Malaysian Certified RSPO/RSPKO: 
Opportunities for the Soap & Oleochemical Industry in India

By Dr. Surina Ismail,
POTS India, 26 June 2014
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FACTS & FIGURES
Creating Value for you through our product innovation, global footprint and customer service

OUR VISION: To become the world leader in value-added natural-based chemicals

- Revenue of US$1 Billion Per year
- Innovation Focused, Solutions Driven
- Long History in Natural-Based Chemicals
- >3000 Products Across 6 Market-Based Solutions Area
- Worldwide Distribution Network
- 4 Production Facilities Globally
MARKET-BASED SOLUTIONS
Our solutions bring the wonders of natural-based chemistry closer to you
## MARKET-BASED SOLUTIONS
Wide-ranging, natural-based product portfolio to meet your current and future needs

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<td>Agro Green Solutions</td>
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### Wide-ranging portfolio to meet your current and future needs

<table>
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<th>Our crop care solutions are designed to:</th>
<th>Our lubricant solutions are designed to:</th>
<th>Our polyols solutions are designed to:</th>
<th>Our polymer additives solutions are designed to:</th>
<th>Our personal care solutions are designed to:</th>
<th>Our wide-ranging product portfolio is designed to:</th>
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<tr>
<td>• Reduce-risk (biodegradable)</td>
<td>• Improve processing efficiencies</td>
<td>• Provide customised solutions used in the manufacturing of flexible and rigid polyurethane foam.</td>
<td>• Provide superior performance for polymer additives (Plastics, PVC, PU, etc)</td>
<td>• Provide unique properties of natural-based chemistry</td>
<td>• Provide highest quality and performance in renewable solutions for various industries</td>
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<td>• Increase the efficiency of active ingredients in formulations</td>
<td>• Deliver outstanding technical performance</td>
<td>• Can be economically integrated with products with sustainability needs.</td>
<td>• Enhance ‘green’ properties in end products</td>
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MARKET-BASED SOLUTIONS
Providing you a Competitive Advantage in natural-based product development

One of the biggest Oleochemical Co. & Leader in RSPO Supply Chain Certified Products

ISO-certified & able to offer kosher, halal and GMO-free products

Production sites & service centres in America, Europe and Asia Pacific

Worldwide technical support

Continous product development

Global R&T capabilities & proprietary technologies

OUR CUSTOMERS benefit from total solutions

CREATING VALUE | www.emeryoleo.com
OUR GLOBAL FOOTPRINT & DISTRIBUTION NETWORK
Integrated & efficiently operated manufacturing facilities designed to serve customers anywhere!
ROUND TABLE ON SUSTAINABLE PALM OIL (RSPO) & THE SUPPLY CHAIN CERTIFICATION SYSTEM (SCCS)
The Roundtable on Sustainable Palm Oil (RSPO) : In Brief

A multi-stakeholder which initially started in 2003, with 7 members

Promotes the **growth and use of sustainable oil palm products** through global standards & cooperation **within the supply chain**.

Among its principles:
- Respect for rights of land owners, farmworkers, smallholders and their families
- No primary forests or high conservation value areas sacrificed for new palm oil plantations

RSPO defined sustainability as:

“The Capability of meeting the needs of the present without compromising the ability of future generations to meet their own needs.”
RSPO Supply Chain Certification Systems (SCCS) 
An Overview

**SCCS: A Chain of custody**
- Approaches for creating links between sustainable Oil Palm Plantations, Processors & Manufacturers and the Consumers

**Purpose:**
- Guarantees end-users of RSPO Certified Sustainable Oil Palm products
- The right to claim & use the trademark in the marketplace

**Scope: Physical movement of certified sustainable palm oil/palm kernel oil (CSPO/CSPKO)**
- Requirements for organizations controlling palm oil under Identity Preserved, Segregated or Mass Balance supply chain model

**Others: Paper records of transactions**
- Book & Claims via Green Palm Certificates (No Physical Movement of palm oil)
- No links between the original certified oil and the final product
Who can claim the use of (or support of) RSPO certified palm oil?

