

A large, detailed photograph of a palm tree in a tropical forest. The tree's fronds are dense and green, filling much of the upper and middle portions of the frame. In the lower right, a person wearing a yellow hat and blue shorts is visible, holding a long pole and looking up towards the tree. The background shows a lush, green forest under bright sunlight.

CHOOSING SUSTAINABLE PALM OIL

Progress report on the import and use
of sustainable palm oil in Europe

espo

EUROPEAN SUSTAINABLE PALM OIL

FACTS & FIGURES 2017

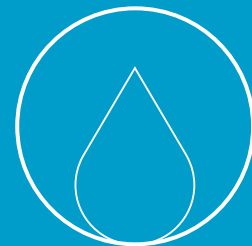
WHY WE USE PALM OIL



GLOBAL
FOOD SECURITY



HIGHEST
YIELD



VERSATILE
PROPERTIES



RURAL INCOME
AND DEVELOPMENT

MAKING PALM OIL SUSTAINABLE TO:



Respect
human rights



Protect forests
and wildlife



Use best practises
to increase yield
without expanding
into new areas



Provide education
and health
services to rural
communities



RSPO

2.51 million hectares certified under the
Roundtable on Sustainable Palm Oil
standard in 2017

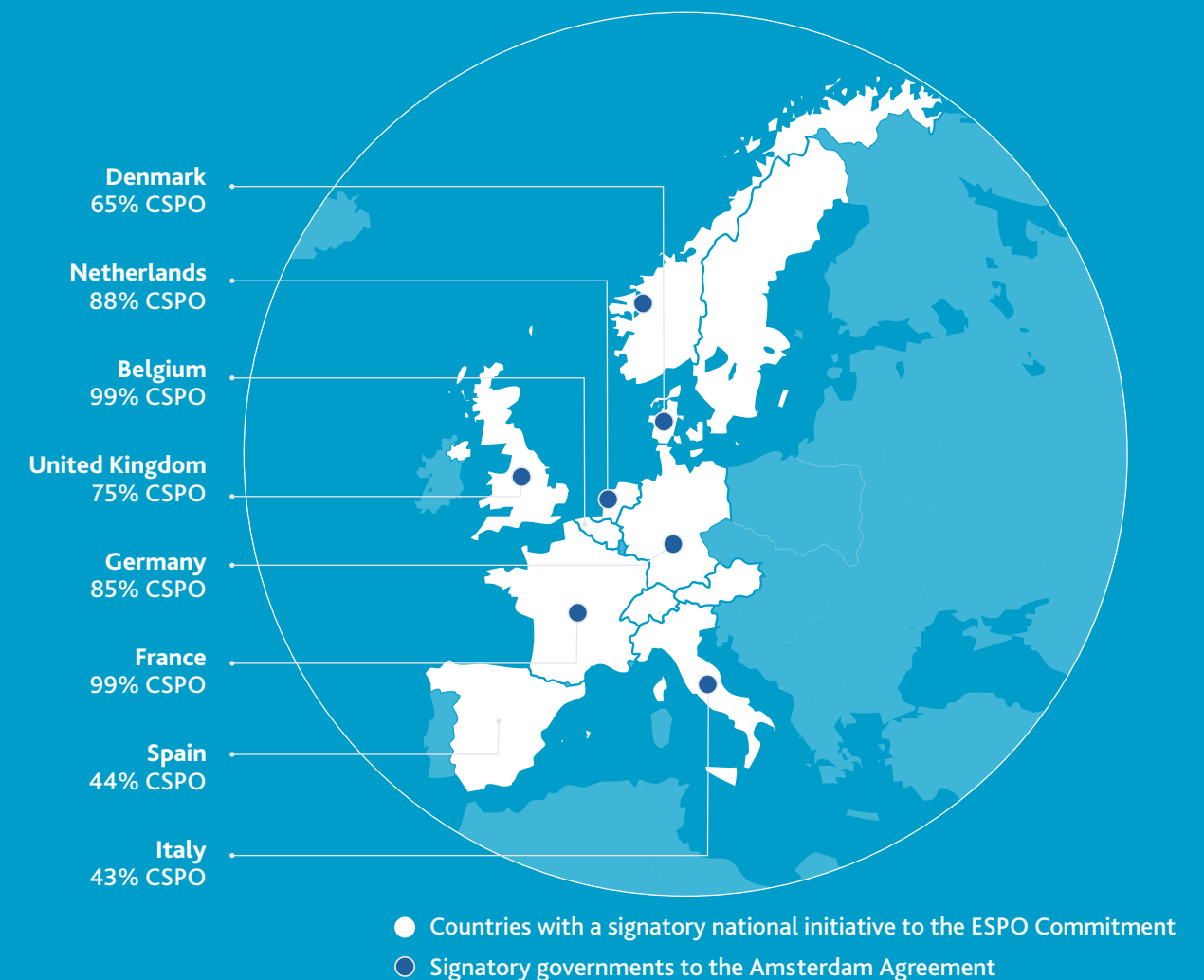
ISPO

2.1 million hectares certified under the
Indonesian Sustainable Palm Oil
standard in 2017

MSPO

518,793 hectares certified under the
Malaysian Palm Oil standard in 2017

WHERE WE ARE WORKING ON SUSTAINABLE PALM OIL¹



99%

of the palm oil imported
into Europe was traceable
to the oil mill

Source: FEDIOL (2017)

84%



of palm oil imported into
Europe is sourced under
No Deforestation, No Peat,
No Exploitation
(NDPE) policies

Source: Chain Reaction Research (2017)

271,000
tonnes



of palm oil imported into
Europe were covered
by RSPO credits
bought by European
companies

Source: RSPO (2017)



8100
tonnes

of palm oil imported into
Europe were covered
by RSPO independent
smallholder farmer credits
bought by European
companies

Source: RSPO (2017)



74%

of the palm oil imported for
food¹ into Europe was RSPO
certified sustainable palm oil

¹Including small volumes for feed
and oleochemical

Source: RSPO, Eurostat and Oil World (2017)

Target
100%
sustainable
palm oil
in Europe by
2020

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EU Vegetable Oil and Protein Meal Industry Association,
IMACE - the European Margarine Association, and the ten
national initiatives for sustainable palm oil in Europe.

Supported by
Schuttelaar & Partners





Commitment to Support 100% Sustainable Palm Oil in Europe

We declare to work together and support each other in transforming toward a 100% sustainable palm oil supply chain in Europe by 2020

The Amsterdam Palm Oil Declaration

by the following European governments:

Denmark
France
Germany
Italy
The Netherlands
Norway
United kingdom





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1 Preface



1 Preface

From baked goods to body creams, palm oil plays a big part in our day-to-day lives. Demand for the world's most versatile vegetable oil has been increasing for several years, and more and more farmers, smallholders, and labourers in Africa, Asia, and South America are turning to the high-yield crop for income. But with this positive economic growth, there is also the increased risk of unsustainable production processes demolishing tropical forests and peatland, and unethical practices threatening livelihoods of smallholders and surrounding communities. Europe, as the second largest global importer of palm oil has an important role to play by ensuring 100% of the palm oil in the products we manufacture and use to be sustainable.

It was to this end that IDH (The Sustainable Trade Initiative) and MVO (The Netherlands Oils and Fats Industry) established the European Sustainable Palm Oil (ESPO) project in 2015 - unifying supply chain actors across Belgium, Denmark, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden and the United Kingdom - and working with governments and other stakeholders to develop specific action plans to achieve 100% certified sustainable palm oil in Europe by 2020. Three years in, and two years from our goal, how are we faring?

In this third annual report, based on public sources, expert views, and the most recent and complete data available, we present our latest figures on imports and use. Thanks to our European partners, we now have information on import and trade flows in ten European countries.

The overall outcome is encouraging: 99% of palm oil entering Europe is now traceable to oil mill level. 84% of all palm oil is covered by company sustainability policies that focus on 'No Deforestation, No Peatland and No Exploitation'. At the same time, producing countries such as Indonesia, Malaysia, and Colombia are stepping up their efforts through national-level standards for mainstream sustainable production. Furthermore, regional and district governments in collaboration with the private sector are developing stronger governance mechanisms to monitor and support sustainable production.

On the other hand, in 2017, 74% of palm oil imported into Europe for the food, feed and oleochemical sectors was certified sustainable (CSPO). This leaves a large gap to be filled within a short timeframe.

To reach the 2020 target, we urgently need to dial up the demand for sustainable palm oil throughout the value chain. And we call on the private sector, governments, and NGOs to step up action to help us achieve this goal.

Manufacturers and retailers, you will be at the forefront of this drive; it is about buying sustainable palm oil in order to eliminate the market for a product that does not conform to legal, economically viable, environmentally conscious and socially beneficial standards.

Governments, we call on you to step up, through policy, starting with public procurement, to support companies in making this shift. More governments need to sign the 'Amsterdam Declaration in Support of a Fully Sustainable Palm Oil Supply Chain by 2020' and all need to engage at the highest level in a dialogue with private sector and producing countries to identify bottlenecks and find solutions.

And last but by no means least, NGOs: we ask you to support our strategy for engagement and dialogue to promote sustainability with fair reporting. Calling for a ban on palm oil will not stop deforestation. It does not help to improve livelihoods of farmers. At the same time both landscapes and livelihoods have to be improved by championing more ethical production.

We have two years left to achieve a 25% increase in the import of sustainable palm oil. But it is only through a surge in our combined efforts that we will drive the change towards 100% certified sustainable palm oil that is traceable to plantation by 2020.

Joost Oorthuizen
Executive Director
IDH - the Sustainable Trade Initiative

Frans Claassen
Managing Director
MVO - The Netherlands Oils & Fats Industry
Chair, European Palm Oil Alliance



Joost Oorthuizen



Frans Claassen



2 The palm oil sustainability challenge



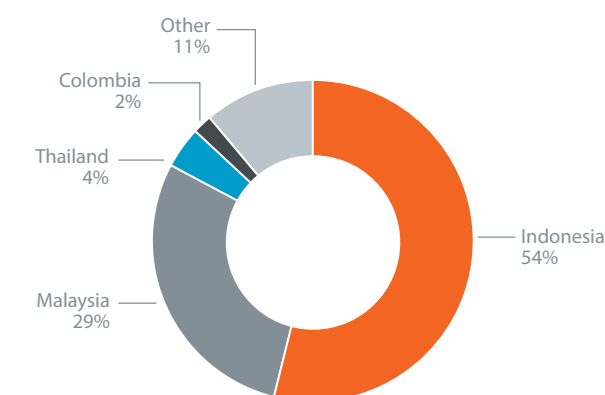
2 The Palm Oil Sustainability Challenge

Palm oil is the most widely produced, consumed and traded vegetable oil in the world. Highly versatile in usage and extremely efficient in yield, palm oil has seen a significant increase in global production and has become an important economic crop for many emerging and developing nations. But there is a risk. Grown in the wrong way, palm oil can have a negative impact on people, wildlife, nature and climate. If produced sustainably, however, palm oil can play an important role in sustainably meeting the growing global demand for vegetable oils.

About half of all packaged goods in the supermarket contain palm oil as an ingredient. This includes both food and non-food items. Palm oil is also used in the production of biofuels. With increasing demand, palm oil production has grown tremendously over time. The oil palm is cultivated in almost all the tropical regions of the world. The main plantation areas are in Indonesia and Malaysia but, increasingly, it is also being cultivated in South America and Africa. As a result, palm oil production has grown exponentially, as illustrated in figures 1 and 2.

