

Donuts, Deodorant, Deforestation

*Scoring America's Top Brands on Their
Palm Oil Commitments*

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Palm oil, an ingredient in thousands of everyday products from companies like General Mills and Procter & Gamble, is ubiquitous in the global marketplace. But this all comes at great environmental cost. As conventionally produced,

palm oil drives tropical forest and peatland destruction, wiping out habitat for endangered species and contributing to climate change. Carbon dioxide, the leading cause of global warming, is released into the atmosphere when forests are cut down, or when carbon-rich peat swamps are drained and burned to establish oil palm plantations. All told, tropical deforestation accounts for about 10 percent of annual global carbon emissions, to which expanding palm oil production contributes substantially.

It doesn't have to be this way. A new industry standard is emerging that demonstrates how palm oil can be produced while protecting forests, peatlands, and our atmosphere. Some companies along the palm oil supply chain, including Golden Agri-Resources (the world's second-largest palm oil producer), Wilmar International (the world's largest palm oil trader), and L'Oréal, Mondelēz, Nestlé, Reckitt Benckiser, and Unilever—five of the world's largest consumer product companies—are already making commitments toward this end. They are promising the public that the palm oil they produce, trade, or buy will not contribute to deforestation or the destruction of peatlands and will be sourced (i.e., bought) in a traceable and transparent manner.

However, many more companies in the palm oil supply chain have followed the lead of the Roundtable on Sustainable Palm Oil (RSPO)—a multi-stakeholder international body made up of oil palm growers, processors, traders, consumer goods manufacturers, retailers, banks, investors, and social and environmental nongovernmental organizations (NGOs).¹ Although the RSPO has been working for many years to reduce the negative impacts of the palm oil industry, its standards are inadequate to fully protect forests and peatlands. As a result, companies such as General Mills, Procter & Gamble, and McDonald's, which currently are relying on the RSPO standards, need to upgrade their commitments, policies, and practices with respect to palm oil production.

A number of companies, including Dairy Queen, Kraft Foods, and Wendy's, have no palm oil commitments at all.

To highlight the limitations of current efforts and persuade more companies to adhere to the new industry standard, this scorecard analyzes 10 firms in each of three different sectors—packaged food, personal care, and fast food—and scores them on the extent of their global commitments, if any, to use palm oil that is deforestation-free, peat-free, and traceably and transparently sourced. The results show huge differences both between and within sectors. Here is a quick synopsis of how the 30 companies in our scorecard fared (see the tables starting on p. 12 for details of each company's scores and major brands):

The fast food sector had by far the weakest commitments.

- Only two companies—McDonald's and Subway—have commitments that received points in our scoring system—and neither score higher than 38 out of 100.



A total global area larger than the U.S. state of Georgia is under cultivation to meet the demand for palm oil. These plantations have increasingly been established at the expense of carbon-rich tropical forests and peatlands, especially in Indonesia and Malaysia, where 85 percent of the world's palm oil is grown.



Palm oil is an ingredient in thousands of products that Americans use every day. Palm oil's production, however, has been driving the destruction of carbon-rich tropical forests and peatlands. Companies should commit to using palm oil that is deforestation-free and peat-free, thereby reducing their contributions to local environmental degradation and global warming.

- Burger King, Starbucks, and Yum! Brands have commitments that are too weak to receive a score.
- Wendy's, Domino's Pizza, Dairy Queen, Dunkin' Brands, and CKE Restaurants have no global commitments.

Packaged food companies, on average, had the strongest commitments.

- Mondelez, Nestlé, and Unilever have serious commitments to forest and peatland protection, as well as to traceability and transparency.
- Kellogg's, Danone, General Mills, HJ Heinz, PepsiCo, and ConAgra Foods have committed to source certified, sustainable palm oil through the RSPO. But they lack deforestation- and peat-free commitments and have weak traceability or transparency commitments.
- Only Kraft Foods, which recently split off from Mondelez, has no palm oil commitment.

Personal care companies had a range of scores.

- Two companies, L'Oréal and Reckitt Benckiser, have committed to sourcing deforestation- and peat-free palm oil that is traceable.
- Many of the companies, including Colgate-Palmolive, Clorox, Henkel, and Procter & Gamble, have commitments to source certified sustainable palm oil through the RSPO.
- However, a few well-known consumer companies, such as Avon and Estée Lauder, have weak commitments and have not pledged to buy 100 percent of their palm oil from sustainable sources.

It is clear that many more companies in all three sectors need to step up to the new industry standard and make

deforestation- and peat-free commitments akin to those of L'Oréal, Mondelez, Nestlé, Reckitt Benckiser, and Unilever.

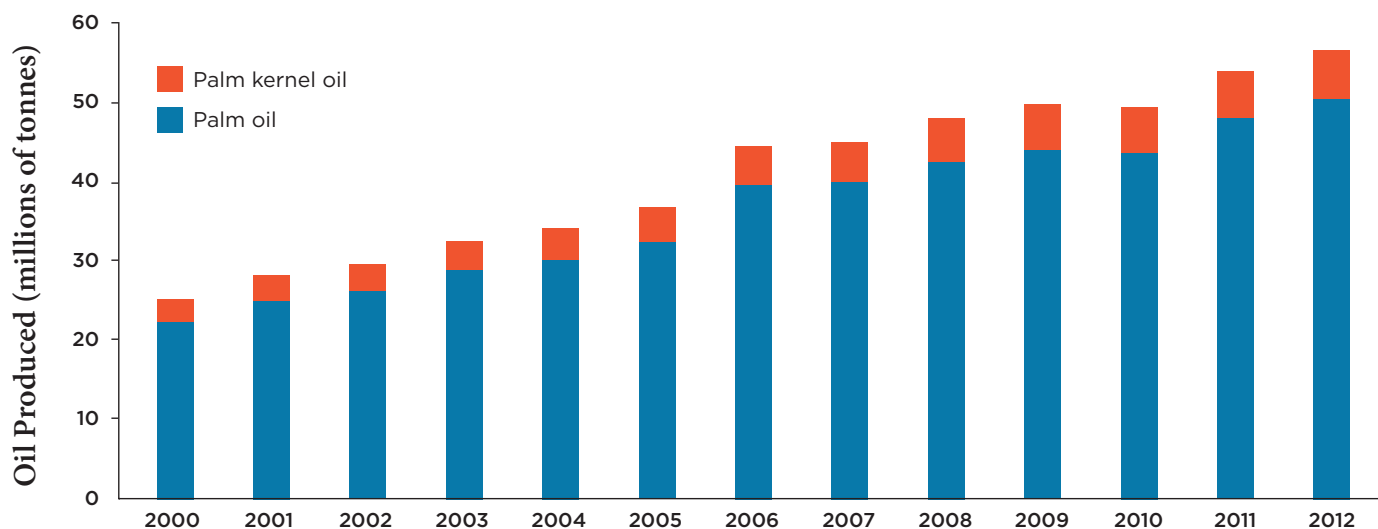
Consumers can influence the market for palm oil. Businesses pay attention to individuals' purchases, and to consumer feedback on practices and products, in order to protect their corporate image and maintain brand loyalty. When companies that have already moved decisively on sustainability issues are praised by knowledgeable groups and patronized by "green" shoppers, companies whose policies lag behind the others will recognize the market benefits of sourcing palm oil in a responsible manner. This scorecard is designed to empower consumers with sufficient information to evaluate the range of company commitments to sustainable palm oil production. Consequent public exposure and feedback can help encourage industrial palm oil users to make and implement firm commitments to use only palm oil that is deforestation- and peat-free.

