Sustainability requirements in agricultural supply chains

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Haze and the Transboundary Haze Pollution Act 2014

The sustainability of agricultural supply chains became a public issue in Singapore through the haze. Fires set to clear land for plantations in Sumatra and Kalimantan have repeatedly covered Singapore with smoke, notably in 1997, 2013 and 2015. In 2015 the Minister for the Environment estimated the losses to Singapore at S$700 million.[1]

Parliament responded with the Transboundary Haze Pollution Act 2014, which was passed on 5 August 2014 and came into force on 25 September 2014. The Act has an unusual reach. It applies to conduct by entities in or outside Singapore that causes or contributes to haze pollution in Singapore, and it targets companies, including those that condone burning by persons under their management control.[2] Its civil and criminal provisions provide for fines that accumulate for each day of haze, up to a statutory maximum.[3]

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Enforcement has proved difficult, because the evidence lies in Indonesia and the Indonesian authorities regard the Act as an intrusion into their jurisdiction. After the 2015 haze the National Environment Agency issued notices to six Indonesian companies. By March 2017 it had closed investigations into two of them, while four cases involving suppliers to Asia Pulp & Paper remained open in September 2021.[4] The market sanction was faster. The Singapore Environment Council temporarily suspended the use of its Green Label by Asia Pulp & Paper, after which the supermarket chain NTUC FairPrice removed the group's products from its shelves. The products returned only after the group had invested in fire management and obtained an enhanced certification.[5] The episode showed that reputational pressure in the home market of a trading hub can achieve what extraterritorial criminal law struggles to deliver.

Private standards: RSPO and no-deforestation commitments

The first response of the industry was private regulation. The Roundtable on Sustainable Palm Oil was founded in 2004 as an association of producers, traders, manufacturers, retailers and non-governmental organisations, with its seat in Zurich and its secretariat in Kuala Lumpur. It certifies plantations and supply chains against principles and criteria that it has revised several times. Environmental organisations criticise it for continued deforestation in certified areas and weak enforcement.[6]

The second response came from the companies themselves. On 5 December 2013 Wilmar committed to a policy of no deforestation, no peat and no exploitation, applicable to its own operations and to its third-party suppliers. The commitment followed campaigns by non-governmental organisations, one of which later called Wilmar the biggest and dirtiest palm oil trader in the world.[7] Other traders adopted similar policies. Their significance lies in the extension of responsibility to the supplier: a trader that buys from thousands of mills must know where their fruit comes from, which turns traceability into a central function of the trading house.

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Golden Agri-Resources illustrates the commercial pressure behind such policies. Around 2010 several major buyers, including Unilever and Nestlé, cancelled contracts with its subsidiaries after campaigns against unsustainable practices.[8] A Singapore-listed producer depends on access to consumer markets in Europe and North America, which makes the requirements of those markets binding in practice, whatever the law of the producing country says.

The EU Deforestation Regulation

The European Union has turned these private commitments into law. Regulation (EU) 2023/1115 on deforestation-free products covers cattle, cocoa, coffee, oil palm, rubber, soya and wood, together with certain products derived from them. Operators may place such products on the EU market only if they come from land that has not been deforested after 31 December 2020, if they comply with the law of the country of production and if a due diligence statement has been filed.[9]

The application of the regulation has been postponed twice. An amendment of December 2024 delayed it by one year, and a second amendment of 19 December 2025 delayed it again while modifying the due diligence requirements. Large and medium-sized operators must now comply from 30 December 2026, micro and small enterprises from 30 June 2027. The Commission published a simplification review on 4 May 2026.[10]

The regulation classifies producing countries by risk. Under the implementing act of 22 May 2025, Indonesia and Malaysia fall into the standard risk category, while Singapore is classified as low risk.[11] Singapore's low-risk classification matters little in practice, because the regulation looks to the country where the commodity was produced. A trader in Singapore that sells Indonesian palm oil or Malaysian rubber to a European buyer must therefore supply the geolocation data and the risk assessment that its customer needs to file the due diligence statement.

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Malaysia and Indonesia have criticised the regulation as discriminatory against their smallholders, who produce a large share of their palm oil.[12] The dispute places the Singapore-based groups in a delicate position between the producing states where they operate and the consuming markets they supply. Chapter I.IV examines the political relationship with the two neighbours.

