

**Event Covered:** The Roundtable for Sustainable Palm Oil 11th Annual General Assembly held in Kuala Lumpur, Malaysia, November 20, 2014



# The Standards Reporter

November 2014 - Report 2

## RSPO Annual Meeting of the General Assembly



This report documents the latest developments within the RSPO by covering its most recent Annual Meeting of the General Assembly. The 11th Annual General Assembly of the RSPO took place in Kuala Lumpur Malaysia on November 20, 2014. It was preceded by the

RSPO RT12 conference on sustainable palm oil, which featured a cross-section of prominent speakers and panelists<sup>1</sup> covering topics such as enhancing traceability, measuring high conservation values versus high carbon stocks and assessing sustainable development impacts. Important developments were made during general assembly related to reporting and traceability.

This report documents the latest developments within the RSPO by covering its most recent Annual Meeting of the General Assembly. Its efforts towards improving reporting and traceability for enhanced transparency is moving the palm oil sector toward sustainability. As palm oil continues to be fundamental to maintaining global food security, voluntary sustainability standards such as the RSPO will play an increasingly important role in steering the overall sector towards sustainability.

### General Assembly Summary

The RSPO opened with a review of its achievements, finances and commitment to improving reporting among its membership. Six resolutions were tabled, focusing on accessibility to RSPO certification and use of the trademark, membership reporting and enhancing traceability. Specifically, the resolutions on provisions for accessing certification without requiring membership and the

use of the RSPO trademark logo on packaging without requiring supply chain certification were withdrawn, while the resolutions to enhance reporting requirements by harmonizing timelines and clarifying rules and strengthening transparency via the mandatory declaration of mills were accepted. The resolution on the declaration of known certified mills linked to book and claim, mass balance or segregated systems was particularly controversial and narrowly passed.

### Administrative Developments

The RSPO has expanded its scope to enhance sustainable development; a partnership has been developed with a high-conversation value assessment group; new human rights guidelines have been devised; reductions to less than USD\$1 per transaction is being worked on; an improved greenhouse gas calculator has been developed; and a carbon assessment tool is being devised to assess high-carbon stocks. Efforts will be made for reporting requirements to be respected by suspending or terminating the memberships of contravening members.<sup>2</sup> Electronic voting has been introduced to encourage members to participate in the General Assembly. The Secretariat and Board of Governors are working together to establish a 5-year plan to better serve the industry.

The organization is expanding. In addition to its current offices in Malaysia, Europe and Indonesia, another office is planned in China and a representative has been hired in South America. It finished the year with a strong balance sheet featuring a surplus of MYR10 million and net assets of MYR25.2 million. A portion of the net assets is dedicated to the smallholder's fund, which increased from MYR6 million to MYR11.5 million. Income and costs are expected to increase in 2014/2015 to approximately MYR31 million and MYR27.8 million<sup>3</sup> respectively.

<sup>1</sup> The RSPO conference featured world-renowned environmental activist David Suzuki as keynote speaker.

<sup>2</sup> The RSPO requires its members to submit an Annual Communication of Progress report. Thus far 40 per cent of the membership have not submitted their reports while 16 per cent have not submitted for 2 years in a row and 5 per cent have not submitted for 3 years in a row.

<sup>3</sup> Project costs in the technical, impacts and communications divisions are budgeted at approximately RM 8 million, 3 million and 2 million respectively for the 2014/2015 fiscal year



## RSPO RT12 conference on sustainable palm oil panel discussion on achieving zero deforestation.

### Working Towards Sustainable Palm Oil

Derived from the African Palm plant, palm oil became the largest source of vegetable oil consumed globally in 2004.<sup>4</sup> Its global average yield is 3.6 metric tonnes per hectare (with yields ranging from less than 1 to more than 7 metric tonnes per hectare<sup>5</sup>), five to ten times greater than the average global yield of other leading vegetable oils.<sup>6</sup> Its high crop yields and low manufacturing costs make it an incredibly accessible and profitable vegetable oil. Palm oil has become ubiquitous in numerous food products and demand continues to rise significantly, positioning it as the most important vegetable oil for food security in many regions of the world.

Palm oil production can only be cultivated 5° to 10° north and south of the equator in regions where there tends to be high levels biodiversity. Malaysia and Indonesia have become the largest producers of palm oil, representing 87 per cent of global production.<sup>7</sup> The expansion of palm oil production has led to deforestation and the loss of habitat to the detriment of some indigenous peoples and species.<sup>8</sup> The burning of tropical peat forests to make way for palm oil plantations has been especially damaging due to important carbon stores being released into the atmosphere. Guiding the palm oil industry towards sustainability is an important challenge that needs to be addressed in order for it to continue contributing to global food security over the long term.

Voluntary sustainability standards have emerged as a means for managing sustainable practices in the production and delivery of various goods and services. Through a combination of predefined sustainability criteria and corresponding conformity assessment systems, voluntary sustainability standards can provide a mechanism for avoiding unintended consequences of production and therefore have an important role to play in the palm oil sector.

