



Palm Oil & CSR

“How To Realize Responsible Raw Material Sourcing
- CSR Learned From Palm Oil”

RSPO: MEETING THE SUSTAINABILITY CHALLENGE

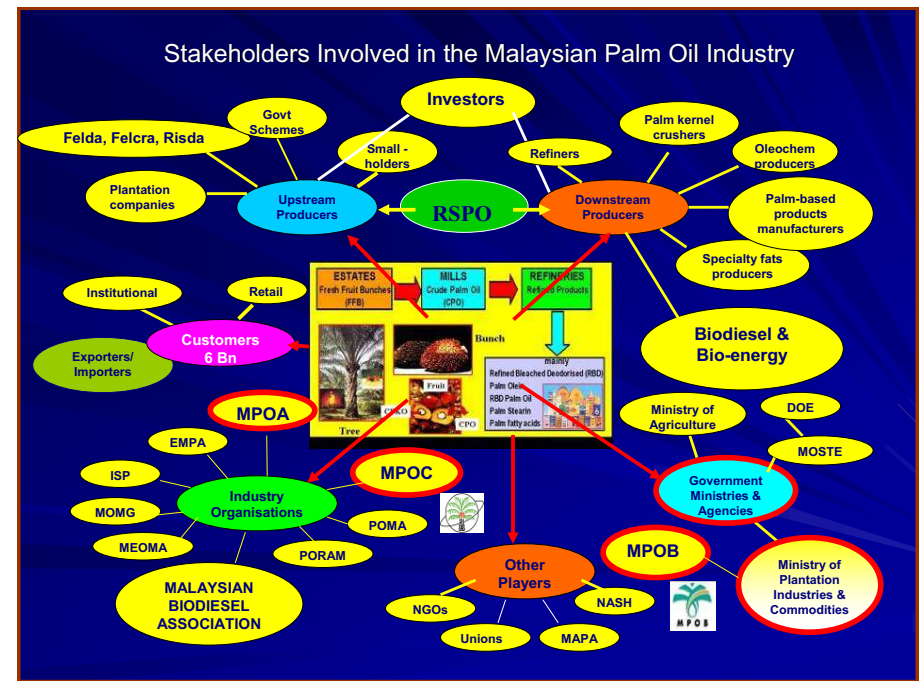
M. R. Chandran
Advisor to Executive Board, RSPO

Tokyo International Forum, Tokyo, 10 October 2007

TODAY'S AGENDA

- Importance of Palm Oil in Oils & Fats Scenario
- Sustainable Economic System
- CSR & Palm Oil : RSPO Initiative
- Concluding Remarks

IMPORTANCE OF PALM OIL IN OILS & FATS SCENARIO

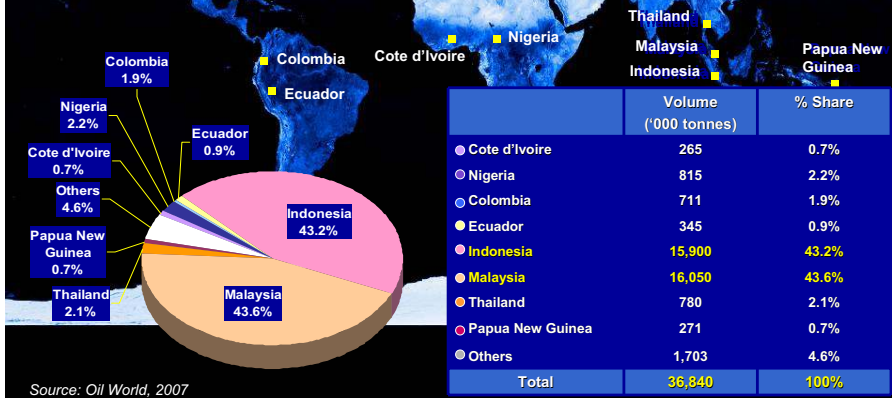


Importance of Palm Oil to the World

- Feeding the world: palm oil consumed in over 150 countries.
- Provides crucial source of food & energy supplies to developing world.
- Scientifically proven nutritional & health benefits and durability
- Provides bio-energy: environmentally-friendly alternative fuel source to supplement decreasing high carbon fossil fuels.
- Highly productive: significantly more palm oil produced per hectare compared to other oil seed crops.

