

Commentary on Sourcing Code for the Promotion of Sustainable Palm Oil

Introduction

“Sustainability” is a term that indicates a state of sustainable development through harmony among Environment, Society, and Economy. The policy of the International Olympic Committee (IOC) also clearly states “include sustainability in all aspects of the Olympic Games.” Taking this policy, the Tokyo 2020 Games has decided to work on consideration for sustainability from various aspects in its preparation and operation. One of the related efforts is sustainable sourcing of products and services.

Palm oil (including palm kernel oil) is a vegetable oil used in diverse processed foods and chemical products. Palm oil, however, poses sustainability concerns—forest development and labour management at production sites in particular—and working on “sustainability” through such means as the development and dissemination of various certification systems has become a global trend.

For this trend, the Sourcing Code for the Promotion of Sustainable Palm Oil was formulated so that sustainability in the production stage is promoted for palm oil to be sourced for use in the Olympic/Paralympic Village and other venues of the Tokyo 2020 Games.

Meanwhile, the concept of sustainability, at which the Tokyo 2020 Games aim, has not yet been fully penetrated among both enterprises and consumers in Japan. For this reason, these Commentaries were prepared with concise explanations on the points of the Sourcing Code, so that enterprises and consumers can deepen their understanding of the meaning of and necessary efforts for sustainability.

With its principal target being to realize the sustainable Games through the sourcing of palm oil that meet the Sourcing Code, Tokyo 2020 also considers it important that the Tokyo 2020 Games will provide enterprises in Japan with an opportunity to work on the sourcing of sustainable palm oil, and that this will lead to the enhancement of sustainability awareness among businesses and consumers in Japan, long-term expansion of commitments toward the sourcing of sustainable palm oil, and, eventually, improvement of production environments of palm oil. Tokyo 2020 believes that efforts toward the sourcing of sustainable palm oil will thus become an important legacy of the Games.

We expect that the standards of sustainability will be raised in the food and chemical industries as a whole, with people concerned in all stages, including not only producers but also

business operators involved in processing and distribution, making efforts with high level of awareness through the Sourcing Code and these Commentaries.

<Reference>

Palm oil is a vegetable oil extracted from fruits of oil palm trees. Palm oil is obtained by squeezing the orange-colored flesh of the fruits, while from central white kernels of the fruits, palm kernel oil is also pressed out.

Palm oil is produced mainly in tropical countries such as Indonesia and Malaysia. About 80% of palm oil imported to Japan comes from Malaysia. Palm oil has the advantages of a high yield per unit area and a stable harvest throughout the year.

Palm oil is semisolid at room temperature and can be processed in various ways, making it available as a raw material for a wide range of products, such as processed foods, margarine, frying oil, soap, and detergent. However, it is usually not apparent that palm oil is contained in such products because palm oil is often indicated on the ingredient labels simply as “vegetable oil,” or under the name of a processed product (e.g. “shortening”) or the name of a chemical ingredient (e.g. “oleic acid”).

Palm oil, as well as palm kernel shells (PKS), which are left after palm kernel oil has been pressed out, is also sometimes used as fuel for power generation.



