discussed, considering that at the end of 2018 the P&C will be reviewed. This would give Mexico the possibility to be the first country to have a NI on the updated P&C standard.





05

PROSPECTS FOR PROGRESS IN THE REGION



RSPO

One of the strengths of the RSPO certification is its consolidation as a transversal platform to all the key actors of the value chain, articulating solutions and strategies that address the challenges of production, commercialization and sale of sustainable palm oil.

The RSPO hopes that, by 2020, 50% of the volume of palm oil produced shall be certified and that at least 30% of this oil comes from smallholders.

Compared to other regions of the world, in Latin America the RSPO certification has grown at a faster rate. This region has the potential to be the leading region in sustainability in the palm oil industry on a global level.

The RSPO Theory of Change seeks to **Mobilize, Act and Transform**. Certification has facilitated the palm oil market transformation process, and has made it sustainable, inclusive, competitive, innovative, transparent and resilient.

By **Mobilizing**, it convenes and brings together interest groups that are involved with or that interact at any stage of the production and /or supply process, through workshops, meetings and/or consultations to ensure that all actors:

- Commit to transform the market.
- Actively collaborate together to meet the RSPO vision.
- Share the responsibility for the results and their impacts.

The mobilized actors implement changes by **Acting**: (1) the adoption of the P&C for the management of their activities, (2) the verification and follow-up of its processes, (3) the search for solutions and continuous improvement and (4) the availability and dissemination of the results.

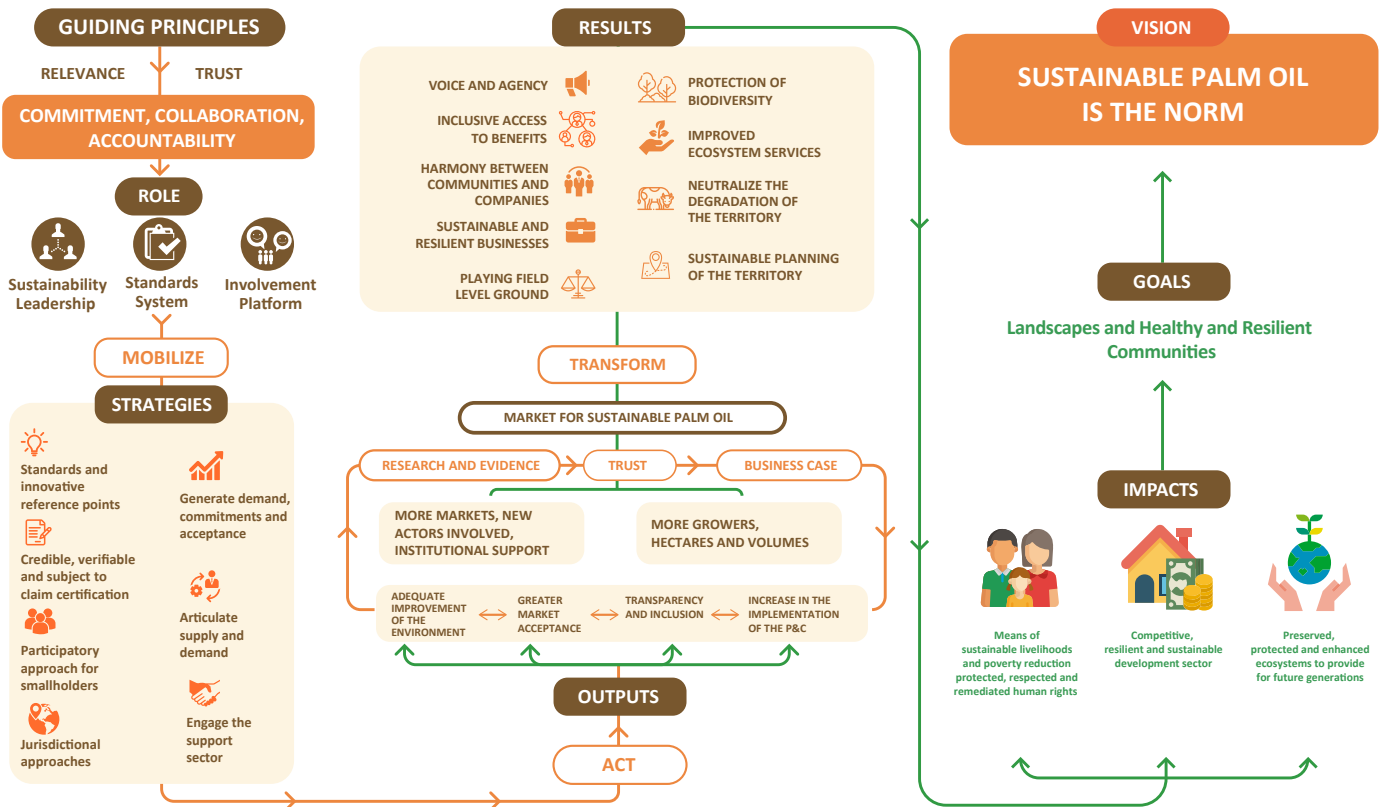
As a result, the **Transformation** of the value chain is achieved, in which the actors behave differently influencing the market, with positive results and tangible and verifiable impacts.





