

Fact Sheet:

INDEPENDENT SMALLHOLDER (ISH) CREDITS



WHAT ARE INDEPENDENT SMALLHOLDER (ISH) CREDITS?

ISH Credits are critical to ensuring smallholder inclusivity and sustainable palm oil production.

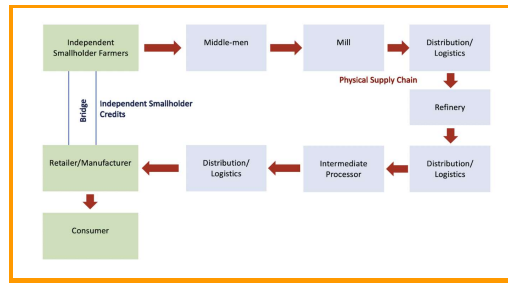
Independent Smallholder (ISH) Credits is the **only trading mechanism in the world designed specifically to connect the market directly to independent smallholder groups**, wherever they are in the world. Smallholders and buyers are able to transact through **RSPO PalmTrace**, RSPO's marketplace and innovative traceability system for purchasing and selling RSPO Certified oil palm products.

Independent smallholders – small-scale farmers with less than 50 hectares of oil palm who do not have a direct relationship with any particular company in the palm oil industry – are provided with the advantage of **selling their certified produce at a premium**, in reward for their sustainable agricultural practices. Buyers who wish to contribute to a more sustainable palm oil market can purchase ISH Credits, and thus actively support smallholders' inclusion in the sustainable palm oil supply chain.

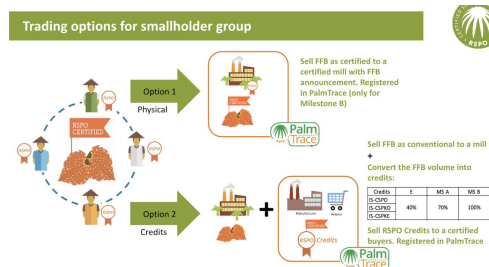
HOW DO ISH CREDITS WORK?

A bridge connecting independent smallholders directly to retailers and CGMs.

In a traditional setup, independent smallholders sell their Fresh Fruit Bunches (FFB) to various middlemen, who sell them to a mill to be processed in the physical supply chain that eventually reaches retailers and consumer goods manufacturers.



ISH Credits offer RSPO certified smallholders the **unique trading ability to sell their FFB to an uncertified mill AND convert their FFB volume into credits**, which can be sold to certified buyers registered on RSPO PalmTrace. This establishes a bridge connecting independent smallholders, regardless of where they are in the world, directly to retailers or consumer goods manufacturers who have purchased ISH Credits.



ISH CREDITS IN NUMBERS

- In **Indonesia and Malaysia**, oil palm smallholders account for **41% and 27%** respectively of total oil palm planted areas.
- In 2022, **over US\$5.5 million** (representing 194,805 MT) in Independent Smallholder Credits was sold to all regions.
- **93% of palm oil imports** (for food, feed and oleochemicals) **to Europe** are RSPO certified, and of this, **22% are RSPO Credits**.
- Between 2020 to 2022, **ISH Credits sales to the EU increased from US\$510,000 to US\$1.84 million (+260.78%)**.
- **Nearly 100% of independent smallholder groups from Indonesia, composed of 15,485 independent smallholders**, have a relationship with the European buyers through RSPO Credits.

EUDR AND POTENTIAL IMPACTS ON INDEPENDENT SMALLHOLDERS

Certified independent smallholders are largely aligned with the new European Deforestation Regulation (EUDR). However, **independent smallholders could potentially lose access to the European market and suffer from a substantial loss of income with the forthcoming legislation**, as companies may no longer use the RSPO Credit system due to a narrower focus on EUDR compliance and the associated additional costs of purchasing credits.