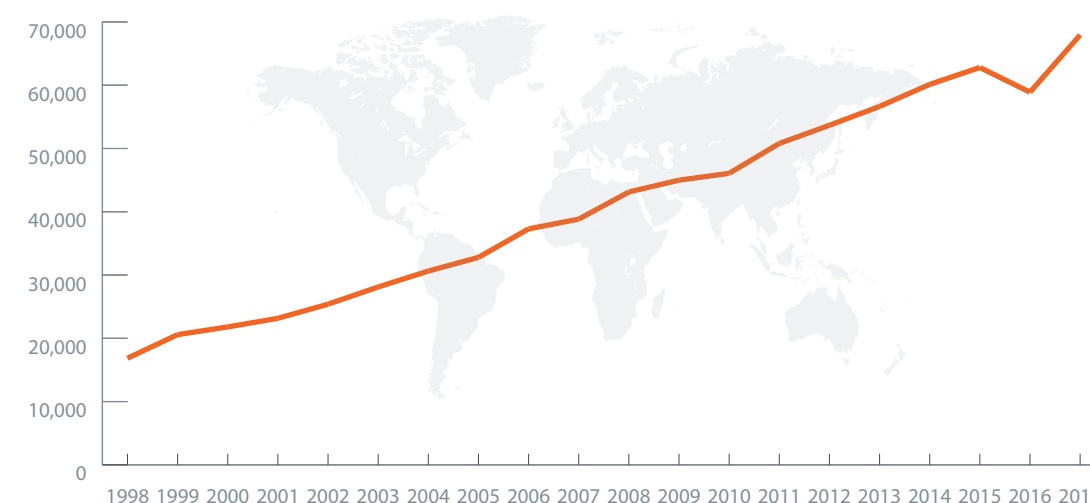
Oil production is the main reason for cultivation of oil palm trees. Its orange fruits grow in bunches and each one consists of pulp and a kernel. Palm oil comes from crushing the pulp, while the crushed kernel produces palm kernel oil. The residue that is left after extracting the oil from the kernel is palm kernel meal which can be used for feed. Oil palm trees produce up to ten times more oil per hectare than any other crop. Its efficiency in production, versatility in application and high oil content make palm oil the number one vegetable oil.

FIGURE 1
Palm oil production by country in 2017



Source: Oil World 2018

FIGURE 2
Global palm oil production over time
(x 1000 tonnes)



Source: Oil World 2018

Both economically and socially, palm oil is important. It drives the economies of many emerging and developing nations, and its production contributes to the livelihoods of millions of people.² In the main producing countries, Indonesia and Malaysia, around 60% of the area planted with palm oil trees is operated as large scale plantations, while some three million smallholders account for 40% of total production. Despite its social and economic benefits, palm oil production also faces significant challenges as it can be linked to deforestation, land conflicts and human rights violations. This is reflected in the many initiatives covering different topics that are designed to harness the positive impact of palm oil production while addressing its adverse effects. They range from certification and private sector commitments, mainly in the area of forest protection, to no use of peatland, no exploitation and landscape approaches.

2.1 Sustainability Initiatives in the palm oil supply chain

Certified sustainable palm oil

The two dominant private palm oil production certification systems are the Roundtable on Sustainable Palm Oil (RSPO) and the International Standard for Carbon Certification (ISCC). RSPO is a global, multi-stakeholder initiative on sustainable palm oil. Members of RSPO and its stakeholders include plantation companies, processors and traders, consumer goods manufacturers and retailers of palm oil products, financial institutions, environmental NGOs and social NGOs. They come from many countries that produce or use palm oil. During 2018, some key areas in the Principles & Criteria (P&C) of RSPO were reviewed and improved. These included addressing deforestation, peatland protection and conservation, human rights, labour rights and exploitation. Furthermore, the review process highlighted the need to simplify the certification approach for smallholders. This resulted in the current development of a new standard for smallholders, including exploring a continuous, phased improvement in compliance over a period of time. A total of **2.51 million hectares were certified under the RSPO standard in 2017**. ISCC certifies the biomass and bioenergy industries, oriented towards the reduction of greenhouse gas emissions, sustainable land use, protection of the natural biosphere and social sustainability. ISCC distinguishes between two different chain of custody models (Mass Balance and Segregation) and in doing so fulfils the traceability requirements of the EU Renewable Energy Directive (RED) and the Fuel Quality Directive (FQD).

The two public certification systems are the Indonesian Sustainable Palm Oil (ISPO) standard and the Malaysian Sustainable Palm Oil (MSPO) certification scheme. In Indonesia, the government initiated a public programme to improve sustainable palm oil production to respond to international market reality and enhance the competitiveness of its industry. This resulted in the ISPO standard, created in 2011 as a mandatory certification system for all companies in the Indonesian palm oil sector. Its focus is on compliance with the Indonesian legal framework, making it an important initiative, especially for smallholders. **2.1 million hectares were certified under the ISPO standard in 2017**: this is 200,000 hectares more than in 2016.³ The MSPO was initiated by the Malaysian government and formally implemented on a voluntary basis for Malaysian companies in 2015. The Malaysian government offers palm oil producing companies financial incentives in support of MSPO certification. **In December 2017, 518,793 hectares were certified under the MSPO standard**, almost double the area compared to September 2017.⁴

Public and private sector commitments

Several companies that source or produce palm oil have made individual and sector-wide commitments related to zero deforestation, no production on peatland, reduction of greenhouse gas emissions and the protection of human rights. These commitments are therefore often referred to as NDPE (No Deforestation, No Peat, No Exploitation). A recent publication shows that of the 629 companies assessed, the majority (59%) had made commodity-specific commitments on reducing deforestation.⁵ In 2017, **84% of palm oil imported into Europe was sourced under NDPE policies**.⁶ Traceability is key to combatting deforestation in commodity supply chains and **99% of the palm oil imported into Europe in 2017 was traceable to the oil mill**. Major food companies such as Unilever, Ferrero, Mondelez and others have recently taken important steps by publishing their entire palm oil supply chains, including both their direct suppliers and the mills that indirectly supply them. Similarly, Wilmar International very recently issued a joint statement with Aidenvironment and supporting consumer goods companies, giving details of its new supplier monitoring and engagement programme.⁷ Such transparency and traceability are essential to halt deforestation, not just for palm oil but also for other commodity supply chains such as beef and soya.

Another sector-wide example is the ‘Commitment to support sustainable palm oil in Europe’. This partnership is coordinated by the European Sustainable Palm Oil project (ESPO). Various National Palm Oil Initiatives in Europe have joined forces in ESPO to commit to 100% certified palm oil and to zero palm-oil-related deforestation by 2020. This private sector palm oil pledge was formally introduced during a conference organised by the Dutch Ministry of Foreign Affairs in Amsterdam in December 2015. Simultaneously, the governments of key European Union countries declared their support for the project by signing the Amsterdam Palm Oil Declaration in support of a “private sector-driven commitment to 100% sustainable sourcing and increased traceability of palm oil by no later than 2020.” The wider Amsterdam Declarations are intended to stimulate private sector commitment and progress on agricultural commodities associated with deforestation (such as palm oil, soya and cocoa).

Sustainable landscapes and smallholder inclusion

Another important driver for sustainable palm oil production is the integrated landscape approach, which brings together companies, local communities, NGOs, the government and other stakeholders to develop sustainable land use plans and robust governance mechanisms. Many organisations are currently piloting projects at landscape level in palm oil producing countries. Among these, IDH - the Sustainable Trade Initiative (one of the initiators of ESPO) is implementing a landscape approach in different provinces in Indonesia.

An essential part of IDH’s approach are Compacts. A sustainability improvement deal (the Compact) is made between private, public and civil society stakeholders at jurisdictional level, e.g. a municipality, district or province, in a producing region. The Compact details priority sustainability topics, targets and responsibilities, seeking to make best use of the strengths of each of the partners involved. A Letter of Intent to develop a Compact in Aceh Tamiang was signed on 2 November 2018 by the Regent of Aceh Tamiang, GAPKI Aceh, Forum Konservasi Leuser (FKL) and IDH Indonesia, and several multinational companies also plan to sign soon. The parties commit to develop the sustainability improvement deal (or green growth plan) by May 2019.

The Compact is the first step towards a Verified Sourcing Area (VSA). VSAs are a new model for providing large volumes of commodities in line with sustainability commitments at a competitive scale and price, while lifting the base

level of sustainability in producing regions. The objective is to verify the sustainability of an entire jurisdiction (a municipality or district and later a province or state) so it is no longer necessary to verify each producer, mill or commodity individually. This allows sustainability targets related to forest and peat protection, labour, land tenure, governance and transparency to be much more ambitious in scale and impact.

The Compact has a mandatory core: the global VSA Performance Standard, the current draft of which covers five key themes of global concern: forest and peat protection, good governance, labour, land tenure and transparency. In the VSA model, any buyer, trader or interested third party will be able to easily assess the producing region’s status and progress on key sustainability targets. This way, committed end-buyers can have a better understanding of the products in their supply chain and improve sustainability with direct support for the producing region.

Throughout this report we highlight case studies in palm producing countries that demonstrate how various stakeholders are working together on the ground to integrate smallholder producers into international supply chains, in many cases using a landscape approach.

² IDDRI (2017), Implementation and effectiveness of sustainability initiatives in the palm oil sector, a review.

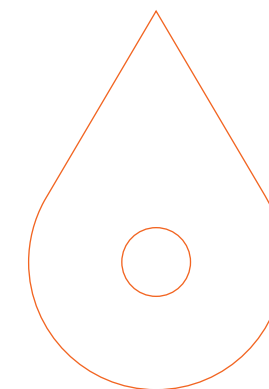
³ Indonesian Sustainable Palm Oil (ISPO): <http://www.ispo-org.or.id/index.php?lang=en>

⁴ Malaysian Palm Oil Certification Council (MPOCC): MSPO Certified Areas & Mills – As of December 2017 (ppt).

⁵ Climate Focus. 2016. Progress on the New York Declaration on Forests: Eliminating Deforestation from the Production of Agricultural Commodities – Goal 2 Assessment Report. Prepared by Climate Focus in cooperation with the NYDF Assessment Coalition with support from the Climate and Land Use Alliance and the Tropical Forest Alliance 2020. <http://forestdeclaration.org/wp-content/uploads/2015/11/2016-Goal-2-Assessment-Report.pdf>

⁶ Chain Reaction Research. 2017. Unsustainable Palm Oil Faces Increasing Market Access Risks: NDPE Sourcing Policies Cover 74 Percent of Southeast Asia’s Refining Capacity. <https://chainreactionresearch.files.wordpress.com/2017/11/unsustainable-palm-oil-faces-increasing-market-access-risks-final-2.pdf>.

⁷ Available at: <https://www.wilmar-international.com/sustainability/wp-content/uploads/2018/12/JOINT-STATEMENT-FINAL-07122018-with-Signatures-v3.pdf>



Case study: "Aidenvironment – Sustainable landscape projects in West Kalimantan"

Aidenvironment is a value-driven consultancy that combines its knowledge of value chains and landscapes to enhance sustainable production and trade. It sees economic development as an activity that blends perfectly with nature conservation. Aidenvironment's Asia office is based in Indonesia and it is working with private sector companies, donor organisations and NGOs on the transformation of the palm oil, timber and rubber sectors. "This transformation entails two core approaches", Fenneke Brascamp, sustainable landscapes programme manager at Aidenvironment Asia, tells us. "One is ensuring full traceability in supply chains, including traders, refineries and growers. The other is the landscape approach."

With regard to traceability, Aidenvironment helps consumer companies trace palm oil through their supply chains: a costly and time-consuming task. "Various types of research are conducted for this, such as desk research, the collection of satellite images and drone footage for geographical and agricultural information, and continuous monitoring", says Priscillia Moulin, sustainable sourcing programme manager at Aidenvironment. Since the fruit only stays fresh for one or two days, bunches can be traced back to the plantation within an area 24-48 hours driving distance around the mills. Aidenvironment engages directly with palm oil suppliers, using a landscape approach. "Together with our partners, we are working with palm oil companies to set up sustainability policies and looking for opportunities for them to work together with the government, NGOs and villages on a landscape level", says Brascamp. "Due to their 25 to 30-year commitment to a plantation, these companies usually recognise they are long-term stakeholders in the landscape and can therefore contribute to its development", she explains. In order to get there, Aidenvironment carries out spatial planning in villages around the plantation to see which products other than palm oil could offer the villagers economic benefits, and their potential consequences for the landscape. "Palm oil trees need to grow for five years before they fruit and provide few employment opportunities in this period, so other non-timber forest products may offer temporary employment for the villagers."