Palm tree plantation



Palm tree and its fruits



Palm fruits



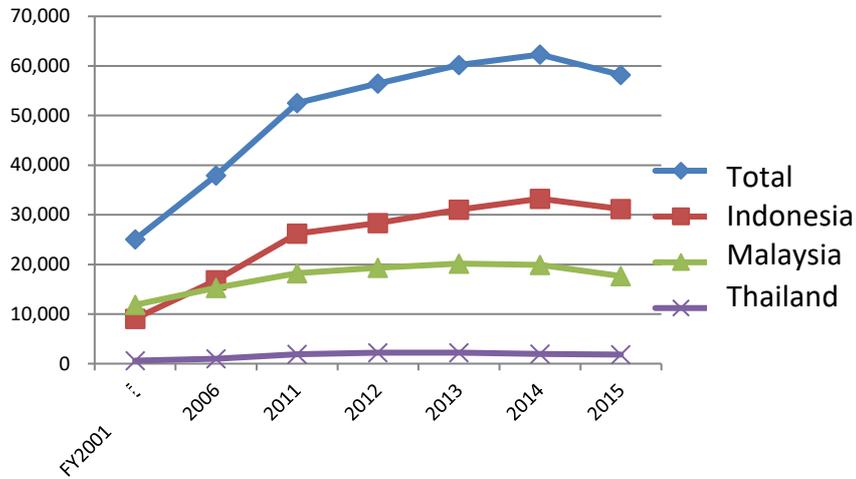
The fruit cut in half

Orange-colored flesh → Palm oil
White kernel → Palm kernel oil

Source: Handout for the 15th meeting of the Sustainable Sourcing Working Group

Production of palm oil in major producing countries

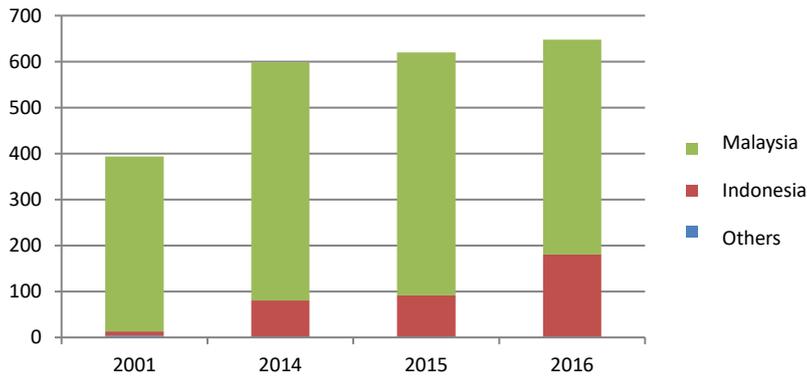
(Unit: thousands of tons)



Source: Handout for the 15th meeting of the Sustainable Sourcing Working Group

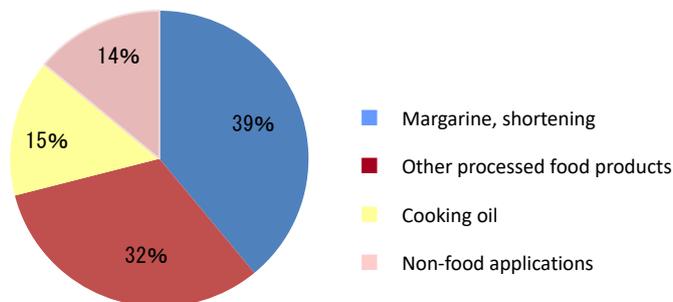
Japan's imports of palm oil

(Unit: thousands of tons)



