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**Friends of
the Earth**

Briefing

Palm oil, the survival of the orang-utan and UK company law reform

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- the most extensive environmental network in the world, with almost one million supporters across five continents and over 60 national organisations worldwide**
- a unique network of campaigning local groups, working in over 200 communities throughout England, Wales and Northern Ireland**
- dependent on individuals for over 90 per cent of its income.**

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The oil for ape scandal

Orang-utan conservation is in crisis. The population of Asia's only great ape is in steep decline. Already facing a multitude of severe threats from illegal logging to the pet trade, the orang-utan is now facing a new enemy – one that may drive it to extinction. The enemy is palm oil and the corporations linked to the palm oil trade, which include over 500 UK companies.

Wide use

Palm oil is one of the world's most popular vegetable oils. It is used in thousands of everyday products, from margarine and bread to lipstick and soap, and is consumed by over a billion people around the world. In the UK it can be found in one in 10 supermarket products.

Land-use clash

90 per cent of the world's palm oil exports come from the oil palm plantations of Malaysia and Indonesia. Most of these plantations are on the islands of Borneo and Sumatra. The very lowland forest that the oil palm industry favours for conversion is the only remaining habitat of the orang-utan.

UK corporate irresponsibility

UK supermarkets all boast about their corporate social responsibility (CSR) programmes but not a single one can guarantee that its palm oil is not linked to the destruction of orang-utan habitat.

UK company law reform

The failure by hundreds of UK companies to stop buying palm oil from destructive sources provides a powerful example of UK corporate irresponsibility. The Company Law Reform Bill is a unique opportunity that must not be missed to help stop UK corporations acting so destructively.

Palm oil destroys orang-utan habitat

Research by Friends of the Earth and the world's leading orang-utan conservation groups has found that:

- Oil palm plantations have played a significant role in accelerating deforestation in Indonesia.
- In Malaysia, the development of oil palm plantations was responsible for 87 per cent of deforestation between 1985 and 2000.
- The palm oil industry has set up 6.5 million hectares of oil palm plantations across Sumatra and Borneo but is responsible for the destruction of 10 million hectares in total of rainforest, an area five times the size of Wales.
- Oil palm plantations could be responsible for at least half of the observed reduction in orang-utan habitat in the decade between 1992 and 2003.

- Experts have identified a number of priority forest areas that are crucial for the continued existence of the orang-utan in the wild. Within just one Indonesian province, Central Kalimantan, two-thirds of these are either about to be converted to oil palm or are at high risk of conversion.
- Year after year, satellite imagery has shown that many plantation companies, especially in Indonesia, have sued uncontrolled burning to clear land. One huge fire in 1997-98 was responsible for the loss of 5 million hectares of forest and up to one-third of Borneo's orang-utan population.
- By 2020 Indonesia's oil palm plantations are projected to triple in size to 16.5 million hectares – an area the size of England and Wales combined. This expansion will have devastating impacts on the remaining orang-utan habitat.
- In August 2005 the Indonesian government announced a project to build the world's largest oil palm plantation in Borneo, along the Malaysian border. This would have a devastating impact on the local people and would destroy one of the most wildlife-rich forests left in South East Asia.

Orang-utan in crisis

There are two species of orang-utan. The Bornean orang-utan is classified as endangered, while the Sumatran orang-utan is classified as critically endangered.

- Almost 90 per cent of orang-utan habitat has now disappeared. Some orang-utan populations have been halved in the past 15 years and from a total remaining population of less than 60,000, up to 5,000 may be lost each year.
- If this rate of decline continues the orang-utan could be extinct within 12 year.

UK plc turns a blind eye

In the UK we all consume palm oil, so we are all unwittingly playing a part in the demise of the orang-utan. However, it is not the consumer who should be held responsible for this crisis. It is the corporations which have been involved in this trade for many years, yet continue to buy palm oil from destructive sources.

- The UK is the second biggest importer of palm oil in Europe, after the Netherlands.
- Palm oil imports into the UK doubled between 1995 and 2004 to 914,00 tonnes, which represented 23 per cent of total EU palm oil imports.
- Demand in the UK and Europe will increase rapidly with the development of the biofuel industry as palm oil is the cheapest vegetable oil on the international commodity market.

