

POTS

2nd INTERNATIONAL PALM OIL
TRADE FAIR &
SEMINAR 2008

Changing Marketing Landscape - Challenges for Business Sustainability

24 - 26 August 2008

MARKETING CERTIFIED PALM OIL: STANDARDS, REALITY IN PRACTICES & FINANCIAL IMPLICATIONS

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SESSION 4

**ENVIRONMENT SUSTAINABILITY AND
INTERNATIONAL COMPETITIVENESS**

Marketing Certified Palm Oil: Standards, Reality in Practices and Financial Implications

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Abstract

Marketing the certified palm oil is a new challenge in the oil palm industry. Certified palm oil can be made through the RSPO certification. In line with Sime Darby mission statement "Developing Sustainable Future" RSPO is a one stop solution for Sime Darby in practicing their sustainability initiatives. We had committed to RSPO certification by certifying all 65 SOU (65 mills and 208 estates) of Malaysia and Indonesia within 3 years (2008 - 2011).

To ensure the full palm oil supply chain, Sustainable Palm Oil Traceability (SPOT) was carried out at SOU at Tawau and Kunak in February 2008. About 13000mt CPO shipment through Kunak Bulking Installation to our Unimill, Netherlands was verified by third party Assessor-Schutter Group by using the Mass Balance claim. The initiatives continue for each consignment to Unimill. Ultimately, practicing RSPO Certification is coinciding with Sime Darby sustainability initiatives. Plantation best practices, compliance to legal requirements, biodiversity enhancement, social responsibilities and continuous improvements are among initiatives practiced in our oil palm plantation well before RSPO.

With all the efforts and initiatives made by our oil palm industries, the palm oil shall be awarded with premium price of SPO and global recognition.

Marketing Certified Palm Oil: Standards, Reality In Practices And Financial Implications

Syed Mahdhar Syed Hussain
Total Quality & Environmental Management
Sime Darby Plantation



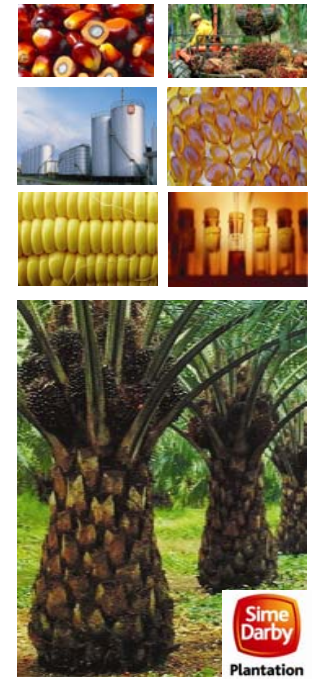
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24th – 26th August,
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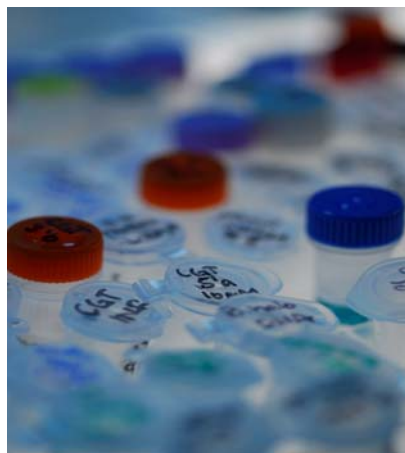


OVERVIEW

- SIME DARBY MISSION STATEMENT
- MARKETING CERTIFIED PALM OIL
- The Standards
- REALITY IN PRACTICES
- FINANCIAL IMPLICATIONS



Our Mission Statement



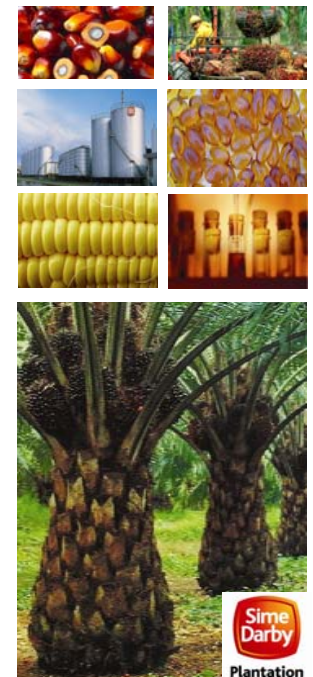
“Making A Sustainable
Future Real For
Everyone”

“Developing
Sustainable Futures”

Marketing Certified Palm Oil

THE STANDARDS:

- Roundtable on Sustainable Palm Oil Certification
- Sustainable Palm Oil (SPO)-Chain of Custody.



Principles & Criteria of RSPO

- Principle 1: Commitment To Transparency
- Principle 2: Compliance With Laws
- Principle 3: Economic & Financial Viability
- Principle 4: Best Practices
- Principle 5: Conservation Of Natural Resources & Biodiversity
- Principle 6: Corporate Social Responsibility
- Principle 7: Responsible New Plantings
- Principle 8: Continuous Improvement

5



SPO (Chain of Custody)

- Systems available:
 - Book & Claims
 - Mass balance
 - Full segregation
 - Identity pressures –

