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Responsible purchasing of palm oil: a step-wise approach

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Questions like “Are you selling the rainforest in your products?” are likely to come higher on the agenda for retail chains and food manufacturers in the future. On average one in three products on the retail shelves contains palm oil, the production of which might have contributed to forest loss in the producer countries (see box). Palm oil and its derivatives are used extensively in food, cosmetics, pharmaceuticals, detergents and many other products.*

Palm oil now constitutes the second largest edible oil resource. Rapidly expanding global demand, and the subsequent expansion of this crop, is a key driving force behind forest and habitat loss especially in South East Asia. Globally the area planted with oil palms increased by 43 per cent to 10.7 million ha during the period 1990 to 2002. Projections of rising global palm oil demand are likely to threaten an additional 10-15 million ha of tropical lowland forests within the next 15 years. Through this stepwise purchasing guide, retailers and manufacturers now have the opportunity to steer this development in a positive direction. WWF asks companies to become part of the solution by taking actions in support of sustainable production of palm oil.

This guide contains specific activities that companies can undertake to achieve responsible purchasing of palm oil. The aim is to help companies to promote and support the production and use of sustainable palm oil and to minimize the usage of palm oil from plantations that have been established on cleared forests, or from plantations with unacceptable social and environmental standards and/or unresolved land tenure conflicts.

The Roundtable for Sustainable Palm Oil (RSPO) (see below) is the most credible, global standard for the certification of sustainability of palm oil. Therefore, WWF asks retailers and manufacturers to join the RSPO and purchase RSPO Certified Sustainable Palm Oil (CSPO) in order to ensure that they are not purchasing palm oil that has been produced in ways that are harmful to the environment or people.

The conversion of tropical forests

Figures released by The United Nations Food and Agriculture Organisation (FAO) in 2005 indicate that the rate of natural tropical forest loss is about 13 million hectares a year – the equivalent of 36 football fields a minute. The conversion of forests to agricultural use is one of the biggest contributors to forest loss. A report published in 2007 by the United Nations Environment Programme (UNEP), acknowledges that palm oil plantations are now the leading cause of rainforest destruction in Malaysia and Indonesia, which are the largest producers of palm oil. These countries still have threatened tropical lowland rainforests, which contain some of the world’s biologically most diverse ecosystems, home to endangered species such as orang-utans, elephants, rhinos and tigers. Also in Africa (especially in central and southern parts of the continent) and Latin America (e.g. Colombia), oil palm plantations are rapidly expanding into tropical forests. Oil palm plantations have often imposed environmental and social costs due to indiscriminate forest clearing, habitat loss of threatened and endangered species, uncontrolled burning with related haze, and disregard for the rights and interests of local communities. In addition, forest conversion by plantation companies contributes to climate change, as 20 per cent of all human induced greenhouse gas (GHG) emissions are caused by deforestation. The industry practice of draining and converting peatland forests is especially damaging to climate mitigation efforts, as these “carbon sinks” store more carbon per unit area than any other ecosystem in the world. An average of 1.8 billion tonnes of GHG are released by the degradation and burning of Indonesia’s peatlands each year.

A company taking on the stepwise approach will experience several benefits, among others:

- Consistency between general CSR, social, and environmental policies and actual procurement and sales of products containing palm oil
- Better access to funds from the ethically aware investors community, e.g. through better ratings in Social Responsible Investments (SRI) scoring
- Reduction of material and reputational risks - through increased assurance that palm oil suppliers are complying with environmental and social procurement policies and through better knowledge of and tracing in the palm oil supply chain

WWF's goal is to have all palm oil used on the planet originating from sustainable sources. WWF advocates the use of this stepwise approach to move the company's current procurement towards sustainably-produced palm oil, through a series of manageable advances. Each step is considered achieved when all the activities associated with that step are completed. Assessment of the progress made in step 3, 4 and 5 can require a higher degree of traceability along the supply chain.

The stepwise approach consists of five major steps and several accompanying activities. The table below presents the steps and activities, in a suggested chronological order.

Steps	Activities
<p>1. Public acknowledgement of the problem and active engagement in achieving solutions.</p> <p><i>Publicly acknowledge the problems associated with non-sustainable palm oil, and demonstrate public support for establishing sustainable ways of palm oil production that conserve both the natural environment and the livelihood of people, by participating in the RSPO.</i></p>	<p>i. Published statement about the environmental and social impacts of palm oil in a publicly available document, e.g. website, sustainability report and Corporate Social Responsibility (CSR) policy, and/or general procurement policy</p> <p>ii. Active Membership of the Roundtable on Sustainable Palm Oil (RSPO) and its working groups</p> <p>iii. Encourage suppliers to join the RSPO and participate in the roundtable process</p>
<p>2. Commitment to the responsible purchasing of palm oil</p> <p><i>Publicly state the company's commitment to purchase or support only certified sustainable palm oil (CSPO) by 2015 or earlier</i></p>	<p>i. Make a public commitment to purchase or support only CSPO by 2015 or earlier.</p> <p>ii. Demonstrate senior management support for the development and implementation of a responsible purchasing policy on palm oil to meet this target.**</p>
<p>3. Supply Chain Assessment</p> <p><i>Identify products that use or contain palm oil, their suppliers, volumes and origins</i></p>	<p>i. Develop and implement systems that identify products with palm oil and their corresponding suppliers, i.e. inventory of all significant products that contain palm oil</p> <p>ii. Identify volumes of palm oil per product and total palm oil use. WWF encourages companies to make public their total use of palm oil.</p>

