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PALM OIL BUYERS' SCORECARD **AUSTRALIA** **2010**

HOW 'ORANG-UTAN FRIENDLY' IS THE PALM OIL IMPORTED AND MANUFACTURED IN AUSTRALIA?

From chocolate to ice cream—from breads to biscuits—palm oil is used in a variety of products we purchase every day. But the true cost of palm oil is being paid in high-biodiversity tropical rainforests, which continue to be cleared for ever expanding oil palm plantations.

WHY HAS WWF PUBLISHED A SCORECARD?

- To create a snapshot in time that gives the major retailers and manufacturers in Australia who buy palm oil a baseline from which WWF and these companies can measure their improvements on sustainable palm oil sourcing over the coming years.
- To encourage Australian companies using palm oil to commit to purchasing certified sustainable palm oil (CSPO).
- To signal to palm oil producers around the world that there is a mainstream and growing market for sustainably produced palm oil.

This Scorecard is an assessment of the palm oil purchasing practices of six major companies present in the Australian Food Sector that produce or sell everyday consumer products. The performance of each company in the Scorecard was assessed against a set of objective criteria relating to their commitments to, and actions on, responsible purchasing of palm oil.

SEE COMPANY SCORES ON PAGE 9

PALM OIL FACTS

- Oil palms produce more oil per hectare of land than any other oil-producing crop
- In 2008, palm oil accounted for a third of the 130 million tonnes of vegetable oil produced worldwide
- The area of oil palm plantations needed to provide Australia with its current import of 130,000 tonnes of palm oil per year is equivalent to 32,500ha, or approximately 13,000 MCG's or 5½ times the size of Manhattan
- Palm oil has surpassed soy oil as the world's most popular vegetable oil
- Palm oil is used in about 50% of all packaged food products in supermarkets today
- Palm oil is used in a wide range of foods (e.g. margarine, ice cream, baked and fried foods) and non-food products (like shampoos to make them more 'creamy')

www.wwf.org.au/palm-oil-scorecard-Australia

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THE PROBLEM WITH PALM OIL

Oil palms are highly efficient producers of high-quality, versatile oils. But they only grow in the tropics and their cultivation can have negative impacts on people and the environment. These impacts can include indiscriminate forest clearing, habitat loss for threatened and endangered species, poor air quality from burning forests and peatlands, and disregard for the rights and interests of local communities. A report published in 2007 by the United Nations Environment Programme (UNEP¹) acknowledges that palm oil plantations are now the leading cause of rainforest destruction in Malaysia and Indonesia. Of even more concern is the fact that demand for palm oil is predicted to increase².

In addition, converting forests to plantations contributes to climate change, since approximately 15% of all human-induced greenhouse gas emissions are caused by deforestation³. The practice of draining and converting peatland forests is especially damaging, as these “carbon sinks” store more carbon per unit area than any other terrestrial ecosystem in the world.

WWF & PALM OIL

As a founding member of the Roundtable on Sustainable Palm Oil (RSPO), WWF has worked with the palm oil industry since 2003 to ensure that the RSPO standards contain robust social and environmental criteria, including a prohibition on the conversion of valuable forests. WWF has played an active role in the development of both the RSPO and Certified Sustainable Palm Oil (CSPO), similar to the way that it has supported the development of other certification schemes such as FSC for timber and MSC for wild-caught marine fish. WWF supports the adoption of and adherence to RSPO standards by palm oil producers, as well as promoting the use of sustainable palm oil by retailers, manufacturers and traders.

Working with the RSPO is not the only way that WWF seeks to mitigate the environmental and social impacts of palm oil expansion. WWF also works to improve land-use planning in producer countries; with governments in market and producer countries to encourage legislation that is compatible with RSPO principles and with the finance sector to develop investment screens that encourage sustainable investment.



WHAT IS THE ROUNDTABLE ON SUSTAINABLE PALM OIL?

