In the Roundtable on Sustainable Palm Oil (RSPO), oil palm growers, oil processors, food companies, retailers, NGOs and investors work together towards a global supply of palm oil that is produced in a socially and environmentally responsible way.

The Roundtable promotes palm oil production practices that help reduce deforestation, preserve biodiversity, and respect the livelihoods of rural communities in oil-producing countries. It ensures that no new primary forest or other high conservation value areas are sacrificed for palm oil plantations, that plantations apply accepted best practices and that the basic rights and living conditions of millions of plantation workers, smallholders and indigenous people are fully respected.

At present, more than 340 organizations subscribe to the Roundtable’s principles, representing about half of the world’s palm oil supply. Membership of the Roundtable is growing.

The first sustainable oil palm plantations have recently been certified. By the end of 2008, RSPO-certified plantations are projected to supply 1.5 million tonnes of sustainable palm oil per year, representing about 4 percent of total world production. While initial volumes will still be relatively small, supply will gradually grow over the coming years so that sustainable palm oil can be used in a growing number of products. In due course, the Roundtable aims to see all the world’s palm oil produced in a sustainable way.
Promoting the Growth and Use of Sustainable Palm Oil

Palm oil is among the world’s most used food ingredients. For example, it is currently being applied in about half of all packaged food products. Its growing sales in recent years has contributed significantly to economic growth and alleviating poverty in a number of developing countries.

Through their fruits, oil palms are highly efficient, year-round producers of oil. Their cultivation requires far less land than that of any other oil-producing crop. One hectare planted with oil palms can yield up to six tonnes of oil per year. Oil palms are cultivated on large-scale plantations and on millions of hectares that are managed by smallholders.

Oil palms are confined to the tropics, where their cultivation can also have negative impacts. Among these are displacement of traditional land users, deforestation, and loss of biodiversity.

Since 2003, about half of the world’s palm oil farmers and processors, together with retailers and leading environmental and social NGOs such as WWF and Oxfam International, have come together in the Roundtable on Sustainable Palm Oil (RSPO).

The Roundtable has agreed on principles and criteria that define sustainable palm oil production. They include standards for palm oil plantations on dealing fairly with employees, smallholders and impacted communities, conserving natural resources and biodiversity, and developing new plantings in responsible ways.

The Roundtable has set up certification schemes to assure oil processors and consumers that the sustainable palm oil they purchase indeed supports plantations that operate in a sustainable way. Independent, well-established, RSPO-approved certification agencies will carry out audits at plantations and mills and, subsequently, throughout the entire supply chain.

By the end of 2008, about 4 percent of world production capacity will have been RSPO-certified. It will take some years before sustainable palm oil can find its way to all consumer products.

Membership of the Roundtable is growing, and the volume of sustainably produced palm oil on world markets will gradually grow as well. While initial volumes only represent a small portion of total supply, in due course the Roundtable aims to see all the world’s palm oil certified as having been produced in a sustainable way.

The Roundtable is working to further extend its impact on more than 3 million smallholders in Indonesia and Malaysia, who together manage about 20 percent of the land currently used for palm oil cultivation.
What is palm oil?

**Oil Palm**

Palm oil is an edible vegetable oil produced from the fruits of single-stemmed oil palms. The plants can grow 20 meters tall, with leaves up to 5 meters long. They bear clusters of fruit all year long with each fully matured cluster weighing up to 50 kilograms. The fruits contain about 50 percent oil.

**Highly efficient oil producers**

Oil palms are highly efficient producers of oil, requiring less land than any other oil-producing crop. One hectare planted with oil palm yields about three tonnes of oil per year on average, with the most efficient farms getting more than six tonnes out of a hectare. To produce that much oil from rapeseed (canola), sunflower or soy, up to ten times more land would be required.