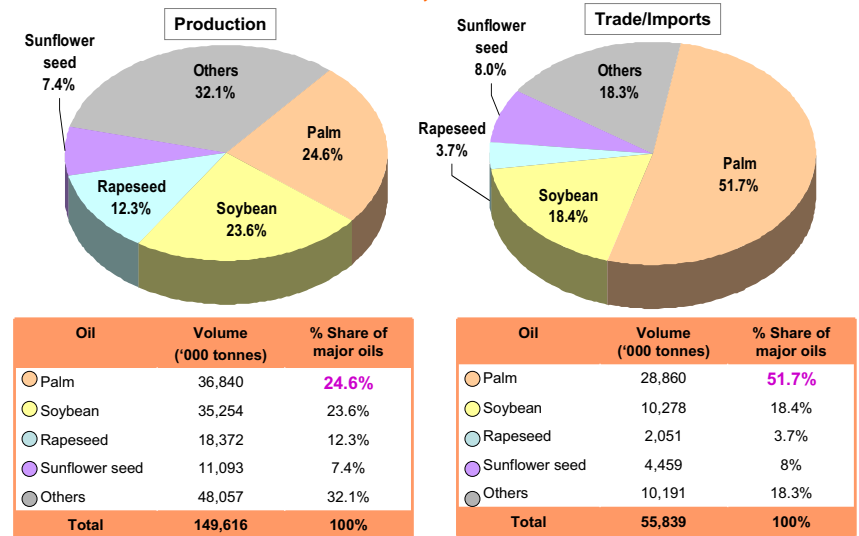
Major Palm Oil Producers, 2006

Indonesia + Malaysia = 87% of world production

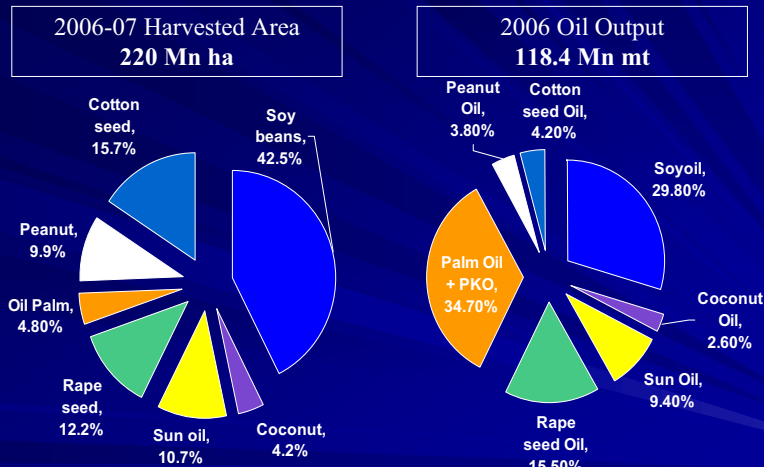


Source: Oil World, 2007

Global Production and Trade in Major Oils and Fats, 2006



Source: Oil World (2007, 2006b)

7 Major Oilseeds:
World Area Vs. Oil Output

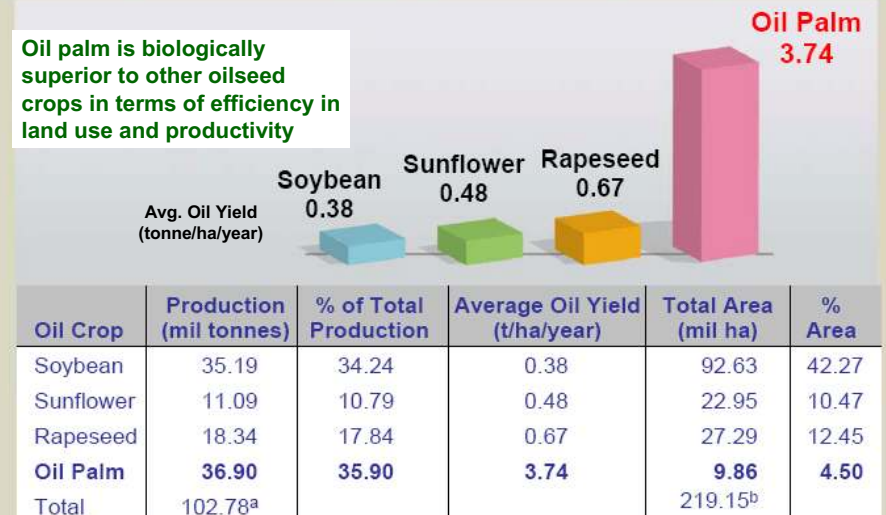
These 7 oilseeds make up 98% of the total veg. oil production