Established as an association in 2004, the Roundtable for Sustainable Palm Oil (RSPO) is one of the leading standards operating in the palm oil sector. The RSPO actively guides the industry towards sustainability by promoting the growth and use of sustainable palm oil. The roundtable is made up of stakeholders from the palm oil supply chain and is organized into seven groups<sup>9</sup> who have adopted eight principles<sup>10</sup> with associated criteria and indicators. In 2008 it introduced Certified Sustainable Palm Oil (CSPO) to the market with its own trademark.<sup>11</sup>

#### Standard Developments

Four out of six resolutions tabled at the General Assembly passed and two were withdrawn. Two administrative resolutions easily passed: **Resolution 6a** – Appointment of PricewaterhouseCoopers as auditors of the RSPO for the 2014/2015 fiscal year and **Resolution 6b** – Resolution to amend the RSPO statutes and code of conduct. The following two resolutions were withdrawn: **Resolution 6c** – Removing barriers to market uptake of RSPO certified palm oil and **Resolution 6d** – Promote a wider use of the

RSPO trademark. Most importantly, the following resolutions to enhance transparency passed: **Resolution 6e** – Changing reporting period of Annual Communication of Progress and definition of clear reporting rules and **Resolution 6f** – Declaration of Mills.

The administrative resolutions unsurprisingly passed with little-to-no resistance. PricewaterhouseCoopers was unanimously appointed as the auditors of the RSPO for the upcoming financial year. Amendments proposed to the RSPO’s statutes and code of conduct consisting of removing terms no longer in use, making

<sup>4</sup> Rosillo-Calle, F., Pelkmans, L., & Walter, A. (2009, June). A global overview of vegetable oils, with reference to biodiesel. Report for the IEA Bioenergy Task 40. IEA Bioenergy.

<sup>5</sup> Levin, J. (2012). *Profitability and sustainability in palm oil production: Analysis of incremental financial costs and benefits of RSPO compliance*. WWF, FMO and CDC, 2012.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Hickman, M. (2009, May 2). The guilty secrets of palm oil: Are you unwittingly contributing to the devastation of the rain forests? *The Independent*. Retrieved from <http://www.independent.co.uk/environment/the-guilty-secrets-of-palm-oil-are-you-unwittingly-contributing-to-the-devastation-of-the-rain-forests-1676218.html>

<sup>9</sup> 1) Palm oil growers, 2) Palm oil processors, 3) Consumer goods manufacturers, 4) Environmental non-governmental organizations (NGOs), 5. Social NGOs, 6) Banks/investors, 7) Retailers (Hickman, 2015)

<sup>10</sup> 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 mills, 7) Responsible development of new plantings, 8) Commitment to continuous improvement in key areas of activity (Hickman, 2015)

<sup>11</sup> Ruyschaert, D. & Salles, D. (2014, November). Towards global voluntary standards: Questioning the effectiveness in attaining conservation goals: The case of the Roundtable on Sustainable Palm Oil (RSPO). *Ecological Economics*, 107, 438–46, doi:10.1016/j.ecolecon.2014.09.016.





## Proponent presenting their rationale for their proposed resolution at the General Assembly

provisions to appoint honorary members and giving more power to the secretary general to terminate or suspend members were accepted according to the following vote count: 152 For, 33 Against, 1 Spoiled, 31 Abstained. Providing the secretary with additional power to terminate or suspend members was especially important in light of the RSPO's efforts to improve the fulfillment of its reporting requirements for enhancing transparency.

The withdrawn resolutions were aimed at enhancing the consumption of RSPO-certified sustainable palm oil by reducing barriers to RSPO certification and use of the RSPO trademark. In light of the fact that there is currently a greater supply of RSPO certified palm oil in the market than there is demand, these resolutions stimulated important debate and were relegated to the board for further consideration and review. The tradeoff between fast tracking the uptake of certified sustainable palm oil for making sustainability claims versus ensuring that the RSPO remains a rigorous sustainability standard with stringent requirements was made evident in the discussions that these resolutions initiated between the members.

Proponents of **Resolution 6c** argued that supply chain actors should be able to obtain RSPO certification via supply chain audit without having to first become an RSPO member, since this would boost market demand for sustainable palm oil, especially among the small consumers of palm oil. Members opposing the resolution argued that responsibility needed to be shared all along the supply chain for moving the palm oil sector towards sustainability. Furthermore, it sets a dangerous precedent since the RSPO will have limited influence on certified entities when compared to its members. It was decided that the resolution should be withdrawn, examined by the board and reformulated for consideration at a later date.

Proponents of **Resolution 6d** maintained that the rules in place for using the RSPO trademark lack flexibility: "This resolution will allow members in the supply chain who are not required to obtain certification to use the trademark and communicate its use."<sup>12</sup>

Provisions are needed to facilitate an increased and consistent use of the RSPO trademark, shifting the market towards more certified sustainable palm oil. Members opposing the resolution pointed out that an RSPO task force is already reviewing rules on communications, claims and the use of the trademark. Passing the resolution would undermine their efforts to look at all the options for moving forward. The resolution was withdrawn, with the board and task force committing to examine its position further.