**Palm oil’s long supply chain**

Oil palms are cultivated on large-scale plantations and on small-scale family farms. Smallholders in Indonesia and Malaysia manage about 3 million hectares, or 20 percent of the land used to produce oil. After harvest, fruits are brought to mills where they are crushed and crude oil is collected. Part of the oil is traded locally; the rest is shipped to regions like China, Europe, India, Pakistan and Japan. There, the oil is refined before manufacturers apply it in all sorts of food and non-food products.

**Palm oil applications**

Because of its distinct properties, palm oil is perfectly suited for application in a wide range of food and non-food products. For example, palm oil is used to make shampoos, soap and other cosmetics more ‘creamy’. The oil can also be used as an ingredient to margarine, chocolate, ice cream and many other food products. In fact, palm oil is used in about half of all packaged food products in supermarkets today. More recently, palm oil has also been used to make fuels for transportation and power plants.

**Palm oil exports support developing countries**

Thanks to palm oil’s versatility, world production has grown steadily in recent years. Last year, palm oil accounted for a third of the 130 million tonnes of vegetable oil produced worldwide. Palm oil has recently surpassed soy oil as the world’s most popular vegetable oil. Malaysia and Indonesia together produce about 85 percent of the world’s palm oil; they are also by far the biggest exporters. Other exporters include Nigeria, Thailand, Colombia, Ecuador, Papua New Guinea, Ivory Coast and Brazil. All are developing countries where palm oil trade has the potential to contribute significantly to local economic growth and poverty reduction. Palm oil production employs and supports more than seven million plantation workers, smallholders and their families. Of the estimated 29.4 million tonnes of palm oil exported in 2007, 56 percent went to Asia, 16 percent went to the European Union, and 12 percent went to Africa.
3 Palm oil
Facts and Figures

Average yield per year (tonnes of oil per hectare)

Oil palm: 3.68
Rapeseed: 0.59
Sunflower: 0.42
Soybean: 0.36

Oil palms are highly efficient producers of oil, requiring less land than any other oil-producing crop. Some oil palm plantations yield more than 6 tonnes of oil per hectare per year. 
Source: Oil World, May 2008

World palm oil production has grown rapidly

Over the last several decades, growing demand for palm oil has given rise to rapid increases in the volume of oil that is produced worldwide. In 2007, total volume was close to 40 million tonnes.
Source: Oil World, MPOB, MPOC

Palm tree cultivation has expanded significantly

Production increases have in part come from higher yields per plantation and in part from expansion of oil palm cultivation. The total area used for palm oil production has grown to more than 10 million hectares, most of which is in Indonesia and Malaysia.
Source: Oil World, May 2008
Palm oil has recently surpassed soy oil as the world’s most important vegetable oil. Thanks to its high versatility, palm oil is now an ingredient in about half of all packaged food products.
Source: Oil World, May 2008

Two countries top the list of palm oil producers. In recent years, Indonesia has surpassed Malaysia as the world’s biggest producer. Other producing countries include Nigeria, Thailand, Colombia, Ecuador, Papua New Guinea, Ivory Coast and Brazil.
Source: Oil World, May 2008

About three quarters of all palm oil is exported. Asia and the EU are the world’s most important palm oil importers. Within Asia, China, India and Pakistan are important destinations of exported palm oil.
Source: Oil World, May 2008
Oil palms are highly efficient producers of high-quality, versatile oils. However, they only grow in the tropics, where their cultivation can have negative side effects for local populations or the environment. There is growing demand for palm oil that has been certified by independent auditors to have been produced in a sustainable way.

**Social side effects**

Among the social side effects of oil palm cultivation have been displacements of communities that used to farm or live in the area and whose legal or customary rights to the land became sources for dispute. Also, there have been reports of plantations that violated the rights of workers, including those to fair payment, safe working conditions or the freedom to unionize.