THEORY OF CHANGE

RSPO ROADMAP FOR SUSTAINABLE PALM OIL





5.1

CERTIFICATION

For growers and mills that have implemented the P&C to obtain the RSPO certification in Latin America, one of the major benefits has been the standardization and documentation of their processes. This has allowed the systematization of their management, as well as the identification of opportunities for improvement in the environmental, social, technological, production and performance sectors, among others.

The certification process has achieved greater transparency thanks to the traceability and monitoring of processes, practices that create bonds of trust between different interest groups in the sector.

At the same time, certification has promoted a culture of legality. This sector faces a major challenge in the shift of the paradigm on the impacts of palm oil, and therefore, certification seeks to consolidate an industry where palm oil is produced, marketed and sold under principles of legality and sustainability.

Finally, certification has allowed the oil palm sector to be positioned as a productive model to other agricultural sectors at the national level by strengthening institutions and the integrity acquired through the RSPO certification.



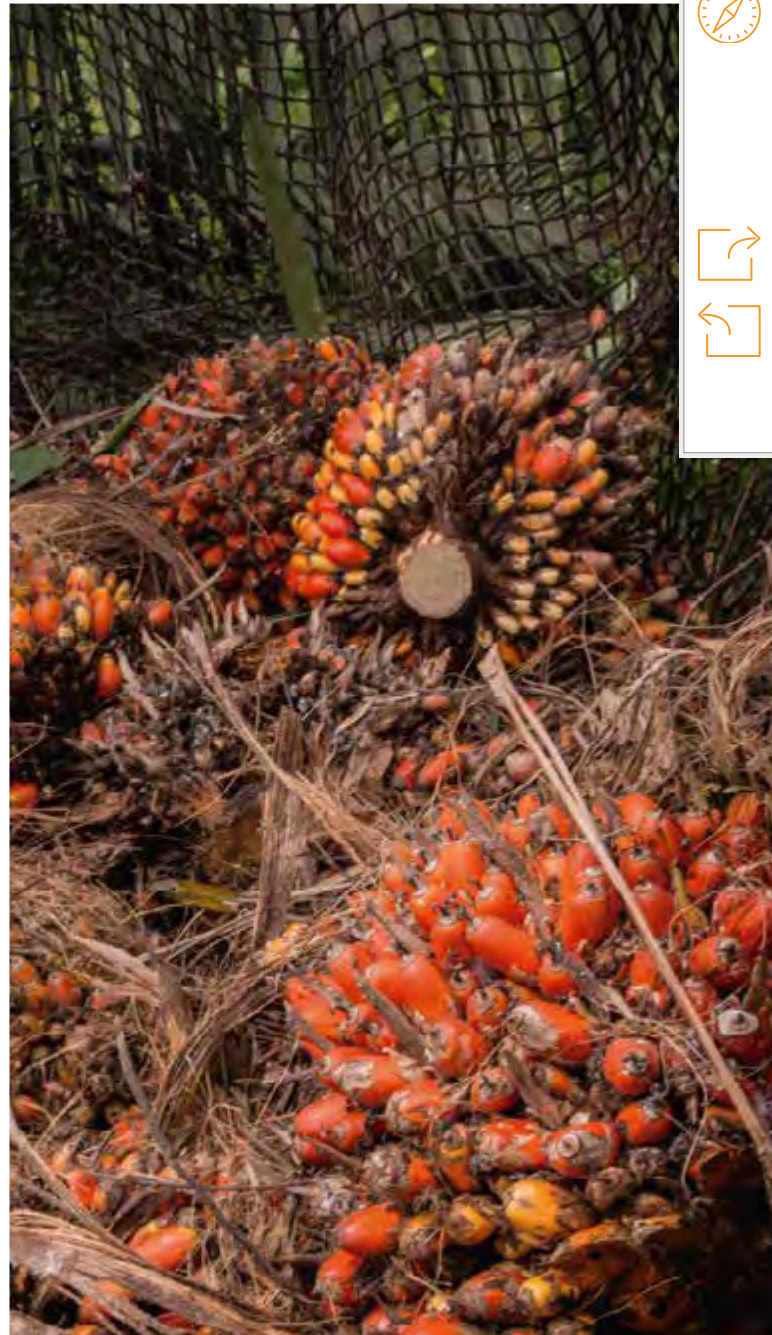
5.2

ECONOMIC PERFORMANCE

The main economic benefit of having implemented the RSPO certification comes from an increase in productivity, resulting from the adoption of good practices in the entire process, which specifically generates a greater fruit yield per hectare of crop. That is why, certified producers have the better yields at the global level, benefiting from the implementation of best practices proposed by the standard.

