

FROM RISK TO REWARD

Accelerating corporate action in the palm oil sector





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ABOUT CDP

CDP, formerly the Carbon Disclosure Project, envisions a world with a thriving economy that works for people and the planet in the long term. Our mission is to focus investors, companies, national and subnational governments on taking urgent action to build a truly sustainable economy. We support decision-making and action by offering a global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts.

Through our offices and partners in 50 countries we have driven unprecedented levels of environmental disclosure. Over the past 17 years, we have built the most comprehensive collection of self-reported environmental data in the world, which is used to make better-informed decisions by our global network of investors and large purchasing customers, representing over \$100 trillion, as well as policymakers. Through our disclosure platform, data and tools, we support and advocate for transition plans that reduce emissions, avoid deforestation, deliver water security and build resilience to climate change. We aim to make environmental reporting mainstream

and to provide the detailed insights and analysis to drive the urgent action needed for a climate-safe, water-secure and deforestation-free world.

Since 2013, CDP's work on forests has been aimed at removing commodity-driven deforestation from value chains by engaging with companies around the globe that produce and procure forest risk commodities such as soy, timber, beef, palm oil and rubber. We provide these companies a platform to report information to investors and large purchasing customers about their efforts to manage deforestation risks and protect global forests.



DIRECTOR OF FORESTS FOREWORD



Sultana Bashir
Director, Forests (Maternity Cover)

We have no time to lose. According to the latest findings of the Intergovernmental Panel on Climate Change, we have only 12 years to prevent catastrophic climate change by keeping global warming below 1.5°C. To do so will require transformational change in every sphere of economic activity, particularly in our patterns of production and consumption. Business as usual is no longer an option if we wish to ensure continued economic development and global prosperity¹.

Natural forests, particularly carbon-rich tropical forests, are an integral part of the climate solution, contributing to both climate mitigation and adaptation. Yet, the true economic value of intact forests is still not adequately captured in business decision-making. Between 2001-2015, commodity-driven deforestation accounted for 61% of permanent land use change in Southeast Asia². In Indonesia, the expansion of oil palm has been a major driver of deforestation. At the same time, the economic benefits of oil palm are indisputable. Palm oil has created millions of jobs and lifted countless households out of poverty in Indonesia and other parts of Southeast Asia. Furthermore, in terms of land area needed, palm oil production is far more efficient than other vegetable oil crops³.

So, palm oil is here to stay for the foreseeable future. Encouragingly, rates of forests loss in Indonesia declined sharply in 2017 to below 2015 levels, most likely due to new regulatory measures introduced by the Indonesian government⁴. It is vital for companies to sustain this achievement by redoubling their efforts to transform their supply chains and accelerate the transition to a responsible palm oil industry at scale. This requires practical measures, such as putting in place the appropriate incentives, finance, tools and strategies to effectively manage deforestation risks in corporate supply chains and ultimately decouple palm oil production from deforestation. It also requires transparency and accountability for informed decision-making.

2018 marked a major milestone for CDP's work on forests. For the first time we engaged directly with the companies on the frontlines of supporting

a thriving but responsible palm oil industry in Indonesia. We have also had the pleasure of working directly with many organizations and individuals who have long been engaging with the palm oil industry so that it will continue to support local livelihoods, the Indonesian economy and global palm oil consumers in the long-term without compromising the country's natural capital. We thank them all, in particular the Coordinating Ministry for Economic Affairs Republic of Indonesia, the District Governments of Sintang, Siak, Kapuas Hulu, Pelalawan, Rokan Hilir, and Ketapang as well as our NGO partners, the LTKL (Sustainable Districts Association), the Indonesian Business Council for Sustainable Development (IBCSD), TFA 2020 Southeast Asia, RSPO Indonesia, Sodago Siak, Institut Penelitian Inovasi Bumi (INOBU), IDH Sustainable Trade Initiative, Proforest, Daemeter Consulting, UNDP, Winrock, WRI, WWF, Conservation International and Kehati.

CDP is also extremely grateful to the David and Lucile Packard Foundation for supporting our work in Indonesia.

A handwritten signature in black ink, appearing to read 'Sultana Bashir'.