Brascamp admits that the myriad of actors within a landscape, besides the villagers and palm oil growers, make sustainable landscaping a difficult task. On the one hand, local or central government may have other plans for the areas protected from deforestation by Aidenvironment, or they lack a landscape overview as government institutions often still looking discrete sector blocks (e.g. agriculture, forestry). At the same time, other companies may have an adverse impact on the environment and claim they cannot influence regional planning. Against this backdrop, Aidenvironment set up a forum in Ketapang district, West Kalimantan, where all these actors can connect. This allows community representatives, NGOs and companies to share their knowledge as a way to help the government with sustainable landscape planning.

One of the outputs of this forum is the business case for Indonesian palm grower Bumitama to take a landscape approach. They have been supported through the Bumitama Biodiversity and Community Project (BBCP), convened by IDH. Together with implementer of the project Aidenvironment, Bumitama has been working on the development of a wildlife corridor between two high conservation value areas across some of their palm oil concessions in Ketapang district. Local communities living in and around the corridor were simultaneously supported in establishing land use plans.

Concluding, Brascamp says: "Aidenvironment believes that sustainable palm oil production can be ideally integrated into the landscape if the palm oil industry takes responsibility for sustainable local economic development while protecting valuable natural resources."

"We believe that sustainable palm oil production can be ideally integrated into the landscape if the palm oil industry takes responsibility for sustainable local economic development while protecting valuable natural resources."

Fenneke Brascamp,
sustainable landscapes
programme manager
Aidenvironment



3 Sustainable Palm Oil in Europe



3 Sustainable Palm Oil in Europe

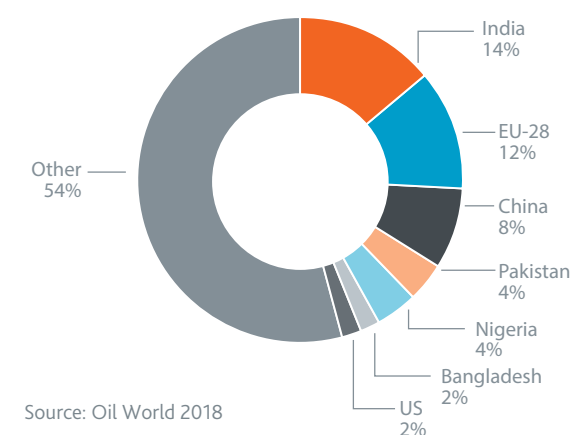
As the second largest importer, Europe plays a key role in the global palm oil market. The Netherlands, Germany, Spain and Italy in particular are large European importers who hold a key position in the distribution of conventional and sustainable palm oil in the European market.

3.1 Import of palm oil into Europe

The EU-28, India and China are the three largest importers of palm oil. Other significant importing countries include Pakistan, Nigeria, Bangladesh and the US, as illustrated in figure 3.

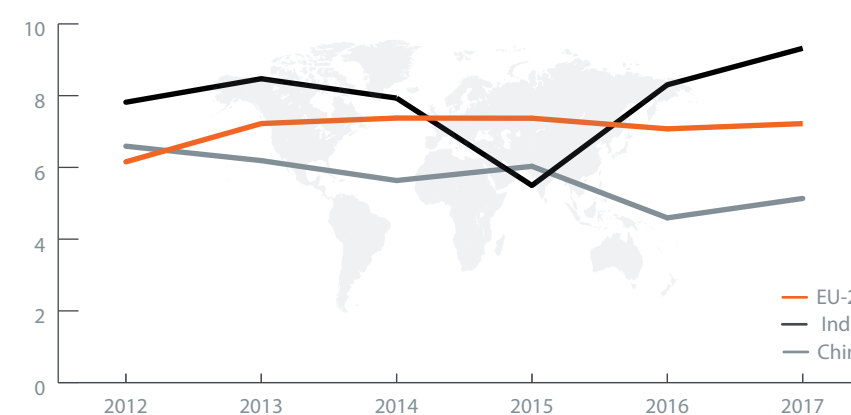
Figure 4 shows that palm import by the EU-28 have been relatively stable since 2013. The European Union imported 7.2 million tonnes in 2017, of which 3.8 million tonnes for the food industry* and 3.4 million tonnes for the energy sector. All feedstock used for biofuels in the EU must comply with the Renewable Energy Directive (RED). This accounts for 48% of Europe's palm oil imports. Only the 3.4 million tonnes used for food are considered in this report, as the RED already stipulates the use of 100% certified feedstocks.

FIGURE 3
Relative share of palm oil importing countries calculated using import in tonnes



Source: Oil World 2018

FIGURE 4
Total annual import of palm oil to EU-28, China, and India (x million tonnes)

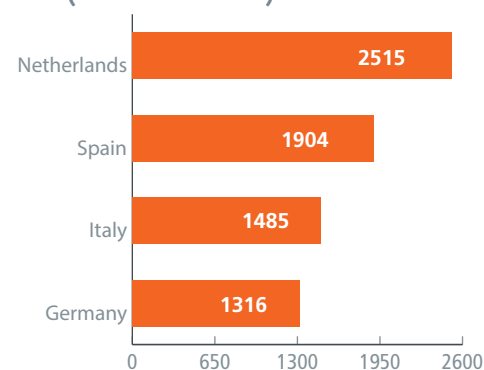


Source: Oil World 2018

*Including relatively small volumes for feed and oleochemical industry.

If we look at individual European countries in figure 5, it becomes clear that the Netherlands, Spain, Italy and Germany are the largest importers of palm oil in the European Union (EU). Belgium, UK, France and Poland are also significant players. At EU-28 level the total import of palm oil is equal to the total use, while trade between individual EU member states is also an important factor that needs to be considered. The Netherlands for instance, exports a significant volume of palm oil to other European countries, while Poland imports most of its palm oil from other EU countries.

FIGURE 5
Total imports of palm oil to the main players in EU (x 1000 tonnes)



Source: Eurostat/Comext, processed by Wageningen Economic Research for MVO - the Netherlands Oils and Fats Industry, 2018



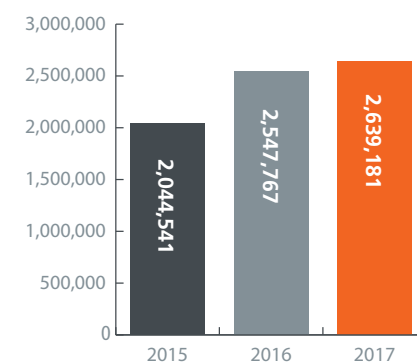
The ambition of ESPO and the national initiatives is to use 100% certified sustainable palm oil in Europe in the food, feed and oleochemical sector by 2020.

3.2 Sustainable palm oil in Europe

Figure 6 shows the import of RSPO physical certified sustainable palm oil (to refineries). RSPO is the main certification standard for sustainable palm oil used for food in Europe. Imports of RSPO certified palm oil into the EU-28 have increased rapidly from about 300,000 tonnes in 2012 to 2.6 million tonnes in 2017. This means that 74% of the palm oil imported for food into Europe was RSPO certified sustainable palm oil in 2017.⁹

More than 3 million smallholder farmers produce 40% of the world's palm oil. Certified sustainable palm oil helps smallholders to increase yields, improve their livelihoods, and reduce the risk of land conversion. Buying special independent smallholder farmer credits improves access to international markets. In 2017, 8,100 tonnes of palm oil imported into Europe were covered by RSPO independent smallholder farmer credits bought by European companies.

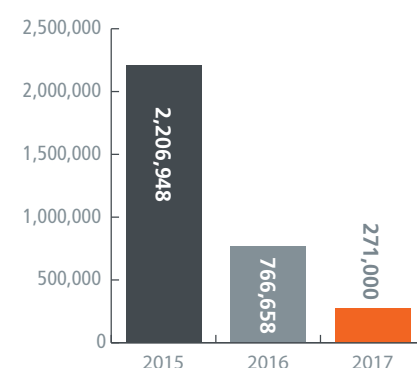
FIGURE 6
Import of physical RSPO certified palm oil in EU (in tonnes)



Source: RSPO 2018

In 2017, 271,000 tonnes of conventional palm oil used by the European food industry was covered by Book & Claim certificates. This significant drop in purchases of Book & Claim certificates in 2017 compared to 2016 is caused by a step-up to Mass Balance or Segregated supply chain models, which is a positive development.

FIGURE 7
Palm oil in EU covered by Book and Claim certificates (in tonnes)



Source: RSPO 2018

By 2020 ESPO and the national initiatives for sustainable palm oil aim to use 100% certified sustainable palm oil in Europe. The following chapters (4-13) deal with the progress being made towards this ambition in those European countries with national initiatives. This doesn't apply to all countries in Europe, as some are lacking a national initiative and are therefore unable to report on the use of certified palm oil. This report focuses on eleven countries, represented by ten national initiatives. In the coming years, we aim to conduct a monitoring for all European countries.

⁹ Including relative small volumes for feed and the oleochemical industry.



4

Belgium

The Belgian Alliance for Sustainable Palm Oil (BASP) was founded in 2012 and has members from sector federations and companies. Its 500 company members represent small and medium sized companies (SMEs) and large manufacturers throughout the value chain (for food and oleochemicals). The goal of 100% certified sustainable palm oil (CSPO) was reached in 2016 and so BASP is currently working towards more ambitious targets for 2020 in the areas of traceability, forest and peatland protection and support for smallholders while continuing efforts to rebalance the debate on palm oil.

4.1 Introducing the national initiative

The Belgian Alliance for Sustainable Palm Oil represents the most significant food manufacturers and vegetable oil refiners in Belgium. As well as the food sector, producers of oleochemicals, cosmetics, detergents, adhesives and sealants are also aligned with the initiative, together representing some 500 companies. Sector federations are also among BASP's members.

The commitment of the Belgian Alliance for Sustainable Palm Oil to have 100% CSPO by the end of 2015 has been met. At that time, the target was already combined with further ambitions in the areas of traceability, forest and peatland protection and support for smallholders by 2020. BASP defines sustainable palm oil as being certified according to RSPO principles and criteria. It should be traded in conformity with either Book & Claim, Mass Balance, Segregation or Identity Preserved.

On top of the 100% CSPO target already reached, members of BASP have committed to the following additional requirements by 2020:

- Sustainable palm oil must be fully traceable
- Sustainable palm oil production may not contribute to deforestation - preserving forests with High Conservation Values, High Carbon Stock Areas and peatland, irrespective of their depth
- Producers have to take action to reduce greenhouse gas emissions through the use of RSPO Best Practices
- Sustainable palm oil respects the rights of workers, local communities and the population, based on the principle of free, prior and informed consent of the communities
- Sustainable palm oil production promotes the development of small and independent farmers by involving them in the supply chain

Besides aiming for 100% CSPO and beyond, BASP aims to restore the image of palm oil in Belgium and rebalance the debate on palm oil from a sustainability and nutritional point of view.

4.2 Activities

To promote a more balanced public debate on palm oil and ensure a greater uptake of sustainable palm oil, BASP proactively engages with the media and other relevant stakeholders. This is done in coordination with relevant organisations at both national and international levels. This year, for example, BASP engaged with NGOs following a critical report.

"We immediately acted on the challenges they put to us and remain in a constructive dialogue", says Jelmen Haaze, secretary general at BASP. BASP also organised a palm oil conference with palm oil producing countries in 2018.

BASP shares best practices and the latest available research on sustainable palm oil with its membership and relevant stakeholders. (and relevant stakeholders toevoegen). Additionally, members are encouraged to discuss how sustainable palm oil results and monitoring can be improved. "The good thing about the situation in Belgium is that non-members are just as aware as members of BASP's activities and are willing to follow-up on our ideas", says Haaze. He adds that this was shown by the fact that even invited non-member sectors have brought their members to an event organised by BASP in October this year.