Introduction: The Problems and the Potential Solutions

WHY PALM OIL?

While most U.S. consumers have never gone to the supermarket and purchased a bottle of palm oil directly, as they would, say, canola or olive oil, chances are good that they use a product containing palm oil every day. Palm oil (made from the flesh of the oil palm tree's fruit) and palm kernel oil (made from the seeds), as well as chemicals derived from them, are used to prepare some of our favorite fast foods; these oils also serve as ingredients in packaged foods, baked goods, personal care products, and cleansing agents. Brands such as Dunkin' Donuts, Dairy Queen, Ben

FIGURE 1. Production of Palm Oil, 2000–2012



Driven by rapidly increasing global demand, the amount of palm oil produced has more than doubled since 2000.

SOURCE: FAO 2014.

and Jerry's, Cool Whip, Quaker, Pillsbury, The Body Shop, Clearasil, Avon, and Irish Spring all contain some form of palm oil. In addition, palm oil is a common cooking oil in many tropical countries and a feedstock in making biodiesel fuel for cars and trucks around the world. Palm oil is the world's most widely used vegetable oil, making up about a third of global vegetable oil use (Singh et al. 2013).

Palm oil demand and production have grown enormously over the last two decades and are likely to continue rising for the foreseeable future. Global production of palm oil was just over 50 million metric tons per year in 2012—equivalent to 1.9 million truckloads—having more than doubled since 2000 (Figure 1; FAO 2014). Palm oil is consistently one of the least expensive vegetable oils on the market, making it a good choice for companies looking to cut costs. One reason for its low price is that palm oil is between 5 and 10 times more productive than other major vegetable oils, meaning

that from a given acreage the grower can get a lot more palm oil than any other oil (May-Tobin et al. 2012). Palm oil is also particularly useful in food production because it is one of the few naturally saturated vegetable oils, making it solid at room temperature and giving it a long shelf life; yet it contains no trans fats, which have been linked to negative health effects (May-Tobin et al. 2012).

ECOSYSTEM DESTRUCTION AND GLOBAL WARMING

The growth in demand for palm oil has led to an expansion in the amount of land used to produce it, and because the oil palm's range is limited to the humid tropics (Box 1), much of this expansion has come at the expense of carbon-rich tropical forests and peatlands, the indigenous and forest-dependent peoples that rely on them, endangered animal species, and the planet's climate. When forests are replaced with oil palm plantations, the carbon sequestered in forest vegetation is released as carbon dioxide, the leading cause of global warming. For a sense of the scale involved, consider that Indonesia, the world's largest palm oil producer, accounted for an estimated 2 to 9 percent of tropical land-use carbon emissions between 2000 and 2010 (Carlson and Curran 2013).

Worldwide, destruction of tropical forests accounts for about 10 percent of annual global warming emissions (UCS 2013). While primary (old-growth) forests contain the highest levels of carbon and biodiversity, around half of the world's

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BOX 1.

Where Does Palm Oil Come From?

Palm oil can be made from a number of species of oil palm trees, but most of it comes from the fruit of one variety, *Elaeis guineensis*. Although native to Africa, oil palm is now grown across the humid tropics as an agricultural crop. Currently, two countries in Southeast Asia, Indonesia and Malaysia, produce around 85 percent of the world's palm oil. Unsurprisingly, both countries have vast land areas under oil palm production. Indonesia harvests around 6.1 million hectares of oil palm and Malaysia 4.0 million hectares (FAO 2014). Worldwide, the total area under oil palm production is 16.4 million

hectares, an expanse larger than the U.S. state of Georgia (FAO 2014).

Palm oil is made from fresh fruit bunches, which can be harvested from the tree year-round. These bunches are transported to mills, where the flesh of the fruits is pressed to extract the oil. From there, it can be further refined and blended to produce derivatives with a wide range of physical and chemical properties. Also, the kernels (seeds) of the fruit are crushed in order to produce palm kernel oil, a specialty oil used primarily in home and personal care products and in select food items.



Left: A young oil palm tree grows on a plantation.

Middle: When the oil palm's fruit bunches ripen, they are cut down and sent to mills for processing.

Right: The fruit's orange flesh is pressed to produce palm oil, which is used mostly for cooking and in food products. The white kernel is pressed to extract palm kernel oil, a specialty oil used occasionally in select food items but primarily in home and personal care products.

tropical forests have experienced some level of disturbance that would classify them as secondary or regenerating forests (ITTO 2002). These types of forests can be created by a wide range of disturbances, from selective logging to hundreds of years of shifting cultivation to natural regeneration after complete clearing for agriculture (Thompson et al. 2013). With time, secondary forests can approach similar levels of stored carbon as primary forests; estimates have varied, but according to a recent analysis this process takes about 80 years (Martin, Newton, and Bullock 2013). While some countries—Indonesia, for example—and voluntary organizations such as the RSPO currently restrict the clearing of primary forests for palm oil, they still allow oil palm's expansion into secondary forests. This leaves vast areas of carbon-rich forests at risk.

But forests are not the only natural systems at risk from oil palm expansion. When oil palm plantations expand

onto fragile carbon-rich peatlands (a particular problem in Indonesia and Malaysia, which have vast peatland areas), the carbon emissions threat is multiplied, as peat soils store an incredible amount of carbon—as much as 18 to 28 times that of trees in the overlying forest (Page, Rieley, and Banks 2011). Tropical peat soils build up slowly over long periods of time (sometimes thousands of years), when leaves and woody materials do not fully decompose under the waterlogged conditions (Page, Rieley, and Banks 2011). Thus the peat soils are naturally swampy. But when peatlands are drained (a necessity for the planting of oil palm trees) and exposed to the oxygen in the air, peat decomposes and emits carbon. As the water is drained, the peat soil subsides, lowering the level of the land and making it even with the water table again, locking oil palm plantation managers into costly repeated drainage cycles. And because peatlands can be up to 60 feet deep, carbon emissions can continue for decades (Anderson 1983).



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This peat swamp vegetation (in Kalimantan, Indonesia) is in the process of being cleared, drained, and burned to prepare the land for growing oil palm trees. Destruction of peat swamp forests for palm oil production is particularly harmful to the climate, as it releases the carbon stored both in the rich peat soils and in the forest vegetation they support.

Dry peat soil is also extremely flammable. Fire, which is a fast and cost-effective yet highly destructive way to clear land for plantations, can burn in peat for weeks or even months, sending massive amounts of carbon dioxide and other pollutants into the air. In Indonesia, large peat fires in 1997 raged for months and released as much carbon dioxide into the atmosphere as the United States released that whole year (EPA 2013; Page et al. 2002). During June and July 2013, large fires in Indonesia linked to oil palm plantation clearing caused smog, haze, and respiratory problems as far away as Malaysia and Singapore, creating an international health concern and serious liability issues for companies associated with the burning (Kapoor and Taylor 2013).