Sultana Bashir
Director, Forests (Maternity Cover)

1. <https://www.ipcc.ch/sr15/>
2. Curtis, P.G. et al. (2018). Classifying drivers of global forest loss. Science 361:1108-1111
3. IUCN (2018). Oil Palm and Biodiversity. A situation analysis by the IUCN Oil Palm Task Force.
4. WRI (2018). <https://www.wri.org/blog/2018/08/indonesias-deforestation-dropped-60-percent-2017-theres-more-do>

ABOUT THIS REPORT

This report is our first to focus on the action taken by companies producing, sourcing and/or using Indonesian palm oil. It is aimed at companies and investors seeking to understand how they can play their part in supporting a responsible palm oil value chain and in delivering a below 1.5°C, water-secure and deforestation-free world.

In 2018, 7,018 of the world's largest companies reported information about their efforts to manage their climate, water and forests-related risks and impacts through CDP's global disclosure platform. This includes 455 companies that disclosed information on their deforestation risks and impacts. This data is used by over 525 institutional investors, representing US\$ 96 trillion, to engage with portfolio companies, inform investment decisions and catalyze change. In addition, 14 purchasing organizations use CDP's forests data to drive greater insight, accountability and action throughout their global supply chains.

This report analyses the disclosures of 64 companies that produced, sourced and/or used

Indonesian palm oil in 2017. We use this data as a baseline to compare against the information reported by 69 companies that disclosed to our forests questionnaire in 2018.

The report sets out to do three things: take stock of the current state of corporate understanding of risk and response to Indonesian palm oil-related deforestation; identify critical private sector actions that will help companies to deliver on their commitments to remove deforestation from their supply chains; and most importantly, provide a clear call to action to companies engaged in the Indonesian palm oil sector to take the necessary steps to prevent further forest loss in order to meet global climate and sustainable development goals.



KEY FINDINGS

- 1 Palm oil presents significant risk to companies and can have a substantive financial or strategic impact on their business**
 - ▼ Over 80% of reporting companies that produce and/or source palm oil from Indonesia identified inherent forests-related risks in both 2017 and 2018, including reputational, regulatory and physical risks. Brand damage was the most frequently identified potential impact, followed by reduced demands for products and services and increased operating costs.
- 2 Traceability systems and certification are the most widely used measures to manage palm oil-related deforestation risk in corporate supply chains. Still, the volume of palm oil covered by certification is limited**
 - ▼ 94% of disclosing companies report having a traceability system in place, and 86% report having third-party certification of their palm oil. But only 41% of companies report having 100% of the palm oil they produce and/or use under third-party certification.
- 3 Companies are also engaging their supply chains in order to manage risk, although supplier engagement appears to have declined slightly since 2017**
 - ▼ The number of companies engaging with smallholders or with their direct and indirect suppliers seems to be lower than in 2017 although such engagement is essential given the prominence of smallholder production in the Indonesian palm oil sector.
- 4 Companies are elevating the management of deforestation risk in their governance structures, reflecting growing recognition of the potential impacts of these risks on their business**
 - ▼ Board-level oversight of forest related-issues has grown more than a third from 69% of reporting companies having such oversight in place in 2017 to 86% in 2018.
 - ▼ 45% of companies reporting in 2018 identified supply chain complexity as one of the main challenges of eliminating deforestation risks in their value chain. Increased stakeholder engagement and collaboration, greater transparency and better-quality data were some of the measures identified by companies that would improve their ability to address deforestation risks.
- 5 Relatively little financial or technical support is provided to suppliers by large manufacturers and retailers to develop their capacity to supply sustainable palm oil**
 - ▼ While the proportion of companies providing financial and technical support to suppliers increased slightly between 2017 and 2018, the proportion doing so is still low. In 2018, just 8% of companies provided financial support and 19% offered technical support. Transitioning to a responsible palm oil industry will require greater financial and technical investment in suppliers by purchasing organizations.

THE BUSINESS CASE FOR ACTION

Deforestation poses significant risks for companies with forest-risk commodities in their supply chains. These risks can be reputational, regulatory and/or operational in nature and can lead to substantive financial and strategic impacts for companies. These include increased operational costs, brand damage and even stranded assets. CDP data from 2017 shows that up to US\$ 941 billion of turnover is dependent on commodities linked to deforestation⁵.



We also looked for the first time at how companies in the consumer goods, food and beverage, and pulp and paper sectors report on deforestation. Our assessment was based on information submitted by companies themselves to CDP's forests programme.