Similarly, the efficient use of resources (water, energy, valuation of wastes, etc.) generates operational savings in the medium and long term, through responsible use and development promoted by the P&C. While it is true the certification requires investments on the part of the actors of the chain, the privileged access to certain markets and customers can generate higher profits for certified growers.

Furthermore, the additional income that some producers receive for the price differential of RSPO certified oil is an economic incentive to be certified, on top of the possibility of exporting the oil to markets that demand certified sustainable production chains



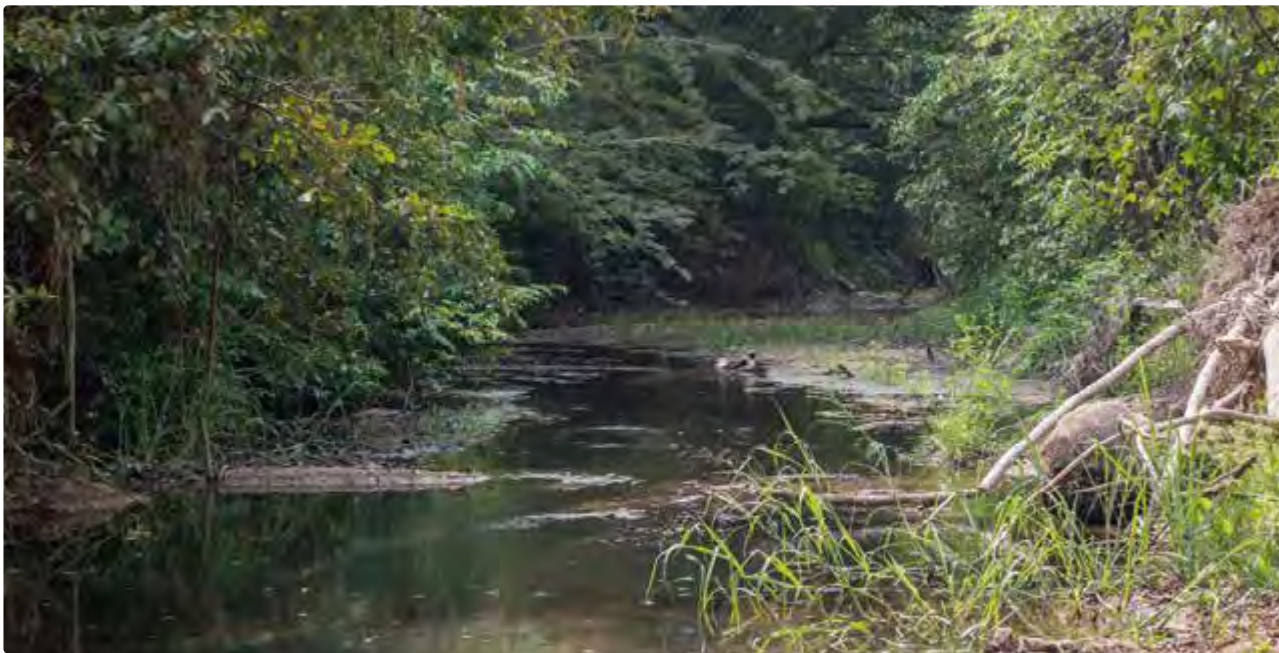


5.3

ENVIRONMENT, NATURAL RESOURCES AND BIODIVERSITY

In terms of the environment, the implementation of the P&C helps to improve the environmental management of the value chain, with parameters for the identification of effects and for the definition of strategies of prevention, mitigation, remediation and/or compensation in:

- Efficient use of natural resources
- Responsible management of solid and hazardous waste
- Reduction of Greenhouse Gas Emissions (GHG) Technical Management of dumping
- Use of biomass as a renewable energy source





BIOGAS GENERATION

NOTABLE CASE COLOMBIA

In Colombia, the Daabon Group and the Manuelita Group, have optimized their processes from the implementation of strategies for minimizing the generation of environmental impacts in their operation, with the use of the gases emitted by the decomposition of the organic material in industrial effluents resulting from the palm oil extraction process.

