

# Media Briefing



Advance: Friday 21<sup>st</sup> May

**Friends of  
the Earth**

## CADBURY'S CHOCOLATE AND PALM OIL LEAVING A BITTER TASTE

Confectionary giant Cadbury-Schweppes considers itself an international leader in corporate social responsibility. The company's website states: "We recognise our responsibilities as a major international manufacturing company" aiming to ensure "[we] minimise our impact on the environment around the world, working towards the objective of long term sustainability; look after the health and safety of our employees; find opportunities to improve the local environment in the communities in which we operate." It continues: "We are committed to sound and responsible environmental management in everything we do" [1].

British consumers should be able to happily munch on their chocolate without worrying about the social and environmental impacts of their favourite snacks. But can they?

Cadbury-Schweppes is a significant user of palm oil – a form of vegetable oil, sourced from plantations in South East Asia, and an ingredient in Cadbury's chocolate and a large number of their branded products. Palm oil is just one of the thousands of products which Cadbury's sources from 30,000 suppliers around the world.

But as a Friends of the Earth report revealed earlier this year [2], the rapid spread of palm oil plantations in South East Asia is destroying rainforests, putting endangered species at risk, and leading to problems with pollution. And as companies move in to plant palm oil, local communities are displaced, often without adequate compensation for their loss of land. Wages for plantation work are low.

Cadbury Schweppes' shareholders are benefiting from palm oil. It is a cheap source of vegetable fat and its use has extended the shelf-life of Cadbury's chocolate. But they may like to remember that while the company's chief operating officer earned £2,048,000 in 2002, an average cocoa farmer earns £50 a year, and an average palm oil plantation worker in Malaysia receives the minimum wage of \$92/ month. This wage often must feed a family of five.

### **What's wrong with palm oil**

Palm oil is derived from the oil palm tree (*Eleais guineensis*) and grown on plantations in the tropics, notably in South East Asia. Palm oil plantations are monocultures, often grown on cleared rainforest areas.

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In 1997, forest fires swept across South-East Asia, casting a haze across the whole region. Satellite evidence tied the origin of many fires to palm oil plantations, where forest burning is used to clear areas ready for palm oil. Tropical rainforest provides one of the world's most biodiverse habitats. Indonesian rainforest is home to a number of endangered species, including orang-utans and Sumatran tigers. Replacing forest with oil palm plantations results in the loss of some 80 per cent of the resident wildlife. Forest in Indonesia is disappearing at a rate of more than 2 million hectares a year. Oil palm acreage increased by 118 per cent in the last eight years.

Oil palm's success on the global market lies in its flexibility, fecundity and competitive production costs. But this level of intensive production relies heavily on the use of some 25 different pesticides. There are concerns about the impact on the health of people working on the plantations and pollution of land and water supplies.

There are also pollution problems associated with the production of palm oil. Oil palm fruit grows in bunches of up to 3,000, yielding 10-35 tonnes per hectare. Once harvested, the oil palm fruit is taken to the mill where it is processed to separate out the crude palm oil and palm kernels. The effluent from this process, known as POME (palm oil mill effluent), contains residues which contaminate rivers and kill aquatic life. Responsible mills store their effluent in basins, but these often overflow following heavy rain. Many mills simply release the effluent into nearby rivers and streams.

Crude palm oil is refined to provide various palm oils and fats which are then sold, via commodity markets, to the food industry. Palm oil is found in around 10 per cent of products marketed in Europe, including chocolate. Commodity markets are characterised by lack of transparency in supply chains, bulk importing, and a distancing of consumers from the social and environmental impacts of the products they consume.

The introduction of oil palm plantations has led to many land disputes with local people. In Indonesia, local communities accuse companies of stealing their land, which was often used for forest farming.

Human rights abuses and violent conflict are commonly associated with land theft in South East Asia.

Once palm oil plantations have been established on what was forestland, local people face little choice but to work on the plantations. But plantation work is insecure, dangerous and poorly paid. To meet the production targets set by the companies, workers often rely on unpaid work by relatives, including children. Migrant workers who come to work on Malaysian plantations are in particularly vulnerable position in terms of their wages and bargaining power with companies.

In Cadbury Schweppes' first corporate and social responsibility report, published last year, the company states "We believe in doing everything we can to create prosperous, educated and socially inclusive communities," [3] But in Malaysia, the main source of Cadbury's palm oil, 60 per cent of the plantation villages do not have schools. Little hope then that the children from the plantations will benefit from Cadbury Asia Pacific's student scholarship programme, which has sponsored 13 students since 1992.

### **Cadbury and palm oil**

A large number of Cadbury's products, sold and distributed internationally, contain palm oil. Palm oil is used in the manufacture of confectionary fats, as well as in the cocoa substitutes used by Cadbury. A European directive, the "Chocolate Directive" which was adopted in 2000 [4], allows Cadbury to use up to 5% cocoa substitutes and still call it chocolate. The shelf life of chocolate bars is increased by using cocoa substitutes as they prevent the formation of the white "fat bloom".

Last year, a report by ISIS/ Asset Management Study looked at Cadbury's involvement in the palm oil trade. It reported that Cadbury was one of the users who "...have been able to source from suppliers that are known to produce in line with sustainable development objectives". The report commended Cadbury for its sourcing policies, but the crucial factor is whether such policies are effectively put into practice.