Establishment of oil palm plantations has destroyed carbon-rich forests and peatlands, and, in the process, has contributed greatly to climate change. While it is difficult to trace exactly how much carbon in the past has been released to the atmosphere from land conversion for palm oil, it is important that land use decisions at present and in the future adequately account for the local and worldwide benefits of these tropical ecosystems (Box 2).

As climate change continues to have real-world impacts, companies and consumers are finding they can no longer



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In June 2013, a young Malaysian boy plays soccer within a heavy blanket of haze, caused by fires linked to peatland clearing in Indonesia for oil palm plantations. This extensive air pollution lasted for weeks, creating international concern about adverse health effects—particularly respiratory—in that part of the world.

BOX 2.

Additional Benefits of Tropical Forests and Peatlands

While tropical forests are vitally important to the world for their carbon sequestration, they also provide a range of other services to the surrounding areas. Local people often rely on the forests for food and livelihoods. The biodiversity of tropical forests is among the highest in the world, as they contain some two-thirds of the planet's terrestrial species (Gardner et al. 2009). Animals such as the Sumatran orangutan, elephant, and tiger, which are critically endangered, are found in tropical forests at risk of conversion to oil palm plantations (Wich et al. 2012; Yaap et al. 2010). When primary forests are cleared for such development, only about 15 percent of their animal species can also survive in the resulting plantations (Fitzherbert et al. 2008), making forest conservation critical to the conservation not only of endangered species but also of most life in the forests. Additionally, peatlands play a vital role in water regulation. During heavy rains, peat soil absorbs rainwater and slowly releases it during drier periods, providing both flood prevention and fresh water for the local community.



The animal pictured is a critically endangered Sumatran orangutan—only an estimated 7,000 remain in the wild. As oil palm plantations encroach on tropical forests, orangutans and many other forest-dependent species lose their habitat and are at risk of extinction.

turn a blind eye to the environmental consequences of the products they make and use. Conscientious consumers are increasingly demanding that consumer goods companies take responsibility for the ingredients in their products, and consumers are stipulating in particular that the palm-oil-based items they buy not be derived from forest and peatland destruction.

HUMAN EXPLOITATION

The palm oil industry employs workers to perform tasks such as land preparation and the planting, fertilization, and harvesting of oil palm fruit. Low labor costs in Southeast Asia are one of the reasons why the price of palm oil remains competitive; however, businesses must do a better job of ensuring that workers' rights are respected and upheld. Many of those employed by the industry face dangerous working conditions and limits on their freedom of movement, and they are not paid sufficient wages to cover their basic needs. The U.S. Department of Labor reports, moreover, that palm oil is often grown by means of child labor in Indonesia and forced labor in Malaysia (Department of Labor 2013), and mainstream media stories continue to

document the links between such labor practices and palm oil production (PBS 2013; Skinner 2013). Thus the palm oil industry is under pressure to implement stronger safeguards in line with internationally recognized fair and legal standards, such as the International Labour Organization Core Conventions.

The palm oil industry also faces the issues of community and indigenous rights, and in particular of land allocation, use, and ownership, especially where plantations are established on land that indigenous people and forest-dependent communities have been using for many years. The United Nations Declaration on the Rights of Indigenous Peoples acknowledges that these populations have customary rights, known as "community tenure," to land and resources they traditionally owned, occupied, or used (United Nations 2008). Conflict arises when companies fail to consult with and gain permission (known as "free, prior, and informed consent") from indigenous peoples before planting in such areas.

Problems associated with human rights, community disputes, and labor abuses are often associated with larger legality and forest governance issues in the palm oil industry. Other examples of illegality include expansion of plantations



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An oil palm plantation abuts a natural forest. Because of complexities in the palm oil supply chain and deficiencies in pertinent standards, producers regularly cut down existing forests to make room for plantations without being accountable to end users. Companies need to overcome such problems—to develop the capability to trace palm oil along the length of the supply chain—to ensure that their palm oil is deforestation- and peat-free.

into national parks or other protected areas. While many consumer goods companies require that their suppliers follow all local, national, and international laws, companies often claim that the complexity of the palm oil supply chain makes it difficult to ensure their suppliers' compliance. But "difficult" does not equate to "impossible." Consumer goods companies can take additional measures to ensure that the production of their palm oil has not involved any illegal activity.

Consultation with appropriate NGOs and institutions focused on social and labor safeguards has led several companies to adopt strong commitments in this area. These companies can now drive the improvement of social and labor safeguards, as some businesses have done in the apparel and footwear sectors. Further, companies that use palm oil can make a powerful difference in sustainability and climate change by requiring their *suppliers* to abide by the same policies that the companies have adopted.

Such commitments include (but are not limited to) free, prior, and informed consent; conflict-mediation mechanisms for land and labor disputes; and prohibitions on forced and child labor.

TRACEABILITY AND TRANSPARENCY

The opaque nature of the supply chain between oil palm growers and palm oil end users makes it difficult for consumers to know whether the product they buy is contributing to environmental degradation and social injustices. Satellite imagery and aerial photography can identify new oil palm plantations that are established on formerly forested lands because they fundamentally change the landscape. It is also relatively easy to identify the products in which palm oil is used. But it is difficult to connect the two, as fresh fruit bunches from many plantations are often mixed, processed into oil, and shipped together before being sold to buyers. This is the nature of the supply chains of many other global commodities as well, but the problem is especially egregious in the palm oil industry because of its harmful environmental and social impacts.

The lack of traceability along the supply chain allows growers with a history of environmental and human rights violations to continue selling their products without negative financial consequences. Thus there is little incentive to begin producing palm oil in a more responsible manner. Only by knowing how and from where its palm oil was derived can

a company assure its customers that its products have not contributed to such violations. Consumer goods businesses need to investigate their supply chain and know that they (or their suppliers) can trace the palm oil in their products back to the plantation level.

Traceability is about more than just knowing where the palm oil is grown; it is also about knowing *how* the crop is grown and being able to track the negative impacts of production back up the supply chain. One area in which this information is particularly important is in tracing the climate impacts of palm oil production. To know that their suppliers are meaningfully reducing carbon emissions, consumer companies need to be able to trace the carbon footprint of their palm oil purchases. Traceability currently provides the best opportunity to ensure that suppliers are providing palm oil that meets a consumer company’s palm oil purchasing guidelines.

Traceability is but one piece of the puzzle, however. Transparency is another. The only way consumers can be sure that the products they buy are not driving deforestation, peatland conversion, human rights violations, and community conflicts is if businesses are transparent about their palm oil commitments and sourcing. This means a company should clearly communicate the commitments it has made; have a plan for meeting them, with intermediate steps and a clear end date; regularly report on the plan’s progress; and lay out a procedure for verifying that progress.

