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Sustainability

THE JOURNEY TOWARDS SUSTAINABLE PALM OIL

HOW YOUR COMPANY CAN GET STARTED





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HOW YOUR COMPANY CAN GET STARTED



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CHALLENGE OF SUSTAINABLE PALM OIL

Palm oil is a common ingredient in a wide range of consumer good products found in India. However, the use of this vegetable oil is linked to global warming and to the loss of some of the most fragile tropical rainforests. How can Indian companies be part of the solution and ensure they have access to a supply of sustainable palm oil well into the future?

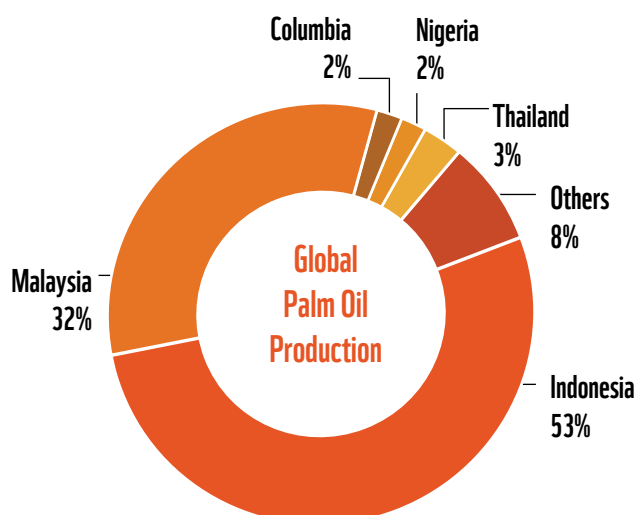
What is so special about Palm oil?

Palm oil is a type of vegetable oil that is used all over the world as a cooking oil and in processed foods like chocolate bars, ice cream, instant noodles, and margarine. Derivatives of palm oil are also used in cosmetics, soaps, shampoos and detergents. Palm oil can also be used as a biofuel. In many respects, oil palms are a 'wonder crop' in the countries where they grow—predominantly in Malaysia and Indonesia, but also in Papua New Guinea, and increasingly in Africa and Latin America. Oil palms have a lifespan of 25 -28 years and yield more oil per hectare of land than any other oilseed crop in the world. They are also relatively less reliant on fertilizers, pesticides and water compared to other monoculture crops.

The palm oil industry is a source of considerable social benefits as it provides employment in rural areas and contributes to economic development in producer countries. There are more than one million workers, more than three million smallholders and many more households involved in palm oil production.