4.3 Progress

Since December 2015, BASP member companies have succeeded in their aim of using only RSPO-certified sustainable palm oil in their food products for the Belgian market.

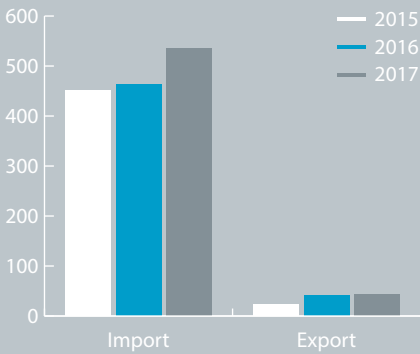
Figure 9 shows the results for the Belgian market. For 2017, BASP went beyond direct members in the reporting. This means that increased volumes were reported. With 16 reporting companies BASP still notes a reported 99% of sustainable palm oil used in products intended for the Belgian market.



BASP is contributing to transitioning the sector to 100% sustainability. And with success: since December 2015, BASP member companies have achieved their aim of using only RSPO-certified sustainable palm oil (Round Table for Sustainable Palm oil) in their food products for the Belgian market.

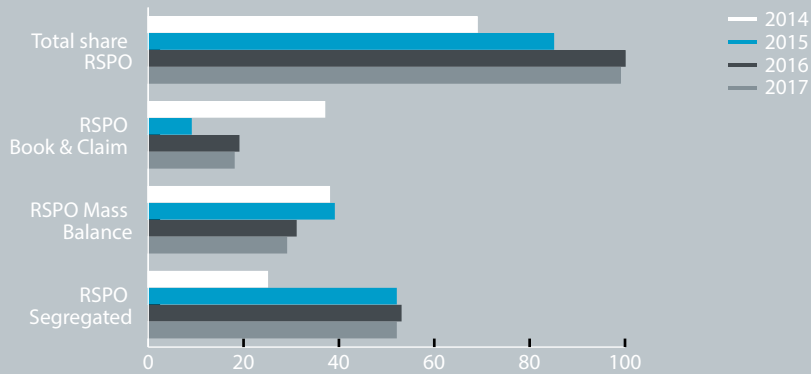


FIGURE 8
General palm oil use in Belgium (x 1000 tonnes)

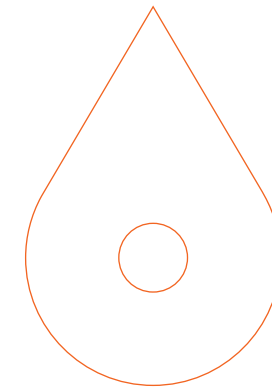


Source: Eurostat/Comext, processed by Wageningen Economic Research for MVO - the Netherlands Oils and Fats Industry, 2018

FIGURE 9
Share of sustainable palm oil used by BASP company members, incl. supply chain model



Source: BASP 2018



Case study: " Agropalma – Family farming and forest conservation"

Agropalma is a large palm oil company and was the first in Brazil to produce 100% sustainable palm oil in 2011. As well as 39,000 hectares of plantations, the company maintains 64,000 hectares of forest reserves and operates its own transport system, significantly enhancing its traceability efforts. Another important aspect which typifies Agropalma's approach is its family farm programme, which includes purchasing all the families' palm fruits. Almost all Agropalma's export production is exported to Europe.

"Being the first in Brazil with RSPO certification hasn't just benefitted Agropalma's reputation", says Tulio Dias, the company's Corporate Social Responsibility (CSR) manager. "It has also brought smallholders various tools to improve their livelihoods. The areas in which we operate are home to many local communities," says Dias, "and these are critical to Agropalma's licence to operate." 25% of the fruit is produced by small local farmers and our integrated outgrowers. To make sure all smallholders comply with RSPO, Agropalma sends teams of technicians and agronomic engineers to the family farms at least twice a month. "Their assistance relates to growing the palms better and checking performance with key indicators for RSPO P&C, which each farmer has to comply with", Dias explains. This includes health and safety measures, such as machinery with visual and audible warnings, and regulations on the use of pesticides or advice on mechanical weeding. Agropalma has also cooperated with Solidaridad, a Dutch NGO that specialises in supporting smallholders around the world. "Together with them, we've brought almost all the farmers into RSPO compliance."

Dias is proud to say that Agropalma can truly deliver on traceability: "The mills belong to us, we have documented agreements with all the plantations that supply the mills. The majority of the fresh fruit bunches (FFB) comes from our own plantations. Every time a truck comes to our mill to be weighted, it brings a full file specifying exactly which blocks of the plantation the fruit comes from." The fact that its own plantations and forest reserves form a continuous block and that FFB suppliers are located around these plantations, makes the management of this process yet easier. The forest reserves are another particular yet strategic factor in Agropalma's list of best practices. Realising that deforestation is a major concern for its competitiveness, Agropalma protects the forest areas around its plantations from deforestation and, in partnership with Conservation International, tries to enhance their biodiversity. "We keep, protect, monitor and study our 64,000 hectares of forest and all the flora and fauna we have inside our own plantations and farms. We don't touch these forest reserves; just keep them as they are. We employ 32 people to protect the boundaries of our forest reserves every day, preventing loggers and hunters from entering the forest and removing traps."

Satisfied with RSPO's current position in stimulating sustainable palm oil around the world, Dias concludes by emphasising the importance of a single clear certification system compared with different competing private certification/sustainability methods that are popping up in the market. "We are afraid that this will take us back to the situation before RSPO, with people being really upset about palm oil production, a total lack of transparency and each company sailing its own course through turbulence. Such a situation makes it very difficult for small producers to deal with each of these different kinds of operators."

" We keep, protect, monitor and study the 64,000 hectares of forest we have inside our own plantations and farms: we don't touch them but just keep them as they are"

Tulio Dias,
CSR manager Agropalma

5

Denmark

The Danish Food and Drink Federation Initiative for Sustainable Palm Oil was established in 2014 to stimulate the use of sustainable palm oil on the Danish market. In 2016 it achieved its first objective of 100% sustainable palm oil usage in Denmark, at least via Book & Claim. Progress on reaching its second objective of switching to segregated sustainable palm oil by 2018 is well underway.

5.1 Introducing the national initiative

The Danish palm oil initiative is led by the Danish Food and Drink Federation and sixteen of its largest members have joined the initiative. The primary objective is to create more awareness of sustainable palm oil in Denmark and thereby increase demand. By signing a statement confirming agreement with the initiative's objectives, members committed to use only certified palm oil from 2016, according to the Book & Claim model, and to switch to segregated sustainable palm oil by the end of 2018.

5.2 Activities

In line with its objectives, the Danish palm oil initiative has hosted several events on sustainable palm oil. Last year, over a hundred university students participated in a lively debate with civil society organisations, WWF and Greenpeace, and companies from the Danish food industry on how palm oil sustainability can be advanced, including through consumer choice. "Young consumers in Denmark are concerned about the issues surrounding palm oil and are eager to learn how they can contribute. With this event, we provided an open information exchange and contributed to knowledge of sustainable palm oil", says Sven Pedersen, senior advisor in the Danish Food and Drink Federation which leads the Danish palm oil initiative. This year, an event on the Sustainable Development Goals was organised as part of a Danish political festival. One of the member companies, Arla Foods, highlighted the work it is doing on sustainable palm oil. This was very well received and helped to create more awareness of our goal of 100% sustainable palm oil usage in Denmark.

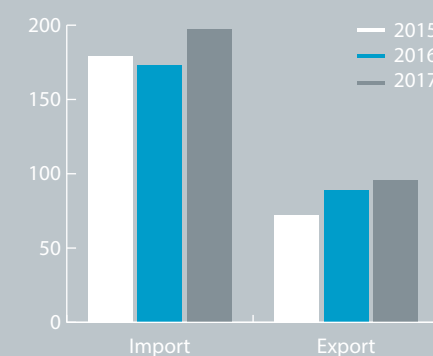
5.3 Progress

The Danish palm oil initiative monitoring report is expected by next year. The goal of 100% sustainable palm oil usage, according to the Book & Claim model, was reached in 2016. Its members are well on the way to meeting the 2018 target of switching to segregated sustainable palm oil in their supply chains. The Danish Ministry for Environment and Food is also working with the University of Copenhagen in conducting a study on the use of sustainable palm oil in Denmark. The study estimates that 65% of the palm oil imported into Denmark for food is RSPO certified.



It is estimated that 65% of the palm oil imported into Denmark is RSPO certified.

FIGURE 10
General palm oil use in Denmark
(x 1000 tonnes)



Source: Eurostat/Comext, processed by Wageningen Economic Research for MVO - the Netherlands Oils and Fats Industry, 2018

6

France

In April 2018, the French Alliance for Sustainable Palm Oil became the Alliance for the Preservation of Forests. The reason behind this is that sector-wide approaches which up to now have been developed in silos, are inadequate to fight deforestation and so it was felt that there was an urgent need to act in a concerted way. Moreover, multi-sector and landscape approaches are the only way to stop deforestation according to the scientific community and NGOs. The Alliance aims to support preserving the last remaining tropical forests and ecosystems of the world by uniting all committed private sector actors with the support of NGOs and governments. This approach is in line with the Paris Agreement, the United Nations Sustainable Development Goals (SDGs), the New York Declaration on Forests and the Amsterdam Declarations.

6.1 Introducing the national initiative

The Alliance for the Preservation of Forests recognises the value of collective action - as something greater than the sum of individual corporate actions - in shifting all supply chains towards greater responsibility. With that goal in mind, the Alliance brings together financial institutions, manufacturers, retailers and other businesses whose activities lead to deforestation.

Members of the Alliance have committed to move gradually to 100% verified procurement supply chains for key commodities at a European level (palm oil, soy, timber, cocoa, and beef being the initial commodities). The members of the Alliance remain committed to 100% sustainable palm oil by 2020, with criteria exceeding RSPO. The members have also committed to source 100% traceable and zero deforestation palm oil.

6.2 Activities

With a strong belief that multi-sector and landscape approaches are essential to leverage sustainable production practices on the ground in producing countries, the Alliance also recognises the support needed from importing countries. On this demand side, Laure d'Astorg, executive director of the Alliance for the Preservation of Forests, foresees "a radical transformation of consumption patterns, which must be accompanied by institutional communication campaigns with the general public, but also by the commitment of public authorities and economic and financial operators to eradicate deforestation in their supply chains".

The Alliance engaged in various related activities in 2018, including chairing. The "economic activities" working group of the National Group on Tropical Forests (GNFT) under the aegis of four Ministries (Ministry of Europe and Foreign Affairs, Ministry of Ecological and Solidarity Transition, Ministry of Agriculture and Food, Ministry of Overseas) and formulating recommendations for the National Strategy on No Deforestation (axis 15 of the Climate Plan), which was launched in November 2018. Also, during the French presidency of the Amsterdam Declarations (January to June 2018), the Alliance took part in several official delegations conducted by the French Ambassador for the Environment to Malaysia, Indonesia and Ivory Coast in order to reinforce dialogue and partnerships with producing countries.

As a member of the RSPO Principles & Criteria (P&C) Review Task Force, the Alliance actively contributed to reinforcements to P&C, to be voted upon during the General Assembly on November 2018. The Alliance also supported the RSPO in the organisation of the European Roundtable on Sustainable Palm



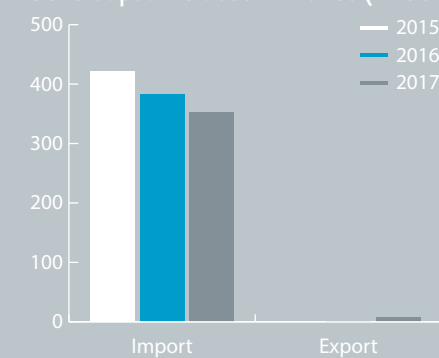
Oil (EURT) in Paris in June 2018, followed by the Amsterdam Declaration Conference. Furthermore, the Alliance supports the SALSA (Sustainable Agricultural Landscapes in Southeast Asia) platform initiated by the CIRAD (the French Agricultural Research Centre for International Development). Page 32 contains further details of this initiative.