- Downstream processors/users of RSPO certified oil who adheres to requirements the RSPO Supply Chain Certification Systems.

- Independently verified by an RSPO approved and accredited Certification Body (CB).

- Schematic Overview of Palm Oil Supply Chain

Source: RSPO
RSPO SCCS: The Supply Chain Certification Procedure

Verifies movement of oil through supply chain via different RSPO approved Supply Chain Models
- Identity Preserved (IP)
- Segregated (SG)
- Mass Balance (MB)

Step-by-step documentation
- A clearly defined Internal Control System in place ex. ISO 9000
- Details on how to: In RSPO Supply Chain Certification Systems

Third-party certification by approved Certification Bodies (CB): Ex
- Control Union Certifications.
- SIRIM QAS.
- TUV Nord Indonesia.
- Full list: http://www.rsfo.org/?q=page/1512

Requirements
- Requires RSPO Membership
- Time-bound commitment
Who are the players?

- **All Palm-based operators who**
  - Take legal ownership AND
  - Physically receive RSPO CSPO/CSPKO
  - Want to claim this in the market place!

- **First operators: Palm Oil Mills & Refineries**

- **Mid-operator: Ingredient Manufacturers**
  - Oleochemical & its derivatives

- **Last operator: End Product Manufacturers**
  - The manufacturers (HPC, Cosmetics, Plastics, Coatings, etc) that uses the oleochemical products designed and intended for consumption or end-use in any way e.g. Retailers (Walmart, Tesco, etc.)
Product composition – Upstream

Palm Oil Mills & Refineries

RSPO Certified Oil

- CSPO, CSPKO, etc.
  - Palm Oil Input Product

Non-Certified Oil

- CPO, CPKO, etc.
  - Palm Oil Input Product

Other Fats & Oils

- Coconut
- Soybean, Rapeseed
- Tallow
- Etc.

Primary, Semi-finished and Finished Products.

SUPPLY Chain Models:

Identity Preserved (IP); Segregation (SG); Mass Balance (MB); Book and Claim (B&C)
Supply Chain Models

*Schematic Representation of Traceability Methods*

<table>
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<th>Physical Traceability (Along the supply chain)</th>
<th>IDENTITY PRESERVED (IP)</th>
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<td>Full Segregation (SG)</td>
<td>RSPO (&gt;95%)</td>
</tr>
<tr>
<td>Mass Balance (MB)</td>
<td>Non-RSPO</td>
</tr>
<tr>
<td>Book and Claim (No Physical Traceability)</td>
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Source: Sime Darby Plantation
Physical movement of CSPO/CSPKO

*Identity Preserved (IP)*

- RSPO PK and CPO derivatives, delivered to the end user are identifiable to an RSPO certified POM and its supply base.
- All fractions and products are isolated from all other products.
**Physical movement of CSPO/CSPKO Segregated (SG)**

- The final product contains 100% RSPO certified sustainable palm oil (or its fractions).
- The individual product cannot be traced to a single POM.
Paper records of transactions

**Mass balance (MB)**

- Allows for mixing of RSPO and non-RSPO certified palm oil at any stage in the supply chain provided that overall company quantities are controlled.
Paper records of transactions

*Book and Claim (B&C)*

- POM sells sustainable certificates through the Green Palm program.
- The refinery or processing unit purchases sustainable certificates.

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**Diagram:***

- **OIL PALM**
  - Not certified.
  - RSPO P&C
  - Independent groups, RSPO P&C

- **POM RSPO P&C**
  - Volume credits, sale of CPO.

- **FFB OER 20%**
  - Volume credits, FFB not certified.

- **Book and Claim (BC)**
  - No link between the original CSPO or certified FFB and the final product.