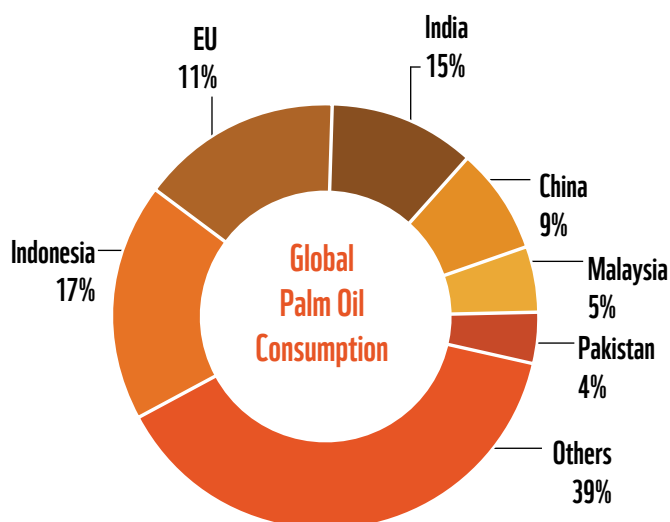
**INDONESIA
AND MALAYSIA
ACCOUNT FOR
ABOUT 86% OF
GLOBAL PALM OIL
PRODUCED**

Source: USDA, 2015

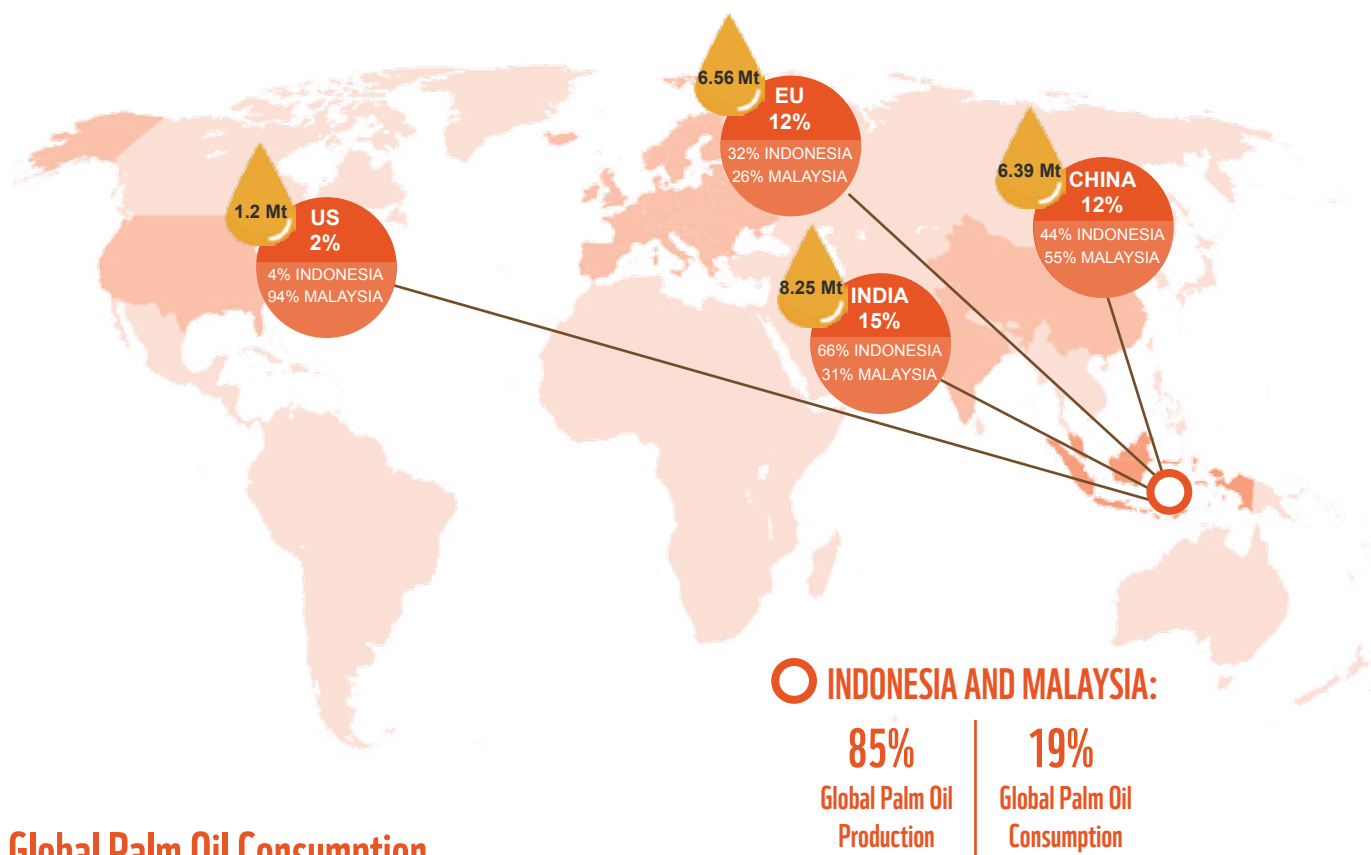


**ABOUT 60%
OF PALM OIL
CONSUMPTION
IS CONCENTRATED IN
CHINA, EUROPE,
INDIA, INDONESIA
AND MALAYSIA**

Source: USDA, 2015



For these reasons, palm oil makes up more or less a third of the 175 million tonnes of vegetable oil produced worldwide. From approximately 62 million tonnes of palm oil produced in 2014-15, demand is expected to reach 77 million tonnes in 2050 to help feed the world's growing population and the increased affluence of emerging economies like India and China, which consume ~15 percent and 9 percent of global palm oil, respectively¹. About 60% percent of palm oil consumption is concentrated in China, Europe, India, Indonesia and Malaysia.