Source: Oilworld Feb 2007

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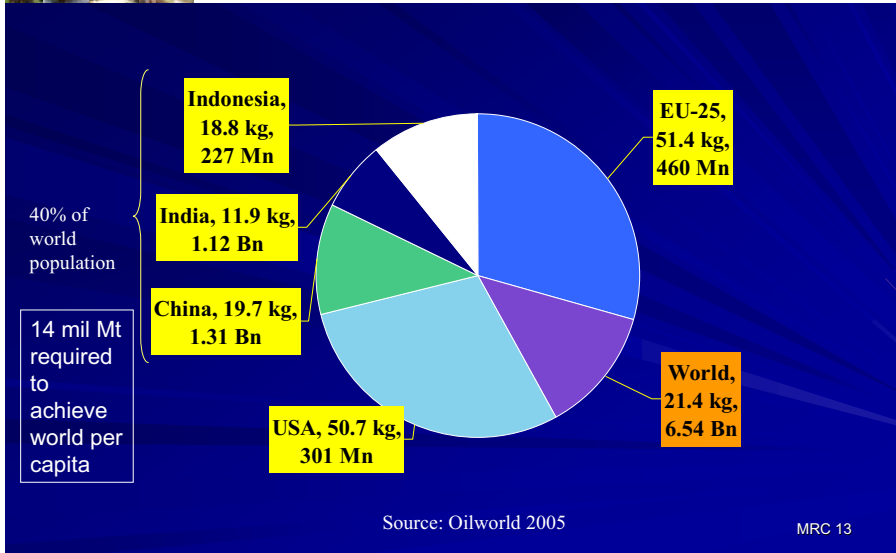
Oil Palm vs Oil Seed Crops

Oil palm is biologically superior to other oilseed crops in terms of efficiency in land use and productivity

Source: Oil World 2007
^{a,b} only for the 7 major oils



2005: Edible Oils & Fats – Kg/Capita Consumption & Population



Forecast: World Demand for Oils & Fats

Year	Population (billion)	Avg. per capita intake (kg)	Production (mil mt)	Increment (%)
2005	6.54	21.4	149	-
2010	7.00	25.0	175	18
2015	7.40	27.0	200	15
2020	7.80	30.0	234	17

■ Driven By:

- >Population 85
- >Prosperity 57

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Agriculture's Current Global Footprint



33% of earth's surface in crops or grazing—55% of habitable area

Only 17% of world land area – truly wild

No human population, no crops, no road access, no night-time light

> 50% of all forests lost to land conversion

Europe: 22,000 kms (14,000 miles) coastline are paved

Review article in 'Science' says "Humans have domesticated the planet, few untouched spots remain".

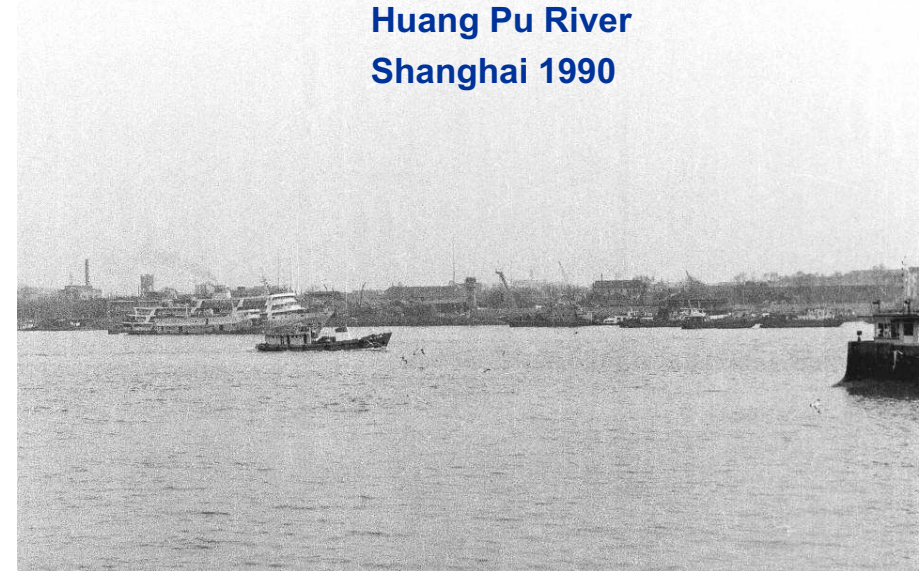
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IMPACT OF LAND DEVELOPMENT