- Initially established in 2003 by oil processors and food companies Aarhus United UK Ltd, Migros, Sainsbury's and Unilever; oil palm growers Golden Hope Plantations Berhad along with the Malaysian Palm Oil Association and WWF to promote sustainable palm oil production
- It is now a global initiative with more than 400 members, including oil palm growers, oil processors, food companies, retailers, NGOs and investors representing about half of the world's palm oil supply
- It promotes palm oil production practices that help to reduce deforestation, preserve biodiversity and respect the livelihoods of rural communities
- It aims to see all of the world's palm oil produced in a sustainable way

Find out more at www.rspo.org

RSPO JOURNEY FOR PRODUCERS

A typical oil palm plantation in Southeast Asia before it begins its RSPO journey:

An oil palm plantation has rows and rows of oil palms with rivers and streams meandering through them. Workers harvest the trees for the palm fruit and trucks full of these fresh fruit bunches can be seen piled high, heading towards the mill.

Every large plantation will have a mill attached to it as well as administration buildings and housing for workers. Estates run by smallholders surround the plantation and will likely supply fresh fruit bunches to the mill. The company may also own concessions on adjacent land yet to be developed, including forest lands. Communities may be living on these lands and using the forest for their livelihoods. A plantation can range anywhere from 5000 – 30,000 hectares in size, and a large producer typically owns a number of plantation estates.

The RSPO unit of certification includes the mill and its associated estates, and each RSPO member producer company must certify each certification unit individually. RSPO member companies are likely to have several mill/estate units in various stages of the journey to certification, as the RSPO Code of Conduct requires all members to have 100% of their holdings certified within an agreed time frame.



THE RSPO JOURNEY BEGINS

Every company's journey to certification will vary because of location, size and readiness. These are the various stages that most companies will have to go through to reach certification:

Mainstreaming: The first phase of the process typically involves briefings on the RSPO and its Principles and Criteria with the plantation staff (and associated smallholders) through meetings and workshops. One key element of the RSPO process is senior level commitment to the RSPO, and the commitment must be clearly communicated to all staff.

Baseline Audit: During this period the company will undergo a Baseline Audit in order to identify the gap between the company's current performance and that required by the RSPO.

This initial audit could be performed by an in-house review panel, an independent consultant, or a Certification Body. Typically, the auditors would interview management and workers and review management documents, exploring legal compliance, management procedures, health and safety, and environmental and social policies. The audit would include spot checks of the physical estate to see if there are any problematic practices such as poor worker housing conditions.

Preparing for Certification: A Certification Taskforce is set up to close the gaps and prepare the estates for certification. Costs are tallied, resources allocated and staff are assigned to make things happen. Activities could include high conservation value assessments, identification of environmental aspects and impacts, restoration of riparian buffer zones, installing boundary markers for land holdings, briefings for surrounding communities and resolving land disputes. All activities are carefully documented. This period could take from 6 months to 3 years.

Pre-audit: Once the company is satisfied that it is sufficiently prepared, a Certification Body may be hired to undertake a pre-audit to ensure that all the gaps identified in the Baseline Audit have been closed. At least 30 days before the commencement of the Audit, the company will post notification of its intent to undergo a Certification Audit and solicit public comments.

Certification Audit: The RSPO Certification Audit will be undertaken by a team of specialists who will go through each Principle and Criterion and measure the company's performance. They will interview as many external stakeholders as possible, including communities, government officials, smallholders and NGOs, and undertake due diligence on the other plantations that are part of the company's holdings. They will check that the other plantations are not undertaking major breaches of the Principles and Criteria and confirm that these estates are also on the journey to RSPO certification within a reasonably ambitious timeframe.

The audit report will reveal any 'major non-compliances', and these must be addressed by the company before certification can be awarded. If no major non-compliances are found, the final Audit Report will be published on the RSPO website, with notification of a 30 day public comment period. If there are no complaints, certification will be awarded to the company for that certification unit. If there are complaints, the certification process will be halted until it is investigated by the Certification Body or the RSPO itself.

Only when all non-compliances or complaints are resolved will the RSPO allow the certification to be awarded.

A JOURNEY WITHOUT END

After certification what changes would you see? You would notice upgraded infrastructure and signage. Perhaps there would be high conservation areas set aside for wildlife corridors and peatland areas that were once planted with oil palms might now be restored. You would see workers wearing helmets and other protective safety gear and some would be planting trees on environmental buffer zones.