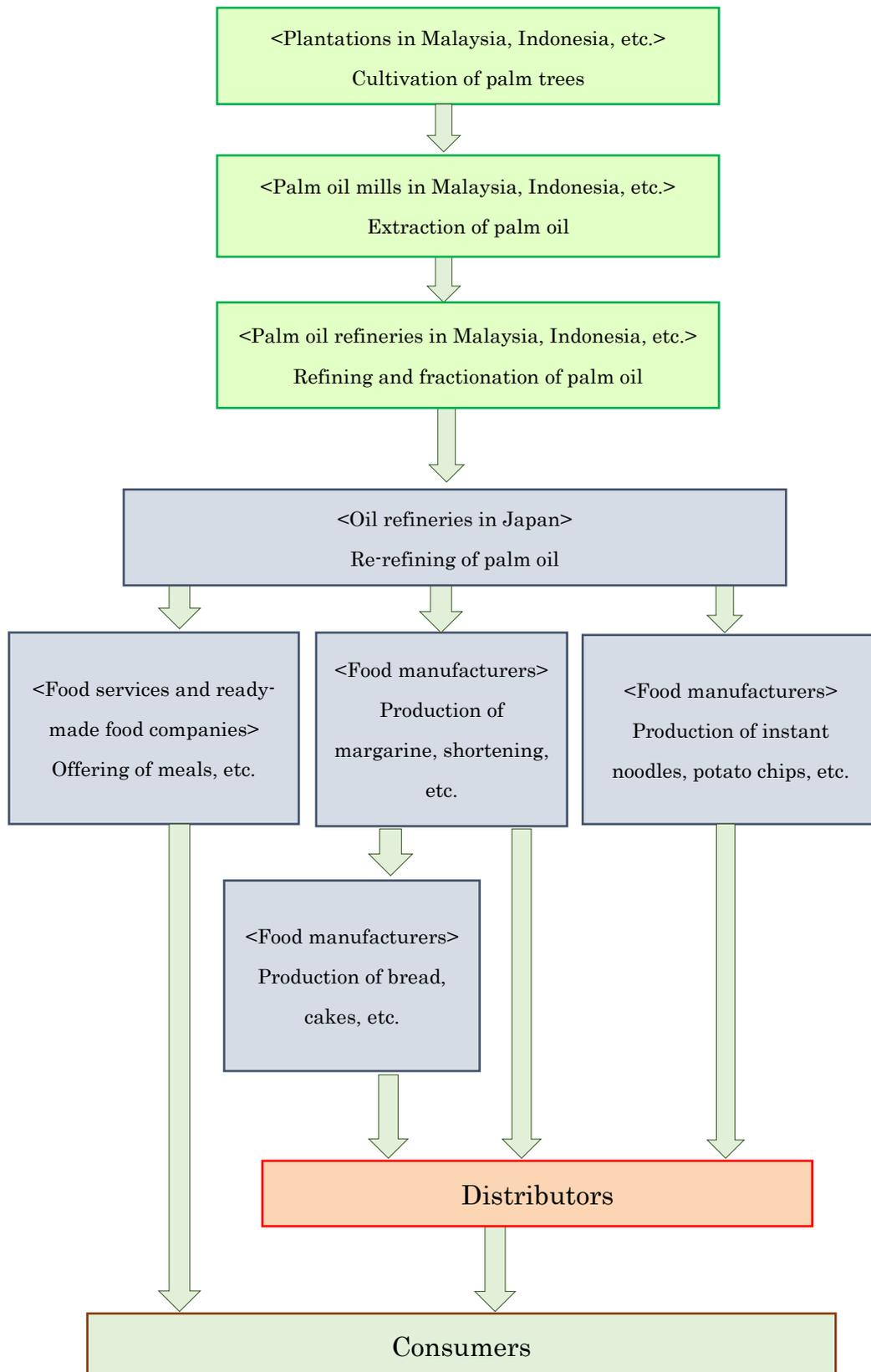
Source: Handout for the 15th meeting of the Sustainable Sourcing Working Group

Palm oil usage in Japan



Source: Handout for the 15th meeting of the Sustainable Sourcing Working Group

Distribution channel of palm oil for food applications



Source: Handout for the 15th meeting of the Sustainable Sourcing Working Group

Commentary for Each Section

The details of the Sourcing Code for palm oil will be explained one by one.

In addition to the Sustainable Sourcing Code, the below Sourcing Code for the Promotion of Sustainable Palm Oil provides a framework for sustainable procurement of palm oil (including palm kernel oil) used for products, services, etc. procured by the Tokyo 2020 Organising Committee (hereinafter “Tokyo 2020”).

<Commentary>

This section indicates that the Provisions of 4 to 6 of the Sustainable Sourcing Code (main text) are also applied to palm oil. For instance, it is required to meet “4. Standards for Sustainability” that stipulates ban on discrimination & harassment and forced labour & child labour during production and distribution of procured products, etc., as well as ban on misleading representation in marketing of procured products, etc. Also, there is a case where Tokyo 2020 confirms whether suppliers and licensees are complying with the Sourcing Code based on “5. Verification Procedure.” Furthermore, based on “6. Grievance Mechanism,” reports on non-compliance with the Sourcing Code (main text as well as individual codes) will be received.