Global Palm Oil Consumption

A handful of countries such as India, China, along with the European Union market, absorb a major share of the world's palm oil.

Sources: USDA 2012 and FAOSTAT 2012

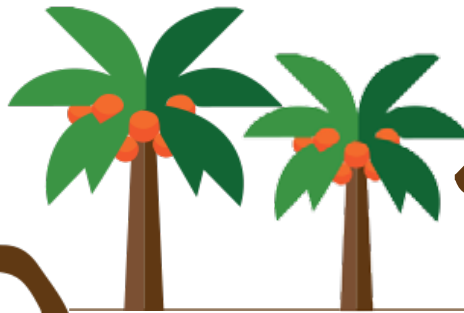
¹ FAO, 2006, World agriculture: towards 2030/2050. Prospects for food, nutrition, agriculture and major commodity groups. Interim report.

Mt = Million tonnes



WHAT YOU SHOULD KNOW ABOUT PALM OIL USE IN INDIA?

INDIA IMPORTED
ABOUT 8.85 MILLION TONNES
OF PALM OIL IN 2014-2015



INDIA IS THE LARGEST IMPORT
MARKET FOR PALM OIL



95%

OF INDIA'S IMPORTED PALM OIL IS USED AS
EDIBLE OIL, OF WHICH 50% IS IN THE FORM OF
COOKING OIL AND 20% IN VANASPATI

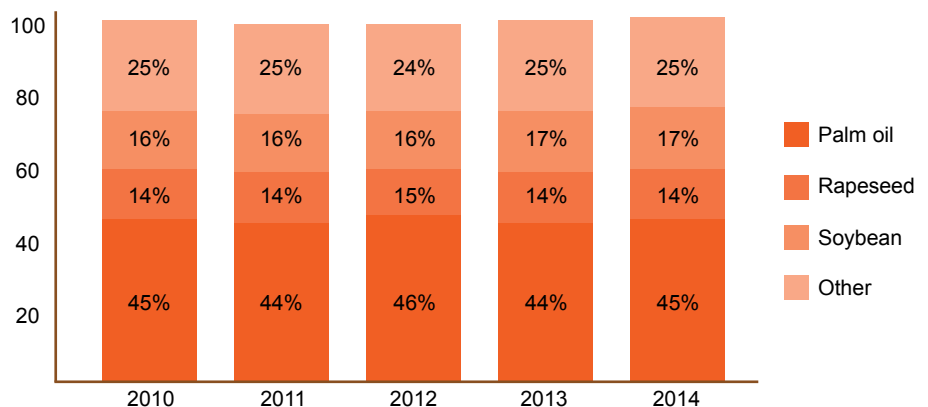


INDONESIA AND MALAYSIA ACCOUNT FOR MAJORITY OF
THE IMPORTED PALM OIL IN INDIA, ACCOUNTING FOR
60% AND 39% RESPECTIVELY IN 2014-2015



THE INDIAN PALM OIL MARKET IS
MOSTLY CONTROLLED BY LARGE
TRADING AND REFINING COMPANIES

PALM OIL DOMINATES
THE TOTAL CONSUMPTION
OF VEGETABLE OILS IN
INDIA SINCE 2010



Source: USDA, 2015



**ONLY AROUND 400
SUMATRAN TIGERS
REMAIN IN THE WILD,
AS THEIR HABITAT
HAS BEEN LOST TO
PLANTATIONS FOR OIL
PALM AND TIMBER
PLANTATIONS**

© Howard Buffett / WWF-US

WHEN PALM OIL BECOMES A PROBLEM

More than a third of large-scale oil palm expansion between 1990 and 2010 resulted in direct forest loss (about 3.5 million hectares in total) in Indonesia, Malaysia and Papua New Guinea, according to the Roundtable on Sustainable Palm Oil (RSPO).