But most of the transformation brought by the RSPO process would be invisible - better systems of management for soils, fertilisers and pesticides or for dealing with internal and external disputes, enhanced relations with communities, improved health and safety for workers, better status for female workers and protection of valuable flora and fauna.

'Continuous improvement' is one of the 'Principles' so every certified plantation will be audited annually in order to ensure that it is not only maintaining compliance with the standards but also continuously improving. The RSPO certification process is more than a checklist; if successfully achieved, it marks a fundamental shift in the direction of a company.

PAVING THE WAY FOR SUSTAINABLE PALM OIL

CSPO, which is certified according to the RSPO guidelines, provides assurance that valuable tropical forests have not been cleared and that environmental and social safeguards have been met during its production. The first sustainable palm oil plantations were certified in 2008.

- By January 2010, RSPO certified plantations were able to supply 1.76 million tonnes of sustainable palm oil per year—more than 13 times the amount imported into Australia each year.
- Despite being available in sufficient quantities, only a small portion of the available CSPO has actually been bought. In the 12 months leading up to January 2010 only 40% of the CSPO available was purchased.

BENEFITS FOR COMPANIES, BENEFITS FOR FORESTS

By supporting the RSPO and using only CSPO, companies can help slow down deforestation and the disappearance of some of Earth's most amazing and threatened wildlife, including tigers, elephants and orang-utans. Choosing sustainable palm oil also helps companies to reduce climate change impacts, since slashing forests for oil palms can contribute to the release of greenhouse gas emissions.

WHAT DOES WWF ASK FROM COMPANIES BUYING PALM OIL?

- Become an active member of the RSPO
- Put in place policies and systems to control where palm oil is sourced from
- Make public commitments for the use of 100% CSPO by 2015 at the latest
- Begin purchasing CSPO immediately



HOW DO AUSTRALIAN CONSUMERS KNOW IF A PRODUCT CONTAINS SUSTAINABLE PALM OIL?

62.6% of Adelaide, Taronga and Melbourne Zoo visitors, when asked, correctly identified that palm oil was the product most threatening the survival of the orang-utan in the wild.

86.7% of Melbourne Zoo visitors, when asked, expressed that orang-utan conservation is either important or highly important in their view and the views of their family and friends.

PhD research gathered from visitors to Adelaide, Taronga and Melbourne Zoos by the University of South Australia, School of Psychology, Social Work & Social Policy. Pearson (2010)

Zoos Victoria's Don't Palm Us Off Campaign has currently received 80,000 signatures from concerned consumers asking Food Standards of Australia New Zealand (FSANZ) to legislate to label palm oil on all food products

Consumers can play a significant role in encouraging companies to change their practices. By requesting that retailers and manufacturers use sustainable palm oil in everyday products, consumers can help motivate companies to increase their commitments.

The simple answer at the moment is they don't.

At present manufacturers that use palm oil need only list 'vegetable oil' in the ingredient list.

To find out whether a product contains palm oil consumers would need to contact the company who made the product and ask them directly whether they are using palm oil and if so, is it CSPO?

SUSTAINABLE PALM OIL LABELLING

Mandatory palm oil labelling may become a reality in the Australian Food Sector should the proposed Food Standards Amendment (Truth in Labelling Palm Oil) Bill 2009, be passed



This law would result in a level playing field for all retailers and using palm oil as 'palm oil' will have to be specifically listed in the food ingredients list. A provision within the bill will mandate that retailers and manufacturers label their product as containing 'CS Palm Oil' in the ingredient list if the product contains sustainable palm oil produced in accordance with the RSPO's standards







PALM OIL BUYERS' SCORECARD

During March - September 2009, WWF assessed the progress of 59 European companies on sustainable palm oil sourcing. The Scorecard was published in October 2009⁴. In addition to these companies, three Australian Food Sector Companies were also assessed. Their scores along with the republished scores from three European companies (with a recognised presence in Australia) are reported here in the WWF Palm Oil Buyers' Scorecard Australia 2010.