1. The targets for this Sourcing Code are palm oil to be used as a raw material of processed food, frying oil (for cooking to provide food and beverage), soap & detergent products.

Suppliers shall procure the above-mentioned processed food and others made with the use of palm oil as a raw material that complies with this Sourcing Code as preferentially as possible, considering the amount of palm oil used for each product.

*** Products that are likely to contain palm oil are as follows:**
i.e.) Edible oil, instant noodles, bread, pastry, margarine, shortening, creamer, frozen foods, vacuum-packed foods, dressing, curry roux, fried chicken, fried potatoes, snacks, chocolate, cookies, biscuits, candy, cakes, doughnuts, ice cream, soap, detergent, toiletries, shampoo, body soap, and toothpaste

<Commentary>

Palm oil subject to the Sourcing Code is that used as a raw material of processed food, frying oil (for cooking to provide food and beverage), and soap & detergent products.

However, because processed food and other products containing palm oil range widely and many processing and distribution stages involved may generate restrictions that include the difficulty in tracking and confirming raw materials and intermediate products used, which could pose a limitation to the feasibility of the Sourcing Code, suppliers are required to procure products made with the use of palm oil as a raw material that complies with the Sourcing Code as preferentially as possible.

More specifically, suppliers are required to check, in accordance with the attached Palm Oil Product Checklist, each of their products that are likely to contain palm oil to ascertain whether or not such a product has been procured, whether or not the product contains palm oil, and whether or not palm oil contained in the product meets the Sourcing Code. Suppliers who have difficulty in procuring products made with the use of palm oil that complies with the Sourcing Code are required to explain the reason why it is difficult.

Because the amount of palm oil used for each product and the level of processing required to finish products vary widely among products containing palm oil, suppliers are recommended to first work on products with a relatively higher palm oil content and a low level of processing, such as margarine, shortening, and frying oil.

2. To be regarded as having been produced in a sustainable manner, palm oil shall satisfy the following conditions from (i) to (iv).

(i) Relevant procedures are properly implemented with reference to laws and regulations related to the development and management of oil palm plantations of the producing country or region.

(ii) In the development and management of oil palm plantations, the ecosystem is conserved, and the environmentally important areas, under which peat lands and natural forests could fall, are properly conserved.

(iii) In the development and management of oil palm plantations, indigenous and other local peoples' rights related to the land are respected, and free, prior and informed consent formation system has been secured.

(iv) In the development and management of oil palm plantations as well as in the management of palm oil mill, without any child labour or forced labour, plantation workers' proper working conditions are secured.

<Commentary>

This section provides the requirements that palm oil must satisfy to be acknowledged as having been produced in a sustainable manner.

The condition (i) requires oil palm plantations to be developed and managed in compliance with relevant laws and regulations. More specifically, the plantations are required to comply with related rules, having been given a government-issued business license necessary for their management based on relevant laws and regulations of the producing country or region.

The condition (ii) requires oil palm plantations to take environmental conservation measures for their development and management. More specifically, conservation measures must be taken for the plantations that are a habitat for any of rare plants or animals or that have any of important forests and areas to be protected, such as peat lands and valuable natural forests.

The condition (iii) requires oil palm plantations to take measures to respect the land rights of indigenous and other local peoples in their development and management. More specifically, when an oil palm plantation is involved in the land rights of indigenous and other local peoples, it is required that procedures or processes aimed for free, prior and informed consent (FPIC) be implemented.

The condition (iv) requires oil palm plantations to maintain a proper working environment for workers in their development and management as well as in the operation of a palm oil mill. More specifically, it must be ensured that no child labour or forced labour is conducted, that proper working conditions such as employment procedures and minimum wages for workers including migrant workers are secured, and that proper occupational safety measures are taken.

3. The ISPO ^(Note 1), MSPO ^(Note 2), and RSPO ^(Note 3) are schemes to certify efforts at palm oil production sites in line with the same concept as (i) to (iv) in Section 2 above.