- 15% of all lands developed in the history of the US were developed in the past 8 years
- Over the next 30 years, the number of buildings constructed in the world will equal the total previously constructed since time began
- Development has a huge impact on sustainability

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Huang Pu River
Shanghai 1990



Huang Pu River
2007



Arable Land China

1990



RSPO
Roundtable on Sustainable Palm Oil

Sustainability & Farming

- Farming – impressive achievements in the 2nd half of last century
- Food availability per capita doubled in the last 50 years
- Intensification of agriculture has led to **unwanted consequences**, as follows:

Source: RSPO

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Lower Kinabatangan, Malaysia



The natural forest habitat is now
too small and fragmented



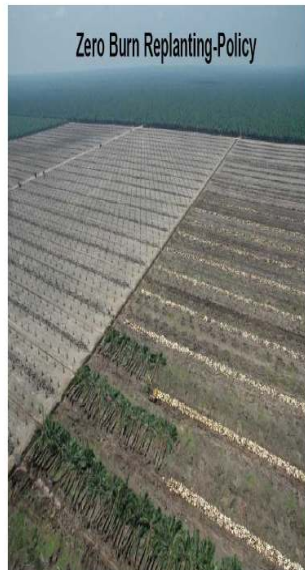
An example of wetland
development without forest corridor



Forest Fires



Forest Burning?



Social Issues and Conflicts

Oil palm and land rights



"Our land rights are not being recognised [...] A big problem is that a huge number of oil palm plantations have taken our lands down our forests. Sometimes indigenous communities are forced by the military or the police to give their land to the company. The important thing is not compensation but the right to be consulted."



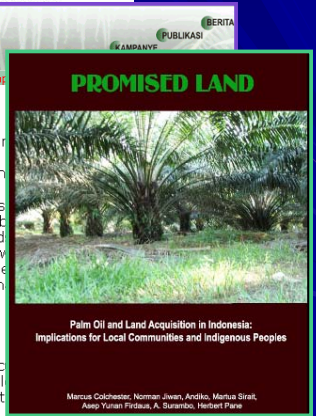
Sawit Watch' mandate

Sawit Watch was set up in 1998 and since then has over 50 members and local contacts in communities in Sumatra, Kalimantan and

Our mandate is based on the call to stop the expansion of oil palm plantations that have lost their forests and livelihoods because of expansion and for those in forestland development. Through this mandate we promote conservation and restoration of Indonesia's forests. The best deal for those communities is to stop the plantations.

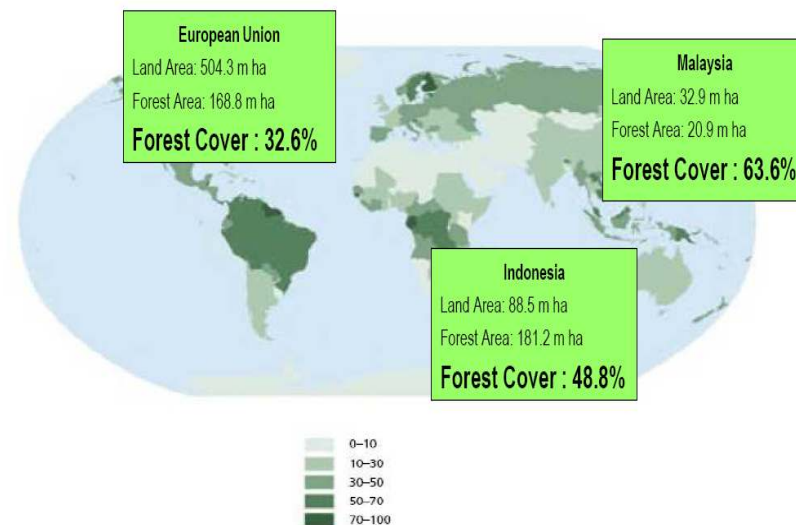
Sawit Watch strategy

As a first step, Sawit Watch focuses on raising awareness. This involves capacity building and training aimed to inform communities about the risks of oil palm plantations. We promote



Deforestation?