– Norges Bank Investment Management⁷



In both 2017 and 2018, over 70% of all companies reporting to CDP identified at least one risk related to forest-risk commodities that has the potential to cause a substantive change in operations, revenues or costs.

Risks are already being felt. In 2017 just under a third of all global companies experienced impacts such as corporate losses and share price falls. In 2016 the value of **IOI Corporation**, one of Malaysia's largest conglomerates, fell by around 18% after temporarily losing its sustainable palm oil certification, and thus a number of high-profile customers⁶. This wiped some US\$1.3 billion off its market capitalization.

To take effective action, however, companies need to better understand the deforestation risks in their supply chains and put in place appropriate policies, standards and governance systems. They also need to introduce the tools and systems that exist to address deforestation risks, such as

certification, traceability and supplier engagement systems.

CDP's forests information request takes companies on a journey that starts with creating awareness through the process of disclosure, generating insights from the reported data, and finally leads to action to address deforestation risks and realizing business opportunities associated with shifting to more sustainable practices.

The focus on transparency, risk assessment, opportunities, governance and implementation provides a clear framework for action that companies at all stages of the palm oil sector can work towards. CDP's disclosure system has shown that through the provision of annual data, both investors and companies can better understand, manage and mitigate deforestation risk while capitalizing on opportunities.



5. CDP 2017. From risk to revenue: the investment opportunity in addressing corporate deforestation.

6. <https://www.straitstimes.com/singapore/environment/how-to-fight-haze-three-times-a-day>

7. Norges Bank Investment Management. (2018) "Responsible Investment. Government Pension Fund Global No 5." https://www.nbim.no/contentassets/e1632963319146bbb040024114ca65af/responsible_investment_2018_web.pdf

COMPANIES THAT REPORTED ON PALM OIL IN 2017 AND 2018

In 2017 and 2018, respectively, 93 and 118 companies with palm oil in their supply chains responded to CDP's forests questionnaire. These company disclosures provide a snapshot of corporate ambitions on eliminating deforestation from supply chains containing palm oil and the actual actions companies are taking to mitigate their impacts on forests and manage business risk. This report focuses on those companies that produced and/or sourced Indonesian palm oil in those years.

The data presented below from company disclosures relates to the 64 and 69 companies that reported producing and/or sourcing Indonesian palm oil in 2017 and 2018, respectively.

CDP's forests questionnaire asks responding companies to indicate all stages of the supply chain that apply to them and provides specific questions and response options dependent on the supply chain stage(s) selected by a company. Within this report, data is sometimes presented by supply chain stage. In both 2017 and 2018, the vast majority (over 90%) of companies that reported to

CDP identified as manufacturers and retailers that make or sell products containing palm oil; some were also producers, processors and traders.

Typically, around 15% of company revenue was reported to be dependent on palm oil. The distribution of reporting companies across supply chain stages and the typical extent of palm oil-dependent revenue reflects the global palm oil value chain, which is made up of a large number of consumer goods companies and a much smaller number of processors and traders with land concessions for growing oil palm⁸.



Figure 1. The split among 2018 reporting companies in terms of where they say they are in the value chain

8. Pacheco P, Gnych S, Dermawan A, Komarudin H and Okarda B. (2017). "The palm oil global value chain: Implications for economic growth and social and environmental sustainability." Working Paper 220. Bogor, Indonesia: CIFOR.

PALM OIL PRESENTS SIGNIFICANT RISKS TO BUSINESS

In addition to undermining global climate and sustainable development goals, palm oil-related deforestation also presents significant risks to companies.

In both 2017 and 2018, over 80% of reporting companies producing and/or sourcing palm oil from Indonesia identified inherent forests-related risks with the potential to have a substantive financial or strategic impact on their business. In both years, over a third of companies reported having already experienced detrimental forests-related impacts associated with palm oil - 47% in 2017 and 35% in 2018.