(1) While there are some cases where concerns in the effectiveness of these certifications have been pointed out, Tokyo 2020 makes palm oil which is certified by one of these certifications (hereinafter “certified palm oil”) ^(Note 4) available for use from a perspective of supporting the efforts of wide-ranging palm oil producers including small scale farmers for the improvement of their production sites.

(2) Relevant distribution management is needed to ensure that certified palm oil above mentioned in (1) is properly handed over at every stage.

(3) For the cases where certified palm oil above mentioned in (1) is difficult to secure, Tokyo 2020 also makes a method to purchase credits based on these certifications corresponding to the amount of palm oil available for use.

(4) Tokyo 2020 will continue to pay attention to the management situation of ISPO, MSPO and RSPO to confirm that it is appropriate to make them available in this Sourcing Code.

(5) Palm oil certified by other certification schemes Tokyo 2020 recognises as ones at least equivalent to the three certification schemes mentioned above are also treated in the same manner.

<Commentary>

Section 3 shows available certification schemes based on the requirements set out in Section 2.

The ISPO, MSPO, and RSPO mentioned here are schemes that certify efforts being made at production sites toward the improvement of their sustainability, which are in line with the concept of the conditions (i) to (iv) in Section 2. While some are raising concerns about the effectiveness of these schemes, the schemes are also considered an opportunity for wide-ranging palm oil producers including small-scale farmers to take part in efforts to improve their sustainability. By making the schemes available in the Sourcing Code, Tokyo 2020 intends to encourage the improvement of production environments. Tokyo 2020 will also

continue to follow up on the status of management of the schemes to ensure that they will stay in line with the purpose of the Sourcing Code.

These schemes can also be further divided into the following methods according to the way palm oil is distributed or the way certification is granted:

Identity Preserved (IP): Only certified palm oil produced in a single plantation is used as a raw material and kept separate from non-certified palm oil along all stages from extraction to end products.

Segregation (SG): Only certified palm oil produced in different plantations is used as a raw material and kept separate from non-certified palm oil along all stages from extraction to end products.

Mass Balance (MB): Certified palm oil is mixed with non-certified palm oil with their mix ratio strictly recorded and managed along all stages up to the completion of end products.

Credit purchase: End product manufacturers using non-certified palm oil are allowed to purchase credit certificates issued by growers based on their production volume of certified palm oil, which supports the growers. This method enables manufacturers who have difficulty in introducing equipment or management system capable of handling certified and non-certified palm oil separately to join efforts to improve the sustainability of palm oil production.

The Sourcing Code allows the use of palm oil certified as having been supplied by the IP, SG, or MB method in which the use of certified/non-certified palm oil is controlled physically. These methods, however, require proper distribution management to confirm that certified palm oil is delivered and received correctly at each stage (i.e., palm oil must always be accompanied with the applicable certificate when distributed).

In the case that the use of actual certified palm oil is determined as difficult upon a full exploration of the possibility of its use, the Sourcing Code allows end product manufacturers to purchase credits equivalent to the amount of palm oil used through any of the certification schemes. Suppliers who have opted for this method may be requested to explain the reason why they cannot secure actual certified palm oil.

Tokyo 2020 intends to contribute to the improvement of production environments by promoting the sourcing of sustainable palm oil in line with the Sourcing Code and thereby supporting the long-term expansion of such sourcing that will continue even after the end of the Games. To achieve this, Tokyo 2020 considers it more desirable that wide-ranging businesses including those engaging in distribution or processing handle actual certified palm oil supplied through the either IP, SG, or MB method. However, at the same time, credit purchase is also a method that will lead to the improvement of sustainability of palm oil production and that is in line with the purpose of the formulation and implementation of the Sourcing Code. Tokyo 2020, therefore, allows the utilization of this method as well for businesses who cannot secure actual certified palm oil.