CURRENT EFFORTS TO ADDRESS THE NEGATIVE IMPACTS OF PALM OIL

The situation is not altogether bleak. Recognizing the problems associated with plantation expansion and palm oil production, industry-wide efforts to address them have been under way for nearly a decade and a number of certification

There are four ways for a consumer company to acquire CSPO. It can buy (1) “identity-preserved” or (2) “segregated” palm oil, which means it can trace a certain percentage of the oil in its products back to certified plantations and mills that guarantee a final product contains CSPO. Palm oil can also be sourced using (3) a “mass-balance” method that allows companies in the middle of the supply chain (such as processors or shippers) to combine CSPO with conventional palm oil and sell a portion of the oil as mass-balance CSPO (corresponding to the percentage of CSPO in the mixture); however, there is no guarantee that a final consumer product contains any CSPO. If a consumer company is using identity-preserved, segregated, or mass-balance palm oil, it can be said to be “physically sourcing” CSPO.

The fourth way a consumer company can buy palm oil is through a system known as “book and claim.” Under this scheme, palm producers issue GreenPalm certificates for the amount of CSPO they produce. Consumer companies can buy these certificates to cover a certain percentage of their palm oil, thereby enabling them to claim they are “supporting” the production of sustainable palm oil. The physical oil a grower produces is sold into the supply chain as conventional oil, and the consumer company’s products still contain conventional oil. However, the producer is getting a small amount of additional revenue from selling its GreenPalm certificates to reward its sustainable practices, although the product the consumer buys likely contains no certified palm oil.

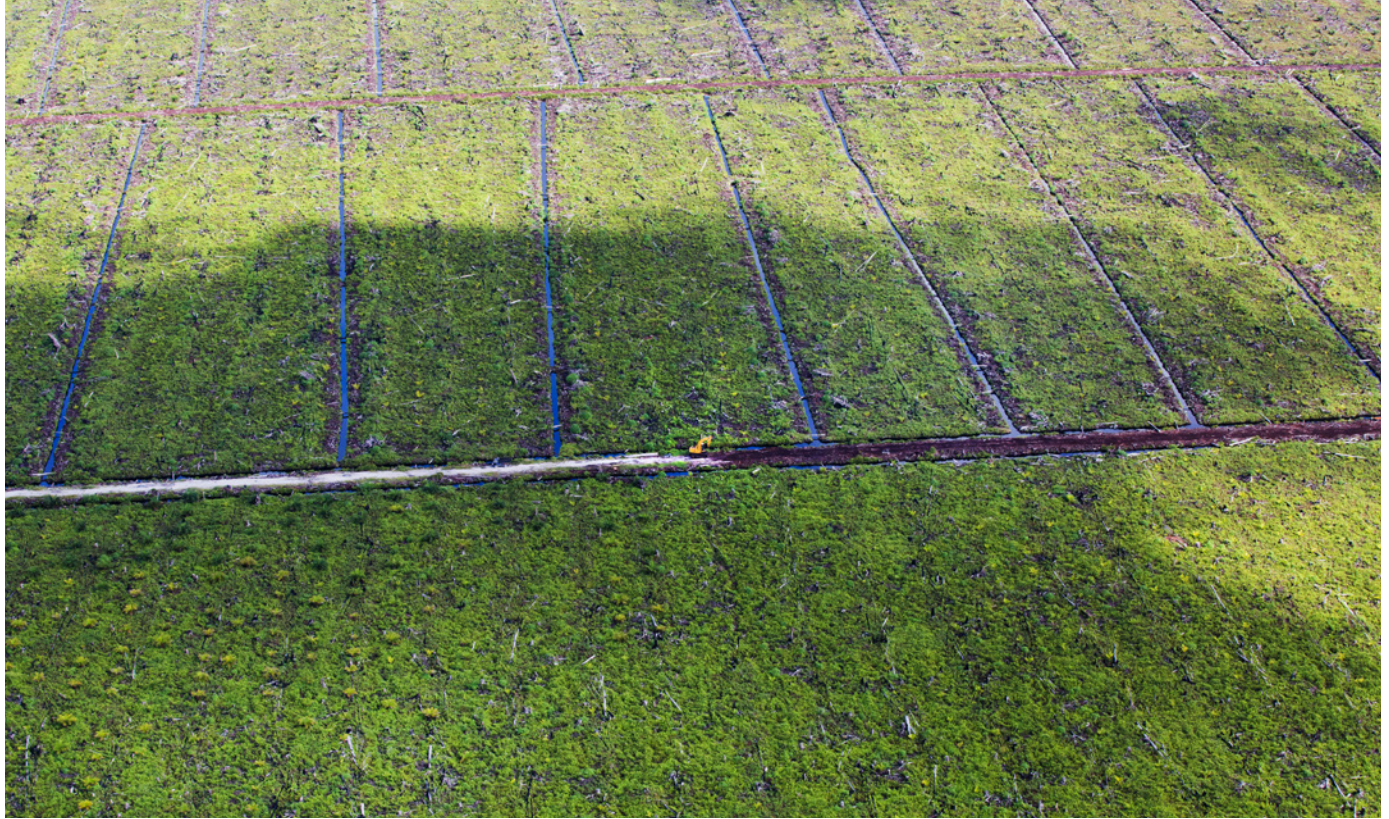
GreenPalm certificates can be a useful interim step, particularly for derivatives and palm kernel oil³—they were devised to encourage the production and sourcing of sustainable palm oil as the industry developed the appropriate processes and logistics—but ultimately, consumers want to know that the products they buy don’t contribute to deforestation at all. Because purchasing

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schemes now offer sustainability standards for palm oil. The most widely accepted are the RSPO standards, which establish voluntary protections that some companies along the palm oil supply chain, from growers to consumer brands, have adopted. Through RSPO certification, it is possible to purchase “certified sustainable palm oil,” or CSPO.²

GreenPalm certificates doesn’t provide this assurance, companies need to strive for physical sourcing.

While the RSPO has made progress in addressing some issues, particularly those involving human and labor rights, and in addressing certain issues of environmental concern, the standards that allow palm oil to be labeled sustainable



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A bulldozer (yellow dot in center of photo) can be seen amidst cleared land. While purchasing certified sustainable palm oil is a good first step, current certification standards still allow for the destruction both of forests and peatlands. Only by strengthening these standards can companies ensure they are not contributing to the destruction of habitat and the release of carbon emissions.

are inadequate for tackling many of the concerns cited in the above sections. So while sourcing CSPO is a good indication of which companies are taking early action, it is not enough to prevent deforestation and peatland destruction.

Primary forests and High Conservation Value forests (those deemed to have significant biodiversity or cultural value, or to provide an important ecosystem service) are protected under RSPO regulations, but vast areas of secondary, disturbed, or regenerating forests are left unprotected. This means it is possible for plantations to be labeled “sustainable” yet still be driving deforestation.

Peatlands are also given limited protection under the RSPO. Instead of restricting development on these soils, RSPO regulations suggest that growers “avoid” “extensive plantings”—defined as more than 100 hectares, an area the size of 190 football fields (RSPO 2013). Because peat ecosystems are highly interconnected and extremely fragile, a disturbance in one area of an ecosystem can have repercussions elsewhere, meaning such developments could affect far more than just the 100 hectares. For instance, drainage canals within a plantation alter the availability of water in the soil for large expanses (Rydin and Jeglum 2006).