	<p>iii. Gather documentation and verifiable evidence to identify all possible origins (preferably at the plantation management units) of palm oil derived from suppliers. Even if the company intends to use the book and claim system, it is still important to understand from where it is sourcing its palm oil.</p> <p>iv. Categorize the volumes of palm oil in all significant products containing palm oil into the following two categories:</p> <p>a. Sustainably-produced source, according to the RSPO Principles and Criteria for Sustainable Palm Oil Production</p> <p>b. Unsustainable source</p> <p>v. WWF encourages companies to make public statements about how much CSPO they use annually.</p>
<p>4. Policy implementation</p> <p><i>Demonstrate progress towards the target of using or supporting only CSPO by 2015 or earlier.</i></p>	<p>i. Documented and verifiable evidence showing that increasing volumes of CSPO are being used and that annual progress is being made towards using or supporting only CSPO by 2015 at the latest.</p> <p>ii. Communicate progress publicly to all relevant stakeholders</p> <p>iii. Encourage colleagues in other businesses to follow your example</p> <p>iv. Use your buying power to influence suppliers to adapt to plans with respect to responsible purchasing of palm oil</p>

* Palm oil is mainly produced in monoculture plantations of oil palm (*Elaeis guineensis*) in Malaysia and Indonesia. The oil palm's fresh fruit bunches are collected and pre-processed in local mills to crude palm oil. The crude palm oil is refined and shipped in bulk carriers to end markets such as Europe, where the palm oil is refined into a broad range of food and non-food products. For instance palm oil is found in food products such as cooking oils, margarine, bakery products, ice cream, confectionery, frozen dishes, soups and sauce mixes, coffee whiteners, condensed milk and infant formulae. Palm oil is also found in non-food products such as detergents, cleaning materials, cosmetics, candles, industry lubricants and printing inks. The press residue, palm kernel meal, is sold as animal feed.

** Note: A purchasing policy for palm oil should contain the wording "sustainable palm oil production" and refer to palm oil production that meets the requirements of the RSPO Principles and Criteria for Sustainable Palm Oil

WWF's work to transform the market for palm oil:

WWF works with major companies and their supply chains to change the way key global commodities are produced, processed and consumed worldwide. Together with large retailers, manufacturers, traders and investors, commodities can be produced more efficiently and responsibly. In creating demand for such products, significant environmental results can be achieved and markets will become more sustainable. WWF focuses its efforts on commodities and sectors that most impact the planet's critical regions for biodiversity conservation and those that contribute to humanity's footprint. As part of that larger effort, WWF works on fighting forest conversion to ensure that forests of high conservation value (HCVFs), and habitats of important species are no longer threatened by the expansion of oil palm. WWF believes that this goal can be supported by promoting the growth and use of sustainable palm oil, through cooperation with

all important stakeholders throughout the supply chain.

Rather than working towards a boycott of palm oil, which merely will move the global demand for to other vegetable oil sources - and hence increase pressure on other forests, WWF promotes sustainable production of palm oil, which includes better land use planning, minimization of the impact of existing and new plantation on the environment, protecting forests of high conservation value, and better management practices that conserve biodiversity, ensure fair working conditions and respect the laws and land rights.

In addition, WWF encourages key market actors to adopt and promote better practices, appeals to the investment sector to apply rigorous investment criteria, attempts to influence government economic and trade policy in support of better practices, and communicates to key audiences to inform and make them aware of the issues. One of the platforms for developing practical tools to make palm oil production sustainable is the Roundtable on Sustainable Palm Oil (RSPO).

More information can be found at www.panda.org/forests/conversion

The Roundtable on Sustainable Palm Oil:

In 2004, WWF and key actors in the palm oil supply chain founded the Roundtable on Sustainable Palm Oil (RSPO). The objectives of the RSPO are to engage all stakeholders in multilateral discussions on sustainable palm oil, and to promote the growth and use of sustainable palm oil through cooperation within the supply chain. The RSPO developed the RSPO Principles and Criteria for Sustainable Palm Oil Production, a set of global criteria for sustainable palm oil production, which were endorsed by the RSPO members in November 2005. In September 2008, the first plantations were certified according to these criteria, and RSPO Certified Sustainable Palm Oil is now available on the market. Buyers of Certified Sustainable Palm Oil can choose between four supply chain systems, identity preserved, segregated, mass balance and book & claim. WWF does not endorse one particular supply chain over another.

The RSPO has prepared fact sheets on these supply chain models:
http://www.rspo.eu/docs/rspo_fact_sheets_systems.pdf

For companies seeking to buy CSPO, the RSPO has created a “market center” with useful resources: <http://www.rspo.eu/market/index.html>

For more information on the RSPO: www.rspo.org

More information:

WWF brochure on Forest Conversion: “Oil palm, soy and tropical forests: a strategy for life”
http://www.panda.org/what_we_do/footprint/agriculture/palm_oil/forest_conversion_palmoil/publications/list_publications/?147481/Palm-oil-soy-and-tropical-forests-a-strategy-for-life

WWF Position Paper on Oil Palm
http://assets.panda.org/downloads/wwf_position_paper_on_palm_oil.pdf

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