If a certification scheme other than the ISPO, MSPO, or RSPO is confirmed to meet all the requirements (1) to (3) below based on an application by the scheme owner, palm oil produced under the certification scheme is also handled in the same way as palm oil certified under the ISPO, MSPO, or RSPO.

- (1) The examination items are in line with the conditions (i) to (iv) of Section 2.
- (2) Clear provisions are in place for examination and certification methods and procedures.
- (3) Examination bodies that conduct examination and certification must:
 - a. be under contract with or registered with the scheme owner for the implementation of the examination; and
 - b. have a capacity to implement the examination based on ISO 17065.

References

ISPO

The Indonesian Sustainable Palm Oil (ISPO) is a certification scheme managed by the Indonesian government, which certifies oil palm plantations and factories that meet the set legal, environmental, social, and other standards.

URL: <http://www.ispo-org.or.id/>

MSPO

The Malaysian Sustainable Palm Oil (MSPO) is a certification scheme managed by the Malaysian government, which certifies oil palm plantations and factories that meet the set legal, environmental, social, and other standards.

URL: <https://www.mpocc.org.my/mspo-certification-scheme>

RSPO

The Roundtable on Sustainable Palm Oil (RSPO) is a certification scheme managed by palm oil producers, manufacturers, retailers, environmental NGOs and others, which certifies oil palm plantations and factories that meet the set legal, environmental, social, and other standards.

URL: <https://rspo.org/>

The application procedure for the “certification schemes Tokyo 2020 recognises” of Section 3 (5) of the Sourcing Code is as follows:

1. Applicants

Applicants shall be those who own, operate, and maintain a certification scheme (the scheme owner) in principle.

2. Documents necessary for application

Applicants must submit the documents below to Tokyo 2020. Documents must be prepared in Japanese or in English (Japanese translation must be attached).

- Application form
- Outline of the certification scheme (purpose/concept, principles/criteria and certification procedures, target products, and number of certificates issued, etc.)
- Corporation information of the scheme owner (corporate name, location of the main office, representative, and outline of the business, etc.)
- Checklist and materials with which the basis of entry details can be confirmed (examination standards, etc.)

3. How to submit application documents

Please submit application documents by post (through a mailing method with a mail tracing service available). Please contact [sustainability \(at\) tokyo2020.jp](mailto:sustainability@tokyo2020.jp) (Please replace "(at)" with “@”) for mailing address.

4. Others

Certification schemes which are regarded to be appropriate in the examination will be announced on the official website of Tokyo 2020. It is expected to take about two months for examination.

This application is limited to certification schemes available for the provision of products for the Tokyo 2020 Games.

4. In the event that suppliers need palm oil without any certification specified in Section 3, palm oil for which traceability to the plantation is secured, and for which a third-party confirmation on the conditions from (i) to (iv) in Section 2 above has been conducted through the procedure designated in the appendix, shall also be available.

<Commentary>

In the case that palm oil that is not certified under any schemes mentioned in Section 3, such as ISPO, MSPO, and RSPO, has to be procured, such palm oil must be traced back to the oil palm plantation and undergo third-party verification conducted through the procedure provided in the Appendix.

5. Suppliers shall keep documents with the record of products mentioned in Section 1 above for which palm oil that suits Section 3 or 4 above is used until one year after the Tokyo 2020 Games, and submit such documents when Tokyo 2020 requires them to do so.

<Commentary>

It is necessary for Tokyo 2020 to be able to check that palm oil products actually used are compliant with the sustainable requirements, any of the certification schemes available in the Sourcing Code.

To be more specific, suppliers are required to fill out the Palm Oil Product Checklist referred to in Section 1.

6. Suppliers are recommended to collect the information such as concerns related to the place of origin and production business operator of the palm oil to be used where possible, including the perspective of securing traceability to the plantation, and to utilise the collected information, with its credibility and objectivity in mind, in order to reduce the risk of procuring from a business operator that produces palm oil which does not meet the conditions of Section 2.