THE NEW STANDARD

While the RSPO standards do address some of the negative impacts of palm oil, and there is the possibility that these standards could be strengthened in the future, forest clearing and peatland destruction from palm oil continues. Companies must go beyond purchasing CSPO in order to ensure that they are not contributing to destruction of habitat and to the potentially catastrophic warming of our atmosphere.

Some individual producer and trader companies are already taking the lead:

- In 2011, Golden Agri-Resources, the world’s second-largest oil palm plantation company, piloted the identification of High Carbon Stock forests through a method that determines, based on a measurement of aboveground biomass, what areas of non-forest land can be cleared. The company thus ensures that its plantations will cause no deforestation, and recently it expanded this commitment to cover all the palm oil from other producers that it buys and sells on the global market.
- In late 2013, Wilmar International, an agribusiness group that is the world’s largest palm oil trader, pledged to end

deforestation, peatland destruction, and exploitation associated with all of the palm oil in which it deals. Specifically, it will not source oil that comes from High Conservation Value or High Carbon Stock forests, that leads to the destruction of peatlands, or that exploits the rights of workers or indigenous communities. Wilmar expects all of its suppliers to be in compliance with this policy by the end of 2015.

By growing or supplying palm oil that is deforestation-free, peat-free, and exploitation-free, these companies are setting a new standard for the industry to follow. Such commitments from large producers and traders near the beginning of the supply chain make it more likely that end users—including the packaged food, fast food, and personal care businesses rated in this scorecard—will see increased availability of palm oil that meets deforestation- and peat-free criteria. A number of promising avenues are emerging:

- Increasingly, consumer companies such as L'Oréal, Mondelez, Nestlé, Reckitt Benckiser, and Unilever are committing themselves to developing standards for buying traceable deforestation- and peat-free palm oil. Moreover, the complexities of the supply chain are being addressed by a number of companies committed to traceability—with the aim of assuring their customers that the palm oil in their products will not contribute to deforestation, peatland destruction, or human rights abuses.
- In other cases, businesses are banding together with allies, such as governments or NGOs, in order to address the palm-oil-related problems. For example, the Palm Oil Innovation Group consists of social and environmental NGOs as well as palm oil producer companies looking to set standards—on environmental responsibility, partnerships with communities, and corporate and product integrity—that are stronger than those set by the RSPO.
- The Consumer Goods Forum (CGF), a global network of retailers, manufacturers, and service providers, has teamed

Companies must go beyond purchasing certified palm oil in order to ensure that they are not contributing to destruction of habitat and to the potentially catastrophic warming of our atmosphere.

up with governments (including the United States) and other stakeholders to form the Tropical Forest Alliance 2020 (TFA 2020), whose goal is to reduce tropical deforestation associated with global commodities (including palm oil). However, the TFA 2020 has made little substantive effort toward meeting its ambitious goals to date.

It is clear that a new industry standard, one that addresses all of the problems associated with palm oil production, is emerging. With select companies leading the way, it is time for all businesses using palm oil to take full responsibility for combating the problems associated with its production.

Results: The UCS Scorecard

Given the new standards that are emerging, the Union of Concerned Scientists (UCS) conducted an assessment of the commitments that major companies have made to address the deforestation associated with the palm oil they purchase. Our assessment establishes a baseline for evaluating major companies' performance in addressing the global warming implications of deforestation and peatland destruction due to the palm oil supply chain.

The resulting scorecard, presented below, analyzes the 10 largest companies (in terms of revenue) in each of three industrial sectors: packaged food, fast food, and personal care products.⁴ These 30 companies were examined from two different perspectives: (1) how the firms in each of the three sectors performed relative to one another; and (2) how their commitments compare with respect to the established criteria.

For a detailed description of each firm's commitments and our recommendations for how these companies could better address the forest destruction and climate impacts associated with their palm oil purchases, visit www.ucsusa.org/palmoilscorecard.

Companies received rankings across the entire spectrum, with five achieving high scores, while 11 of the companies had no commitments (or commitments too weak to receive a score). The remainder of the companies fell somewhere in between. The results for each of the two perspectives are described in the following subsections.

RESULTS BY SECTOR

Companies across all three sectors were graded in the same way and on the same scale.⁵ However, firms in the three sectors often buy very different types of palm oil products and use them in different ways, so when comparing companies' scores it is best to do so within a sector.

Note, for example, that Dunkin' Donuts (a subsidiary of Dunkin' Brands) uses palm oil as part of a mixture to fry its doughnuts, as does Burger King to fry its french fries in some

markets outside the United States. By contrast, Colgate-Palmolive and Procter & Gamble use chemical derivatives from palm oil and palm kernel oil in their personal product lines.

The supply chain for sourcing chemical derivatives is more complicated than the supply chain for crude palm oil. It often involves many more steps, sometimes requiring extra processing locations. This underscores the fact that the three sectors face different hurdles in tracing their supply chains and physically sourcing oil that meets deforestation-free, peat-free, or certification requirements.

In other words, packaged food companies are best compared with other packaged food companies, personal care companies are best compared with other personal care companies, and fast food companies are best compared with other fast food companies.

PACKAGED FOOD

Among the three sectors, the packaged food companies—led by Nestlé, Unilever, and Mondelez (which received the highest scores)—have by far the strongest and most detailed

commitments for sourcing deforestation- and peat-free palm oil (Table 1).





Nearly all of the packaged food companies have a palm oil commitment and many have a commitment to physically source 100 percent CSPO. However, only three have made commitments to fully protect forests, and two have made commitments to full peatland protections. One company alone—Kraft Foods—has no palm oil commitment.

PERSONAL CARE

Companies in the personal care sector have a range of scores. Many of them have made commitments to physically sourcing CSPO, and they are also demonstrating some degree of transparency (Table 2). However, within this sector only L'Oréal and Reckitt Benckiser have made commitments to source deforestation- and peat-free palm oil. Further, very few companies have a strong commitment to traceability. This may be because they mainly use palm oil derivatives, which adds links to the supply chain and makes it more difficult to trace. While this may be a reason to assume

TABLE 1. Scores for Packaged Food Companies

Company	Example Brands	Total Score (out of a possible 100)	Deforestation-free	Peat-free	(out of a possible 20)		
					Traceability	Transparency	Early Action
Nestlé	Toll House PowerBar	85.5	20	20	15	20	10.5
Unilever	Ben and Jerry's Popsicle Slimfast	83.5	20	20	15	20	8.5
Mondelez	Oreo Ritz Nutter Butter	68.6	20	15	15	13	5.6
Kellogg's	Pop-Tarts Nutri-Grain	52.8	10	15	10	10	7.8
Danone	Danimals	51.5	10	5	15	13	8.5
General Mills	Pillsbury Nature Valley	42.6	10	15	0	13	4.6
HJ Heinz	Ore-Ida Smart Ones	37.1	10	5	0	13	9.1
PepsiCo	Quaker	33.7	10	5	5	13	0.7
ConAgra Foods	Act II popcorn Marie Callender's	35.5	10	5	5	13	2.5
Kraft Foods	Cool Whip JELL-O	0	0	0	0	0	0

 Strong commitment  Some commitment  Little commitment  No commitment

longer timelines for personal care companies to implement deforestation- and peat-free commitments, it should not be a justification for them to have weak commitments. The companies in this sector should strongly commit themselves to deforestation- and peat-free palm oils and work with their suppliers to make the supply chain more transparent and easier to trace.