Source: WWF-Australia

As demand for palm oil increases, substantial tracts of tropical forests are often cleared to make room for large plantations. In the major palm oil producing regions of Indonesia and Malaysia, almost a third of forest loss in the last 10 years was due to the expansion of oil palm. When forests are felled and peat swamps drained, they are often also burnt, creating a haze that covers large areas, affecting people's health and disrupting economic activities. At the global level, the impacts of forest loss are even more dramatic. As trees and vegetation go up in smoke or are left to rot, and as peatlands and swamp forests dry out, they release greenhouse gases into the atmosphere that contribute to global warming. Seventeen percent of all human-induced greenhouse gas emissions are caused by deforestation, forest degradation and peatland emissions².

When forests shrink, so does the home of endangered species such as the Sumatran tiger and rhino, elephant and orangutan of Borneo—species which are now on the brink of extinction. Loss of natural forests also means loss of the services that forests provide, such as clean water and soil erosion control. And when forests vital to communities are cleared, people lose their land and their livelihoods—sometimes even their homes. To ensure an uninterrupted supply of 'clean' palm oil that does not involve sacrificing the remaining tropical forests or contribute to global warming, all companies that produce, trade or use palm oil need to move towards sustainable palm oil.

² USEPA, <http://www.epa.gov/climatechange/ghgemissions/global.html>

WHAT IS SUSTAINABLE PALM OIL?

Palm oil cultivation doesn't have to come with these problems. WWF is convinced that the palm oil industry can grow in such a way that it does not cause environmental and social harm. To avoid contributing to deforestation and social problems, buyers of palm oil can join the Roundtable on Sustainable Palm Oil (RSPO), an internationally accepted certification scheme, which requires producers to apply strict environmental and social standards to their operations.



At the heart of the RSPO's standards is the requirement not to clear primary forest or any land that is important for wildlife and communities. There are also standards that address soil erosion, pollution, health and safety, labour conditions and others that make up a definition of sustainable palm oil.

20%

Global Palm Oil production that is Certified Sustainable Palm Oil (CSPO)

Established in 2004 by WWF, AAK, KLK, Sainsbury's, Unilever and others, the RSPO is an international non-profit initiative which brings together more than 500 palm oil growers, oil processors, manufacturers, retailers, NGOs and palm oil investors, who have one goal in common—promoting the growth and use of sustainable oil palm.

The RSPO has set strict standards for responsible oil palm plantations, coupled with an independent system for auditing plantations, mills and the supply chain right up to the end users. These standards include:

3.4m ha

More than three million hectares of palm oil have been certified according to RSPO standards

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

Sustainable palm oil certified by the RSPO has been available since November 2008, and provides assurance that valuable tropical forests have not been cleared and that environmental and social safeguards have been met during the production of the palm oil. In addition, RSPO certification verifies the legality of plantation operations.



The RSPO trademark can be applied on products that use certified sustainable palm oil, providing assurance for consumers that the palm oil in the product has not caused environmental or social harm.

WWF is a founding member of RSPO and sits on its executive board. WWF's goals are to push for continuous improvement and strict enforcement of the standard so that they deliver on conservation goals and benefit communities.



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HOW DOES A COMPANY BENEFIT FROM USING SUSTAINABLE PALM OIL?

Sustainability is becoming a license to operate in many parts of the world due to increasing awareness by businesses about their needs for a future supply of sustainable raw materials as well as more sophisticated demands from the consumers who care about the origins of their products.

Commitments by companies like Unilever, Walmart, and McDonald's to source a global supply of sustainable palm oil will have major implications in all countries as these multi-national corporations move to fulfill their global responsibilities. Local companies that do not follow suit may easily be left behind in the changing landscape of the global market. This includes local companies that are establishing overseas production operations as they will also be expected to adopt global sustainability standards for palm oil production.