In both cases, the capture of methane gas has been implemented through the development of a biogas generating plant, in which the wastewaters from the milling process are deposited in stabilization and de-oiling pools, to subsequently go to a biodigester.

The biodigester is a larger pool covered by plastic that creates an airtight and anaerobic (without oxygen) environment, where the degradation of organic matter takes place on the basis of the biological process of fermentation by microorganisms, which results in the generation of biogas (gaseous product composed mainly of carbon dioxide and methane).

Biogas is captured and transported through a pipeline to the plant to co-generate energy, thereby reducing the consumption of externally-supplied energy. Emissions into the atmosphere are also avoided, mitigating the negative effects of greenhouse gases (GHG).



The RSPO certification requires, from 2005, identifying High Conservation Value (HCV) areas both for existing plantations and for the development of new plantations. HCV areas represent ecosystems that have biological, ecological, social or cultural value, or which are of critical importance at a national, regional or global level. The conservation and recovery of these areas requires the adoption of strategies that must be implemented by producers of palm oil.

- Areas assessed in Latin America: 101,820 hectares.
- Areas identified as HCV: 31,771.03 hectares (31% allocated for conservation).

A HCV is a set of specific criteria:



“ HCV areas represent ecosystems that have extraordinary biological, ecological, social or cultural values or critical importance at national, regional or global level. ”

The objective of the identification of areas of HCV is to avoid agricultural expansion in these areas of interest for their exceptional values and/or vulnerability. The RSPO recognizes that there have been land clearings for the cultivation of palm without prior HCV studies, so it has developed a remediation and compensation procedure based on an Analysis of Land-Use Change (LUCA), which focuses on:

- Remedying the areas planted with palm that are not suitable for cultivation according to the RSPO standard: steep slopes, margins for the protection of rivers and peat soils.
- Compensating for HCV losses from the establishment of plantations without prior HCV studies through conservation projects.

Twenty-five 25 LUCA reports have been adopted in the region, and there are 16 more in evaluation process:

- Total Compensation Area in the region to this date: 4,725 Ha
- Total remediation area in the region to this date: 1,379 Ha





SOCIO BOSQUE

NOTABLE CASE ECUADOR

In 2008, the Ecuadorian government through the Ministry of the Environment, established the Socio Bosque Program (PSB) with the following objectives:

- ① To preserve the remnants of native forests and other natural vegetation to protect their ecological, economic, cultural and spiritual values.
- ② To reduce deforestation and emissions of greenhouse gases associated with it.
- ③ To improve the living conditions of the population of the rural areas in Ecuador.

The program provides incentives to individuals, indigenous communities and rural organizations that voluntarily undertake to conserve and protect native forests, moors and other native vegetation for at least 20 years. Until August 2017, the PSB has signed 2,723 agreements to preserve approximately 1.4 million hectares, benefiting more than 180,000 people.

Thus, Conservation Internacional-Ecuador (CI-Ecuador) has contributed with their expertise in conservation agreements and its link with the oil palm sector to ensure that leading companies in the industry commit to reducing deforestation and, in turn, contribute to the financing of the conservation of native forests in the country.

With the support of CI-Ecuador, we highlight the success of the program and its compliance with the axes of additionality, long life, and for being equitable and knowledge-based, which led to the PSB being adopted in October 2017 as a compensation mechanism for the certification of the RSPO.



MAYA BIOSPHERE RESERVE

NOTABLE CASE GUATEMALA

In Guatemala, the NGO Solidaridad, the Wildlife Conservation Society and the National Council of Protected Areas in Guatemala (CONAP) are developing pilot projects to ensure that compensation payments of the RSPO strengthen national conservation priorities in the protected areas of the "SIGAP" (National System of Protected Areas).

The SIGAP covers 31% of the national territory, including dozens of management units with high conservation value that face substantial threats.

Guatemala's commitment to conservation is remarkable thanks to the adoption of the legislation focused on preserving a great extension of its national territory, in spite of the considerable challenges, resulting in a limited national funding for conservation objectives.

In this context, the national partners include companies like AgroAmerica and NaturAceites, that join efforts with the CONAP mission to ensure the conservation of the national protected areas. These early compensation projects of the RSPO will retain HCV in the Maya Biosphere Reserve inhabited by scarlet macaws, jaguars and Baird tapirs.

The project will support the protection of the habitat, the monitoring of endangered species, and the commitment of rural communities through conservation agreements for a period of 25 years. Once it is implemented, the project partners will work to expand this model of compensation payments of the RSPO to threatened protected areas in additional areas of the SIGAP.



