Food, Beverage, Tobacco

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2011
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Important: Please read disclaimer on last page

The food, beverage and tobacco (FBT) sector includes companies that are involved in the production of packaged foods, meat or agricultural products; alcoholic and non-alcoholic beverages; and producers of tobacco products. This sector overview will concentrate on the food and beverage companies.

Key trends in the FBT sector include: the growth of consumer demand and new market segments; an increase in global commodity prices and product innovation in order to provide healthier and more ethical food options.

As a large contributor to greenhouse gas emissions and water intensive products and operations, the sector's key environmental issues include climate change and resource and waste management. Meanwhile, noteworthy social issues for the FBT sector relate to product quality and safety, labour standards, and supply chain management. The intersection of environmental and social performance with shareholder value drivers indicate strong linkages with access to natural resources, the changing regulatory environment, innovation and reputation.

In order to mitigate related risks, shareholders should consider engaging with companies in the sector on resource management, particularly sustainable sourcing of agricultural commodities and freshwater. Shareholders should also engage with companies on how to better manage emerging regulatory risks, including climate change regulations, pollution controls, water regulations, agricultural trade restrictions, and public health and safety legislations. Shareholders may also encourage companies to innovate their products and packaging in order to deliver more sustainable products, such as fair-trade, organic, or locally-produced products. By implementing broader sustainability policies and practices companies can differentiate themselves and mitigate reputational risks in this consumer-facing sector.

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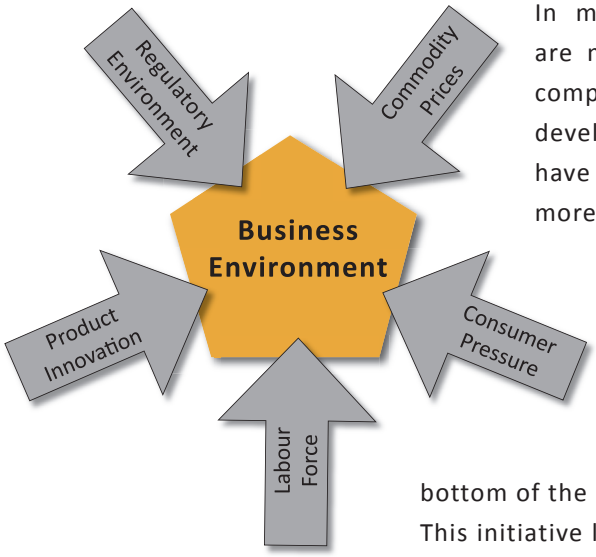
Industry Trends

Consumer Pressure

Increased consumer demand for food and beverage products is fueled by the continuous growth of the world population. The world population is estimated to reach 9.1 billion people by 2050 according to the OECD. At the same time, per capita daily caloric intake for the world's population is increasing. According to the State of Food and Agriculture report from the United Nations' Food and Agriculture Organization (FAO), average caloric intake has risen from 2,280 kcal in the 1960's to upwards of 2800 kcal, and is expected to rise further. Simply stated, more people multiplied by higher caloric intake equals increased food consumption.



In many developed countries, markets for food and beverage products are mature and consequently see slow or stagnant volume growth. Many companies are therefore focusing their marketing efforts on emerging and developing markets where a growing affluent and media-savvy middle class have started purchasing western products. Increases in income have led to more diverse diets and increased consumption of fruits, vegetables and meat. Also, the demographic composition of the population in developing markets differs from many western countries in that there is a greater proportion of young people – hence a growth market for certain products like alcoholic beverages or soft drinks. Some companies have started targeting these new market segments in developing countries with innovative approaches. For example, Unilever has targeted the bottom of the pyramid segment in India by selling small portions of soap and shampoo. This initiative led to improved health among the poorest (mainly in urban areas), while simultaneously increasing Unilever's sales. Similarly, Coca-Cola India launched Vitingo, a competitively priced orange flavored beverage fortified with micronutrients.