6.3 Progress

Figure 12 shows that by the end of 2017, the Alliance for the Preservation of Forests has almost achieved its first target of 100% certified sustainable palm oil purchased by its corporate members. The company members of the Alliance are now focussing on their second target of using zero deforestation palm oil by 2020.

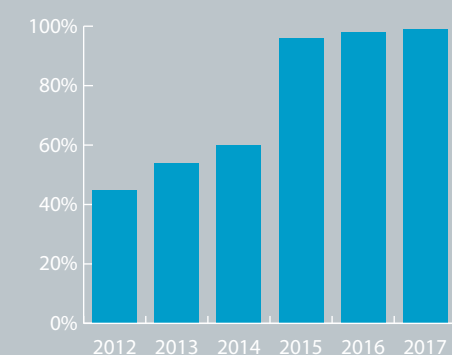
Figure 13 shows the breakdown of sustainable palm oil bought by the member companies via the different supply chain models. In 2017, 77% of the palm oil was sourced under a segregated regime (either through RSPO or a system equal or superior to it). The period between 2012 and 2015 shows a rapid decline in sourcing via the Book & Claim model and a sharp increase in other Segregated sustainable palm oil.

FIGURE 11
General palm oil use in France (x 1000 tonnes)



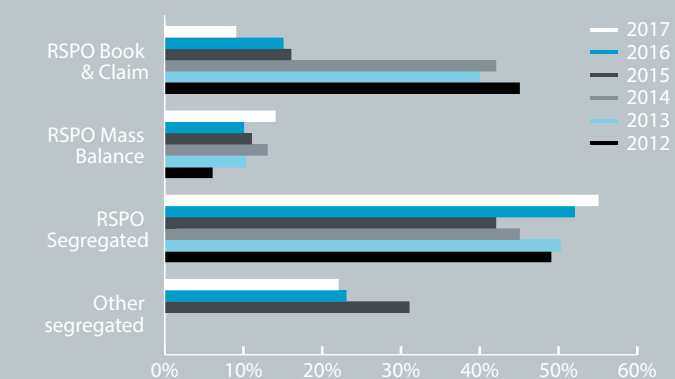
Source: Eurostat/Comext, processed by Wageningen Economic Research for MVO - the Netherlands Oils and Fats Industry, 2018

FIGURE 12
Percentage of sustainable palm oil purchased by direct company members of the Alliance for the Preservation of Forests.



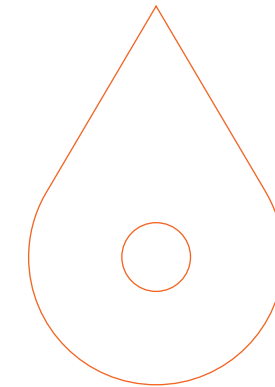
Source: The Alliance for the Preservation of Forests, 2018

FIGURE 13
Distribution of palm oil purchases by type of supply chain model



Source: The Alliance for the Preservation of Forests, 2018





Case study: " CIRAD – Sustainable Agricultural Landscapes in Southeast Asia: the SALSA partnership platform in Malaysia and Indonesia"

CIRAD, a French public research organisation with more than 70 years' experience in tropical agriculture, set up the Sustainable Agricultural Landscapes in Southeast Asia (SALSA) platform in 2016. Working predominantly on sustainable palm oil cultivation in Indonesia and Malaysia, the project combines scientific research with advanced training for agricultural and conservation students and professionals who want to become sustainable plantation designers and managers.

"Training is essential to the current certification process for sustainable agricultural practices in tropical regions", says Alain Rival, university professor and focal point for CIRAD's palm oil research programme. "Training the coming generation of farmers and plantation executives is of paramount interest because the next generation are not interested in this type of work as they perceive farming as only field work for those with little or no education. Unlike their parents, they now have access to education and are looking elsewhere", he continues. "However, farming will need to be seen by the next generation of palm oil producers as an opportunity to get interesting jobs and create economic growth and prosperity in rural areas which can provide a better quality of life to millennials than most of the congested Asian capital cities. Consequently, SALSA will focus on the emergence of an international Master's course aimed at attracting students to sustainable plantation management."

The SALSA project is building directly on research into ecological intensification and best management practices following a landscape approach which enables the integration of conservation and agricultural and forestry activities. The aim is to coordinate science-based approaches so that uncontrolled deforestation can be halted. SALSA also aims at investigating the resilience of inter- or multi-cropping systems. The wide diversity of practices and expectations found in smallholder farmers' populations and their limited knowledge of good agricultural practices, including good planting material, is yet another finding by SALSA's researchers. "Most independent smallholders don't know which type of planting material they're buying. So by choosing the wrong seed, they make a 30-year mistake", Rival explains. "This also applies to unnecessary pesticide or fertilizer use: independent smallholders often don't benefit from advice from plantation or governmental extension services. Governments are not doing enough in this respect and research has a role to play in making knowledge and innovation available to people in the field", Rival adds.

At the other end of the supply chain, palm oil buyers do not always appreciate the actual circumstances at and around the plantations. The SALSA project organises plantation visits since, according to Rival, "When people visit the plantations and surrounding villages, they start realising why the landscape approach is so important. Additionally, it creates a lasting dialogue for the upstream and downstream markets." Together with the growing positive stance of several Indonesian regional governments towards the landscape approach, Rival expects this jurisdictional approach of sustainable plantation management to become an increasingly common way of certifying sustainable palm oil.

Rival concludes with the importance of education for sustainability. "Beginning early with sustainability in agricultural education is very important. Otherwise, future plantation managers won't understand sustainability certification or even the benefits of creating sustainable landscapes."

" Farming will need to be seen by the next generation of palm oil producers as an opportunity to get interesting jobs and create economic growth and prosperity in rural areas"

Alain Rival, CIRAD

7

Germany

The Forum for Sustainable Palm Oil (FONAP) is a multi-stakeholder platform with members from NGOs, retailers and manufacturers in several sectors and the German government. Members commit to using 100% certified sustainable palm oil, palm kernel oil and derivatives in their products.

7.1 Introducing the national initiative

FONAP was set up in 2013 with the goal of increasing the share of sustainable palm oil used in the German, Austrian and Swiss markets. In Germany, the members of FONAP represent 30% of the palm oil consumption in the market (excludes biofuels). Around half of them are in the home and personal care industry, rest half in food. The size of the member companies ranges from small to multinational.

“One thing FONAP clearly agrees with its members is that they voluntarily adhere to add-on criteria”, says Daniel May, secretary general of FONAP. These criteria include strict reduction targets for greenhouse gasses and a ban on plantations on peatland and other carbon-rich land. FONAP does not rely only on RSPO certification to meet its 100% sustainable palm oil and palm kernel oil commitment. The initiative recognises and provides factual information on all available certification systems that contribute to the 100% commitment. These systems include Round Table for Sustainable Palm oil (RSPO), ISCC PLUS, Rainforest Alliance and Roundtable on Sustainable Biomaterials.

FONAP and its members have specified their sustainability commitment for palm oil, palm kernel oil and derivatives as:

- For pure refined and unrefined palm oil, a requirement that 100% is sourced via the Segregated (SG) supply chain option;
- For pure refined and unrefined palm kernel oil, a requirement that 100% is sourced at least via the Mass Balance supply chain option. From 1 January 2018, palm kernel oil also has to be purchased entirely under the Segregated supply chain option;
- For fractions and derivatives (irrespective of whether palm oil or palm kernel oil based), a requirement that a minimum of 50% is sourced at least in Mass Balance. The remaining volumes must be covered by Book & Claim Certificates/ Credits. From 2020, 100% must be sourced at least via the Mass Balance model.

7.2 Activities

In 2018, FONAP continued to work on the dissemination of knowledge through its website which offers information on the different certifications available, as well as best practices and the latest insights about and beyond certification. A new section explains which kind of derivatives are already available in certified palm oil. By providing this information, FONAP hopes to contribute to a more informed debate surrounding palm oil in the German market.

In terms of research, May explains that FONAP has started a project together with WWF Asia this year to assess whether smallholders in Malaysia are able to meet FONAP’s add-on criteria. Results are yet to be published. Data-gathering exercises in supply chains have been undertaken as comprehensively as in previous years. When the data shows that member companies are falling behind the expected results, FONAP actively engages with them to discuss the reasons behind this and to provide support to ensure continuing improvement.

7.3 Progress

“I believe FONAP has created a market within Germany in which all sectors know about sustainable palm oil and its contribution to it”, May says proudly. “Although CSPO uptake levels have not risen substantially since last year, if you look at the whole German market, almost all members reached the 100% target.”

FONAP reported on palm oil and palm kernel oil consumption in Germany in the food, feed, energy, laundry detergents and home care products, and chemistry/pharmacy subsectors. The very comprehensive report offers a unique insight in the (sustainable) palm oil flow in all the relevant subsectors.



“Although CSPO uptake levels have not risen substantially since last year, if you look at the whole German market, almost all members reached the 100% target.”



"I believe FONAP has created a market within Germany in which all sectors know about sustainable palm oil and its contribution to it"
- Daniel May, secretary general

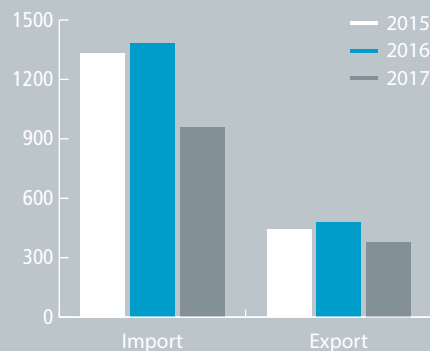
Table 1 gives a summary of the state of affairs in 2017. Overall, 55% of palm oil in Germany was sustainably certified in 2015. The progress between individual subsectors varies greatly. The amount of sustainably certified palm oil used in the food sector increased significantly from 61% in 2013 to 85% in 2017. Similarly, the amount of sustainable palm oil used in the feed sector rose significantly from 3% in 2013 to 26% in 2017. In the the chemistry and pharmacy sector the amount of sustainably certified palm oil also grew from 14% in 2013 to 26% in 2017. The share of sustainable palm oil in laundry detergents and home care products remained nearly the same. The 2017 progress in some subsectors is still far from the 100% sustainably certified palm oil target. The consumption of organic palm oil is recorded separately as this is a separate (low volume, high price) segment.

Table 2 highlights that when focusing on the supply chain models under which the sustainable palm oil was purchased in 2017, the Segregation model was clearly the dominant model. Segregated palm oil is the dominant supply chain model for food (59,6%) and for chemistry/pharmacy. In the feed industry, Mass balance is the dominant supply chain model. The monitoring report also gives a detailed insight in the use of palm kernel oil.

Table 3 gives a summary of the main findings. Palm kernel oil is predominantly used in laundry detergents and home care products, followed by food products. Total use of sustainably certified palm kernel oil grew from 41% in 2013 to 58% in 2017. Both the food industry with 85% in 2017 (44% in 2013) and the laundry detergents and home care products industry with 58% (46% in 2013) show a significant increase in sustainably certified palm oil purchases. Consumption of organic palm kernel oil is recorded separately as this is a separate (low volume, high price) segment.

Table 4 shows the breakdown to the various supply chain models for the purchases of sustainable palm kernel oil in 2017. Segregated (67.5%) is the predominant supply chain models for food. For feed and laundry detergents and home care products, Book & Claim is predominantly used.

FIGURE 14
General palm oil use in Germany
(x 1000 tonnes)



Source: Eurostat/Comext, processed by Wageningen Economic Research for MVO - the Netherlands Oils and Fats Industry, 2018

TABLE 1
Palm Oil consumption in Germany in 2017

Sector	Consumption (tonnes)	Sustainable (tonnes)	Ratio (%)	Organic (tonnes)	Ratio (%)
Food	246,500	210,150	85	11,800	5
Feed	148,250	38,385	26	0	0
LDHP* and comestics	30,260	17,600	58	1000	3
Chemistry/ Pharmacy	118,450	31,586	27	0	0
Total	543,460	297,721	55	12,800	2

*Laundry detergents and home care products.