5.4

WORKING CONDITIONS

Since the implementation of the P&C has improved the relationship with workers associated with the value chain, thanks to the definition of new and more efficient communication channels that have allowed a greater involvement and participation of employees. Some examples of these tools are:

- The implementation of mechanisms for transmitting audio-visual information on developments and advances in the sector.
- The generation of face-to-face spaces to promote a smooth communication that contributes to improve the labor climate, especially in labor-management type relations.
- The implementation of systems (written and/or technological) accessible to all levels of schooling, ensures that all workers can present concerns, needs and/or complaints, on labor issues.

Also, improvements have been made to the codes of ethics policies and human rights of certified producers and these have been dully communicated all employees to generally reinforce the following aspects:

- Corporate values and commitments
- Responsibilities and rights of workers
- Conflict resolution mechanisms





Furthermore, in order to guarantee compliance legal requirements in terms of social benefits, staffing and occupational health and safety conditions, including the following:

- Greater rigor in the assessments on the working conditions so as to identify risk factors in each role.
- Improvements in the determination of prevention measures and control of hazards and risks.
- Delivery of personal protection items and the necessary tools according to the nature of each position.
- Compliance with all the benefits required by law in each country, and communicate them the workers can understand them.

Certification has been key in encouraging smallholders to formalize their employment conditions and labor management with respect to:

- Long term labor stability, for a better positioning within the supply chain.
- Access to the best prices.
- Technical training on good practices to standardize procedures.



5.5

COMMUNITIES

The main benefit obtained through the RSPO certification in connection with the communities is the improvement in the relationship with the areas of influence associated with productive processes and the palm industry.

The implementation of P&C has brought about a marked improvement in the definition of communication channels and in the identification of needs, problems, and opportunities for neighboring communities. In addition, progress has been made in the organization of the actors involved and in the determination of lines of work together to achieve common goals.

From these lines of work, projects have developed to support urgent needs in welfare, health, sanitation and housing for the community, as well as social management programs focused on these urgent needs.





COVENANT FOR A ZONE FREE OF CHILD LABOR

NOTABLE CASE COLOMBIA

In Agustin Codazzi-Cesar, the company Oleoflores established a Social Committee to convene and bring together environmental interest groups including public, private and community institutions, to work together in the identification of urgent needs and to define work plans.

This Committee allowed re-evaluating and defining all the stakeholders of the value chain, as well as establishing a communication channel and a functional relationship to articulate cross-cutting strategies to all actors.

This committee began significant work for the eradication of child labor in accordance with the RSPO Principles and Criteria, which promoted the Covenant "Child Labor Free Zone" signed on October 26, 2017, an initiative that arose from the diagnosis of critical problems of the community.

The covenant is the main strategy to promote children's rights, on the basis of the ratification of the responsibility of all actors as official entities (Mayor's Office, Ministry of Labor, among others), private companies in the palm sector (mills), non-profit organizations, other private organizations and the local community.

Currently, joint mechanisms are being developed to prevent, reduce and eradicate child labor, with the definition and implementation of action plans.



5.6

REGULATION AND ACTIVISM

The sustainable production of palm oil in Latin America must address sensitive issues in terms of public opinion, such as:

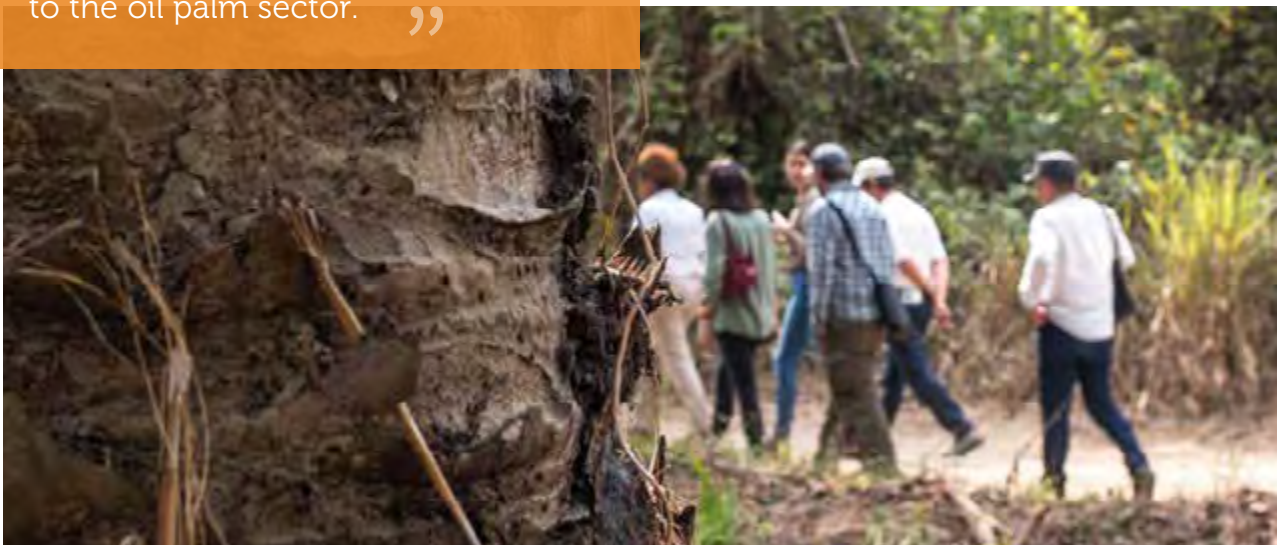
- The requirement of fair labor conditions for all actors in the supply chain, especially for smallholders.
- The responsible management of the environment, specifically to prevent damage by deforestation, contamination and/or depletion of water resources, as well as decline in biodiversity and natural resources.
- In addition to the interactions with the communities in the area of influence, to ensure that the population has prior knowledge, free and informed about this activity and its implications, as well as the legality of land tenure.

