

The last five years have seen a growing number of initiatives focused on increasing demand for sustainable palm oil in emerging economy markets. This series of case studies illustrates the activities and strategies civil society organisations and other initiatives are undertaking to strengthen demand for sustainable palm oil in Asia, and what we can learn from them.

A RACE TO THE TOP – COMPANY BENCHMARKS AND RATINGS

Rating company performance in Asia to increase demand for sustainable palm oil

FACT FILE

Countries involved:

China, India, Indonesia, Malaysia, Singapore



Target audience:
Private sector, media, consumers

Example lead organisations:

CDP, Global Canopy, Roundtable on Sustainable Palm Oil, WWF, Zoological Society of London

SHINING A SPOTLIGHT ON COMPANY PERFORMANCE

For most multinational corporations operating in the global Fast Moving Consumer Goods sector, sustainability is a license to operate. Exposure to stringent requirements and voluntary commitments means many have adopted global sustainable palm oil policies, which apply to all operating contexts, including producer countries. The reputational risk of inaction is too great, as their large sourcing footprints capture the attention of campaigning NGOs like WWF, Greenpeace and others.

Company ratings and rankings have proven effective tools to drive a race to the top among these corporations with large palm oil footprints. Major global ratings like Oxfam's 'Behind the Brands', the CDP's Forest Trends questionnaire, and Global Canopy's 'Forest 500' rank and benchmark company sustainability performance against standardised assessment criteria. In doing so, they highlight relative good practice, and tier businesses so consumers can differentiate between leaders, the pack, and laggards.

Such rankings prove to be powerful tools for civil society to engage with corporations. Sense-checking the results of a rating exercise with a company can be used to highlight areas for improvement in a company's performance, while the release of benchmarks allows corporations to assess their performance against peers and competitors. Rankings and scorecards empower consumers to make informed purchasing decisions, and support the brands and corporations putting sustainability at the heart of their operating practices.

When it comes to palm oil, rankings tend to assess company commitments and actions taken to ensure their own global palm oil supply chains are sustainable and free from deforestation and natural ecosystems conversion. They also assess



> Read about credible benchmarking and sustainability in [ISEAL's Sustainability Benchmarking Good Practice Guide](#)

complementary actions taken to promote sustainability beyond the company's own supply chain. Membership to Roundtable on Sustainable Palm Oil (RSPO), commitments to RSPO certified palm oil, and engagement in external initiatives are all common metrics to assess such company performance.

FOCUSING ATTENTION ON REGIONAL PERFORMANCE

To date, company ratings and rankings initiatives have largely focused on global actors and less on regional. For domestic corporations in our target countries, China, India, Indonesia, Malaysia, and Singapore, sustainability commitments are still nascent. Companies, particularly SMEs, face far less exposure to campaigning NGOs than their international counterparts. Coupled with regulatory environments that require less transparency from corporations, there is little impetus for companies to voluntarily report on their sustainability commitments or performance.

To address this transparency gap, and support companies to be more transparent and accountable for their procurement practices, rankings are increasingly focusing on these regional actors. This can be in the form of region-specific rankings, or by global ratings, that acknowledge the rising prominence of these regional players in global palm oil supply chains.

There are numerous examples of increased regional representation in these rankings. The Forest 500 annual assessment, an initiative of Global Canopy that assesses the performance of the 350 companies most influential in forest risk commodity supply chains, has increased the number of companies in our target countries in its assessment from 15 in 2014 to 23 in 2019.

The WWF Palm Oil Buyers Scorecard, a scorecard focused on downstream actors in the palm oil value chain, has increasingly broadened its scope to include companies headquartered in our target countries. In 2013 it featured India among majority western countries, and in 2019 it also included Indonesia, Malaysia, and Singapore. Recognising the powerful effect these scorecards have on company action, WWF Singapore and Malaysia released a regional palm oil buyers scorecard in 2017. The first initiative to introduce transparency on Southeast Asia's palm oil industry, it assessed the commitments and performance of 47 companies.

RATING COMPANIES TO DRIVE IMPROVEMENT

The WWF regional palm oil buyers scorecard found that two-thirds of reviewed companies headquartered in Malaysia and Singapore were not transparent about their palm oil usage compared to global brands in 2017. Little information was publicly available, and companies did not respond to their surveys.

WWF leveraged the scorecard as part of a public awareness campaign, urging consumers to petition company CEOs through a dedicated web page. The scorecard and associated report were shared widely through press and online media, and gained traction with other campaigning NGOs operating in the region. Coinciding with the formation of SASPO (Support Asia for Sustainable Palm Oil) in Singapore, this engagement campaign put pressure on companies to improve their sourcing and reporting practices, and join an emergent industry platform.

For other rating and ranking programmes, the data they standardise and compile is leveraged to inform research and analysis, both by rating

It's very tempting to highlight that companies don't know what we're talking about when it comes to palm oil... [but] it's better to resist that and focus on positive outcomes.

Interviewee

organisations themselves, and by external actors. Disclosure programmes like the CDP Forest Survey are routinely used by investors as part of their due diligence procedures, while Global Canopy use their Forest 500 assessments to push both individual companies and industry networks towards more sustainable practices.

A COMPLEX AND INCONSISTENT ARENA

Shining a spotlight on a company's performance is not always welcome - particularly when their performance is poor, and when it is being highlighted to the press and consumers. While some companies engaged with WWF after the publication of their 2017 regional scorecard, others were cautious, having already been stung by the media campaign and negative press coverage.

Developing scorecards and ratings relies on either a degree of information being already disclosed in the public domain, or companies being willing to share information through questionnaires and surveys. The lack of transparency in some regional markets limits the effectiveness of ratings and scorecards. However, they are still effective in shining a spotlight on a sector's performance (or lack thereof).

A related challenge is the comparability of data. There is little consistency in how companies report their sustainability performance outside of standardised disclosure programmes like CDP. While efforts like the [Accountability Framework Initiative](#) are driving alignment within the sector, it is still nascent.

Ranking efforts are most effective in helping create a level playing field by transparently sharing performance on a set of core criteria of the most important and largest companies in a given space. In doing so, it is hoped that they serve as a sense-check for how well a given sector is doing on its sustainability journey. However, the methodologies employed by many ranking and scorecard efforts change year-on-year, limiting our ability to assess company performance over time. Similarly, with companies and even countries dropping in and out of analysis year on year, tracking change can be challenging.

KEY TIPS IN EFFECTIVE IMPLEMENTATION

Turning the spotlight on corporations does not need to be an exercise in burning bridges. Scorecards and ratings can be used to focus on positive outcomes, particularly if engagement with companies starts early on. They can also highlight industry good practices and encourage peer learning.

The bar set by a regional scorecard should reflect the local context. It is more important for a scorecard or ranking exercise to allow consumers to differentiate between corporations within a region, rather than setting a high bar relative to the sustainability performance of corporate entities operating in the region. Improvement and supply chain transparency takes time.

A scorecard, benchmark, or assessment can serve as an important gap-analysis for companies looking to improve their sustainability performance and credentials. Efforts to identify areas for improvement should go hand in hand with efforts to support improvement, identify how corporations can improve their ranking, and make it easy for them to do so. Examples include supporting them to develop robust yet achievable sustainability policies and commitments, capacity building activities, and advocating for the procurement of RSPO-certified palm oil.



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