Source: https://www.forumpalmoel.org/imglib/Palmoelstudie%202017_Meo_FONAP_ho.pdf

TABLE 2
Trading systems for sustainable palm oil by sectors in Germany 2017

Sector	Book & Claim (%)	Mass Balance (%)	Segregated (%)	Identity Preserved (%)	Organic (%)
Food	13,9	21	59,6	0,2	5,3
Feed	0,9	26,5	0,8		
LDHP* and comestics	43,5	49,1	2		5,4
Chemistry/ Pharmacy	10,1	6,7	83,1	0,2	
Total	14,9	24	56,3	0,2	4,5

*Laundry detergents and home care products.

Source: MEO Carbon Solutions / FONAP (2018)

TABLE 3
Palm Kernel Oil consumption in Germany in 2017

Sector	Consumption (tonnes)	Sustainable (tonnes)	Percentage (%)	Organic (tonnes)	Ratio (%)
Food	30,100	25,480	85	310	1
Feed	0	0	0	0	0
LDHP* and cosmetics	73,680	42,770	58	20	<1
Chemistry/ Pharmacy	15,520	1,215	8	0	0
Total	119,300	69,465	58	330	<1

*Laundry detergents and home care products.

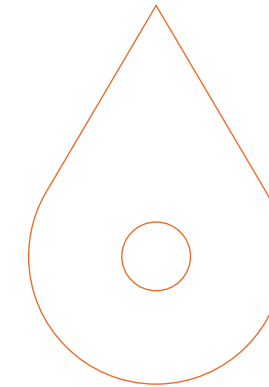
Source: MEO Carbon Solutions / FONAP (2018)

TABLE 4
Trading systems for sustainable palm kernel oil by sectors in Germany 2017

Sector	Book & Claim (%)	Mass Balance (%)	Segregated (%)	Identity Preserved(%)	Organic (%)
Food	3,1	28,2	67,5	<0,1%	1,2
Feed					
LDHP* and comestics	45,1	51	3,8		<0,1%
Chemistry/ Pharmacy	0,2	1,1	0,3	<0,1%	
Total	29,2	43,1	27,2	<0,1%	<0,5%

*Laundry detergents and home care products.

Source: MEO Carbon Solutions / FONAP (2018)



Case study: " Wild Asia – Smallholder extension services"

Wild Asia, a social enterprise based in Malaysia, has been building partnerships for sustainable palm oil supply chains from the bottom up for over 15 years. "In 2003 the idea of sustainable palm oil production was still quite new for plantation owners and farmers", says Sheila Senathirajah, programme director at Wild Asia. The main focus of its activities was to ensure they would meet the demands of palm oil buyers by finding the best solutions to community and land-ownership issues. At the same time, larger plantation owners received Wild Asia's support with social and environmental assessments and stakeholder engagement, especially with local communities.

In doing so, it soon discovered the most important challenges for smallholders: the absence of bookkeeping and a lack of technical equipment. As such, teaching farmers to keep basic records was one of the first things Wild Asia did at community level. Later on, the interventions of Wild Asia focused on explaining the importance of sustainable palm oil production to growers. "We assist them in making choices on organic fertilizers and tell them how they can keep their waterways clean by ensuring that there is no encroachment in forest reserves", Sheila explains.

Providing this training at community level also facilitates a clear overview of the whole palm oil supply chain, thus improving traceability. Actually mapping the palm oil supply chain is a considerable task but one for which Wild Asia is nonetheless well equipped, Sheila explains, "We really have to go on the ground and talk with every actor from the whole landscape around palm oil to be able to find out how the supply chain works and then trace 'where the palm oil goes'. This is why we have a team of people from the communities themselves, based on site, to talk to the various actors in the supply chain and ask how they work." Giving farmers a 'face' by arranging field visits for palm oil buyers to smallholder farms is another way in which Wild Asia ensures a physical link between these companies and the actual source of their palm oil.

"In the end, this personal link is really important for us", Sheila concludes. "We can facilitate that all the partners come together in a single, linked supply chain. As part of this, demand for sustainable palm oil from Europe is very important to what we do. We can ensure market access for small farmers and work towards creating a better environment for all employees, local communities and surrounding biodiversity in the palm oil supply chain."

**" We assist
smallholders in
making choices on
organic fertilizers
and tell them how
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waterways clean by
ensuring that there
is no encroachment
in forest reserves"**

Sheila Senathirajah,
programme director
Wild Asia



8

Italy

The Italian Union for Sustainable Palm Oil was set up in 2015 by various large Italian food manufacturing companies and trade associations representing food industries, mainly in confectionery, chocolate, vegetable oils and fats and snacks. The main focus of the Italian Union is to involve more food companies, work on improving the perception of palm oil in public debate in Italy and promote the goal of achieving 100% certified sustainable palm oil in Italy by 2020.

8.1 Introducing the national initiative

The Italian Union for Sustainable Palm Oil brings together companies and trade associations committed to 100% certified sustainable palm oil. Member companies, currently including Ferrero, Bunge Lodens Crocklaan, Nestlé, and Unigrà, jointly represent about 75% of palm oil consumption in the Italian food sector. In addition, several trade associations are also involved as supporting members: AIDEPI - the association representing national pasta, breakfast cereal, chocolate and cocoa-based product, ice cream, sugar confectionery, biscuit and other fine bakery products manufacturers, ASSITOL (Italian Oil Industry Association) and the AIIPA (Italian Association of Food Product Industries).

As well as the private sector, the Italian government is also supporting the aim of achieving a 100% sustainable palm oil supply chain in Europe by 2020. Italy signed the Amsterdam Declaration on 6 June 2017.

8.2 Activities

The Italian Union for Sustainable Palm Oil is actively engaged in balancing the public debate surrounding sustainable palm oil in Italy. With some success, as Francesca Ronca, responsible for the secretariat, points out, "We have had a strong presence in the media since the beginning of our activities and proactively reach out when media outlets publish incorrect or incomplete information about palm oil. By providing science-based positions we are able to persuade opinion-makers and the media and to contribute to changing consumer perceptions."

This was confirmed by a recent consumers' perception study by Kantar. According to this leading market research firm, Italy is in fact the only EU country where palm oil's reputation has been improving in the last year. Trends in palm oil's perceived negative impact on people's health and the environment have finally reversed. Although still high, negative perceptions decreased from 49% to 43% for health concerns and from 47% to 43% for environmental impact. Marketing campaigns against palm oil are apparently over, as companies have sensibly reduced advertising about the removal of palm oil from recipes in top media but "palm oil free" claims on on pack fronts are still an issue that needs to be addressed. The Union is actively engaging with companies in an attempt to discourage them from using misleading claims. In addition, the Union strongly advocates the use of sustainable palm oil in green public procurement as a further instrument to encourage companies to commit to 100% sustainable palm oil.

8.3 Progress

The most recent estimates based on data from Eurostat, members' and other companies' data provided to RSPO indicate that about 43% of the total palm oil used in food products in Italy in 2017 was CSPO (35% Segregated and 8% Mass Balance). The remaining volume (57%) of palm oil used by the food industry in Italy is sourced responsibly from different systems responding to no deforestation, no production on peatland and no exploitation (NDPE) criteria.

It should be noted that large food companies such as Ferrero, Nestlé, Unigrà and Bunge Lodens Crocklaan, which are members of the Italian Union for Sustainable Palm Oil, are committed to using 100% responsibly sourced palm oil and have ambitious criteria and policies, particularly with regard to environmental objectives NDPE. More information about best practices is available on the companies' websites.

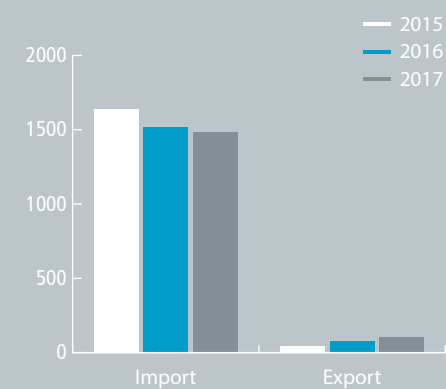
It is also important to note that the Italian market experienced a significant drop in the use of palm oil in food in 2017, as shown by import statistics and market trends reports. According to official trade data from Eurostat, Italian imports of palm oil for food use decreased by 18% in volume (while those of palm oil for technical use grew by 9%). The share of total imports also dropped from 40% to 34%, which is consistent with Italian retail market trends.

According to Nielsen GS1 Italy data, products labelled as "palm oil free" rank in first place for sales growth in 2017, up 12.9% by value (up 13.5% in 2016 over 2015), reaching over 3% of total sales. This increase was driven, above all, by bakery products and bread substitutes and palm oil free food products now account for 27.1% of total sales in the breakfast products market segment, with 13,1% growth over 2017.



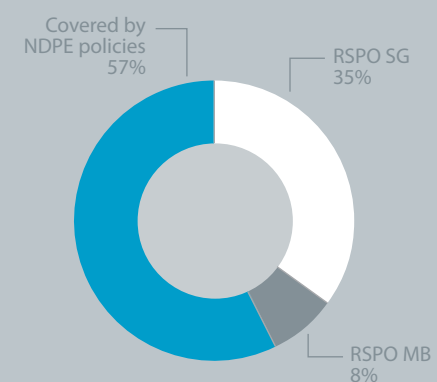
"By providing science-based positions we are able to persuade opinion-makers and the media and to contribute to changing consumer perceptions."

FIGURE 15
General palm oil use in Italy
(x 1000 tonnes)



Source: Eurostat/Comext, processed by Wageningen Economic Research for MVO - the Netherlands Oils and Fats Industry, 2018

FIGURE 16
Uptake of sustainable palm oil via the different chain of custody models



Source: Italian Union for Sustainable Palm Oil (2018)



9

The Netherlands

As early as 2010, stakeholders in the Dutch palm oil supply chain came together in order to achieve 100% RSPO certified palm oil. In 2017, 88% of the palm oil used in the food industry was RSPO certified. 56% of the palm oil used by the Dutch feed industry was sustainable. 100% of palm oil was traceable and covered by sustainability commitments.

9.1 Introducing the national initiative

The Dutch Alliance for Sustainable Palm Oil (DASPO) comprises eight food and feed industry associations which are collaborating on moving towards more sustainable palm oil in the Netherlands. Established in 2010 as the Sustainable Palm Oil Task Force, DASPO was the first alliance on sustainable palm oil and it created a momentum for other bodies in Europe, North America and Southeast Asia. These developments are important because global demand for sustainable palm oil is needed to transform the entire supply chain.

9.2 Activities

DASPO monitors progress towards the national commitments and helps collate knowledge of the members of the initiative. In addition to the activities in the Netherlands, a number of Dutch stakeholders have been working actively on the uptake of more sustainable palm oil in Europe. IDH and MVO - key players in DASPO - established the European Sustainable Palm Oil project in 2015. This project was initiated to stimulate the uptake of more sustainable palm oil in Europe, and its objective is to achieve '100% sustainable palm oil in Europe by 2020'. The secretariat of ESPO is staffed by MVO, which also runs the secretariat of DASPO.

9.3 Progress

All members of the Dutch Alliance have used 100% certified sustainable palm oil since 2015. The member associations are: the Dutch Bakery and Confectionery Industry (VBZ), the Dutch Convenience Food Association (AKSV), the Dutch Food Retail Association (CBL), the Dutch Food Industry Federation (FNLI), the Dutch Potato Processors Association (VAVI), the European Margarine Association (IMACE-NL), MVO - the Netherlands Oils and Fats Industry, the Dutch Feed Industry Association (Nevedi) and the Association of Dutch Producers of Edible Oils and Fats (Vernof). The Sustainable Trade Initiative (IDH) is a partner of the Dutch Alliance.