The standard ensures that the adoption of the P&C addresses all the sensitive issues and requires a commitment to continuous improvement, monitoring management through the verification of compliance through external certification bodies. On the other hand, the RSPO certification facilitates compliance with the regulations in the region for the agricultural sector.

In addition, the RSPO's presence in the region has promoted including the topic of sustainability in public policy discussions concerning the palm grower sector, such as:

- Productive Strategies.
- Market treaties and agreements to position the sector within the regional economy.
- Zoning and concession of territories within the agricultural frontier.
- Biofuels.
- Creation and formalization of employment.

“ The presence of RSPO in the region has promoted the inclusion of the topic of sustainability in the discussions of public policies related to the oil palm sector. ”





ENVIRONMENTAL POLICY AND CLIMATE CHANGE

NOTABLE CASE GUATEMALA

GREPALMA, the guild of oil palm growers of Guatemala, which represents 85% of the domestic growers with 39 associate members, plays a decisive role in promoting channels and scenarios of participation of the oil palm sector, in the definition and formulation of national strategies and initiatives for the sustainable development of the country.

To ensure the representativeness of the sector before the authorities, entities and institutions, the guild encourages the responsible production and sustainable development of oil palm cultivation. Therefore, one of their strategies has been to implement standards and certifications to facilitate and expedite its implementation, such as the RSPO, among others.

This has motivated them to visualize the industry's commitment to sustainability, so they engaged in the project "Development With Low Emissions" (LEDS) of USAID, for measuring their carbon footprint and defining their Environmental Policy and Climate Change in the guild.



06

CHALLENGES AND OPPORTUNITIES



The progress of the RSPO certification system in the region is facing important challenges. At the same time, there are opportunities which must be seized to make this standard the common in the productive sector of the region.

6.1

BEYOND THE COST OF CERTIFICATION

The main challenges and opportunities of the RSPO certification include maintaining strong communication to all actors on the need to ensure the production of a sustainable oil as a rule, allowing Latin America to access various markets, as well as the long-term benefits with positive impacts in improving the performance of the value chain resulting from the generalization of good practices and by the standardization of processes; beyond just waiting for incentives to pay the cost of certification in the short term.





6.2

CHALLENGES ASSOCIATED TO BEING CERTIFIED AND INTEGRATING SMALLHOLDERS INTO THE VALUE CHAIN

The Latin American region is characterized by a high percentage of smallholders who are not part of companies. Much of the palm oil production comes from these smallholders, and a great challenge for the region is that these develop sustainable palm crops.

Both sustainable production and the certification of smallholders find many obstacles by the nature of the production process. Informality, a lack of property titles, scarcity of records, deficiency in controls and the absence of a standardized management system make it difficult to implement the P&C, which prevents processing companies from acquiring 100% of certified fruit.

Due to the above, a major challenge to increase the volume of certified palm oil in the region is the certification of smallholders.

This is a complex process that must overcome the following obstacles:

- Difficulties in the formation of homogeneous groups made up of several growers.
- Ensuring that all the growers in a group comply with all the conditions and requirements of the standard.
- It is unlikely that smallholders organize themselves on their own initiative, without having with the support of an ally that structures the grouping.
- In most cases, many of the farmers have incomplete schooling or even no schooling at all, so the adoption of P&C should be done through accessible means, which implies the involvement of a third party that promotes technical training.