Two important resolutions that are focused on enhancing transparency were adopted. Resolutions concerning improving RSPO member reporting and enhancing certified sustainable palm oil traceability via the declaration of certified mills were both passed by the delegates. The orientation of these resolutions and voting outcomes demonstrate the RSPO's commitment to transparency as the organization continues to critically examine its system and adopt new measures to ensure that it remains an open voluntary sustainability standard that is raising the bar for the palm oil sector. Nevertheless, the resolution on the declaration of mills that narrowly passed was quite controversial among the membership and sparked important debate.

Proponents of **Resolution 6e** applauded the RSPO's efforts to enforce the submission of the Annual Communication of Progress among its members to maintain transparency. Nevertheless, they pointed out that reporting timelines and requirements are inconsistent and confusing, complicating the reporting process. A discussion on selecting a suitable reporting timeline ensued with some in favour of adopting a full calendar year and others an end-of-March timeline. "If the Annual Communication of Progress are ready for March/April, it would be available for RSPO reporting in November."<sup>13</sup> Discussions on clearer reporting guidelines also took place, with proponents maintaining that it would benefit RSPO's reputation. For instance, further information for retailer reporting requirements was requested and the need to report on countries and regions close to being part of the supply chain was proposed. The resolution passed unanimously with some abstentions (131 For, 0 Against, 36 Abstained).

<sup>12</sup> Boots UK Limited, Carrefour, Delhaize Group SA/NV, REWE Group, Soapworks Ltd. and Wal-Mart Stores Inc. Representative, *Proposed Resolution at the 11th General Assembly of the Roundtable on Sustainable Palm Oil - Resolution 6d: Resolution to Promote Wider Use of the RSPO Trademark* (Kuala Lumpur, 2014).

<sup>13</sup> Roundtable on Sustainable Palm Oil Member, *Proposed Resolution at the 11th General Assembly of the Roundtable on Sustainable Palm Oil - Resolution 6e: Changing Reporting of ACOP and Definition of Clear Reporting Rules* (Kuala Lumpur, 2014).



Audience members attending the General Assembly

**Resolution 6f** narrowly passed (96 For, 84 Against, 37 Abstained). Some members felt that they have moved the RSPO closer to full traceability for enhancing transparency, while others wondered how to follow through on the declaration of mills. The proponents of the resolution maintained that purchasers of certified sustainable palm oil should know which certified mill or mills it originated from, which should not result in additional costs. The resolution would move the RSPO toward full traceability and assist with achieving zero deforestation.

Some members felt that certified sustainable palm oil and certified palm kernel oil already require some traceability and pointed out that the list of certified mills is posted on the RSPO website. The proponent countered by maintaining that consumers want to know where their palm oil comes from and the system currently does not allow for tracing all transactions back to mills. Book and claim green palm certificates already have information on certified mills, while etrace mass balance and segregated palm oil transactions do not require their disclosure. Disclosing certified mills should be feasible since this information is in the system. A member pointed out that disclosing certified mills for sales based on mass balance will be difficult since tracing mixed certified and uncertified product is more challenging. Furthermore, tracing palm

kernel oil is challenging, as palm kernels are typically collected at a number of facilities before being crushed. The proponent conceded that it might be more difficult for palm kernel oil, but that is why traceability to the palm kernel crushing plants is important. "Right now there is not enough traceability in the system and we don't know if we should go to Malaysia or Indonesia for our needs."<sup>14</sup>

It was also pointed out that tracing back to the mill may benefit some operations more than others since environmentally friendly mills may become more competitive. This potential outcome was supported by some members, as the mills using best practices should be identified. The proponent indicated that mills are revealed when Green Palm certificates are bought, so there is no discrimination. Since the resolution was tabled by Unilever, a member questioned the motivation behind the resolution by asking: "Are your intentions to support specific mills in your supply base?" The proponent responded that Unilever needs to understand where the palm oil it purchases comes from even though traceability may be challenging. Out of the 900 plus mills in the Unilever palm oil supply chain only 10 per cent are certified. The proponent concluded by stating: "We will all benefit from more transparency, which will help move the palm oil sector to sustainability."


<sup>14</sup> Unilever Representative, Proposed Resolution at the 11th General Assembly of the Roundtable on Sustainable Palm Oil - Resolution 6f: Declaration of Mills.

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**Acknowledgements:** The SSI extends its sincere gratitude to the Roundtable for Sustainable Palm Oil Secretariat for providing access to their Annual Meeting of the General Assembly and ensuring that the contents of the report is accurate.

The **Standards Reporter** communicates and contextualizes the latest developments within voluntary sustainability initiatives and is published by the State of Sustainability Initiatives (SSI). The objective of the SSI is to enhance the global understanding and learning about the role and potential of market-based voluntary sustainability initiatives such as eco-labels, sustainability standards and roundtables. The SSI is a collaborative effort funded by the State Secretariat for Economic Affairs (SECO) and led by the International Institute for Sustainable Development (IISD), the International Institute for Environment and Development (IIED) and the Finance Alliance for Sustainable Trade (FAST)

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