<Commentary>

The Sourcing Code requires that palm oil used satisfy the provisions of Section 3 or 4, but this alone cannot eliminate all risks. For this reason, in addition to security provided by the certification schemes and other means, this Section 6 is provided as an additional measure recommended to be taken to further decrease sustainability risks, which involves collecting sustainability information.

More specifically, suppliers are recommended to collect and analyze as much information as possible regarding the place of origin, local palm producer, and others to identify any issues that may be occurring, such as illegal operations, environmental destruction, human rights violation, forced labour, or child labour. If it is considered highly likely that procured products may fall short of meeting the Sourcing Code, suppliers are expected to conduct additional confirmation, among other actions.

Because the uses and distribution patterns of palm oil vary widely, Tokyo 2020 does not intend to standardize the content of information that should be collected or the way the content is evaluated. However, suppliers should collect information from well-balanced sources because the sources and their backgrounds and intentions may be diverse, and carefully evaluate the credibility and objectivity of information collected in order not to unfairly reject certain products, manufacturers, or the like by relying on unreliable information without sufficient verification.

Sourcing Code for the Promotion of Sustainable Palm Oil Palm Oil Product Checklist <Entry Example>

Business operators contracted by Tokyo 2020 are requested to submit this checklist on palm oil products used for the implementation of the contract, when planning, and after completion of, the delivery of the products/services.

Food category	Product name	Qty	Supplier	Palm oil contained?	Palm oil used meets the Code?	Certification scheme/Reason why a product with certified palm oil cannot be used
Margarine	<input type="checkbox"/> <input type="checkbox"/> Foods Hotel Margarine	1 kg 5 packages	<input type="radio"/> <input type="radio"/> Store	<input type="radio"/>	<input checked="" type="radio"/>	ISPO
Shortening						
Frying oil	<input type="radio"/> <input type="radio"/> Oils & Fats Soy-Palm Oil Mix	18-liter can 10 cans	<input type="checkbox"/> <input type="checkbox"/> Foods	<input type="radio"/>	<input type="radio"/>	MSPO
Instant noodles	<input type="triangle-up"/> <input type="triangle-up"/> Milling Company Good Value Noodles	1 kg 100 packs	<input checked="" type="radio"/> <input checked="" type="radio"/> Foods	<input type="radio"/>	<input type="radio"/>	RSPO (SG)
Ice cream	<input type="radio"/> <input type="radio"/> Dairies Vanilla Ice Cream	1 kg 10 packages	<input type="checkbox"/> <input type="checkbox"/> Bussan	<input type="radio"/>	<input type="radio"/>	RSPO (MB)
Bread/pastry	<input checked="" type="radio"/> <input checked="" type="radio"/> Bakery Rolls for Commercial Use	1500 rolls	<input type="triangle-up"/> <input type="triangle-up"/> Mart	<input type="radio"/>	<input checked="" type="radio"/>	We contacted three suppliers but were not able to find products with certified palm oil.
Coffee creamer						
Dressing	<input type="checkbox"/> <input type="checkbox"/> Foods Caesar dressing	1 liter 5 bottles	<input type="radio"/> <input type="radio"/> Shop	<input type="radio"/>	<input checked="" type="radio"/>	We contacted three suppliers but because even the lowest price offered was 1.5 times higher than products with non-certified palm oil, we were not able to use products with certified palm oil due to budget constraint.
Curry roux						
Fried chicken						
French fries						
Snacks and sweets Snack Chocolate Cookie Biscuit Candy						
Cake Doughnut						

Chemical product category	Product name	Qty	Supplier	Palm oil contained?	Palm oil used meets the Code?	Certification scheme/Reason why a product with certified palm oil cannot be used
Detergent	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Hyper Floor Clean	20 kg 10 packages	<input type="radio"/> <input type="radio"/> Company	<input checked="" type="radio"/>		
Soap, shampoo, body soap	<input checked="" type="triangle-up"/> <input checked="" type="triangle-up"/> Pharmaceuticals Yashiyashi Hand Soap	100 g 50 packages	<input type="triangle-up"/> Drugs	<input type="radio"/>	<input type="radio"/>	RSPO (credit)
Toothpaste	<input checked="" type="radio"/> <input checked="" type="radio"/> Pharmaceuticals Dental Dental	5 ml 10000 packs	<input type="triangle-up"/> Drugs	<input type="radio"/>	<input type="radio"/>	MSPO

<How to enter>

Product name: Enter the name of a product with the highest quantity used in each of the food/chemical product categories. Leave the space blank when no product is used.