**Environmental side effects**

Growing production of palm oil has in some cases led to oil palm cultivation on land that was previously covered with peat-swamp forests, primary forests or other high conservation value areas. Such areas, already under pressure from other factors such as logging, are highly valued for their biodiversity and their capacity to sequester carbon dioxide. Forest parcels are sometimes cleared by fires, which can burn out of control. The building of roads through forests has been blamed for hindering the migration of endangered species and exposing them to human activities.

**Criteria defining sustainable palm oil production**

In 2003, many of the world’s biggest palm oil producers and processors, together with retailers and leading environmental and social NGOs such as WWF and Oxfam International, came together in the Roundtable on Sustainable Palm Oil. According to the Roundtable’s definition, sustainable palm oil production comprises ‘environmentally appropriate, socially beneficial, legal and economically viable’ operations. The Roundtable has drawn up general principles, criteria and specific indicators to measure the sustainability of palm oil production at plantations and mills. They include standards on dealing fairly with employees, small farmers and impacted communities, on expanding production without clearing new pieces of primary forest or other high conservation value areas, and on actively conserving natural resources and biodiversity.

A summary of the Roundtable’s principles and criteria is available in a separate fact sheet.
The Roundtable on Sustainable Palm Oil (RSPO) is a multi-stakeholder initiative dedicated to promoting sustainable production of palm oil worldwide. The Roundtable’s more than 340 members include palm growers, oil processors, traders, consumer good manufacturers, retailers, investors and social and environmental NGOs. Through co-operation and open dialogue, they work to put on the market sustainably produced palm oil and to maximize its use.

History

The journey of the RSPO started in 2003 as an informal co-operation among Aarhus United UK Ltd, WWF, Golden Hope Plantations Berhad, Migros, the Malaysian Palm Oil Association, Sainsbury’s and Unilever. In 2004, the RSPO legally registered in Switzerland and set up offices in Kuala Lumpur (Malaysia) and Jakarta (Indonesia). Between 2004 and 2008, important milestones were passed. The Roundtable developed a code of conduct and principles and criteria for sustainable palm oil production. It also devised systems to certify whether palm oil is produced and shipped according to the criteria. The first shipments of RSPO-certified sustainable palm oil arrived in Europe by the end of 2008. Initial volumes are relatively small, and it will take some years before sustainable palm oil will find its way to most consumer products. The Roundtable itself is a work in progress, created to promote the growth and use of sustainable palm oil. The Roundtable ultimately aims to see all the world’s palm oil produced in a sustainable way.

Governance and membership

Members of the RSPO subscribe to its mission and principles, adhere to its code of conduct, and together set the organization’s course. The Roundtable recognizes seven membership categories, which are all represented in its Executive Board. Membership has grown dramatically. In August 2008, the RSPO had 249 ordinary members:
- 67 Oil palm growers;
- 96 Palm oil processors and/or traders;
- 5 Social/developmental NGOs;
- 13 Environmental/nature conservation NGOs;
- 36 Consumer goods manufacturers;
- 24 Retailers;
- 8 Banks and investors.

Also, 92 organizations had registered as affiliate members. A full and up-to-date listing of Roundtable members can be found at www.rspo.org.

Independent auditors and certification bodies

While the Roundtable sets the principles, criteria and indicators that define sustainable palm oil production, the actual auditing and certification of palm oil plantations and the supply chain is carried out by independent certification bodies approved by the RSPO. The certification systems are described in more detail in separate technical fact sheets.

World market coverage

About 40 million tonnes of palm oil are produced worldwide. Roundtable members represent about half of that volume, so the RSPO’s efforts will potentially have a large impact. While in due course the RSPO aims to see all palm oil certified, initial volumes of sustainable palm oil will be relatively small. By the end of 2008, RSPO-certified production capacity is projected to be about 1.5 million tonnes per year, about 4 percent of world production capacity; one year later, at least double that capacity can be expected.

More information

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The Roundtable principles for sustainable palm oil production ensure that fundamental rights of previous land owners, local communities, workers and their families are respected and fully taken into account. The principles also ensure that no primary forests or other high conservation value areas have been cleared for oil production since November 2005, and that mills and plantation owners minimize their environmental footprint.