Forest area in percent of land area by country 2005



Source: FAO, Global Forest Resources Assessment 2005.

CSR & PALM OIL : RSPO INITIATIVE

RSPO

Roundtable on Sustainable Palm Oil

....a partnership involving the private sector



History, Status & Objectives of RSPO

- Business initiative by WWF, Aarhus, Golden Hope, MPOA, Migros, Sainsbury, Unilever
- Registered on 8 April 2004 as a not-for-profit Association under Article 60 of the Swiss Civil Code
- Located in the Canton of Zurich
- Secretariat located in Kuala Lumpur

RSPO's Objectives:

"To promote the growth and use of sustainable palm oil through co-operation within the supply chain and open dialogue with its stakeholders"

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Vision & Mission

Vision:

- RSPO ensures *palm oil contributes to a better world*

Mission:

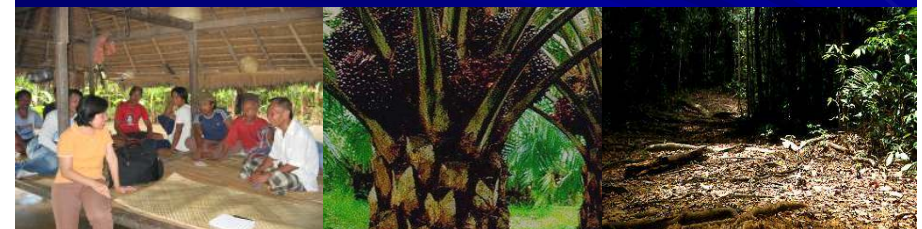
- RSPO promotes the *production, procurement and use of sustainable palm oil*, through development, implementation and verification of credible global standards, supported by engagement of and communication to stakeholders along the supply chain

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Characteristics

- Multi-stakeholder membership & approach
- Voluntary, self-organising nature
- Transparent
- Inclusive
- Action oriented - tangible results
- Commit to sustainable palm oil production and use





RSPO Founding Members

- Unilever NV
- WWF -Swiss
- Migros
- Golden Hope
- MPOA
- Aarhus United
- IOI Group (M'sia/ NLD)
- Body Shop (L'Oreal)
- Pacific Rim Palm Oil (Cargill)
- Karlshamns

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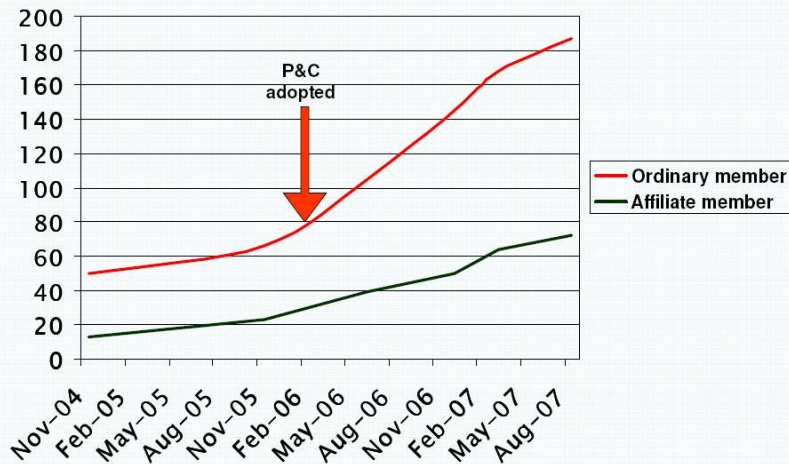
RSPO Membership

- **Ordinary members** from 7 sectors
 - Oil palm growers
 - Palm oil processors and/or traders
 - Consumer goods manufacturers
 - Retailers
 - Banks and investors
 - Environmental/nature conservation NGOs
 - Social/developmental NGOs
- 2-year membership; € 2,000 per year