You do not need to enter products that are not covered by the categories above, but you can voluntarily do so by adding an extra space to the form.

Qty: Enter the quantity of the product named in the Product name space.

Supplier: Enter the name of supplier from whom you purchased the product named in the Product name space.

Palm oil contained?: Enter (Yes) or (No) to indicate whether or not palm oil is used as a raw material for the product named in the Product name space.

Palm oil used meets the Code?: For products that contain palm oil, enter (Yes) or (No) to indicate whether or not palm oil used meets the Code.

Certification scheme/Reason why a product with certified palm oil cannot be used:

When palm oil used meets the Code, enter the name of certification scheme under which it is certified.

When you cannot use a product with certified palm oil, enter the reason.

(Application regarding the Certification Scheme recognised by Tokyo 2020 based on Section 3(5) of Sourcing Code for the Promotion of Sustainable Palm Oil)

Application Form

MMM DD, YYYY

To Senior Director of Sustainability, Administration Bureau,
Tokyo Organising Committee of the Olympic and Paralympic Games

Applicant:

Address:

Corporate name:

Representative: (seal & signature)

Based on the provision of Section 3(5) of the “Sourcing Code for the Promotion of Sustainable Palm Oil” formulated by Tokyo 2020, we herein apply with the attachment of related documents for the recognition of the certification scheme below that we own and manage as a certification scheme satisfying Section 2 of the Code . The contents of this application form and attached documents are all true and correct.

Name of the Certification Scheme:

Target products:

Attached documents:

(Before submitting this application form, please confirm whether the documents below are attached.)

- Outline of the Certification Scheme (purpose/concept, principles/criteria and certification procedures, target products, and number of certificates issued, etc.)
- Corporation information on the applicant (corporate name, location of the main office, representative, and outline of the business, etc.)
- Materials with which the basis of entries in the check list and the other documents to be submitted can be confirmed. (attachment “Explanatory material”)

(Contact information)

Name	
Job title	
Location	
Phone	
Fax	
E-mail	

Outline of the Certification Scheme

Name of the certification	
Purpose/concept	
Principles/criteria and certification procedures	
Target products	
No. of certificates issued	
Others	

**Sourcing Code for the Promotion of Sustainable Palm Oil (Section 3 (5))
Checklist for the Certification Scheme recognised by Tokyo 2020**

Name of certification scheme:

The results of marking the checklist for the Certification Scheme that we own and manage are as follows:

Categories	No.	Items	Check	Basis (applicable provisions)
1. Legal compliance	1	Compliance with related rules, including the acquisition of government-issued business license necessary for plantation management based on relevant laws and regulations of the producing country or region	<input type="checkbox"/>	
2. Environmental conservation	2	Measures for the conservation of habitats for rare plants and animals	<input type="checkbox"/>	
	3	Measures for the conservation of important forests and areas that need to be protected, such as peat lands and valuable natural forests	<input type="checkbox"/>	
3. Respect for the rights of indigenous people	4	Respect for the rights of indigenous and other local peoples, through free, prior and informed consent process (FPIC)	<input type="checkbox"/>	
4. Maintenance of a proper working environment	5	Prohibition of child labour	<input type="checkbox"/>	
	6	Prohibition of forced labour	<input type="checkbox"/>	
	7	Employment through proper procedure and maintenance of appropriate working conditions such as guarantee of minimum wages	<input type="checkbox"/>	
	8	Proper occupational safety measures	<input type="checkbox"/>	

※ Please submit a material(s) that allows Tokyo 2020 to confirm the corresponding provisions.