In 2005 Friends of the Earth wrote to 96 UK companies asking them to:

1. Trace all their palm oil.
2. Adopt minimum standards for palm oil production.
3. Join the Roundtable on Sustainable Palm Oil (RSPO), an NGO/Business initiative that is developing a market for sustainable produced palm oil.

Only 18 of the 96 companies responded. The vast majority of all these companies have no

idea where their palm oil comes from.

Corporate irresponsibility

Palm oil is not a unique case of a product being imported into the UK from destructive sources. There are numerous other examples. Here are just a few:

Soy: Soy is another major crop imported into the UK for use as an oil and a feedstock. Greenpeace has collected evidence which clearly demonstrates that its production in Brazil and export to the UK market is also linked to rainforest destruction.

Timber: Research by Friends of the Earth suggests that up to half of the tropical timber imported into the UK is likely to originate from illegal sources.

Paper: Research by Friends of the Earth has found that UK companies import paper made from Indonesian rainforest, damaging the last remaining habitat of the Sumatran tiger and Sumatran elephant.

Prawns: Research by the Environmental Justice Foundation has shown that king prawns continue to be imported into the UK from countries where mangrove forest is cleared to make way for prawn farming ponds.

Flowers: Flowers are imported into the UK from countries such as Kenya and Colombia. A report by Oxfam International shows, among other impacts, that intensive flower production is leading to pollution and soil infertility.

Fruit: Research by ActionAid and Banana Link has shown that fruit is imported into the UK from countries where workers are paid poverty wages.

Clothes: War on Want has reported on the increasing trend to import clothing into the UK from countries such as China, where many workers are paid poverty wages and suffer abuse.

All these cases clearly demonstrate that many UK companies make profits from acting destructively and irresponsibly.

The case for stronger company law reform

The Company Law Reform Bill is now being considered in Parliament. The Trade Justice Movement and the CORE Coalition – coalitions representing over 100 organisations with 9 million individual members – are calling for amendments to the Bill to ensure that UK businesses play a positive role in the UK and overseas. We believe that the Bill must explicitly provide a framework to ensure companies are profitable, ethical and responsible.

We would like to introduce amendments so that:

- Companies are legally required to report on their social and environmental impacts.
- Directors are legally obliged to minimise any damage their company does to local communities and the environment.
- People overseas who are harmed by the activities of a UK company are able to take action against them in a UK court.

Why the Government's Bill will fail the environment and communities

The case of palm oil clearly demonstrates why the Government's Bill will fail to stop UK companies damaging the environment and communities who depend on natural resources. The Bill currently states that directors should *'have regard'* to the environment. This duty would require a company director to think about the impact of their purchase of palm oil on the environment but would in no way compel them to take action to ensure they were not buying palm oil from destructive sources.

The Government is putting their faith in a completely voluntary approach to corporate social responsibility that the palm oil case shows has already failed. The Government's Bill does no more than require companies to think about acting responsibly. It is the equivalent of the Government having an education Bill which only requires schools to think about the issue of bullying rather than requiring them to take action to stop it.

Why our amendments will work

Friends of the Earth is recommending amendments that would require strong reporting standards and compel company directors to take reasonable steps to minimise their environmental impacts.

In the case of palm oil this would ensure that UK company directors only bought palm oil from companies that supported sustainable oil palm plantation development. The failure of UK companies to do this voluntarily clearly demonstrates why legal requirements are necessary.

Conclusion

The failure by hundreds of UK companies to ensure that they do not buy palm oil from destructive sources is a classic example of how the voluntary approach to corporate responsibility has failed, and why the Company Law Reform Bill must be strengthened.

If our amendments were already law then hundreds of UK companies would not be buying palm oil from destructive sources and UK plc would not be contributing towards the impending extinction of the orang-utan.

This is the biggest reform of UK company law for 150 years. The next time it comes up for reform it may be too late for the orang-utan and thousands of other species.

Extinction is forever. We only have one opportunity and we must take it.