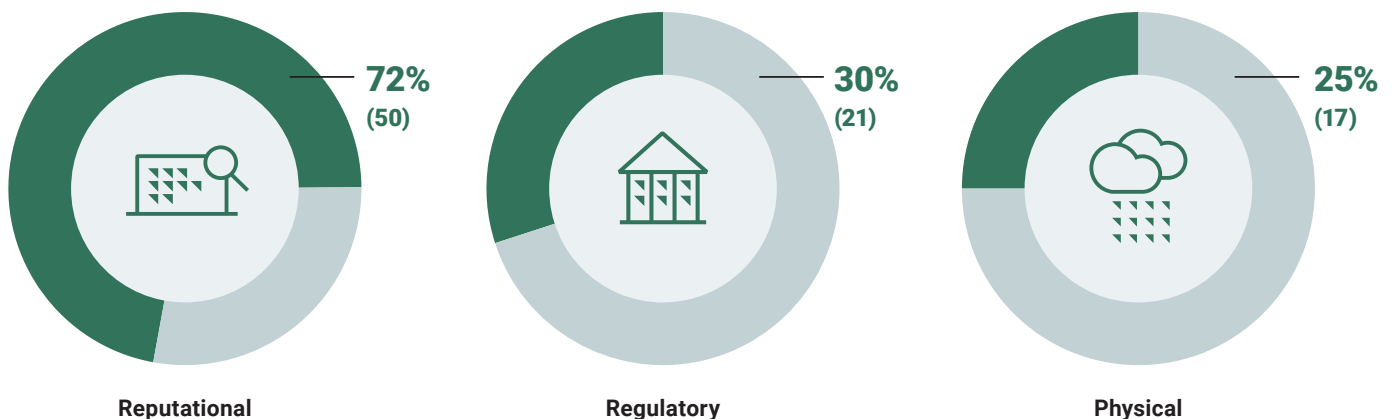
Reputational risks were identified by the greatest number (over 70%) of companies in both years relative to other risks. This is unsurprising

given that NGO scrutiny of palm oil's association with tropical deforestation has increased public awareness and consumer concerns about palm oil not just in Europe and North America but increasingly in Asian markets as well.

Aeon, one of Japan's largest supermarkets, reported that it has pledged to source only sustainable palm oil for its private brand by 2020. In China, the last 5 years has seen a growing number of companies joining the Round Table on Sustainable Palm Oil (RSPO)⁹.

Percentage of companies reporting each type of risk in 2018 with number of companies in brackets:

Yes No



Nearly a third of reporting companies (32%) report brand damage as the most likely impact of forest-related risks, while a quarter (25%) fear reduced demand for their products and services.

- “A lack of strong management of forest related issues at L'Oréal could lead to the accusation of corporate irresponsibility at the expense of the planet (“profit not planet”) which would absolutely contravene the business ethos. Companies are less and less able (rightly) to get away with activities that contribute to deforestation and otherwise adversely affect the planet”.
- “A shift in the consumer purchasing mindset towards sustainable products results in reduced demand for major products that Firmenich develops, such as our home care products that contain palm oil, palm kernel oil and palm oil derivatives.”

Meanwhile, regulatory action, such as the move by the European Union to ban palm oil as a biofuel source, also raises concern for those operating in palm oil supply chains. In 2018, regulatory risks were the second most frequently identified risk among reporting companies.

- “Neste Oyj regards the regulatory uncertainty related to use of vegetable oils (24% of Neste's renewable raw materials in 2017), including palm oil for biofuels manufacturing, a significant risk.”

COMPANIES ARE ENGAGING THEIR SUPPLY CHAINS TO MANAGE RISK

To manage these significant risks, in 2018 companies focused most frequently on supplier engagement (23%), increasing the use of sustainably sourced palm oil (16%) and engagement in multi-stakeholder initiatives (16%)¹⁰. The supplier engagement approach most favoured by reporting companies was to encourage certification (72%), followed by encouraging suppliers to work with multi-stakeholder groups and using supplier questionnaires on environmental and social indicators (both 60% in 2018)¹¹.

Given the stated ambitions of reporting companies to address deforestation in their supply chains and the relative maturity of the palm oil sector, we ask if this is enough. To effectively manage risk within their supply chains, downstream companies, such as large purchasing organizations, must go beyond engagement to help suppliers develop their capacity to supply sustainable palm oil. However, **the proportion of manufacturers and retailers providing such financial and technical support to suppliers is low** and only increased slightly between 2017 and 2018, from 5% to 8% for financial assistance and 15% to 19% for technical assistance.