FAST FOOD

The fast food sector has by far the weakest palm oil commitments of the three sectors scored (Table 3, p. 14). Many companies have no commitments in this area at all, and those that do have either vague or outdated ones. While two of these companies are franchise-based (Domino's and Subway) and three are conglomerates (Dunkin' Brands, CKE Restaurants, and Yum! Brands), it is still important for the parent firms to send strong signals throughout all of their operations so that their brands will not be associated with forest and peatland destruction. This sector needs to do a lot of work to catch up with the rest of the marketplace.

RESULTS BY CRITERION

While it is important to tabulate a company's overall score, examining the firm relative to each individual criterion helps us identify in what areas it is excelling or needs to improve. Companies were scored on their commitments to four criteria—deforestation-free, peat-free, traceability, and transparency—as well as on their *current* sourcing of palm oil that meets detailed standards or is sustainable (in order to identify which companies are already taking action to address deforestation and peatland destruction).

DEFORESTATION-FREE











In order to receive a full score for the deforestation-free criterion, companies had to commit to *physically* sourcing palm oil that doesn't contribute to the destruction of any forests, whether primary, secondary, High Carbon Stock, or High Conservation Value. Only six companies—L'Oréal, Mondelēz, Nestlé, Reckitt Benckiser, Subway, and Unilever—have made such commitments (Table 4, p. 14).





TABLE 2. Scores for Personal Care Companies

Company	Example Brands ⁶	Total Score (out of a possible 100)	Deforestation-free	Peat-free	Traceability	Transparency	Early Action
			(out of a possible 20)				
L'Oréal	The Body Shop Kiehl's Lancôme	80	20	20	15	15	10
Reckitt Benckiser	Calgon Clearasil	68.3	20	15	15	18	.3
Henkel	Dial Right Guard	40	10	5	5	13	7
Beiersdorf	Nivea Aquaphor	37.3	10	5	0	13	9.3
Colgate-Palmolive	Softsoap Irish Spring	35	10	5	5	13	2
Kao	Jergens Curél	34	10	5	0	13	6
Procter & Gamble	CoverGirl Old Spice	16.1	0	0	0	15	1.1
Avon	-	15	0	0	0	10	5
Estée Lauder	Clinique Bumble and bumble	0	0	0	0	0	0
Clorox	Burt's Bees	0	0	0	0	0	0

█ Strong commitment
 █ Some commitment
 █ Little commitment
 █ No commitment

TABLE 3. Scores for Fast Food Companies

Company	Restaurant Chains	Total Score (out of a possible 100)	Deforestation-free	Peat-free	Traceability	Transparency	Early Action
			(out of a possible 20)				
 Subway	-	38	20	15	0	3	0
 McDonald's	-	21.1	0	0	10	10	1.1
 Burger King	-	0	0	0	0	0	0
 CKE Restaurants	Carl's Jr./Green Burrito Hardee's/Red Burrito	0	0	0	0	0	0
 Dairy Queen	-	0	0	0	0	0	0
 Domino's	-	0	0	0	0	0	0
 Dunkin' Brands	Baskin-Robbins Dunkin' Donuts	0	0	0	0	0	0
 Starbucks	-	0	0	0	0	0	0
 Wendy's	-	0	0	0	0	0	0
 Yum! Brands	KFC Pizza Hut Taco Bell	0	0	0	0	0	0

 Strong commitment  Some commitment  Little commitment  No commitment

Ten companies made a commitment to protect primary or High Conservation Value forests, either explicitly or by physically sourcing 100 percent CSPO (i.e., as opposed to the GreenPalm system of tradeable certificates).

The remaining 14 companies had no explicit forest commitment or no commitment to physically source sustainable palm oil.

PEAT-FREE

In order to receive a full score for the peat-free criterion, companies had to commit to sourcing palm oil that does not lead to new clearing of peatlands and, if they source from existing plantations on peatland, to doing so only from plantations that are using best management practices—for example, those laid out by the RSPO (Lim et al. 2012). L'Oréal,

TABLE 4. Consumer Companies Categorized by the Strength of Their Deforestation-free Commitment

Protects All Forests (20 points)	Protects Some Forests (10 points)		No Forest Protections (0 points)	
L'Oréal Mondelēz Nestlé Reckitt Benckiser Subway Unilever	Beiersdorf Colgate-Palmolive ConAgra Foods Danone General Mills Henkel HJ Heinz Kao	Kellogg's PepsiCo	Avon Burger King CKE Restaurants Clorox Dairy Queen Domino's Dunkin' Brands Estée Lauder	Kraft Foods McDonald's Procter & Gamble Starbucks Wendy's Yum! Brands

TABLE 5. Consumer Companies Categorized by the Strength of Their Peat-free Commitment

Fully Protects Peatlands (20 points)	No New Expansion onto Peatlands or Unspecified Peatland Protection (15 points)	Commitment to RSPO Peat Protections (5 points)	No Commitment (0 points)
L'Oréal Nestlé Unilever	General Mills Kellogg's Mondelēz Reckitt Benckiser Subway	Beiersdorf Colgate-Palmolive ConAgra Foods Danone Henkel HJ Heinz Kao PepsiCo	Avon Burger King CKE Restaurants Clorox Dairy Queen Domino's Dunkin' Brands Estée Lauder Kraft Foods McDonald's Procter & Gamble Starbucks Wendy's Yum! Brands

Nestlé, and Unilever are the only three companies that have made such a commitment (Table 5).

Five companies—General Mills, Kellogg's, Mondelēz, Reckitt Benckiser, and Subway—have either made commitments not to source palm oil from new peat clearings or have a general “no peatland destruction” commitment with no indication of whether this includes best management practices.

Eight companies have committed to physically sourcing 100 percent CSPO, which includes limits on the extent of peatland developments and should also include best management practices for existing plantations on peatland.

The remaining 14 companies have no explicit peat-free commitment or no commitment to physically source sustainable palm oil.

TRACEABILITY

In order to receive full credit for the traceability criterion, a company has to commit to sourcing palm oil that can be traced back to the plantation level and also commit to asking its suppliers to report their palm-oil-related global warming emissions. No company received full points in this category (Table 6, p. 16).

Eight companies had either a) a commitment to tracing their palm oil to the plantation level but no commitment to asking their suppliers about their palm-oil-related global warming emissions, or b) a general commitment to traceability (without providing details) and a commitment to asking their suppliers to report their global warming emissions. Companies that committed to sourcing segregated or identity-preserved CSPO fell into this category as well.

Four companies made only a commitment to ask their suppliers to report their palm-oil-related global warming emissions.

The remaining 18 companies made no commitment to traceability.