This assessment was carried out against a range of objective criteria, from RSPO membership through to their use of sustainable palm oil.

3 PALMS GROUP								
Company	Country	Sector	RSPO Max 3	Policy Max 8	Systems Max 8	SPO Max 10	Total Score Max 29	Palm Index
Unilever	United Kingdom/ France	Food and personal/ household care	3	7.5	8	6	24.5	
Cadbury	United Kingdom	Food	2.5	8	7.5	6	24	

2 PALMS GROUP								
Company	Country	Sector	RSPO Max 3	Policy Max 8	Systems Max 8	SPO Max 10	Total Score Max 29	Palm Index
Nestlé	Switzerland	Food	0.5	5.5	2.75	0	8.75	

1 PALM GROUP								
Company	Country	Sector	RSPO Max 3	Policy Max 8	Systems Max 8	SPO Max 10	Total Score Max 29	Palm Index
Goodman Fielder	Australia	Food	1.5	3	0	0	4.5	
Coles	Australia	Food/ Retail	0	0	2	0	2	
Woolworths	Australia	Food/ Retail	0	2	0	0	2	

SCORES:

- 20 to 29 = 3 palms
- 5 to < 20 = 2 palms
- 0.5 to < 5 = 1 palm
- 0 = no palm

The higher the company's score, the stronger its commitment to sustainable palm oil.

See page 12 for full methodology.

- Is the company an active member of RSPO?
- Does the company have a policy on the responsible use of palm oil?
- Does the company have a public, time-bound, targetted plan to use CSPO?
- Does the company use CSPO at the time of the assessment

Note that in order to make this scorecard comparable to the European scorecard published in 2009 the Australian companies have been assessed based on data available over the same timescale, March to September 2009.

www.panda.org/palmoilscorecard

WHAT THE SCORES TELL US ABOUT COMPANY PERFORMANCE

➔ Breaking News:

On the 29th March 2010 Woolworths announced that they:

- Have applied to become a member of the RSPO
- Will label palm oil on its private label products
- Have committed to be 100% CSPO by 2015 for its private label products

➔ Breaking News:

On 25th March 2010 Goodman Fielder announced that they:

- Will commence purchasing Green Palm certificates in 2010, with the intent to cover all palm oil used in the company's retail branded products by 2015

WWF welcomes the new commitments made by these Australian Companies

March 2009

"Nestlé S.A commits to... using only Certified Sustainable Palm Oil (CSPO) by 2015"

3 PALMS:

WWF commends the efforts of the companies in the 3 palms group. Unilever and Cadbury have shown leadership in committing to and sourcing CSPO. They have made progress across the criteria assessed by WWF.

Cadbury and Unilever have:

- contributed to the RSPO process for several years
- put in place sustainable palm oil policies
- set up internal systems to control their use of palm oil
- started to use CSPO now that it is available, in particular Unilever has been buying and using relatively large volumes and is now the leading buyer of CSPO

These companies are showing their competitors that it is possible to act responsibly when it comes to palm oil - and are making good progress towards their target of using only CSPO.

2 PALMS:

Nestlé is the only company present in this category of the Australian Scorecard. At the time the score was originally published Nestlé had made a start on the journey to sustainable palm oil. On the eve of publication and in reaction to the release of the European Scorecard on 27 October 2009, Nestlé made new commitments to responsible palm oil purchasing. See Nestlé's breakout box.

Companies in the 2 palms group that begin to put their plans and practices into action should score much better in future Scorecards.

1 PALM:

All of the Australian companies fall into the group of 1 palm companies.

The three companies – Coles, Goodman Fielder and Woolworths - acknowledge that responsible sourcing of palm oil is an important environmental issue for their business.

Goodman Fielder's marginally higher score is mostly due to its membership of the RSPO. However, as with many of the buyer members of the RSPO, Goodman Fielder have not yet taken any action on sourcing sustainable palm oil. This is happening despite new RSPO requirements mandating companies buying palm oil to publicly report CSPO procurement targets and share time-bound action plans to achieve these targets. Therefore, companies such as Goodman Fielder that join the RSPO but take no action will no longer be able to use membership as a proxy for sustainability. WWF would like to see Goodman Fielder become an exemplary member of the RSPO and honour the RSPO requirements to CSPO procurement targets. See Goodman Fielder's breakout box.