6.3

DEVELOPMENT OF PUBLIC POLICIES FAVORABLE TO THE SUSTAINABLE PRODUCTION OF SUSTAINABLE PALM OIL

In order for the sustainability and compliance initiative of the certification to be articulated to regional regulations, it is essential to strengthen the approaches between RSPO and the national governmental institutions and local authorities related to the nature of the oil palm sector. Currently, the governments of most of the countries in the region are not precisely favorable to the production of sustainable palm oil. On the contrary, it is the private sector that promotes the adoption and implementation of the P&C. This is an opportunity to broaden the impact of the certified palm oil production in the region.

A greater involvement of national entities would possibly promote support, subsidies and regulations on the part of the government, promoting the adoption of the certification and encouraging appropriate conditions, especially for smallholders.



6.4

POSITIONING AND VISIBILITY OF SUSTAINABLE PALM OIL IN LATIN AMERICA

Latin America has advanced rapidly in the implementation of sustainability practices in the palm oil agro-industry. However, a greater visibility of these achievements is necessary so that the region can position itself as a leader in sustainable palm oil production at the global level.

The RSPO certification has become a tool that allows differentiating palm growing in Latin America from that of other regions, due to the high sustainability it has reached.





“ It is essential to strengthen the approaches between RSPO and government entities, national and local authorities, to articulate the sustainability and compliance initiative of the certification with the regional regulations. ”



6.5

COMMITMENT OF CONSUMERS AND CUSTOMERS

Large buyers of palm oil and distributors of products that use this raw material, have already pledged to increase the participation of certified oil within their supply chain. Multi-national companies in the region have established targets related to the value chain of sustainable palm oil; however, it is necessary to increase local demand for certified palm products.

Notwithstanding the foregoing, the labels of growers and distributors do not always indicate that the products were made with certified oil, making it difficult for consumers to make an informed decision. On the other hand, consumers, in general, are not aware of the variety of daily use products that contain palm oil, of their benefits and of the importance that production abides by sustainability standards.

There is an opportunity to exploit from consumer education and the visibility of certification and the goods produced with certified oil, which would make consumers prefer products that are identified as sustainable, improving market opportunities for producers in the region.





