COMMITING TO DEFORESTATION-FREE PALM OIL

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GROUPE DANONE PALM OIL POLICY

Danone committed to a forest footprint policy in 2012 to eliminate deforestation impacts from its supply chain by the year 2020. Globally, Danone is a relatively modest user of palm oil, purchasing a total of 31,000 metric tonnes in 2013 or around 0.05% of world production.

Initially, Danone undertook to source 100% of its palm oil requirements from physically segregated sustainable palm oil suppliers certified by the Roundtable on Sustainable Palm Oil (RSPO)—at the time, the strictest standard in the industry. By the end of 2014 this commitment will be met. The RSPO standard protects primary or old-growth forests, however, it has proven unable to safeguard other vulnerable eco-systems including tropical peatland and second-growth forests.

This is why Danone is now raising the bar by promoting sustainable palm oil production practices that both preserve eco-systems at risk and offer local communities long-term benefits.

Under this new policy, Danone has committed to sourcing traceable palm oil offering guarantees of zero deforestation and exploitation. Concretely, all palm oil used by Danone must:

- be traceable to the plantation where it was produced;
- come from plantations whose expansion does not threaten High Conservation Value (HCV) forests (*);
- come from plantations whose expansion does not threaten High Carbon Stock (HCS) forests (*);
- come from plantations whose expansion does not threaten any tropical peatland, of whatever depth;

* Please, see the definition section at the end of this document for more details

- come from plantations that respect indigenous peoples' and local communities' rights to give or withhold their Free, Prior, Informed Consent (FPIC) (*) to operations on lands to which they hold legal, communal or customary rights;
- come from plantations that respect the rights of all workers.

Implementation plan

In May 2014, Danone joined TFT (The Forest Trust), an international non-profit organization that works with businesses to place environmentally and socially responsible products on the market.

In cooperation with TFT and in partnership with suppliers, Danone sourcing teams are now tackling Phase 1 of a project that will produce a detailed map of all supply sources. In the interest of full transparency, palm oil sources will be rated on the environmental and social criteria that make up Danone definition of responsibly produced palm oil, as listed above.

Phase 2—transformation—will use the results of this assessment to ensure that sources commit to practices meeting responsible palm oil criteria. Danone wants to support growers that are genuinely committed to better practices; if there is no progress, will look for different sources able to meet its requirements.

At the end of this transformation phase, all palm oil used by Danone will be totally free of deforestation impacts and offer a robust traceability system attesting to this.

Danone new supply criteria will take effect immediately following the official announcement of this policy. Phase 1 (transparency and assessment) is scheduled for completion by the end of 2015. Phase 2 (transformation) will be introduced gradually as progress is made in Phase 1.

Each year, Danone will publish a full and transparent report detailing progress. No later than year-end 2015, based on results obtained in Phase 1, Danone will define a detailed timeline for reaching its goal of eliminating all deforestation impacts. This timeline may be accelerated from the initial goals set in Danone forest footprint policy as soon as possible and in any case before 2020.

* Please, see the definition section at the end of this document for more details

CONTEXT & CHALLENGES

A steady rise in world demand for vegetable oils is driving the booming palm oil industry. While the oil palm is a native of West Africa, it is now grown primarily in Southeast Asia—nearly 85% of world production came from Indonesia and Malaysia in 2012. Plantation acreage doubled in Malaysia and rose five-fold in Indonesia between the beginning of the 1990s and the end of 2010.

It is indisputable that the palm oil industry has contributed to tropical deforestation, since over half of all palm oil plantations were created by clearing forests. Current farming methods are a threat not only to terrestrial ecosystems, but also to the balance of soils, aquatic ecosystems, the resources of forest and riparian peoples, and the habitats of rare and endangered species.

Destruction of tropical ecosystems hits rainforests and peatlands

Nearly 20% of the deforestation observed in Indonesia and Malaysia in the 2000s was a direct result of the palm oil industry's expansion. Indonesia has been hardest hit, with some 1.8 million hectares of virgin forest cleared every year; while the country is home to just over 3% of the world's forests, it accounts for over 14% of global deforestation. An estimated 85% of Sumatra's forests have now been cleared, driven largely by logging and conversion to palm oil plantations. And in Borneo, World Bank experts estimate that all forests of the plains not already protected by legislation will have been cleared before 2020.

At the same time, deforestation is occurring ever more frequently in peatlands (*). And unlike other ecosystems, peatlands are generally afforded little or no protection by legislation, which makes them tempting targets for businesses seeking to create vast plantations.