Coles and Woolworths, who scored equally, have publically acknowledged the issues surrounding unsustainable palm oil. They have recognised the need for a procurement policy on sustainable palm oil but they have a long journey ahead of them in formulating their policies, action plans and beginning to buy sustainable palm oil. WWF encourages both of these Australian icons to move swiftly on this issue and lead the way for the Australian Food Sector by becoming 100% CSPO by 2015 or earlier. See Woolworths breakout box.

CONCLUSIONS FROM SCORECARD FINDINGS

WWF believes that any company that has recently committed to the target of 100% use of CSPO by 2015 or earlier will need to move quickly in order to successfully achieve this goal.

The Scorecard results show that whilst some areas of the Food Sector are moving well, the Australian based companies have a long journey ahead before sustainable palm oil sourcing becomes the norm. WWF hopes that Australia can turn this around and support sustainable palm oil buying practices in the future. WWF looks forward to documenting this future positive trend in subsequent versions of the Palm Oil Buyers' Scorecard.

1. Unilever and Cadbury – have made the most progress in moving their supply to CSPO and Nestlé has taken steps toward CSPO by making a commitment and joining the RSPO
2. The Australian companies – Coles, Goodman Fielder and Woolworths – are just starting to develop policies and systems to address unsustainable palm oil. However at the time of this Scorecard's development, this has yet to translate to commitments to and the purchase of CSPO in 2010 with the target of 100% CSPO by 2015
3. WWF believes that all the Australian companies assessed could commit to purchasing 100% CSPO by 2015, but to do so they will need to make good progress in 2010

WWF would like to note that all of the companies scored in this Scorecard willingly shared information with WWF. WWF thanks the companies for doing so and hopes to be able to continue to have such an open and frank dialogue on this and wider sustainability issues in the future.

WHAT HAPPENS NEXT?

This Australian Scorecard and the 2009 European Scorecard⁴ are just the start of a process to bring more transparency to the global market for sustainable palm oil. This Scorecard provides a baseline for companies to track their improvement on actions related to CSPO over the coming years.

Since China and India are responsible for almost a third of global palm oil imports⁵ WWF will also consider including major palm oil buyers from these countries in later versions of the Scorecard, along with other Australian companies and those from other markets such as North America.



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SCORECARD METHODOLOGY

Companies were scored on their palm oil sustainability practices in a two-step process. First, WWF evaluated company performance based on publicly available data (including websites and corporate sustainability reports) in relation to the following four questions:

1. Is the company an active member of RSPO?
2. Does the company have a policy on the responsible use of palm oil which includes statements of the impacts of palm oil cultivation, a commitment to sustainability and systems in place to track the palm oil that is used?
3. Does the company have a public, time-bound, targetted plan which includes a commitment to only source CSPO, with systems in place to ensure that this goal is met?
4. Does the company use CSPO at the time of the assessment or has it used equivalents in the past?

In a second stage, draft scores were sent to the companies, along with an overview of the scoring process. Companies were then given the opportunity to send WWF further information pertaining to the questions by late September 2009. Some of this information was provided to WWF in confidence. A final set of scores was tallied based on the additional information received. Each company was informed of its final score before the Scorecard was made public.

The goal of this Australian Scorecard and the previously released European Scorecard is to promote CSPO. For this reason, WWF has awarded the same number of points to any company sourcing CSPO, regardless of the volumes used. Future versions of the Scorecard will focus on how much CSPO companies are using and how quickly they are moving towards using CSPO exclusively.

The scope of this assessment did not allow for independent verification of all the information provided by companies for the Scorecard. While the Scorecard is largely informed by verifiable data and publicly available information, the final scoring is necessarily determined by WWF's assessment of a company's intentions and actions for sustainable palm oil. WWF values transparency, and for most questions, more points were awarded if a company made public its commitments and actions.

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