The Roundtable has defined 8 principles and 39 criteria to define sustainable production of palm oil. A full listing of principles, criteria and indicators is given in Principles and Criteria for Sustainable Palm Oil, a document that can be found under 'Key documents' at the Roundtable’s website (www.rspo.org).

The principles

- Commitment to transparency
- Compliance with applicable laws and regulations
- Commitment to long-term economic and financial viability
- Use of appropriate best practices by growers and millers
- Environmental responsibility and conservation of natural resources and biodiversity
- Responsible consideration of employees, smallholders and other individuals and communities affected by growers and mills
- Responsible development of new plantings
- Commitment to continuous improvement in key areas of activity

Social criteria

The social criteria are directed at strengthening local poor people’s livelihoods by preventing conflicts about the rights to use land, providing income security, protecting their health and living environment, respecting human and labor rights, and supporting legal compliance. Important examples of social criteria are:

- The right to use the land can be demonstrated, and is not legitimately contested by local communities with demonstrable rights. Use of the land does not diminish legal or customary rights of other users without their free, prior and informed consent.
- Pay and conditions for employees and for employees of contractors meet legal or industry minimum standards and are sufficient to provide decent living wages.
- The employer respects the right of all personnel to form and join trade unions and to bargain collectively. Where laws restrict such rights, the employer facilitates other ways of independent and free association and bargaining.
- An occupational health and safety plan is effectively communicated and implemented. The use of pesticides may not endanger people’s health or the environment. In general, pesticides are only used if there’s a real threat.
- Children are not employed or exploited. Work by children is acceptable only on family farms, under adult supervision, and when not interfering with education. Children are never exposed to hazardous working conditions.
- Smallholders are paid and treated fairly by oil mills.

Environmental criteria

The environmental criteria are directed at preventing further loss to primary forests or other high conservation value areas, reducing negative impacts on soil, habitats of endangered species and overall biodiversity, and development of water and energy efficient production methods. Important examples of environmental criteria are:

- New plantings since November 2005 have not replaced primary forest or any area required to maintain or enhance one or more ‘high conservation values’.
- Practices minimize and control erosion and degradation of soils.
- The conservation of rare, threatened or endangered species and high conservation value habitats are taken into account.
- Plantations and mills implement and monitor plans to reduce pollution and emissions from greenhouse gases. Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.
- Use of fire for waste disposal or for land preparation is avoided except in some very specific situations.
Certification and verification of sustainable palm oil production and its supply chain

The Roundtable on Sustainable Palm Oil (RSPO) has set up certification schemes to assure palm oil processors and consumers that the sustainable palm oil they purchase indeed supports plantations that operate in a sustainable way. The schemes include independent third-party certification of oil production and verification of detailed requirements for the supply chain.

A. Certification of the production of sustainable palm oil

The unit of certification is the unit of palm oil production: the palm oil mill and its supply base. To certify the mill, the supply of its oil palm fruits must be certified. Certification includes estates managed by the mill and estates managed by other suppliers including smallholders. Newly certified mills have to have a plan that ensures that 100 percent of associated smallholders are of certifiable standard within 3 years.

Organizations with more than one plantation can only be certified if:
• they are a member of the RSPO, and
• they present a robust, time-bound plan to certify all of their remaining units, and
• there are no significant land conflicts or labor disputes that are not being resolved through an agreed process, and
• there have been no replacements of primary forest or other high conservation value areas since November 2005, and
• there is no evidence of non-compliance with the law in any of the non-certified holdings.

Oil mills and their supply base are audited based on the RSPO Principles, Criteria and Indicators, and National Interpretations that are approved by the RSPO.