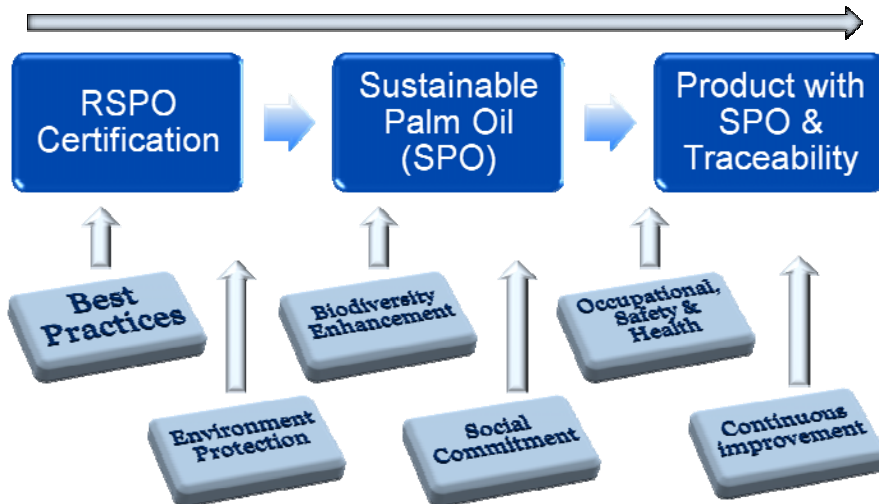
By definition:

we can only claim to be in compliance if 90% is SPO

6



Sustainability & Traceability (Supply Chain Process)



7



RSPO – One Stop Solution

- Develop a protocol on sustainable production of palm oil that is acceptable to ALL.
- To cater to the demands for SUSTAINABLE palm oil, for FOOD and for FUEL.

RSPO CERTIFICATION ACTION PLAN

December 2010

FY 2010/2011 :
20 SOU – 8 from Indonesia

FY 2009/2010 :
20 SOU - 7 from Indonesia

FY 2008/2009 :
20 SOU - 6 from Indonesia

FY 2007/2008 :
5 SOU - Completed

March 2007

8



Issues & Challenges of RSPO Certification

- Boundary Stones
- Transparency on The RSPO Management Plan (Available On Webpage)
- Biodiversity Assessment
 - Endangered, Rare & Threatened Species
 - High Conservation Value Forest
- Buffer Zone & Slope Protection
- Social Impact Assessment
- SEIA – New Development
- Continuous Improvement

9



Issues and concern on Chain of Custody(SPO)

- Need a third party assessor
- Which system to choose?
- Small holders crop
- Non RSPO certified oil
- Communication on the standards (what do we print on the packaging)

10



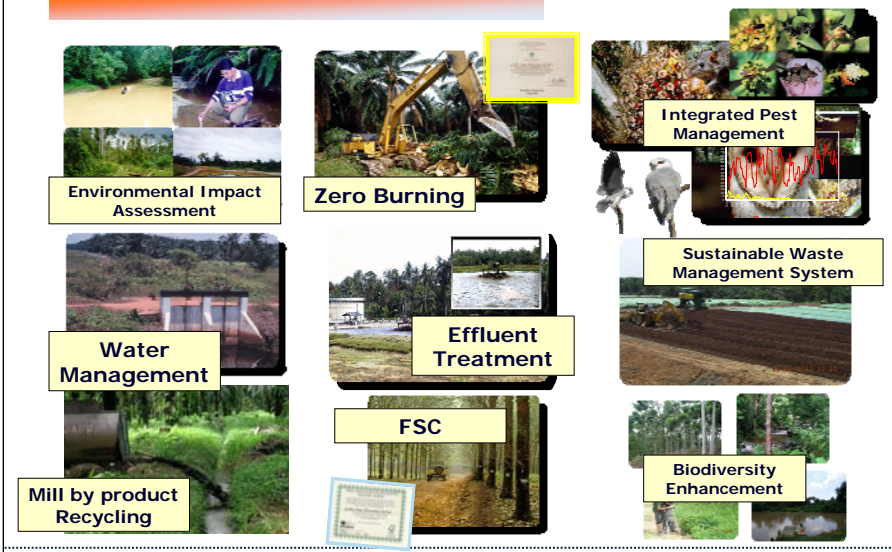
What We Need To Do?

- Zero Burning Planting Technique
- Integrated Pest Management
- Sustainable Waste Management
- Clean Development Mechanism
- Forestry Stewardship Council (FSC)
- Biodiversity Enhancement / High Conservation Value Forest (HCVF)
- Environmental Impact Assessment
- Social Responsibility

11



Good Agricultural Practices



CEO ROUNDTABLE - TRACEABILITY

12



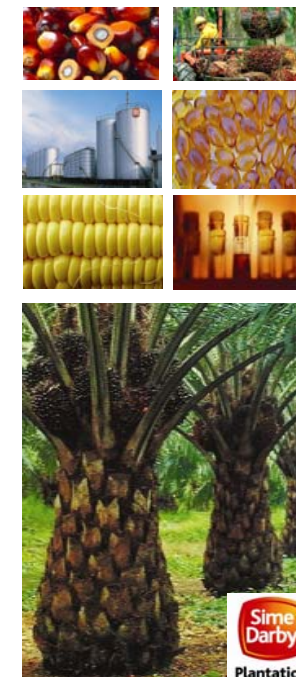
Traceblity of Supply Chain

- Source of mill and contributing crop
- Tankers and vessel code and quantity
- Bulking instillation code and quantity
- Shipment code and quantity
- Refiners tanks code and quantity
- Product code and labeling
- Marketing needs to know and understand the database for traceable supply chain

13



Financial Implications



What are the costs involved?

1. Social issues
 - Internal
 - External
2. Environmental conservation & preservation
 - Reforestation
 - Wildlife conservation
3. Certification fees
 - Pre-Assessment
 - Certification
 - Surveillance
4. Maintenance cost for addressing protocol 1 to 8
5. How much?
 - » 10% above your operating cost

15



16