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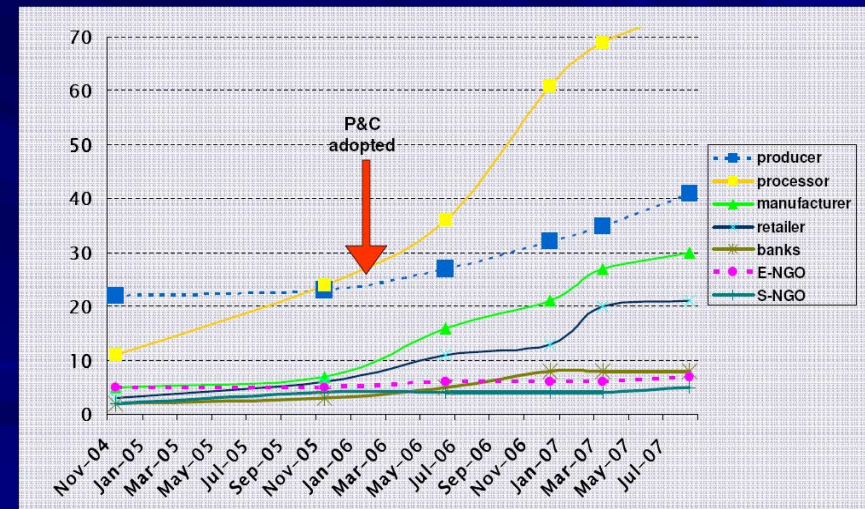
Membership growth



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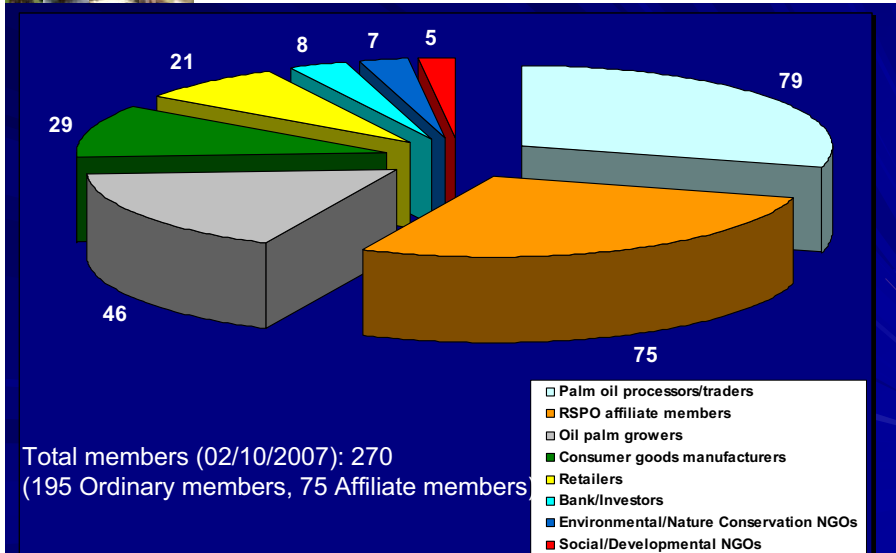


RSPO membership growth pattern





Membership Breakdown



Japan Linked Members of the RSPO

Japan Linked Members of the RSPO	
Oil Palm Growers [NIL]	
Palm Oil Processors and/or Trading	
Malaysia	Mitsubishi Corporation
	Nisshin Oillio - Intercontinental Specialty Fats
Belgium	Fuji Oil Group
Japan	Itochu Corporation
Consumer Goods Manufacturers	
Japan	Lion Corp
	CO-OP CLEAN Co Ltd
	Saraya Co Ltd
	Kao Corporation
Retailers [NIL]	
Banks/Investors [NIL]	

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Governance – Executive Board

- Membership Sector: **Total 16 members**
- Oil palm growers **4**
- Palm oil processors and/or traders **2**
- Consumer goods manufacturers **2**
- Retailers **2**
- Banks and investors **2**
- Environmental/nature conservation NGOs **2**
- Social/developmental NGOs **2**

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RSPO Core Activities

Progressing on sustainable palm oil in the marketplace

- Development of Principles & Criteria
- Testing of the Principles & Criteria
- Code of Conduct
- Verification protocol for sustainable palm oil
- Trade in SPO - Defining supply chain options
- Communication





RSPO Principles & Criteria for Sustainable Palm Oil Production

- Contains: **8 Principles & 39 Criteria** covering agronomic, economic, legal, environmental, biodiversity, toxics, workers, community and social issues.
- **127** indicators of compliance & guidance document feed verification against P&C.
- National interpretation & implementation work.
- **Review of RSPO P&C by Nov. 2007.**

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RSPO Principles & Criteria (8)

1. **Commitment to transparency**
2. **Compliance with applicable laws and regulations**
3. **Commitment to long-term economic and financial viability**
4. **Use of appropriate best practices by growers and millers**
5. **Environmental responsibility and conservation of natural resources and biodiversity**
6. **Responsible consideration of employees and of individuals and communities affected by growers and millers**
7. **Responsible development of new plantings**
8. **Commitment to continuous improvement in key areas of activity**

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RSPO Verification Protocol

Demand for sustainable palm oil is driving completion of verification protocol.