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**Market Claim**

“Supports the production of certified sustainable palm” oil.
www.rspo.info
Downstream Palm Oil/Oleochemical

Complexities of the Supply Chain

- Many links with potential for mixing
- Multi-layered processes with diverging production steps
- Raw Material and layer options

Smallholders → Mill

Plantations

Various means of Transportations

(Multiple) Refiners & Blenders

(Multiple) Ingredient Manufacturers

(Multiple) Product Manufacturers

(Multiple) Retailers
Example of Oleochemical Process Flow

BASIC

DERIVATIVES
Ingredient Manufacturers:
Oleochemicals and its Derivatives

The scope has been limited to the major primary and secondary Oleochemicals and their derivatives to minimize complexity.

Source: Unilever
Ingredient Manufacturers in HPC Products

Example: Oleochemicals in Shampoo
The Ingredient Manufacturers

Ex: Home Personal Care (HPC) Market

An Illustration of the complexities of the supply chain showing the multi-layered process & diverging production steps

HPC Manufacturer
(End-Product Manufacturers)
Ex. Unilever, P&G, J&J, etc

Source: BASF
EXAMPLE: Overall Structure of UK palm supply chains including key commitments (April 2011):

- **Commitments by key players to source by 2015:**
  - Food Manufacturers
  - Supermarkets
  - Health & beauty specialists

- **Awareness of Sustainable Palm Oil (SPO) by key players**
  - Cleaning, Personal Care & Cosmetic manufacturers
  - Feed Manufacturers

Source: UKpalmoil (defra)
Key Points to Consider

**IP, SG or MB**

**Physical Traceability**

- **IP, SG & MB via the SCCS** will ensure that the oil is from a **physical sustainable source**
- **IP & SG** ensures that the sustainable source is present in the **final products**

**Complexities & Demands of the Supply Chain**

- **The complexities involved** can result in increased costs for Mid-Operators
- **Low volume demands** from downstream users will result in poor uptake by the mid-operators (Pull Factor)

**Unavailability of CSPO/CSPKO**

**Unavailability of CSPO/CSPKO** will push most operators to utilize the B&C approach-

**Poor commitment from** upstream players will result in the mid-operators unable to meet the commitments of their customers (Push Factor)
Key Points to Consider

Book & Claims

Green Palm certificates

- Use of Green Palm certificates do not indicate that products in question contain palm oil from sustainable sources

Companies pay support fee

- Green Palm certificates are akin to offset certificates, i.e., companies pay a support fee to a sustainable grower, while continuing to buy their oil from any non-sustainable source.
Key Points to Consider

Role of the Ingredient Manufacturers

Role of the Soap & Oleochemical Players

- **Availability of palm derivatives** such as surfactants, glycerin and emulsifiers from sustainable source are critical

As part of the Supply Chain

- Oleochemical Manufacturers need to be more involved & consulted in order to ensure the success of the RSPO SCCS

Readiness of the Soap & Oleochemical Players

- To have the **certification & the supply of certified sustainable oils ready** to meet the needs of the downstream user
Summary

Benefits of the RSPO SCCS
- Traceability of the CSPO in the downstream industries
- Broaden market access as demand for CSPO products grows.
- Improve business credibility when dealing with NGOs with environmental and social interests.
- Have a positive image of being socially responsible company supporting CSPO production and conserving environmental resources.

Commitments of the End-Product Manufacturers & Retailers regarding use CSPO Products
- Delayed commitment by End-Product Manufacturers & Retailers to using CSPO, even as sufficient quantities of CSPO became available
- Option by many users of palm oil to use GreenPalm certificates instead CSPO because it seemed simpler
- Use of MB RSPO CSPO by End-users are still limited due to limited understanding of what this entails

Prospects for Use of Malaysian CSPO by BRIC markets
- Pressure from NGOs for Governments to impose tariffs for non-SPO use
- Level of awareness of RSPO and CSPO from BRIC Markets
Finally,

**Push Effect**
- Environmental & Societal NGOs; Consumer Awareness

**Cost**

**Benefits**
- Sustainable Palm-based Products

**Pull Effect**
- Requirements to make it work
- Availability of CSPO & CSPKO; Participation along the Supply Chain; SCCS for Traceability
THANK YOU FOR YOUR ATTENTION

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