By sourcing sustainable palm oil, companies can expect the following benefits:

Producers

- Increased operational efficiency through better and optimized use of inputs such as energy, agrochemicals and water at the plantation and mill level
- Better labour and employee relations, reduced attrition and increased morale through best social practices as reflected in the social category of performance indicators under the P&C
- Market access to high value markets like the European Union and North America through compliance with international sustainable commodity procurement norms
- Access to 'clean capital' from banks and FIs who increasingly are adopting stringent ESG risk assessment mechanisms as a part of their regular screening process along with increased access to private equity from responsible investors.

Supply chain actors

- Better supply risk management through enhanced understanding of supply chains as a part of the supply chain certification process and identification of areas of potential threat for action
- Public relations and corporate image benefits from adopting RSPO standards and ability to monetize it through the option of in product labeling and communication claims
- Legal and regulatory compliances through eradication of illegal palm oil from the supply chain and prevention of potentially damaging reputational issues through adoption of RSPO supply chain standards
- Competitive advantage from being early movers in rapidly developing markets like India, where current CSPO levels are low and the demand for CSPO is only going to increase.



© Fletcher & Baylis / WWF-Indonesia

COMMITMENTS TO SUSTAINABLE PALM OIL ON THE RISE

Some of the companies
with global commitments
to use exclusively Certified
Sustainable Palm Oil
(CSPO) by 2015



© Richard Stonehouse / WWF

Globally, many large corporations have already made commitments to use only certified sustainable palm oil by 2015. These include the world's largest retailer, Walmart, as well as the food service giant McDonald's.



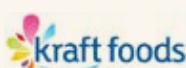
Walmart
Sainsbury's



TESCO



L'ORÉAL
PARIS



ASDA



HERSHEY'S



Johnson & Johnson

WWF regularly publishes an edition of the Palm Oil Buyers Scorecard to highlight the progress made on sustainable palm oil by retailers and manufacturers. The Scorecard shows which companies have made commitments to sustainable palm oil, which ones have started to buy it, and which supply chain they are using to do so.

India and Indonesia have already overtaken Europe as the biggest markets for palm oil. Clearly, in order to shift the global market toward certified sustainable palm oil, countries like India, Indonesia and China will need to increase their use of sustainable palm oil.

Considering the vast amount of palm oil imported into India, the support of companies can fast-track efforts to reduce its ecological footprint in the rest of the world. By committing to source only certified sustainable palm oil, Indian companies can take a step towards ensuring a future supply of 'clean' palm oil while also taking responsibility for the global impact of their imports on the environment and the climate.



©Audra Melton / WWF-US

WWF'S SUPPORT FOR SUSTAINABLE PALM OIL

WWF works globally to support the transformation of the palm oil market towards sustainability, and our strategy cuts across the whole supply chain of products containing palm oil. WWF interventions include:

- Working with the palm oil supply chain to strengthen agreed standards for best practices in palm oil production (e.g. RSPO standards and their implementation)
- Working with producers to ensure the uptake of better management practices
- Increasing demand for sustainable palm oil among buyers
- Working with financial institutions to adopt standards for sustainable palm oil production, as part of their due diligence and risk assessment processes
- Increasing uptake of sustainable palm oil production practices by smallholder farmers
- Promoting government policies that support the traction of sustainability standards in both producer and market countries
- Promoting the development of oil palm on degraded lands.

WWF works at the policy, production, retailer and consumer level to transform the palm oil chain towards sustainability





WWF-INDIA'S ROLE

WWF-India seeks to promote environmentally appropriate, socially beneficial and economically viable practices in the Indian palm oil industry by:

- Spreading awareness on the environmental and social problems associated with unsustainable palm oil
- Mapping the supply chain for palm oil in India
- Supporting the RSPO in India
- Encouraging companies that import, trade and buy palm oil to join the RSPO
- Influencing Indian companies to commit to purchasing certified sustainable palm oil according to a time-bound plan.

As of 2015 , India has 44 members represented in the RSPO, a significant increase from the initial 4 in 2011. 7 Indian companies have obtained RSPO certifications out of which Kamani Oil Industries and Galaxy Surfactants became the first two Indian companies to achieve RSPO certification.