Elements of verification protocol:

- Verification system/standard
- Audit format/checklist
- Accreditation of auditors
- Grievance procedures
- Control of claims/certificates
- Phased approach

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Supply Chain Options

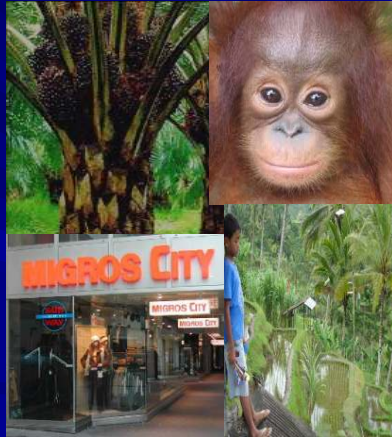
- Segregation
 - Bulk commodity (SPO grade)
 - Identity preserved (IP)
- Controlled mixing
 - % in:% out (Mass balance)
 - % based claims
- Book and Claim Approach
 - Buyer books SPO and SPO produced but no physical linkage between buyer and producer

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The Biofuels Debate

- RSPO recognises debate about palm & other vegetable oils as sustainable bio-energy source.
- The Food (poor) vs. Fuel (rich) debate rages on with multi-facet arguments.
- New concerns over carbon neutrality in oil palm in peat areas.
- Focus of NGO campaigns on forest & biodiversity loss & Orang-Utan extinction due to palm plantation expansion.



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Consumer & Supply Chain Demands

- RSPO recognises urgent market demand for Certified Sustainable Palm Oil (CSPO)
- Branding and market exposure for “**RSPO Certified**” is necessary
- Working to promote trade mechanisms
- Targeting retail segment and consumers

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Oil to Market

- RSPO Certification Systems
 - Designed to ensure sustainable palm oil reaches consumers/markets.
 - Assurance and credibility.
- Supply Chain Options
 - Providing practical steps to ensuring supply.
 - Meets demands of buyers while maintaining existing infrastructure

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RT5 in Kuala Lumpur, 20-22 Nov. 2007

- Presentation and discussion:
 - RSPO Certification System
 - Review of the RSPO P&C.
- National Interpretation roll-outs
- Pilot project showcasing
- RSPO Communications plan
- **RSPO Certified** claims, branding, trademark and labelling
- Meeting challenge of increasing demand for sustainable palm oil: **meeting the productivity gap.**

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- In the end it is about producing **more on less land** which is vital part of sustainable agriculture

Source: United Plantations

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CONCLUDING REMARKS



What is Sustainable Economic System?

- Two parallel trends are rocking the business world:
 - **Firstly**, new breed of CEOs & business leaders – younger, smarter, networked in new ways – transforming old corporate models to new styles of corporate citizenship
 - **Secondly**, at blistering speed, the global economy is being radically restructured as the **new economy** wipes away established modes of doing business

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What is Sustainable Economic System?

- **The 64 Dollar Question?**
 - Which of today's companies & business models will prove sustainable?
- **Answer:**
 - Only corporations which undergo metamorphosis from today's "**Caterpillar Economy**" to tomorrow's "**Butterfly Economy**"



Source: SustainAbility Ltd

CSR Around The World: Major Economies

Rank	World	Score (100)
■ Sweden	1	81.5
■ Denmark	2	81.0
■ U.K.	5	75.8
■ Germany	11	72.7
■ USA	18	69.6
■ Japan	19	68.8
■ Brazil	56	55.0
■ India	70	52.2
■ Russia	83	48.0
■ China	87	47.2

U.K. based NGO **AccountAbility** ranking
in terms of:

CSR, how businesses act, how much
governments demand & how well civil
society holds Cos. to account

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*It has the scent of violets,
the taste of olive
And a colour which tinges the food
like saffron
but is more attractive –*

Thank you



thus did Portuguese adventurer Ca'da
Mosta describe palm oil in the 15th century

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