Worryingly, the proportion of manufacturers and retailers that reported working with their direct suppliers declined from 93% in 2017 to 84% in 2018. The percentage of manufacturers and retailers to engage with indirect suppliers dropped from 70% in 2017 to 55% in 2018. The reasons for this decline are not clear but given Indonesia's success in reducing deforestation in 2016 and 2017, a renewed focus on supplier engagement, capacity building and investment in supply chains is critical.

Most frequent response reported by companies in 2018 to address risks

- ▼ Supplier engagement (23%)
- ▼ Increasing the use of sustainably sourced palm oil (16%)
- ▼ Engagement in multi-stakeholder initiatives (16%)

▼ "With the commitment to remove deforestation from their supply chains by 2020, **Marks and Spencer Group plc** recognized their limited ability to control and influence some parts of their supply chains that are more complex. Hence, they implement several measures such as supply chain interventions, market insights, technical expertise and funding as tools for transformation. Policy is publicly available and company-wide, with performance standards for direct operations including supplier, procurement and contracting best practices."

Investment in smallholder oil palm farmers

Smallholder oil palm farmers in Indonesia account for an estimated 41% of the total Indonesian oil palm acreage¹², but associated productivity is relatively low. By 2030, smallholder farmers are projected to be managing a 60% share of Indonesia's total oil palm plantation area¹³. Direct engagement and capacity development of smallholders by producers, processors and traders is key to scaling responsible palm oil supply chains. It also offers opportunities to drive local economic development and advance the Sustainable Development Goals. Many producers, processors and traders, such as **Musim Mas** and **Wilmar** are engaging with smallholders. **Yet, in 2017 and 2018 respectively, 40% and 50% of producers, processors and traders did not engage with smallholders.**

▼ "**Musim Mas** is collaborating with International Finance Corporation to pilot a smallholder certification scheme that targets 12,000 smallholders to be included into a supply chain outreach network. It aims to have 3,000 smallholders to be certified within five years of program implementation. Additionally, Musim Mas has been working to implement Extension Service Platform for their landscape area to support independent smallholders from their third-party supply chain."

10. Comparable data are not available for 2017 as this question was not asked in the same way.

11. The figures for 2017 are similar but not directly comparable as only manufacturers and retailers were asked about their approach to supplier engagement; however they included 95% of the 64 responding companies in that year. Of this group, 74% encouraged certification, 56% encouraged working with multi-stakeholder groups and 59% favoured supplier questionnaires on environmental and social indicators.

12. DJP Statistik Perkebunan Indonesia; kelapa sawit 2014–2016 Direktorat Jenderal Perkebunan, Jakarta (2015) p. 69

13. <https://www.iopri.org/wp-content/uploads/2017/10/WPLACE-17-1.1.-OIL-PALM-SMALLHOLDER-Bungaran-Saragih.pdf>



CDP's Supply Chain Forests questionnaire

CDP's supply chain forests questionnaire was launched in 2017 to enable large purchasing organisations to better manage their forests-related risks and opportunities through supplier disclosure. Members request their suppliers to report to CDP and in 2018, over 305 suppliers responded to this request, a dramatic increase from just 88 in 2017. Encouragingly many of these suppliers were from high deforestation risks region: 68 suppliers responded from Brazil, and there was increased engagement with Indonesia where 50 suppliers are either producing and/or sourcing palm oil. The number of Supply Chain Forests members has grown from an initial 8 to 14 in 2018. In Indonesia, CDP's Power of Procurement project focuses on removing deforestation from palm oil supply chains while in South America, Europe and China it focuses on the deforestation related to the flow of cattle products and soy.

While there is certainly room for improvement in the number of companies engaging their suppliers and the types of engagement, the vast majority of companies are implementing traceability systems to track and monitor the origin of raw materials in their supply chains. Traceability is critical for companies to understand their exposure to forest-related risk and to achieve their deforestation-related commitments and targets.

Traceability

In 2018, 94% of companies report having some kind of traceability system in place. 22% of companies could only trace their palm oil to the country of origin. Over half (51%) of all companies sourcing palm oil from Indonesia reported being able to trace all or part of their palm oil back to the mill where it was processed. These companies could typically trace around 95% of their palm oil back to the mill. Only 10% of companies were able to trace their palm oil back to the plantation.