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GETTING STARTED WITH SUSTAINABLE PALM OIL

WWF-India urges members of the Indian palm oil industry to:

- Seek membership of RSPO through a standard registration process and become an active RSPO member
- Analyze and map your supply chain and identify areas of potential improvement in the context of traceability of the procured palm oil and derivatives
- Make a public and time bound commitment to move towards sustainable palm oil and work towards identifying RSPO certified suppliers
- Acquire RSPO chain of custody certification by getting audited by a certifying body (CB) accredited by RSPO in order to maintain the integrity of the supply chain and make the sustainable palm oil claim in products
- Work with other industry actors and NGOs to raise awareness on the impacts of unsustainable palm oil and promote certified sustainable palm oil for the overall benefit of the industry
- Go beyond RSPO certification through adoption of standards given by the Palm Oil Innovation group (POIG) if already certified and procuring from sustainable sources.

RSPO SUPPLY CHAIN OPTIONS



SEGREGATED



MASS BALANCE



BOOK & CLAIM / GREENPALM

ABOUT	CSPO from different certified sources is mixed in batches, but is kept separate from conventional palm oil along the supply chain.	CSPO is mixed with conventional palm oil. The oil may be mixed at different sources but the percentage of certified palm oil is known.	Certified growers are awarded one GreenPalm certificate for each tonne of CSPO produced. Certificates can be sold on the GreenPalm virtual trading platform to the end users (retailers and manufacturers). There is no physical CSPO monitored in this supply chain method.
TRACEABILITY	Oil traded in this model cannot be traced back to a specific mill or plantation, but is guaranteed to be physically traceable to a certified source.	The certified volumes of palm oil are tracked in order to ensure that an only equivalent volume of certified palm oil is sold in the market. As such MB does not guarantee the presence of CSPO in an end product, but it contributes to building physical CSPO volumes in the supply chain.	B&C does not provide a buyer the assurance of CSPO in the supply chain, but it helps the buyers to support CSPO
REQUIREMENTS	<ul style="list-style-type: none"> All operators in the supply chain should be RSPO Members. All processors of the supply chain should be "Supply Chain Certification Systems" certified and register with the RSPO eTrace system. Proper management systems and documentation are required to establish a chain of custody and ensure that all RSPO certified sustainable palm oil is stored separately from the conventional palm oil along the entire supply chain. 	<ul style="list-style-type: none"> All operators in the supply chain should be RSPO Members. All processors of the supply chain should be "Supply Chain Certification Systems" certified and register with the RSPO eTrace system. Proper management systems and documentation are required to establish a chain of custody and to monitor the specific volumes of RSPO certified sustainable palm oil flowing along the entire supply chain. This is done in order to prevent overselling or double-counting of CSPO. 	<ul style="list-style-type: none"> A company buying GreenPalm certificate need not be a member of RSPO, but they must be GreenPalm members. A company can anonymously bid on CSPO certificates on the online trading platform. There is an Off Market Deal (OMD) option for retailers and manufacturers, where they can partner with a select RSPO certified producer and buy their certificated at a set price/quantity.
MARKET CLAIMS & COMMUNICATION	<ul style="list-style-type: none"> The RSPO trademark can be used for products containing palm oil out of which more than 95% is certified SG. The statement "Contains certified sustainable palm oil" can be used for SG 	<ul style="list-style-type: none"> The RSPO trademark along with the tag "Mixed" can be used for products containing Palm oil out of which more than 95% is certified. The statement "Contributes to the production of certified sustainable palm oil" can be used for MB 	<ul style="list-style-type: none"> The RSPO trademark cannot be used on products using palm oil from the B&C supply chain system. However the Green palm logo can be used for communication on such products. The statement "Contributes to the production of certified sustainable palm oil" can be used for B&C