TRANSPARENCY

In order to receive full points for the transparency criterion, a company has to do three things. First, it needs to report publicly (on at least an annual basis) on its progress toward sourcing palm oil that meets its commitments; this includes reporting the volumes (or percentages) of sustainable palm oil it sources. Second, a company must report a time-bound plan, which includes intermediate goals, to physically source deforestation- and peat-free palm oil. Finally, a company must specify its process for verifying that it is meeting its palm oil commitments. Only two companies, Nestlé and Unilever, received full scores for this criterion (Table 7, p. 16).

Three companies have been reporting annually (mostly through the RSPO annual communication of progress), but their reports lack time-bound plans, they have not disclosed verification processes, or they have no plans to source deforestation- and peat-free palm oil.

Three companies have committed to fully protect carbon-rich peatlands, setting a good example for the industry.

TABLE 6. Consumer Companies Categorized by the Strength of Their Traceability Commitment

Complete Traceability (20 points)	Some Commitment to Traceability (10 or 15 points)	Commitment to Asking Suppliers about Global Warming Emissions (5 points)	No Commitment (0 points)
	Danone Kellogg's L'Oréal Mondelēz McDonald's Nestlé Reckitt Benckiser Unilever	Colgate-Palmolive ConAgra Foods Henkel PepsiCo	Avon Beiersdorf Burger King CKE Restaurants Clorox Dairy Queen Domino's Dunkin' Brands Estée Lauder General Mills HJ Heinz Kao Kraft Foods Procter & Gamble Starbucks Subway Wendy's Yum! Brands

Ten companies are reporting and have a plan to physically source CSPO but have not laid out a verification process and do not have a time-bound plan for sourcing deforestation- and peat-free palm oil.

Four companies have made a commitment to reporting but are not providing the necessary information or a time-bound plan for sourcing CSPO. They have no other transparency commitments, however.

Eleven companies have not expressed any commitment to transparency.

EARLY ACTION

Finally, companies were scored based on their current sourcing of palm oil that is deforestation-free, peat-free, or CSPO. This helped provide an indication of how seriously a company regards its commitment and which companies are taking early action. Companies were given points that correspond to the percentage of sustainable palm oil they are sourcing:

- Deforestation- and peat-free palm oil was given full weight.
- Physically sourced and certified crude palm oil, certified palm kernel oil (physical or GreenPalm), palm derivatives

TABLE 7. Consumer Companies Categorized by the Strength of Their Transparency Commitment

Full Transparency (20 points)	High Transparency (15-18 points)	Some Transparency (13 points)	Little Transparency (3-10 points)	No Transparency (0 points)
Nestlé Unilever	Reckitt Benckiser Procter & Gamble L'Oréal	Beiersdorf Colgate-Palmolive ConAgra Foods Danone General Mills HJ Heinz Henkel Kao Mondelēz PepsiCo	Avon Kellogg's McDonald's Subway	Burger King CKE Restaurants Clorox Dairy Queen Domino's Dunkin' Brands Estée Lauder Kraft Foods Starbucks Wendy's Yum! Brands

FIGURE 2. Scoring of Companies Based on Percentage of Deforestation-free and Peat-free or Sustainable Palm Oil Being Sourced

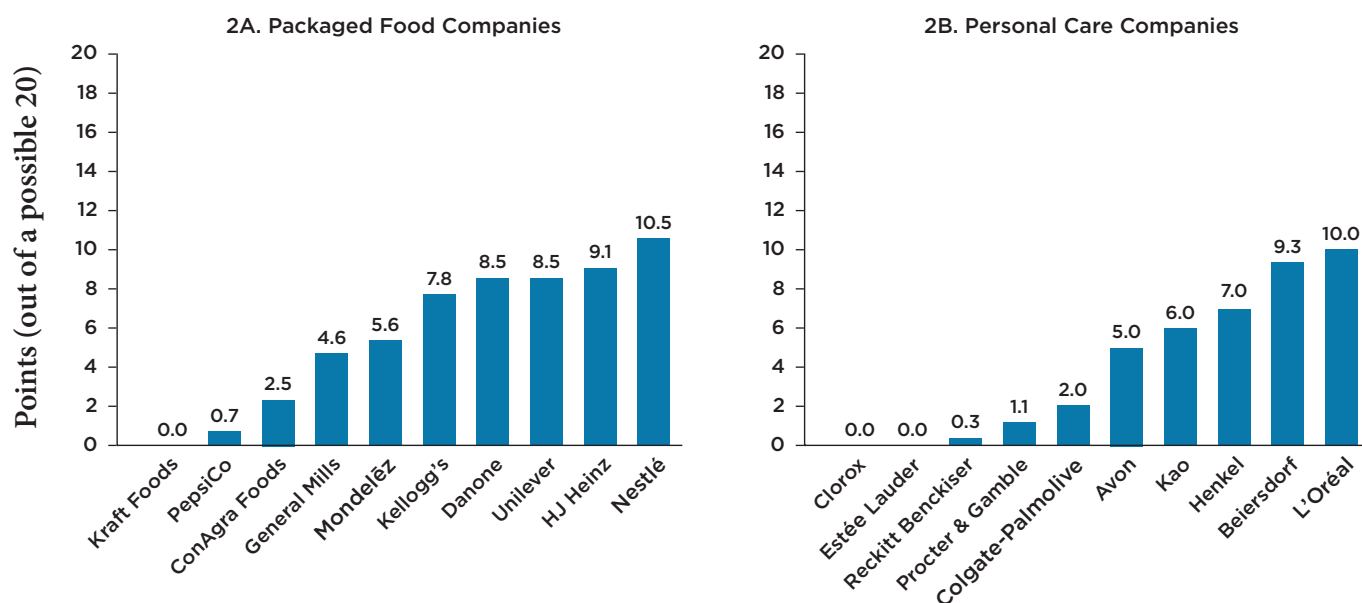


Figure 2A shows the results for packaged food companies and Figure 2B reflects personal care companies. Fast food companies were not graphed because McDonald's, which scored 1.1 points in this section, is the only fast food company that reports its current sourcing.

(physical or GreenPalm), or other sustainable palm oil⁷ were weighted at 0.5.

- Crude palm oil sourced through GreenPalm was given a weighting of 0.25.

Although only Nestlé is currently sourcing any deforestation-free, peat-free oil (around 5 percent of its palm oil), the results show that some companies are clearly well on their way toward sourcing responsible palm oil while others—including 12 companies that are not sourcing any deforestation-free, peat-free, or sustainable palm oil at all—are lagging behind (Figure 2).

The Path to Better Palm Oil

Palm oil is the world's least costly and highest-yielding vegetable oil, making it the preferred cooking oil for millions of people in the developing world and a common ingredient in many of the packaged goods, fast foods, and personal care products Americans buy every day. However, palm oil produced under business-as-usual conditions contributes to habitat destruction and global warming emissions, among other adverse impacts.

It doesn't have to be this way. Palm oil can be grown without eradicating tropical forests and peatlands or warming our climate. A number of efforts to encourage just

that—including the Roundtable on Sustainable Palm Oil, the Palm Oil Innovation Group, and the Tropical Forest Alliance 2020—are under way, with varying degrees of success thus far. In addition, five companies—L'Oréal, Mondelēz, Nestlé, Reckitt Benckiser, and Unilever—have made public commitments to source traceable palm oil that is deforestation-free and peat-free. But more companies need to act similarly and act now. Most of the firms assessed in this scorecard have plenty of room for improvement regarding their palm oil commitments, if indeed they currently have any at all, and the issues are urgent. The five noted exceptions have demonstrated that companies can take a stand against palm oil that destroys peatlands and forests as part of its production. The remaining 25 companies, and numerous other businesses that use palm oil, must follow this example by strengthening their own commitments. Once they have made those commitments, all 30 companies need to make sure they are translating them into actions.