While tropical rainforests and peatlands (*) offer a wide variety of "services" to the ecosystem, peatlands are above all remarkable for their ability to store carbon. The water they contain dramatically slows the decomposition of plants and organic matter, with

carbon removed from the atmosphere by plants stored indefinitely in decomposing plant tissue. When these environments are degraded, the carbon stocked in them is released into the atmosphere. Decomposition of peat following the destruction of peatlands leads to around 81 million tonnes of carbon emissions every year[1]. Tropical peatlands also play a vital role in water cycles, climate and landscape stabilization at both regional and local level.

Today palm oil plantations are being introduced in other primary forest areas including Papua New Guinea, Central Africa and the Amazon basin.

Biodiversity threatened

When a primary tropical rainforest is cleared to make way for a palm oil plantation, biodiversity plummets by 90%. Conversion triggers fragmentation and a reduction in natural habitats that eliminates 80 to 100% of mammals, reptiles and birds in the area. As the palm oil industry destroys forests, it thus threatens the survival of species listed as critically endangered by the IUCN**, including the Sumatran orangutan, rhinoceros and tiger. Other endangered species include the Sumatran elephant and Borneo orangutan, with 3,000 animals dying each year.

Moves to drain the world's peatland, which has its own aquatic biodiversity, poses another threat of extinction.

Greenhouse gas emissions

According to Greenpeace, 20% of the world's greenhouse gas emissions are caused by deforestation. In Indonesia, a full 83% of greenhouse gases stem from the combined impact of deforestation and peatlands (*) conversions, and the country ranks third worldwide for greenhouse gas emissions.

A large share of this total is due to forest and peat fires. Peatlands, which can be up to 30 meters deep, are first drained by cutting canals, then dried. Once dry enough to burn, they are set on fire during the dry season. And since they often contain only organic material, their carbon is transformed into greenhouse gases. A study published by Nature

[1] Source: http://blog.ucsusa.org/why-should-we-conserve-southeast-asias-peat-swamp-forests-479

Climate Change showed that in 2010 alone, clearing to develop the palm oil industry in the Kalimantan region led to the emission of over 140 million tons of carbon dioxide—a figure equal to the exhaust of 28 million vehicles over one year.

Local populations threatened

Deforestation also has a severe impact on local populations, affecting both their livelihoods and customs. It reduces their living space, including hunting and gathering territory; it destroys certain sacred sites; and, ultimately, it surrounds and isolates the last remaining communities of forest peoples by encircling them with tens of thousands of hectares of palm plantations.

While it is true that millions of families make a living producing palm oil, the industry has also given rise to a host of social problems. This is particularly true when customary rights are not recognized, and governments confiscate community land, then place it with private growers. Their creation of palm oil plantations has a dramatic impact on revenues from subsistence farming, and also affects the value of forest products and biodiversity.

Yet palm oil is essential

Despite controversy over the non-sustainable practices described here, palm oil is nonetheless an agricultural product with exceptional qualities. Each palm tree produces between 45 and 50 liters of oil a year over its 25 to 30-year life, making it one of the top-producing oilseed plants of any kind. Palm oil plantations produce eight times more oil than an equal-sized field of soya, and six times more than a field of rapeseed.

As the world population rises, and with it demand for vegetable oil, palm oil offers an attractive and competitive solution for land use.

But it is essential that the management of palm oil plantations—as practiced now and in the future—does not come at the expense of forests, peatlands and local populations.

DEFINITIONS

High Conservation Value (HCV) forests: areas containing resources of exceptional or vital biological, ecological, social and/or cultural importance that must be preserved, including rare and endangered species and their habitats. For more information, visit the HCV resource network site. This criterion is part of RSPO certification and is thus already met.
http://www.hcvnetwork.org/

High Carbon Stock (HCS) forests: include primary or old-growth forests; high-, medium- and low-density forests as well as regenerating forests. Golden Agri-Resources and SMART, in collaboration with Greenpeace and TFT, have developed and are testing a HCS framework and identification tool. Danone will continue to adopt best practices to identify HCSs as they are developed.
http://www.goldenagri.com.sg/pdfs/misc/High_Carbon_Stock_Forest_Study_Report.pdf

Peatlands: areas with soil that contains more than 65% organic matter (definition partially based on RSPO Best Management Practices Manual http://www.rspo.org/file/COP_summary_small.pdf). Danone will not accept plantation development on peatlands, regardless of depth and will constantly seek advice to keep this definition aligned with state-of-the-art scientific and expert stakeholders consensus.

Free, prior and informed consent: affirms that indigenous peoples have the right to genuine participation in all decisions, policies and initiatives that concern them. For more information, visit the UN site dedicated to REDD. This criterion is part of RSPO certification and is thus already met.
http://www.unredd.net/index.php?option=com_docman&task=doc_download&gid=8717&Itemid=53