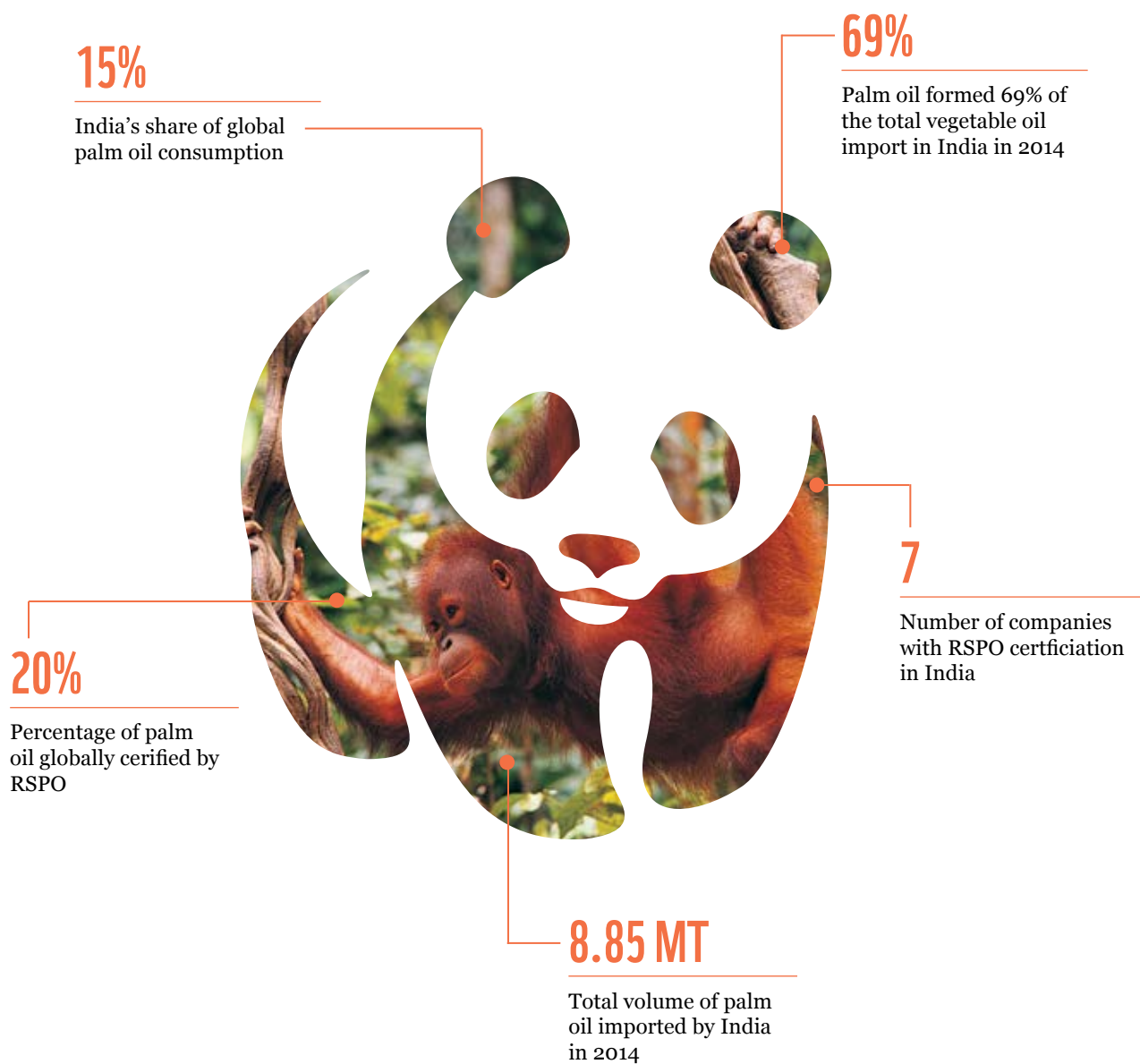
HOW TO GET STARTED?

Contact WWF-India to discuss how to get started on your journey towards palm oil sustainability

Philip Tapsall
Director
Sustainable Business
ptapsall@wwfindia.net

Aditya Misra
Manager
Sustainable Business
amisra@wwfindia.net

wwf.panda.org/palmoil



Why we are here

To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.

www.wwfindia.org