FROM COMMITMENTS TO POLICIES TO PRACTICES

Tropical forests and peatlands are being destroyed, and Earth's atmosphere is warming, at alarmingly high rates. One result among many is that habitat for some of our planet's most endangered species, such as the Sumatran orangutan, is rapidly disappearing, and another result is that we continue



Deforestation-free, peat-free palm oil is entirely possible. By tracing its supplies back to the plantation level, a company can assure consumers that the palm oil it uses does not contribute to forest destruction or peatland conversion. Many companies are already making strides toward sourcing 100 percent deforestation- and peat-free palm oil, showing that the goal is realistic and the time to act is now.

to release more carbon dioxide into the atmosphere. Because consumers want to know that the products they buy aren't contributing to such problems, companies need to be sure that their own products fill the bill. Otherwise, firms put their brands—that is, their reputations—at serious risk. Here are four steps that palm-oil-using companies can take:

- Study the palm oil commitments of this scorecard's top scorers—L'Oréal, Mondelēz, Nestlé, Reckitt Benckiser, and Unilever—as well as our outline for the essential elements of such a commitment (Appendix), to understand the deforestation-free, peat-free, traceability, and transparency criteria that consumers and NGOs expect companies to satisfy.
- Develop realistic policies, action plans, and aggressive timelines suitable to company operations, with the help of NGOs or other stakeholders.
- Implement these policies and report publicly on progress toward interim and long-term goals.
- Call for suppliers (i.e., all of the businesses from which a company purchases palm oil) to ensure that this palm oil is deforestation- and peat-free.

Companies must also recognize that while this scorecard focuses on deforestation and peatland protections, traceability, and transparency, a comprehensive palm oil commitment must also take into account the social, labor, and legality issues cited in the introduction of this report.

All commitments must apply to a company's global operations, not just to specific countries or regions, and to all of its subsidiaries and brands. Additionally, although companies were not scored on the aggressiveness of their timelines, it is important that they move as quickly as possible to minimize the damage being done today. Finally, a commitment is only the first step, as companies can be sure that consumers and NGOs will be watching to make sure they live up to it. Thus, all companies, including those with high scores, need to be diligent in turning their commitments into policies and their policies into practices.

WHAT YOU CAN DO: DEMAND DEFORESTATION-FREE PALM OIL

To help conserve our natural resources, protect biodiversity, and reduce the extent of climate change, we must transform the palm oil industry; in this effort to reorder corporate priorities, consumer feedback is essential. As Wilmar International put it in the press release announcing its No Deforestation, No Peat, No Exploitation policy, “We know from our customers and other stakeholders that there is a strong and rapidly growing demand for traceable, deforestation-free palm oil, and we intend to meet it as a core element of our growth strategy” (Wilmar International 2013).

It is up to all of us to ensure that the whole palm oil industry no longer contributes to habitat destruction or climate change, having become entirely deforestation-, peat-, and exploitation-free. To learn more and join UCS in pursuing this important goal, visit ucsusa.org/palmscorecard.

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“We know from our customers and other stakeholders that there is a strong and rapidly growing demand for traceable, deforestation-free palm oil, and we intend to meet it as a core element of our growth strategy.”

—Wilmar International

Appendix: Key Forest- and Peatland-Protection Provisions for Global Palm Oil Sourcing Policies

In order to mitigate the impacts of palm oil development on forests and the climate, companies must adopt policies that ensure none of their operations contribute to tropical deforestation or peatland depletion. In addition, companies should adopt provisions that mitigate conflicts with local communities and address social and labor violations.⁸

Companies must commit to a palm oil sourcing policy for all of their global operations that ensures 100 percent of their palm oil purchases:

- Are deforestation-free and protect all natural forests (including primary forests, secondary forests, High Conservation Value forests, and High Carbon Stock forests) from conversion due to plantation expansion or new plantation development
- Originate from growers that protect peatlands of any depth from new plantation development
- Originate from growers using best management practices (for example, those prescribed by the RSPO) for oil palm plantations on existing peat soils
- Originate from growers that comply with all relevant local, national, and international laws
- Originate from growers that track and report on the carbon footprint of their production
- Are conflict-free and protective of the rights of workers and indigenous communities
- Are compliant with existing RSPO Principles and Criteria, or equivalent standards

To prove that they are meeting these commitments, companies should:

- Establish an aggressive time-bound plan, which includes intermediate benchmarks, for physically sourcing 100 percent of their palm oil from suppliers that meet the above commitments
- Articulate a process to verify that they and their suppliers are executing the plan⁹
- Make their palm oil policy, time-bound implementation plan, and verification process available to the public on the company website
- Trace their palm oil to a point in the supply chain where they can prove that the palm oil meets the above commitments¹⁰
- Annually and publicly report on their progress toward meeting their goals, including reporting the volume (or percentage) of palm oil they are currently sourcing that meets the above criteria

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The Tropical Forest and Climate Initiative (TFCI) is a project of the UCS Climate and Energy Program. The TFCI analyzes and promotes ways to cut global warming pollution by reducing tropical deforestation. To learn more about this work, visit www.ucsusa.org/forests.

ENDNOTES

- 1 The Union of Concerned Scientists (publisher of this report) is a nongovernmental-organization member of the RSPO.
- 2 Throughout this document, "CSPO" is used to refer to palm oil that is certified by the RSPO, while "sustainable palm oil" refers to any palm oil that demonstrably meets forest and peatland protections that are at least as strong as those of the RSPO.
- 3 There is a very limited certified physical supply of these products in most markets.
- 4 Companies were scored using documents from their websites, corporate reports, and RSPO Annual Communication of Progress that were publicly available as of January 16, 2014.
- 5 For details on the methodology used to score each company, see supplemental material online at www.ucsusa.org/palmoilscorecard.
- 6 Brands that contain derivatives that may come from palm or palm kernel oil.
- 7 Estée Lauder sources palm oil certified by bodies other than the RSPO. However, it does not report volumes.
- 8 Through consultation with appropriate NGOs and institutions focused on social justice, human rights, and labor safeguards, companies should adopt policies that require their suppliers to mitigate conflicts with local communities and prevent the violation of human and labor rights. Key policy elements should include (but not be limited to): free, prior, and informed consent (FPIC); conflict-mediation mechanisms for land and labor disputes; and a prohibition on forced and child labor.
- 9 Some options for verifying supplier compliance include third-party auditing and independent NGO evaluation.
- 10 Currently, the best way for a company to prove that its palm oil meets its commitments is to trace the oil back to the plantation level. However, if a mill, processor, trader, or jurisdiction can demonstrate that all of the palm oil it sells meets the commitments as laid out in this document, the company need only trace its palm oil to that point in the supply chain.

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