The RSPO has approved third-party certification bodies, a listing of which is posted on the RSPO website. The certification bodies carry out audits and may issue certificates. Their procedure includes documentation review, field checks and interviews with external stakeholders (statutory bodies, indigenous peoples, local communities, workers’ organizations, local smallholders and national NGOs). A summary of the final report, which includes non-compliances identified or issues that were raised by stakeholders, will be published on the RSPO website.

A certificate is valid for a maximum of five years, during which maintenance audits are held every year. Costs of certification and audits are agreed between a mill and its certification body.

B. Certification of the palm oil supply chain

Palm oil is delivered to end-users through a supply chain in which oil from various sources comes together. End-users of RSPO-certified sustainable palm oil can claim either to use or to support sustainable palm oil when they adhere to the requirements that belong to either one of four RSPO Supply Chain Certification Systems. These supply chain certification systems are described in separate fact sheets.

Companies that deliver segregated RSPO-certified palm oil to subsequent links in the supply chain must register the transaction with the RSPO Supply Chain database, which is hosted by Utz Certified, an internationally recognized expert in the field. The database enables the tracking and tracing of certified products and facilitates input/output calculations by the RSPO.

In order to speed up the introduction of sustainable palm oil, parties in the supply chain may provide self-assessments on their compliance with the supply chain requirements for a limited time. After that, compliance of shippers and processors will be verified by third-party certification bodies.

Detailed information on the requirements can be found in the RSPO Supply Chain Certification Systems document, which is available at the RSPO’s website under ‘Key documents’.
In order to maximize the options for manufacturers and retailers to move towards sustainable palm oil, various claims have been developed for companies that like to get involved. Each of these claims corresponds to specific supply chain certification systems.

Since in most products palm oil is only one ingredient, claims may rarely appear on product labels. Instead, manufacturers or retailers may choose to use websites or brochures to tell customers how their brand or company promotes the growth and use of sustainable palm oil.

**Claim #1: “This product contains [only/..%] RSPO-certified sustainable palm oil”**

Manufacturers and retailers have the option to reassure their clients that the actual palm oil they buy came from plantation(s) that work in a sustainable way. They can do so by saying that their product ‘contains RSPO-certified sustainable palm oil’. In order to make such a claim, oil from sustainably producing plantations has to be kept apart all the way: at the mill, in trucks, in vessels, in processing lines and in storage tanks. Manufacturers who purchase the oil at the end of the chain must be able to trace it all the way back to one or more RSPO-certified plantations.

The claim can be underpinned by either of two supply chain certification systems: ‘Identity Preserved’, tracing sustainable palm oil all the way back to specific RSPO-certified plantations, or ‘Segregation’, permitting the mixing of RSPO-certified oil from various sources as long as the mix is kept apart from uncertified oil.

**Claim #2: “This (product, brand, company) supports the production of RSPO-certified sustainable palm oil (equivalent to X % of the palm oil utilized)”**

Manufacturers and retailers can also tell customers that they support sustainable production of palm oil in cases where they cannot be sure that the actual oil in the products originated from certified plantations. Administrative certification procedures still ensure that such a claim corresponds with actual production of sustainable palm oil.

The claim can be underpinned by either of two supply chain certification systems. The first of those, ‘Mass Balance’, allows for administratively monitoring at any mixing of RSPO-certified and uncertified palm oil in the supply chain, to check whether the volume of sustainable oil that is claimed does not exceed the amount that is actually produced.

The second, ‘Book and Claim’, does not track oil through the supply chain but lets suppliers and end-users trade sustainability certificates through an online trading system. Every ton of oil sold under this claim corresponds with one ton of oil that is produced sustainably, without the need for tracking and tracing.