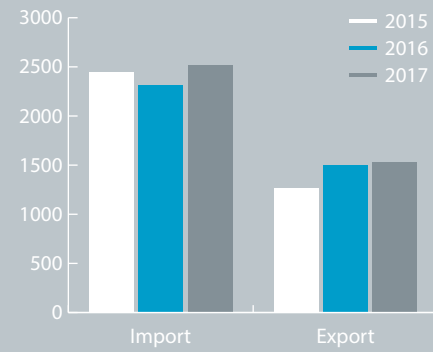
The members remain committed to the initial ambition of 100% certified sustainable palm oil and want to encourage the transition to the Mass Balance and Segregated supply chain model to guarantee sustainable palm oil in their chains. The members also advocate continuous improvement of sustainability standards such as RSPO to include for example, no production on peatland, protection of High Carbon Stock (HCS) forests and support of smallholders.

The Netherlands is the largest European importer of palm oil. The Dutch food industry used 300,000 tonnes of palm oil in 2017.

The volume of sustainable palm oil increased to 262,000 tonnes in 2017, which is equal to 88% of the total volume processed by the Dutch food industry that year. In addition, 100% of the palm oil entering the Netherlands is traceable and covered by sustainability commitments. Dutch companies also bought 5917 tonnes of RSPO Independent smallholder farmers credits. This is the first time that the Dutch Alliance has reported on this progress and it demonstrates that while the use of CSPO is stabilising, there is a wide range of industry efforts working towards sustainable palm oil. 56% of the palm oil used by the Dutch feed industry, represented by Nevedi, in 2016 was sustainable. Nevedi members are the first feed sector in the EU to take action on sustainable palm oil.

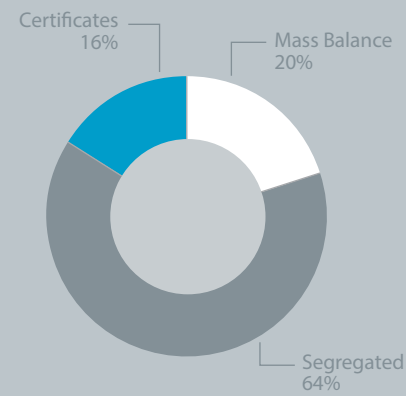


FIGURE 17
General palm oil use in the Netherlands
(x 1000 tonnes)



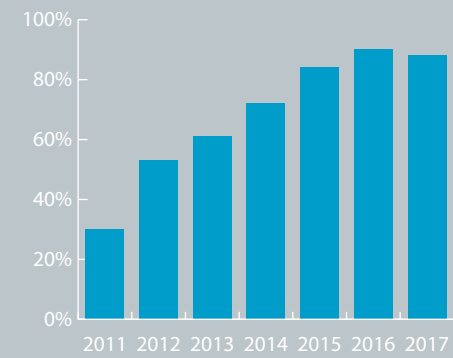
Source: Eurostat/Comext, processed by Wageningen Economic Research for MVO - the Netherlands Oils and Fats Industry, 2018

FIGURE 18
Distribution of palm oil purchases by type of supply chain model in 2017



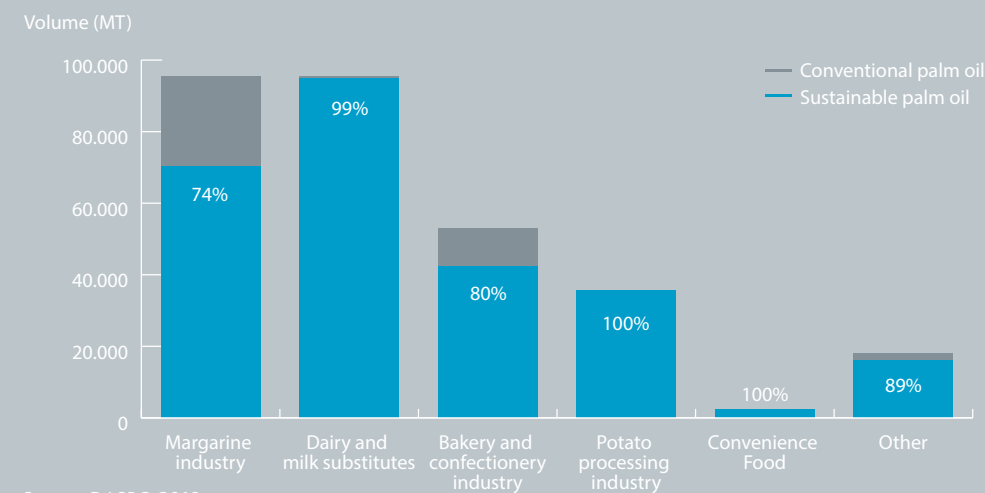
Source: DASPO 2018

FIGURE 19
Share of sustainable palm oil used in the Dutch food industry



Source: DASPO 2018

FIGURE 20
Share and volume of sustainable palm oil in the Dutch food industry per sector in 2017



Source: DASPO 2018





Norway

In 2014, the Norwegian food and beverage association brought together prominent stakeholders from the palm oil chain into the Norwegian Initiative for Sustainable Palm Oil (NISPO). Mounting pressure from civil society on palm-oil-related deforestation and related initiatives to reduce the consumption of palm oil in foods formed the incentive to set up NISPO and hence to provide a robust collective response.

10.1 Introducing the initiative

When NISPO started in 2014, its members committed to use only RSPO certified palm oil from 2015 and to work towards a fully segregated or traceable supply chain by 2018. In 2016 NISPO signed the commitment to support 100% sustainable palm oil in Europe, following endorsement by the Norwegian government of the Amsterdam Palm Oil Declaration. NISPO's membership consists of the food industry, represented by large international manufacturers, the restaurant and hospitality sector and three of the four major retailers in Norway. The animal feed sector also became member of NISPO in 2018.

10.2 Activities

In 2018, NISPO and its member companies are continuing to engage in an active dialogue with other non-food sectors, such as home and personal care, with the aim of ensuring a greater uptake of sustainable palm oil in Norway. "As such, NISPO offers a unique platform for industry and retail in Norway to openly discuss the issues and share their expertise around palm oil sustainability", says Dag Kjetil Øyna, head of secretariat for NISPO. This year NISPO will also host a conference that brings together key stakeholders from civil society, government and the private sector, that are all working to achieve zero deforestation in tropical supply chains, for example, for palm oil, soy or beef.

10.3 Progress

NISPO is currently finalising a detailed report on progress in Norway and this is expected to be available in the course of 2019. Early indications are that significant progress is being made in the Norwegian market. NISPO members are very close to achieving 100% sustainable palm oil for the Norwegian market according to RSPO criteria and actively working towards a fully segregated or traceable supply chain. Some NISPO members have already achieved this goal and implemented stricter criteria in order to trace the palm oil to the individual mill. Some NISPO members are also working on product reformulations aimed at phasing out the use of palm oil in their products.



11

Spain

The Spanish Foundation for Sustainable Palm Oil was set up at the end of 2016 and established formally in June 2017. The Foundation's aim is to promote the uptake of sustainable palm oil and balance the palm oil debate in Spain on health and sustainability issues. Led by the Foundation, the target of 100% sustainable oil by 2020 is supported by all its members using palm oil in their products.

11.1 Introducing the national initiative

The Spanish Foundation for Sustainable Palm Oil consists of a group of twelve companies. It aims to grow its membership base by actively engaging with other companies and supply chain partners in the food and feed industries and in retail. The Spanish Foundation defines sustainability of this key ingredient in industry from three points of view:

- Environmental responsibility through RSPO certification to ensure conservation of the planet
- Commitment to the consumer to monitor compliance with current legislation, as much on sustainability and nutrition as on food security
- Economic sustainability as an economic and development engine in producing countries

11.2 Activities

All the activities of the Spanish Foundation for Sustainable Palm Oil are directed towards balancing the public debate on palm oil. These include research, rectifying news reports, disseminating information and engaging with stakeholders through dialogue and organising seminars.

Thanks to research done in the last few years, a lot more is now known about palm oil. This year the foundation again conducted research, including on nutrition and palm oil, and, separately, on palm oil in the Spanish diet. The latter research aims to debunk the idea that there is a lot of palm oil in products: palm oil is within a normal range in terms of diet. An additional study has been done on sustainability and palm oil. Another study on the economics of palm oil in Spain is in the pipeline.

As well as research, the Spanish Foundation has launched a quarterly newsletter providing updates to around 1,000 stakeholders on evolution in sustainability and the nutritional side of palm oil. The information in the newsletter links to the foundation's website and will be combined with engagement through social media outreach. Proactively responding to media queries about palm oil is also part of the Spanish Foundation's activities.

"We make contact and send information, especially when inaccurate information is being spread", says Horacio Gonzalez Aleman, Executive Advisor at the Spanish Foundation for Sustainable Palm Oil. Keeping up an active dialogue, especially with NGOs, retailers and industry associations, to get them closer to sustainable palm oil is another activity of the Spanish Foundation.

This year also saw the Spanish Foundation organise two seminars. "In May around fifty stakeholders, including RSPO and NGOs, were invited to a seminar on sustainability in palm oil. The seminar in July was part of a larger conference and was organised around the publication of a consensus paper by ten professors specialising in food, feed safety and sustainability. They presented a 360-degree analysis of palm oil and shared basic points on which they all agree," Gonzalez Aleman says.

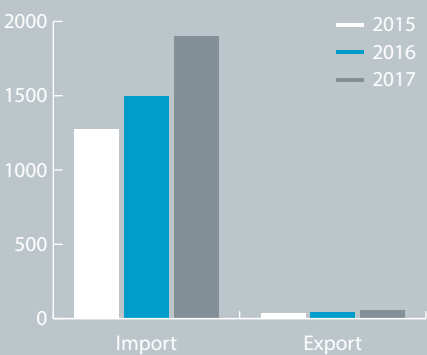
11.3 Progress

Spanish experts working with the Foundation have estimated the sales of certified sustainable palm oil in Spain from 2013 onwards. Based on data collected to June, sales in 2018 show a substantial increase compared to 2017 and before, and this is greater than the increase between 2017 and 2016. It is estimated that sales in Spain of certified sustainable palm oil reached 43.7% in 2018. Separate data is collected on use in human and animal foodstuffs, and for oleochemical applications (excluding biodiesel).

Certified sustainable palm oil sold in monitored applications increased by 11% between 2018 and 2017, while the year before saw only a 4% increase. Palm oil for use in human food has increased by 12% compared to 2017 and continues to grow. Sales of certified sustainable palm kernel oil in general have increased slightly by 6% compared to last year but sales for human food applications appear to have increased by 12%.

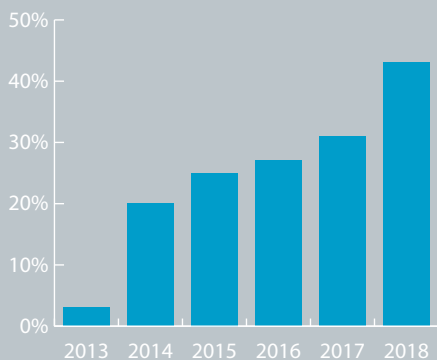
Most certified sustainable palm oil in human food applications is used in cookies and margarine, while most palm kernel oil is used in chocolate and margarine. A total of 46,345 tonnes of certified sustainable palm oil and 9,840 tonnes of certified sustainable palm kernel oil were sold on the Spanish market up to June 2018.

FIGURE 21
General palm oil use in Spain
(x 1000 tonnes)



Source: Eurostat/Comext, processed by Wageningen Economic Research for MVO - the Netherlands Oils and Fats Industry, 2018

FIGURE 22
Estimated use of sustainable palm oil
by the Spanish food industry in
percentage



Source: Spanish Foundation for Sustainable Palm Oil, 2018



12

Sweden

The Swedish Food Federation was the first in Sweden to work collectively on sustainable palm oil in 2014. Later, the cosmetics and detergents sectors launched the SISPO initiative in 2015. Closer collaboration between these initiatives has emerged with common activities, such as the joint Swedish website on sustainable palm oil.