Traceability as a trading function

The cumulative effect of the haze legislation, private standards and the EU regulation is a transformation of the agricultural trading house. Traders now invest in satellite monitoring of plantations, mapping of supplier mills, grievance procedures and audit systems. These functions require data specialists, lawyers and sustainability officers in addition to traders and logisticians. Singapore benefits from this shift, because the functions are concentrated in regional headquarters, which in South-East Asia are usually located in Singapore.

The banks follow the same logic. Lenders that finance palm oil trade apply their own sustainability policies and ask borrowers to demonstrate compliance with no-deforestation commitments. The Monetary Authority of Singapore expects banks to manage environmental risk as part of their credit risk management, as Chapter K.II explains. Sustainability has thus become a condition of finance as well as a condition of market access.

Notes

1. Wikipedia, “Transboundary Haze Pollution Act 2014” (accessed November 2026): haze episodes of 1997, 2013 and 2015; the Environment Minister estimated losses of S$700 million in 2015; the National Environment Agency issued legal notices to six Indonesian businesses over fires on their land. ↩
2. Wikipedia, “Transboundary Haze Pollution Act 2014” (above): enacted on 5 August 2014, assented to on 10 September 2014 and commenced on 25 September 2014. Wikipedia, “Transboundary Haze Pollution Act 2014” (above): the Act covers “firms or entities in or outside Singapore” that

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contribute to haze affecting Singapore and targets companies, including those that condone pollution by persons under their management control. ↩

3. Transboundary Haze Pollution Act 2014, sections 5 and 6 (offences and civil liability), with fines of up to S$100,000 for each day of haze pollution and up to S$2 million in aggregate. ↩
4. Wikipedia, "Transboundary Haze Pollution Act 2014" (above): investigations into PT Bumi Sriwijaya Sentosa and PT Wachyuni Mandira were closed by March 2017; as of September 2021 four cases remained open, the four companies being suppliers to Asia Pulp and Paper. ↩
5. Wikipedia, "Asia Pulp & Paper" (accessed November 2026): the NEA named APP as one of five companies possibly responsible for the 2015 haze; the Singapore Environment Council "instituted a temporary restriction on the use of Singapore Green label certifications"; NTUC FairPrice removed APP products; APP invested US$100 million in fire management and later returned to Singapore shelves. ↩
6. Wikipedia, "Roundtable on Sustainable Palm Oil" (accessed November 2026): established in 2004; seat in Zürich; secretariat in Kuala Lumpur with a satellite office in Jakarta. Wikipedia, "Roundtable on Sustainable Palm Oil" (above), reporting the criticism of environmental NGOs that expansion into forest and peatland continues even in certified areas, of labour rights groups and of the Rainforest Action Network. ↩
7. Wikipedia, "Wilmar International" (accessed November 2026): "On 5 December 2013, Wilmar committed to a No Deforestation, No Peat & No Exploitation Policy" covering its own operations and third-party suppliers. Wikipedia, "Wilmar International" (above): a Greenpeace report of 2018 described Wilmar as "the biggest and dirtiest palm oil trader in the world"; a WWF report of 2013 linked the company to palm fruit grown illegally in Tesso Nilo National Park. ↩
8. Wikipedia, "Golden Agri-Resources" (accessed November 2026): around 2010 Burger King, Unilever and Nestlé cancelled supplier contracts with GAR subsidiaries over unsustainable farming. ↩

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9. European Commission, “Regulation on deforestation-free products” (environment.ec.europa.eu, accessed November 2026): commodities covered are cattle, cocoa, coffee, oil palm, rubber, soya and wood; products must not come from land “deforested after 31 December 2020”; the main legal act is Regulation (EU) 2023/1115. ↩
10. European Commission, “Regulation on deforestation-free products” (above): first amendment of December 2024 postponing application; second amendment of 19 December 2025 postponing application and amending due diligence requirements; application from 30 December 2026 for large and medium-sized operators and traders and from 30 June 2027 for micro and small enterprises; simplification review published on 4 May 2026. ↩
11. European Commission, EUDR country classification list (green-forum.ec.europa.eu, accessed November 2026): Indonesia and Malaysia in the “standard risk category”, Singapore in the “low risk category”; high risk: Belarus, North Korea, Myanmar and Russia; European Commission, “Regulation on deforestation-free products” (above): implementing act adopted on 22 May 2025. ↩
12. On the joint objections of Indonesia and Malaysia to the EUDR, including their joint mission to Brussels in 2023 through the Council of Palm Oil Producing Countries, see the statements of the two governments of 2023. ↩

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