

## MEMORANDUM

### [Name of company] Group Shareholder Proposal 201X Assess Company Impact on Deforestation and Risk Mitigation Plans

[Confidential] Group

Symbol: [Confidential]

#### Vote "For"

*Shareholders request the Board to prepare a public report, at reasonable cost and omitting proprietary information, by December 1, 20XX, describing how [confidential] is assessing the company's supply chain impact on deforestation and associated human rights issues, and the company's plans to mitigate these risks.*

*The proposal identifies five key commodities that are fueling deforestation: paper, palm oil, soya, sugar and beef.*

#### Summary of arguments in favor of proposal

1. A public report assessing [confidential]'s supply chain impact on deforestation and human rights issues is necessary to protect [confidential]'s reputation.
2. [confidential]'s current disclosure of its supply chain impact on deforestation and risk mitigation is inadequate.
3. [confidential] lags far behind its peers on policies, practices, and disclosure related to these issues.

#### **1. A public report assessing supply chain impact on deforestation is necessary to protect [confidential]'s reputation.**

##### *A. NGO campaigns and media exposés related to deforestation create serious risks.*

- i. Currently, Rainforest Action Network targets [confidential] Group as contributing to: deforestation, endangering the survival of orangutans threatened with extinction, and human rights violations.<sup>1</sup>
- ii. The Union of Concerned Scientists also focuses on [confidential] as one of the only packaged food companies UCS examined that lacks a sustainable palm oil policy.<sup>2</sup> [confidential] therefore received the lowest possible score (zero out of 100) in UCS's most recent report and scorecard published in March, 2014.
- iii. Greenpeace recently targeted [competitor company] for their palm oil sourcing and practices. [competitor] is accused of using palm oil that causes the destruction of rainforests, threatens endangered species, and contributes to carbon emissions driving climate change. [confidential] could easily be the next

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<sup>1</sup> confidential.pdf

<sup>2</sup> confidential.pdf

company targeted.<sup>3</sup> [competitor] responded to this campaign in the last several weeks by adopting a new, comprehensive palm oil sourcing policy.

iv. Risks include accusations related to human rights violations such as child labor and slavery.

- a. According to the U.S. Department of Labor, palm oil producers often rely on forced labor and/or child labor to meet the growing demand of palm oil.<sup>4</sup>
- b. *Bloomberg Businessweek* states, “Among the estimated 3.7 million workers in the [palm oil] industry are thousands of child laborers and workers who face dangerous and abusive conditions. Debt bondage is common, and traffickers who prey on victims face few, if any, sanctions from business or government officials.”<sup>5</sup>
- c. [confidential] appears to lack a *meaningful* approach to addressing palm oil supply chain risks. The company states in their CDP report, “We are working with one of our palm oil suppliers (an RSPO member) so that palm oil we receive from that supplier comes from certified plantations by 201X to help address deforestation in Southeast Asia. We have also discussed with our most significant palm oil supplier (an RSPO member) what it is doing with regards to sustainability practices.” This approach is clearly not adequate to address the risks, and we could not find more comprehensive information that would help investors verify that [confidential]’s palm oil suppliers comply with the [confidential]’s statement on human rights.<sup>6</sup> [confidential] devotes its Statement in Opposition to discussing sustainability initiatives unrelated to deforestation, with one revealing sentence devoted to Palm Oil: “Although we purchase a relatively small quantity of palm oil (less than 0.01 percent of worldwide output in 2013), we are in the process of joining the Roundtable for Sustainable Palm Oil (RSPO) and purchasing Green Palm certificates to offset our usage of palm oil products.” [confidential] has not yet joined the RSPO, and Green Palm certificates do not “offset” any of the social or environmental impacts of Palm Oil. Domini, the resolution filer, challenged this as a false and misleading statement, but [confidential] was unwilling to make the change.

## **2. [confidential]’s disclosure of its supply chain impact on deforestation is inadequate.**

*A. Information provided on [confidential]’s sustainability web pages does not address the concerns raised in the resolution.*

- i. The Company’s Agricultural Supply Chain web page consists of two introductory sentences followed by links to two sections: Preserving a Flavorful Future for Cashews, and Supporting Responsible Animal Welfare Practices.

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<sup>3</sup> confidential.org/usa/en/

<sup>4</sup> confidential.pdf

<sup>5</sup> confidential

<sup>6</sup> confidential.aspx

Neither section directly addresses forest protection or human rights in the supply chain.<sup>7</sup>

ii. The Climate Change web page is three short paragraphs with the third referring readers to CDP's web site: "*We've shared our approach to climate change through the Carbon Disclosure Project (CDP) as part of [confidential] Foods Inc., the former global food and beverage company that separated on October 1, 2012...*"<sup>8</sup> This statement appears to be out of date since the old [confidential] no longer exists. We did find CDP reporting, discussed below, by the new [confidential].

iii. On their CDP *2013 Supply Chain Information Request*, [confidential] states, "We purchase large quantities of commodities, including dairy products, coffee beans, meat products, wheat, corn products, soybean and vegetable oils, nuts, and sugar and other sweeteners. In addition, we purchase and use significant quantities of resins and cardboard to package our products."<sup>9</sup> Commodities such as beef, soya, palm oil, paper, and sugar are all drivers of deforestation and create reputational risk. [confidential] provides no quantitative data on these commodities reflecting how much is sustainably sourced and how much is traceable to the source. We also could not find any goals for improvement and accountability in sustainably sourcing these commodities.

[confidential] has not completed the CDP Forestry report and has told Domini it has no plans to do so.

### **3. [confidential] lags far behind its peers on policies, practices, and disclosure related to forestry.**

A. [confidential]'s split from [confidential] International has left [confidential] with stronger deforestation disclosure, policies and commodity sourcing commitments. We see [confidential] as lagging in sourcing policies and related risk mitigation by comparison.<sup>10</sup>

a. [confidential] currently recognizes the human rights violations and deforestation associated with palm oil production, and is working on an action plan for 20XX that includes transparency and annual reporting, and scores a 68.6/100 on the Union of Concerned Scientists' most recent palm oil report.<sup>11</sup>

B. [competitor] has identified the commodities in its supply chain that impact deforestation, and has publicly reported company goals and progress for forest protection.<sup>12</sup>

C. [competitor] provides quantitative information on the sustainable sourcing of raw materials. They state goals, plans to meet these goals, and the progress the company has made to mitigate environmental harm and succeed in environmental sustainability

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<sup>7</sup>confidential.aspx

<sup>8</sup>confidential.aspx

<sup>9</sup>confidential.aspx

<sup>10</sup>confidential.pdf

<sup>11</sup> confidential.pdf

<sup>12</sup> confidential

practices.<sup>13</sup>

D. Mars prioritizes sourcing based on the commodity and its associated environmental and social impacts. The company provides strategy, quantitative analysis, and timelines for goal completion in sustainable sourcing and impact.

[name of several competitors] all reported “fully” in the 2013 CDP Forests report, whereas [confidential] did not provide a CDP forest report.

SAMPLE

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<sup>13</sup> confidential