Very few companies could trace all of their palm oil to the mill or plantation: in 2018, only 4% of companies could trace 100% of their palm oil to the mill point; another 4% could trace 100% of their palm oil to the plantation point.

► "To ensure the traceability in its supply chain, **Olam** has requested suppliers in their supply chains and trading operations to provide GPS coordinates of the mills they are sourcing from. In 2016, Olam partnered with the World Resources Institute (WRI) to independently assess and rank the identified mills based on environmental risk factors to inform sustainable sourcing and prioritize supplier engagement. The result identifies past and future deforestation impacts on primary forest, peatland, protected area, high carbon density forest and area with fire incidents associated with a mill sourcing area within a 50 km radius."

22%

of companies can only trace their palm oil to the country of origin but they can typically trace 100% of it there

51%

of companies can trace their palm oil to the mill and they can typically trace 95% of it there

10%

of companies can trace their palm oil to the plantation where it is grown, and they can typically trace 75% of it there

CORPORATE AMBITION IS RAMPING UP

Over 80% of companies report public commitments to reduce or remove deforestation and/or degradation from their direct operations and/or supply chain in 2017 and 2018. However, the quality of these commitments varies. A high-quality commitment typically includes time-bound targets, best practice environmental, social and governance criteria, a step-wise implementation plan and transparent monitoring and reporting systems.

The proportion of reporting companies with time-bound zero deforestation commitments increased from 50% in 2017 to 57% in 2018.

To demonstrate leadership, CDP expects companies to set commitments that:

- ▼ include a time-bound zero deforestation commitment (between 2017 and 2018 CDP's criteria for leadership were raised from zero net to zero gross deforestation);
- ▼ exclude conversion of land under conservation, high conservation value (HCV) areas, high carbon stock (HCS) areas and peatland; and
- ▼ require the free, prior and informed consent (FPIC) of local people to any land-use activity that affects them.

Encouragingly, our data suggests companies are making progress on setting meaningful commitments: **the proportion of companies that had integrated these more stringent criteria into their commitment increased from 25% in 2017 to 41% in 2018.** CDP data shows that implementation of commitments is more likely if a company commitment is concrete, actionable and has a clearly defined scope. Companies that adopt timebound targets and have specific implementation strategies usually have compliance and traceability systems in place and engage actively with their suppliers or smallholders¹⁴.

In 2018, over 80% of companies reported quantified targets for increasing sustainable production and/or consumption of palm oil.

Targets allow companies, investors and other stakeholders to track progress on commitments and on the transition to better forest stewardship. The most frequently reported targets in 2018 were related to increasing the volumes of palm oil covered by third-party certification schemes and/or to increasing the traceability of palm oil.

▼ **"Barry Callebaut AG** launched its Forever Chocolate movement in November 2016, which aims to promote sustainable chocolate as the norm by 2025. They aim to have 100% of palm oil to be sustainably certified (including credits) by 2020 and 100% of physical certified sustainable palm oil (mass balance or segregated) to be used for their products by 2022."

In 2018, **86% of the companies sourcing palm oil from Indonesia reported board-level oversight of forest related-issues within their organization, an encouraging increase from last year, when only 69% of companies implemented this measure.** Governance at the highest level of the organization is a clear indicator that deforestation risk and response have been prioritised. If the corporate ambition set out in a company's zero deforestation commitments is to be met, the company must have the backing of its senior leadership.



The number of companies with time-bound, zero gross or zero net deforestation, HCV, HCS & FPIC inclusive commitments grew from 25% to 41%



Under its 2015 Palm Oil Policy, all palm oil used by **Danone** should fulfill the following requirements: be traceable to the plantation where it was produced; come from plantations whose expansion does not threaten HCV or HCS forests or peatland of any depth; come from plantations that respect the rights of indigenous peoples and local communities including FPIC principles and the rights of all workers.



COMPANIES CONTINUE TO INVEST IN THIRD-PARTY CERTIFICATION OF PALM OIL

This year, 86% of companies report that their palm oil is covered by a third-party certification scheme. However, only 41% report that third-party certification covers 100% of their total volume of palm oil produced or used.