12.1 Introducing the national initiative

The Swedish initiative on sustainable palm oil was established in 2014 by the Swedish Food Federation. All its members must meet the requirement of 100% sustainable palm oil via any supply chain method, where possible using segregated palm oil. The Swedish initiative sets out to achieve its goals by:

- increasing the use of and demand for sustainably produced palm oil
- increased transparency and traceability in the palm oil supply chain
- contributing to the growth of the market for sustainably produced palm oil.

A separate initiative for Sustainable Palm Oil in Cosmetics and Detergents (SISPO) was created in 2015 by ten companies that are suppliers, manufacturers or retailers of cosmetics, hygiene, laundry and cleaning products. The participants commit to ensuring that at least 90% of palm oil in their own products should be produced sustainably by 2020. In addition, the initiative aims to:

- increase the use of sustainably produced palm oil and palm kernel oil
- achieve better traceability of the raw material
- increase demand for sustainably produced palm oil.

Both initiatives work together to maintain a shared website providing information on the benefits of sustainable palm oil, especially for consumers.

12.2 Activities

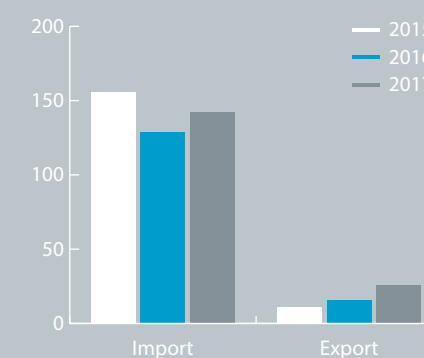
Members of the Swedish initiative on sustainable palm oil, operating under the umbrella of the Swedish Food Federation, meet twice a year to discuss progress, exchange best practices and share the latest information. Last year a seminar was held to inform members about the new RSPO criteria.

“We are proud that we are working continuously with our members on sustainable palm oil, year after year”, says Sara Lundqvist, of the Swedish Food Federation. In addition to this work, the initiative also actively communicates the benefits of sustainable palm oil to consumers, with regular news items and articles on its website.

12.3 Progress

A detailed monitoring report is on the agenda of the Swedish initiative on sustainable palm oil for 2019. All of the initiative’s members use sustainable palm oil, with the Book & Claim supply chain as the most prominent model. A more comprehensive overview is expected with the publication of the monitoring report.

FIGURE 23
General palm oil use in Sweden
(x 1000 tonnes)



Source: Eurostat/Comext, processed by Wageningen Economic Research for MVO - the Netherlands Oils and Fats Industry, 2018

13

United Kingdom

The UK Roundtable on Sourcing Sustainable Palm oil was first convened by the government in 2012 with the aim of sourcing 100% sustainable palm oil by the end of 2015. This was reconfirmed in 2017 when the Roundtable joined the Amsterdam Commitment to support 100% sustainable palm oil in Europe by 2020. The UK government has played a very active role in promoting the use of sustainable palm oil. Sector associations and NGOs also contributed to the ambitions.

13.1 Introducing the national initiative

The UK Roundtable on Sourcing Sustainable Palm Oil was previously funded by the UK's Department for Environment, Food and Rural Affairs (DEFRA) but since 2017 has been funded by the Department for International Development (DFID) under the Partnerships for Forests Programme. Members represent palm oil processors and distributors, food, drink and animal feed manufacturers, retailers, the hospitality sector, contract catering, cleaning products industry, renewable energy sector and the speciality chemicals sector. WWF and the Zoological Society of London are also members.

As Christina Wood, coordinator on behalf of Efeca, who facilitates the project says, "Our focus is on mass market change, and dialogue and to achieve this we will need a range of organisations from different sectors". Although there is no explicit definition of sustainable palm oil, it is commonly understood to mean products certified in accordance with the RSPO principles and criteria, in accordance with the UK Government Buying Standard's definition of sustainable palm oil for government procurement contracts.

In October 2012, the UK government played a leadership role in bringing together sector associations and NGOs with a significant interest in the palm oil supply chain to agree on the UK Statement on Sustainable Sourcing of Palm Oil. At the time, their joint statement was that 'The United Kingdom is working towards achieving 100% sourcing of credibly certified sustainable palm oil by the end of 2015'. The share of sustainable palm oil imported into the UK in 2016 was 78%, excluding the purchase of RSPO Book & Claim credits. In 2017, NGOs and the private sector took over the government's leadership role and signed the Amsterdam Commitment to Support 100% Sustainable Palm Oil in Europe by 2020.

13.2 Activities

The UK Roundtable performs a wide range of activities to engage the public on sustainable palm oil. Unique of its kind is the partnering with Chester Zoo and the city of Chester to make the city the world's first Sustainable Palm Oil City. The role of zoos in this has been very successful as they combine their visitors' love for animals with the fact that in the wild, those animals are threatened by deforestation caused in part by unsustainable palm oil. The zoos communicate publicly on this and their policies to buy only sustainable palm oil, while also explaining why a boycott is not the right way to prevent habitat loss. Chester Zoo launched an entire campaign on the topic. Wood explains, 'We want to create a hub with positive news for palm oil and do some myth busting on the whole idea of banning palm oil and instead promote certified sustainable palm oil. The zoos help us reach eyes and ears.'

Engagement with professionals is another part of the UK Roundtable's strategy. Webinars and workshops with the foodservice and oleochemical sectors have been hosted to help stakeholders understand how to source CSPO better. Much of the oleochemical sector is demonstrating a strong commitment to source CSPO but the foodservice sector faces some challenges in terms of awareness and commitment when compared to the retail sector.

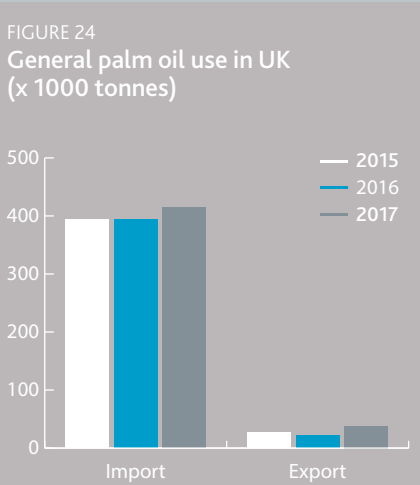
In order to assess how the government's sustainable palm oil procurement policy (the palm oil criteria in the Government Buying Standard) has been implemented, the UK Roundtable has been interviewing government officials and contract catering companies. Results are still to be published but the lessons will certainly be translated into government procurement practices for soy in the UK, which are currently being considered following the recently established UK Sustainable Soya Initiative. The same holds for the landscape approach for palm oil, which is coming into sharper focus.

13.3 Progress

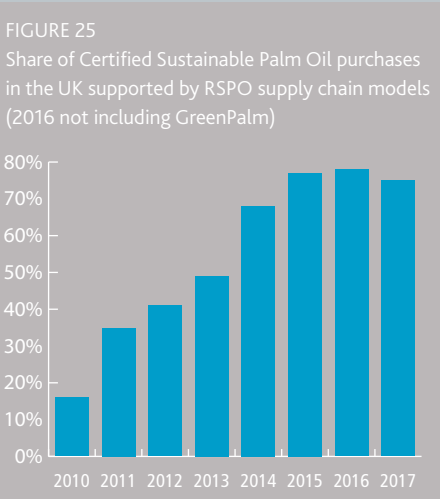
The findings for 2017 illustrated in Figure 24 indicate that the volume of UK palm oil purchases supported by the RSPO certification models of Mass Balance, Segregated, and Identity Preserved represents 327,653 mt (excluding RSPO credits and derivatives and finished goods), or 75% of total palm oil imports to the UK.

Figure 25 compares 2016 and 2017 figures with 2009-2015 figures that do not include RSPO credits certificates purchased by companies in the volume of CSPO purchased in the UK. When GreenPalm is removed from the headline figure, the percentage of CSPO of total UK palm oil consumption in 2017 equals 75%, compared to 78% in 2016 and 77% in 2015. Total palm oil usage has increased by 14,000 tonnes overall, but is still lower than in 2010.

In 2016 UK purchases of palm oil supported by Mass Balance, Segregated, and Identity Preserved RSPO certification (not including RSPO credits) have decreased by 0.15% since 2016 (when total purchases represented 328,139 mt). The rate of change has essentially plateaued in the last 2 years (in 2014 to 2015 total purchases increased by 12%, and from 2015 to 2016 by 1%). However overall, 2017 UK purchases of palm oil supported by Mass Balance, Segregated, and Identity Preserved RSPO certification (not including GreenPalm) have increased almost six-fold since 2009 (when total purchases represented 55,000 mt).



Source: Eurostat/Comext, processed by Wageningen Economic Research for MVO - the Netherlands Oils and Fats Industry, 2018



Source: Efeca analysis of UK refinery data, Fediol data, 2017





14 Conclusion

14 Conclusion

This report highlights the important role of Europe in the transition towards sustainable palm oil, the positive development of an increasing number of national commitments to reach 100% sustainable palm oil, and the growing volume of sustainable palm oil entering the European market. To close, we summarise the main findings of the report and reflect on the major challenges in the years ahead.

Key findings:

- 74% of palm oil imported for food into Europe was RSPO certified sustainable palm oil
- 99% of palm oil imported into Europe is traceable to the oil mill
- 84% of palm oil imported into Europe is sourced under 'No Deforestation, No Peat, No Exploitation' (NDPE) policies

CSPO is becoming the norm, but we need to drive demand

With 74% of all palm oil imported for food into Europe achieving RSPO certification, we can fairly say that sustainable palm oil is becoming the norm. There is still a long way to go in a short time to reach the goal of 100% sustainable palm oil by 2020. But our shortfall is our hope: the fact that there is currently more sustainable palm oil available than is being purchased. The more we drive mainstream demand in Europe for sustainable palm oil, the more we will also help incentivise smallholder palm oil producers in Asia, Africa and Latin America to implement responsible production practices and halt deforestation connected to palm oil. In 2017 we saw an increased uptake of CSPO across Europe's food industry but some market players are lagging behind. To this end, a significant – and additional – effort from the private sector in total is needed to meet the goal of a 100% certified palm oil supply chain in Europe by 2020.

A landscape approach and unified effort is critical to achieving our goal

Through the widening of national initiatives, we have seen a steep change in both attitudes and practical application towards the uptake of sustainable palm oil. By thinking and acting beyond a single sector – such as by aligning the objectives of the food industry and producers of oleochemicals, cosmetics, detergents, adhesives and the like – we are better able to focus our discussions with government. When we join forces with other commodities such as soya, timber, and cocoa, we are stronger in our stance against deforestation and can create more momentum to mobilise the industry and commit to 100% sustainable supply chains.

From the landscape perspective, by creating Verified Sourcing Areas (VSAs), a new area-based mechanism to accelerate the production and uptake of sustainable commodities globally, companies can source large volumes of commodities in line with their sustainability commitments at a competitive scale and price. Strong cooperation with local governments is a key ingredient of the mechanism. Through VSAs, entire production areas can be connected to global markets.

Better transparency is crucial for monitoring and inspiring engagement

The European (food) industry is using multiple strategies to ensure the palm oil used is sustainable. As a starting point, it requires transparency on its supply chain. Monitoring and evaluation will remain a top priority for all national initiatives. Multinationals will need to provide aggregate numbers in order to improve insights, bring more transparency in the palm oil supply chain, and engage palm oil growers and buyers that are not yet on board.

To 2020 and beyond

We are glad to have gathered more detailed and comprehensive data that allows us not only to demonstrate the progress national initiatives and other partners are making, but also to glean valuable insights that will improve overall monitoring and allow us to see where we can make the most effective changes. Going forward, we are motivated to support a strong and concerted effort between private and public sectors, as well as NGOs, along the palm oil supply chain. With that renewed effort and with the 2020 goal in mind, we are looking forward to continuing our journey together in the coming years.



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EUROPEAN SUSTAINABLE PALM OIL