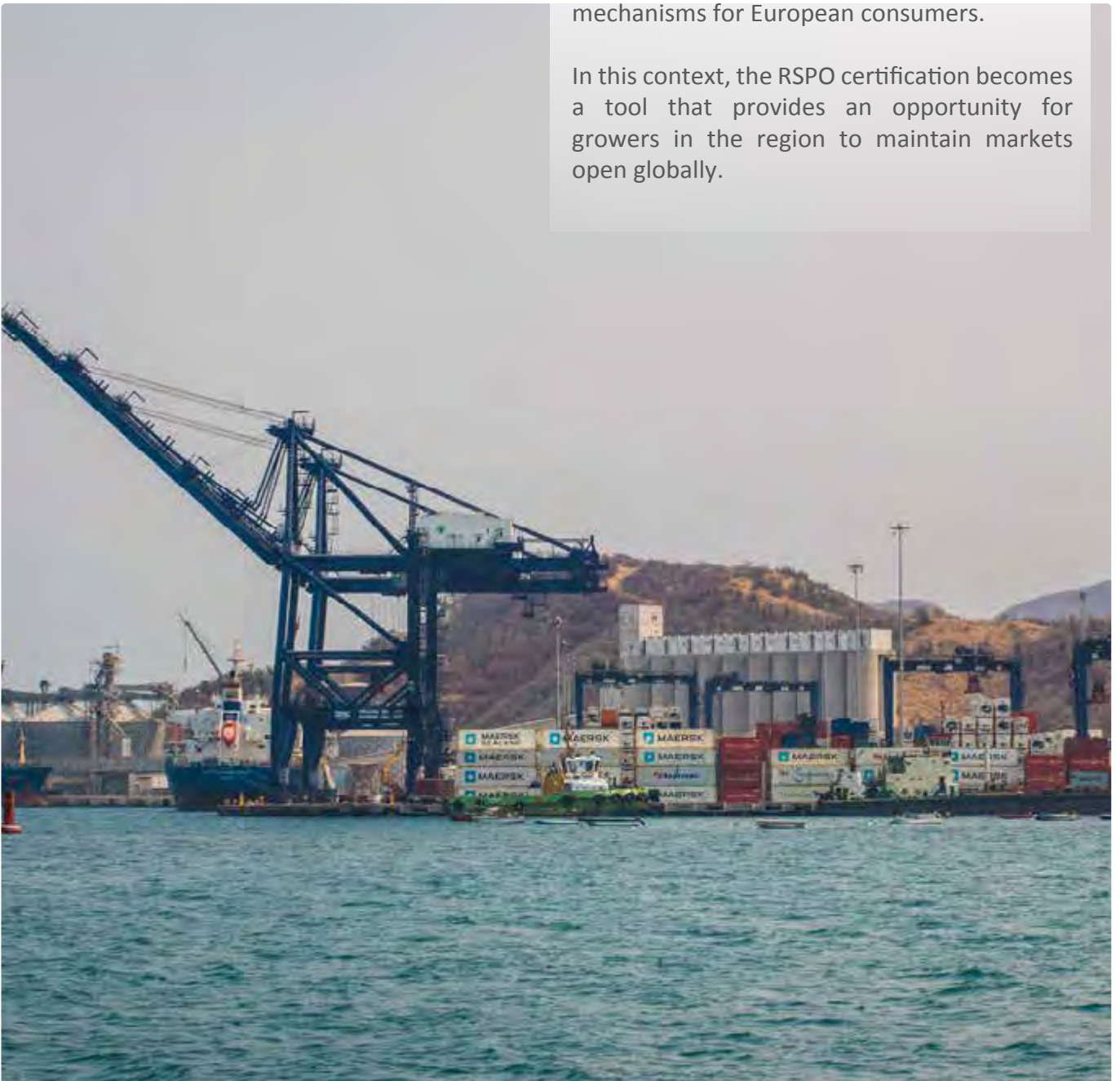
6.6

ACCESS TO MARKETS AND RECOGNITION OF A PRICE DIFFERENTIAL

The increase in demand for certified palm products is one of the biggest challenges that the palm agro-industry faces in Latin America, in order to achieve the goal of differentiated prices for producers who have achieved certification.

Markets such as the European Union have strengthened their decision to limit and subsequently eliminate the import of raw materials whose production process has caused deforestation and/or human rights violations. This fact, can be evidenced in the recent decisions of the European Parliament on "Palm Oil and Deforestation" which have also highlighted the fundamental role of certifications to provide reliable verification mechanisms for European consumers.

In this context, the RSPO certification becomes a tool that provides an opportunity for growers in the region to maintain markets open globally.





6.7

RETOS ASOCIADOS A TEMAS AMBIENTALES

With regard to the environmental impacts associated with the production process, and other related activities of the oil palm sector, one of the main challenges at the global level is the decline in the rate of deforestation and the conservation of primary forest.

Forest systems are a source of various ecosystem services, so their protection is essential to preserve the balance between natural cycles and biodiversity. Despite the fact that the conservation of forested areas is indispensable for environmental sustainability, throughout history these have been threatened by the expansion of the agricultural frontier. The indiscriminate development of crops that do not abide by sustainability standards can produce significant harm to the natural richness of the region.

Meanwhile, achieving greater visibility of the strategies and good practices implemented by various actors of the value chain of sustainable palm oil is challenging. The following are the most important topics to be broadcasted:

- Responsible use of the Soil
- Protection of water systems
- Reduction of Greenhouse Gases
- Protection of biodiversity

Certification, being voluntary, reflects the genuine responsibility by RSPO members to adopt good practices to ensure, among other things, the protection of natural resources. The RSPO initiative has made it possible to generate spaces for discussion and research on environmental impacts and the development of measures for prevention, mitigation, correction and/or compensation, mainly in the initial stages of the value chain.

Notwithstanding the foregoing, there is still much lack of knowledge about the sector and the sustainable production of palm oil.

Finally, the environmental issue also represents a challenge on reputation; some palm cultivation areas have been involved in environmental scandals that have highlighted the possible environmental impacts of this sector. The industry of palm oil commercialization is relatively recent in Latin America, and its volumes are still small compared with large Asian producers; therefore, the future challenge for the region is not to repeat environmental errors at the managerial level, which have affected the image of this sector, while increasing production capacity in line with the sustainability practices promoted by the certification.










“ The future challenge for the region is not to repeat environmental errors at the managerial level, which have affected the image of this sector, while increasing production capacity in line with the sustainability practices promoted by the certification. ”

HCV	High Conservation Value
CSPO	Certified Sustainable Palm Oil
GHG	Greenhouse Gases
CGLA	RSPO Consultative Group for Latin America
NI	National Interpretation
ISEAL	International Social and Environmental Accreditation and Labeling (International Association of Standards of Good Environmental and Social Practices) LatAm: Latin America
LUCA	Land Use Change Analysis
NITF	National Interpretation Task Force (Grupo Técnico de Trabajo de la Interpretación Nacional)
P&C	Principles and criteria of the RSPO
RSPO	Roundtable on Sustainable Palm Oil (Mesa Redonda de Aceite de Palma Sostenible)
SCCS	Supply Chain Certification Standard (Estándar de Certificación de la Cadena de Suministro)



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