This is a slight improvement over 2017, when just 36% of companies reported that a third-party certification scheme covered 100% of their total production and/or consumption volume. However, to achieve 100% third-party certification of their palm oil, companies most commonly rely on a mixture of different types of certification with different levels of assurance. RSPO certification, specifically RSPO Mass Balance (which mixes palm oil from certified sources with ordinary palm oil throughout the supply chain) was used most frequently by reporting companies¹⁵.

While certification remains controversial and does not provide guarantees on every criteria a company may have for its own supply, it remains an important tool for transitioning to a responsible

palm oil industry. For example, the Indonesian Sustainable Palm Oil standard (ISPO) is mandatory for Indonesian palm oil producers and processors and may also be extended eventually to smallholders.

Meanwhile in August 2018, 90 institutional investors with \$6.7 trillion in assets sent a letter to the Roundtable on Sustainable Palm Oil (RSPO) demanding that the palm oil sector strengthen its sustainability practices, including urging for adoption of more stringent High Carbon Stocks Approach (HCSA) standards¹⁶. In response to this and calls from many others, in November 2018, the RSPO officially adopted HCSA into their new Principles and Criteria (P&Cs)¹⁷.



Since 2010, 100% of the refined palm oil sourced by **L'Oréal** is certified with Roundtable on Sustainable Palm Oil (RSPO) standards, following the rigorous Segregated (SG) model, one of the most demanding. Regarding palm oil derivatives, which are also 100% certified since 2012, L'Oréal has increased the proportion of its Mass Balance purchases, achieving 51% by the end of 2017 (compared to 34% in 2016). The remainder is covered by the RSPO Book and Claim model, including a small part of RSPO Next certificates.



15. <https://rspo.org/certification/supply-chains>

16. <https://news.mongabay.com/2018/08/rspo-must-ban-deforestation-say-investors-representing-6-7t-in-assets/>

17. <https://rspo.org/resources/certification/rspo-principles-criteria-certification>



THE WAY FORWARD

In 2018, 45% of companies reported that supply chain complexity is one of the main challenges to avoiding forests-related risks in their direct operations and in other parts of their value chain. These complexities make traceability particularly challenging for consumer-facing companies that are most vulnerable to reputational risk. Increased stakeholder engagement and collaboration, greater transparency and better-quality data were some of the measures identified by companies that would improve their ability to address deforestation risks. Many of the big brands are also exploring jurisdictional and landscape approaches to commodity sourcing in Indonesia and elsewhere. These have great potential but most are still at a pilot stage.

Additional measures and investment are still needed from companies to strengthen supply chain action, especially to develop producer and small and medium-sized enterprise capacity. This is critical given the significant contribution of smallholder farmers in palm oil production in Indonesia, as well as to avoid creating a two-tier market. Advocating for greater certification in the supply chain by downstream companies must be accompanied by adequate technical and financial support for small upstream producers in order to boost productivity and capacity to implement sustainable practices and realize a deforestation-free palm oil sector.

KEY INDICATORS FROM THE CDP FORESTS QUESTIONNAIRE

Disclosure	2017		2018	
Total responders	211		239	
Companies requested on behalf of investor (General)	838		1115	
Response rate	25%		21%	
Company reported produce, use and/or sell Indonesian palm oil				
Total responders	64		69	
Non-public responders	19	30%	21	30%
Public responders	45	70%	48	70%
Companies with activities in producing, processing and trading (PPT)	20	31%	20	29%
Companies with activities in manufacturing and retailing (MR)	61	95%	63	91%
Companies disclosing production and/or consumption data	45	70%	57	83%
Risk assessment				
Companies with a risk assessment process that covers direct operations and supply chains	58	91%	62	90%
Companies that assess risks beyond six years	12	19%	26	38%
Companies with a risk assessment process that covers direct operations and supply chains & assess risks beyond six years	Not available – new question in 2018	18	26%	
Companies that include changes in availability and quality of forest risk commodities in their risk assessment	62	97%	51	74%
Risks and opportunities				
Companies recognizing risks	58	91%	57	83%
Companies that identify opportunities	59	92%	56	81%
Companies that have experienced detrimental impacts related to forest risk commodities	30	47%	24	35%