More detailed descriptions of the various supply chain certification systems can be found on separate fact sheets. The RSPO has created Guidelines on Communication & Claims for on-pack communication, product communication and corporate communication. These guidelines are available under ‘Key documents’ at the Roundtable’s website (www.rspo.org).
Palm oil can be traced back to individual palm plantations

The Identity Preserved supply chain system provides an elaborate way to separate and track sustainably produced palm oil. The model requires that fruit bunches and oil receive unique identifiers and are kept physically apart by growers, mills, transport and storage providers, refiners, and manufacturers. All steps in the supply chain are documented, creating a paper trail that can be followed back all the way from end-users to one specific palm grower. The end-user is assured that the physical palm oil he received came from a uniquely identifiable, RSPO-certified plantation. Because of the extensive need for documentation and verification, Identity Preserved is the most costly of the four supply chain certification systems.

**Corresponding claim:**

“This product contains [only/..%] RSPO-certified sustainable palm oil”

More information

For more information on how to use the Identity Preserved system, please contact Bas Geerts at Utz Certified (www.utzcertified.org).

e-mail palmoil@utzcertified.org

phone number +31-20-530-6390.
Sustainable palm oil pooled but kept separate all the way

The Segregation supply chain system provides an elaborate way to separate and track sustainably produced palm oil. The model allows for the mixing of palm oil or derivatives from various RSPO-certified sources. The model requires that fruit bunches and oil from RSPO-certified sources are kept physically apart from other palm oil by growers, mills, transport and storage providers, refiners, and manufacturers. The end-user is assured that the physical palm oil he received came from one or more RSPO-certified plantations. However, other than with the Identity Preserved system, the oil can not be traced back to individual plantations. Because of the extensive need for documentation and verification, Segregation is a relatively costly supply chain certification system. However, it is less costly than ‘Identity Preserved’.

**Corresponding claim:**

“This product contains [only/.%] RSPO-certified sustainable palm oil”

**More information**

For more information on how to use the Segregation system, please contact Bas Geerts at Utz Certified (www.utzcertified.org).
e-mail palmoil@utzcertified.org
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Supply chain certification systems: Mass Balance

Well-defined mix of sustainable and conventional palm oil

The Mass Balance supply chain system relates volumes of RSPO-certified palm oil delivered into an unsegregated supply chain to volumes of oil purchased by end-users. The model allows for mixing of sustainable palm oil with oil from uncertified sources at any point in the supply chain so long as the total volume of oil purchased as being RSPO-certified does not exceed the volume of RSPO-certified sustainable oil that went into the chain. For this system, trade in sustainable palm oil is monitored administratively throughout the entire supply chain. Sustainable palm oil does not, however, have to be stored or shipped separately. For that reason, the Mass Balance supply chain certification system is relatively inexpensive. However, under the system end-users cannot make claims about the actual physical content of their products.

Corresponding claim:

“… supports the production of RSPO-certified sustainable palm oil (equivalent to .. % of the palm oil utilized)”

More information

For more information on how to use the Mass Balance system, please contact Bas Geerts at Utz Certified (www.utzcertified.org).
e-mail palmoil@utzcertified.org
phone number +31-20-530-6390.
Supply chain certification systems: Book & Claim

Sustainable palm oil without segregation and tracking

The Book and Claim system is the most flexible and cost-effective way for end-users to claim their support of sustainable palm oil. The system does not require volumes of oil to be kept apart or tracked through the supply chain. Rather, it allows end-users to claim support for specific volumes of sustainably produced palm oil based on RSPO-guaranteed certificates they have purchased online. At the very origin of the chain, RSPO-certified palm oil suppliers may put such certificates up for sale.

Under the scheme, certified growers and mills feed crude palm oil to unsegregated supply chains; end-users obtain their oil from unsegregated sources. Digitally traded certificates specify oil volume credits. Traceability requirements in this system are limited to the manufacture of end products to ensure that claims are covered by purchased certificates. End-users cannot make claims about the actual physical content of their products.

Corresponding claim:

“... supports the production of RSPO-certified sustainable palm oil (equivalent to .. % of the palm oil utilized)”

More information

For more information on how to use the Book and Claim system, please contact Bob Norman at GreenPalm (www.greenpalm.org).

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