Indeed, the report found that many companies' stated policies regarding the sustainable production of commodities in their supply chain do not match their actual practices, and often have no way of verifying their commitments. More than four fifths of the companies questioned did not appear to know where their palm oil came from.

Cadbury told Friends of the Earth that they are "in discussion" with their UK and Irish suppliers, but they do not have (or are not prepared to provide) details of how and where their palm oil is produced. Most is thought to come from Malaysian plantations. Elsewhere in the world, the food giant does not even know where it gets its palm oil comes from.

Cadbury claim that information about their suppliers is commercially confidential. Other companies have revealed to Friends of the Earth where their palm oil originates.

Friends of the Earth will be attending Cadbury Schweppes' annual general meeting in London on Friday 21 May to ask directors whether they can confirm that their palm oil sources are sustainable and are not damaging local communities or the environment. Friends of the Earth will also call on Cadbury Schweppes to commit to an audit of its supply chains for palm oil.

### **What Friends of the Earth wants Cadbury to do**

Cadbury Schweppes is a major brand, which prides itself on its record on corporate social responsibility. As such, it must ensure that it is not just paying lip-service to the principles of good environmental and social behaviour, but that it is also putting those principles into practice.

Cadbury's first corporate and social responsibility report made no mention of the company's use of palm oil, or of the damaging impacts of palm oil for communities and the environment. The report did though boast the company's Human Rights and Ethical Trading policy, which states "Cadbury Schweppes aims to act in a socially responsible manner at all times by ... implementing programmes across our global operation and with our supply chain partners." The palm oil trade is often linked to the repression of local communities, human rights abuses and conflict between companies and local people. Cadbury Schweppes would not tell Friends of the Earth how many of its 38,000 labour force are dedicated to auditing standards of environmental and human rights in their supply chain for palm oil.

Friends of the Earth is calling on companies using palm oil to commit to ensuring that the companies they use to source palm oil do not operate plantations where rainforest has been destroyed to make way for palm oil plantations, or where fire has been used to clear the land.

Following the publication of Friends of the Earth's report revealing the damage caused by the palm oil industry, Cadbury Schweppes committed to join the "Sustainable palm oil" Roundtable, initiated by WWF. This is a welcome and timely move. Friends of the Earth urges Cadbury Schweppes to support this initiative and work with the roundtable in finding solutions to the damage caused by palm oil.

But Cadbury Schweppes must also listen to the communities affected by the palm oil trade. Companies often argue that palm oil benefits communities by bringing development and finance

to rural areas. But the views of those communities are rarely heard. Representatives from those communities will be in London, hosted by Friends of the Earth, over the next 10 days and will meet with MPs and investors to express their concerns. Friends of the Earth hopes that Cadbury Schweppes will be receptive to what they have to say.

## **The way forward**

In many ways Cadbury Schweppes should be praised for its efforts in social and environmental reporting. But the story of palm oil reveals the limited nature of Cadbury Schweppes' performance. Palm oil is not a new ingredient for Cadbury Schweppes, yet it took a report from an environmental campaign group before it confronted the problems associated with the use of palm oil. How many other hidden ingredients are being overlooked by socially responsible businesses?

More importantly, what value can be attached to corporate and social responsibility reports if they do not cover the full story? The company provides a clear illustration of the inadequacy of current social and environmental reporting methods – left to the whim and inclination of individual companies. Friends of the Earth believes legislation on corporate accountability, covering social and environment reporting, is required.

That is why Friends of the Earth is a founding member of the Corporate Responsibility Coalition (CORE) which pulls together environment, human rights and development organisations, think-tanks, progressive companies and trade unions to campaign for changes to UK company law. Members of the coalition include Amnesty International (UK), Christian Aid, GMB Union, National Union of Journalists (NUJ), New Economics Foundation, Oxfam, Traidcraft, Unison and Unity Trust Bank.

The CORE Coalition is campaigning for changes to UK company law so that financial obligations are counterbalanced by social and environmental concerns. Specifically, the Government must introduce:

- Mandatory reporting – requiring all UK companies to report annually on the impact of their operations, policies, products and procurement practices on people and the environment both in the UK and abroad
- New legal duties on directors – to take reasonable steps to reduce any significant negative social or environmental impacts
- Foreign direct liability – to enable affected communities abroad to seek redress in the UK for human rights and environmental abuses resulting directly from the operations, policies, products and procurement practices of UK companies or their overseas subsidiaries

These measures would change Cadbury Schweppes' social and environmental reports – and more importantly its performance. A duty to report on the significant negative impacts of business operations and products would require Cadbury Schweppes to recognise the impacts of buying palm oil and a duty on directors to take reasonable steps to reduce these impacts would force Cadbury Schweppes to consider how it could support the production of more sustainable palm oil.

For more information on the CORE Coalition, and the Corporate Responsibility Bill see: [www.corporate-responsibility.org](http://www.corporate-responsibility.org)

Notes:

[1] See [www.cadburyschweppes.com](http://www.cadburyschweppes.com)

[2] [http://www.foe.co.uk/resource/reports/greasy\\_palms\\_summary.pdf](http://www.foe.co.uk/resource/reports/greasy_palms_summary.pdf)

[3] <http://www.cadburyschweppes.com/EN/EnvironmentSociety/Environment/>

[4] Chocolate Directive - Background Information, Fediol, Brussels 2001.

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