Governance				
Companies with board level oversight of deforestation issues	44	69%	59	86%
Companies with a time-bound zero deforestation commitment	32	50%	39	57%
Companies with a time-bound comprehensive zero (gross/net) deforestation commitment (Includes companies with a time-bound zero (gross/net) deforestation commitment considering HCV or avoidance of land area under conservation, HCS, or no peatland conversion and FPIC)	16	25%	28	41%
Companies with a comprehensive commodity specific sustainability policy (Commodity specific policies that include as criteria zero (gross/net) deforestation, HCV or avoidance of land area under conservation, HCS or No Peatland conversion and FPIC)	26	41%	36	52%
Standards				
Companies with more than 90% of used commodities certified	27	42%	31	45%
Companies with production standards in place	11	55%	6	30%
Manufacturers and retailers with procurement standards in place and audit their suppliers	25	41%	34	54%
Supplier Engagement				
Producers, processors, traders working with smallholders	12	60%	10	50%
Manufacturers and retailers working with direct and indirect suppliers	43	70%	35	56%
Manufacturers and retailers working with direct suppliers	57	93%	53	84%
Manufacturers and retailers working with indirect suppliers	43	70%	35	56%
Manufacturers and retailers carrying out workshops and training for suppliers	25	41%	24	38%
Manufacturers and retailers providing financial support to suppliers	3	5%	5	8%
Manufacturers and retailers providing technical support to suppliers	9	15%	12	19%

CDP PALM OIL SCORES OF COMPANIES FEATURED IN THIS REPORT

Similar to CDP's climate and water questionnaires, our forests questionnaire has an individual methodology that scores responses across four levels: disclosure, awareness, management and leadership. CDP forests scores seek to grade companies on their efforts to remove commodity-driven deforestation from their value chain. They allow companies to improve their understanding of the risks related to deforestation, while identifying and engaging with other companies in their value chain that are not currently taking action.

Scores are of companies that disclosed publicly, 21 companies responded privately.

Not Scored – insufficient information provided to receive a score

The 2019 palm oil A-list

Company Name	Country	2018 CDP Palm Oil Score
Beiersdorf AG	Germany	A
FIRMENICH SA	Switzerland	A
FUJI OIL HOLDINGS INC.	Japan	A
L'Oréal	France	A

Company Name	Country	2018 CDP Palm Oil Score
Archer Daniels Midland	United States of America	C
Aryzta AG	Switzerland	Not Scored
Associated British Foods	United Kingdom of Great Britain and Northern Ireland	D
Avon Products, Inc.	United States of America	D
Barry Callebaut AG	Switzerland	B
Bunge	United States of America	B-
Campbell Soup Company	United States of America	B-
Cargill	United States of America	C
Carrefour	France	B-
Colgate Palmolive Company	United States of America	B
Compass	United Kingdom of Great Britain and Northern Ireland	B-
Croda International	United Kingdom of Great Britain and Northern Ireland	A-
Danone	France	A-
Dunkin' Brands Group	United States of America	C
Flowers Foods Inc	United States of America	C
Fonterra Co-operative Group	New Zealand	Not Scored

Company Name	Country	2018 CDP Palm Oil Score
General Mills Inc.	United States of America	A-
George Weston Limited	Canada	C
H&M Hennes & Mauritz AB	Sweden	C
J Sainsbury Plc	United Kingdom of Great Britain and Northern Ireland	D
Jerónimo Martins SGPS SA	Portugal	A-
KAO Corporation	Japan	A-
Kellogg Company	United States of America	A-
KOSE Corporation	Japan	Not Scored
Marks and Spencer Group plc	United Kingdom of Great Britain and Northern Ireland	B
Mars	United States of America	B
McCormick & Company, Incorporated	United States of America	C
McDonald's Corporation	United States of America	D
Neste Oyj	Finland	A-
Olam International	Singapore	B
Oriflame Cosmetics AB	Sweden	B
Orkla ASA	Norway	C
PepsiCo, Inc.	United States of America	A-
PT Musim Mas	Singapore	B
Reckitt Benckiser	United Kingdom of Great Britain and Northern Ireland	A-
Sodexo	France	C
Solvay S.A.	Belgium	C
Symrise AG	Germany	A-
Tesco	United Kingdom of Great Britain and Northern Ireland	B-
The Kraft Heinz Company	United States of America	B-
Unilever plc	United Kingdom of Great Britain and Northern Ireland	A-
Wilmar International Limited	Singapore	B-
Woolworths Holdings Ltd	South Africa	B
Yum! Brands, Inc.	United States of America	B

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