Commodity Prices

In recent years the prices of some commodities have become more volatile due to various factors including, population increase, growing demand for bio fuels, and environmental devastation (such as droughts and floods) resulting from climate change. Some speculators have started purchasing food stocks, thereby fuelling further price increases. The Centre for Research and Globalization collected data that showed that increases in food prices and related shortages have led to instability in many countries in Africa, South America and Asia, where the costs of staple foods and vegetables have reached record high levels. In 2008 and 2009, food riots took place in many countries including Haiti, Bangladesh, Egypt and several Western African countries like Burkina Faso, Cameroon, Ivory Coast, Mauritania, Senegal. Following the riots, some governments in developing countries implemented changes to their agricultural policies.

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With growing skepticism about world trade, governments are shifting to increased self sufficiency, price controls and more extensive government involvement and regulation. In 2010, Russia banned wheat exports and China enacted price controls on various vegetables. Similarly, Ukraine, India, Pakistan, Egypt, and Kazakhstan have enacted policies to restrict the export of various agricultural products like corn, barley, sugar and rice. As such, volatile commodity prices and changing government regulations can have a significant impact on the operations of food and beverage producers.

Between 2006 and 2008 average world prices for rice rose by 217 per cent, wheat by 136 per cent, corn by 125 per cent and soybeans by 107 per cent.

Labour Force

Investment in labour accounts for the largest percentage of food and beverage companies' operating expenses. Labour costs are considerable at each level of the food supply chain, from processing to packaging to distribution to the sale of final products. Yet, as food manufacturers face increasing pressure from retailers to reduce product costs (and secure a good spot on the shelf), some companies have begun outsourcing labour as a way to cut costs in the face of global competition. By hiring subcontractors and temporary workers instead of permanent employees, companies are able to cut wages, benefits and insurance. By doing so, food companies can easily restructure without implementing redundancy plans.

Regulatory Environment

The food and beverage industry is highly regulated. In order to safeguard future operations companies have to comply with, and anticipate, emerging regulations, which differ widely according to region. In the last decade regulators have responded to a number of key societal concerns including obesity and related health concerns like diabetes, heart disease, high blood pressure, along with product safety, toxicity and environmental concerns.

Due to changes in lifestyle and consumption habits obesity has reached epidemic proportions in some countries; according to the World Health Organization more than 65 per cent of Americans are overweight or obese. As such, state and federal governments in the U.S. have begun testing various regulations. California became the first state to ban the use of trans fats in cooking oils. Some states have proposed a soda tax on sugary carbonated soft drinks. New York is proposing implementing regulations to reduce salt levels in foods. As governments impose stricter food regulation, companies have to be responsive and adapt their product offerings. Campbell Soup Company was one of the largest food companies in the United States to commit to reducing the salt content across its entire product line.

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Another issue is the safety of genetically modified food ingredients. Some countries like the United States and Canada do not require labelling of genetically modified foods but in other regions, such as the European Union, Japan, Malaysia and Australia, governments have required labelling so consumers can choose between foods that have genetically modified, conventional or organic origins. Concerns have also been raised about the use of growth hormones and antibiotics in the meat and dairy industry, which reportedly impact the human reproductive system and may lead to the development of breast, prostate or colon cancer (in addition to contaminating surface and groundwater). Whereas the United States and Canada permit growth promoting hormones in cattle, the European Union has prohibited the use of hormones in cattle production and banned the import of hormone-treated beef. The ban has been challenged by the U.S. at the World Trade Organization and debate still rages between the U.S. and the EU over its validity.

Meanwhile, the safety of using Bisphenol A (BPA) in food packaging, namely in aluminum cans and plastic bottles, has been called into question. BPA is an estrogen mimicker that may have adverse health effects on infants, pregnant women and fetuses. In September 2010, Canada became the first government to add the chemical to its toxic substances list and began an initiative to phase out BPA from food products sold in Canada. This was after a study found that 90 per cent of Canadians have detectible levels of BPA in their bodies. Europe has deemed the chemical non-toxic in low doses, but has banned it from use in baby bottles. The U.S. has yet to rule on its toxicity, yet is expected to do so in 2011.

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Product Innovation

Consumers only spend a few seconds making purchasing decisions in the grocery store; producers therefore have to innovate in order to differentiate their products from their competitors. The food and beverage industry is responding to an increasingly health-conscious consumer base, which is demanding products that stimulate a healthy and balanced lifestyle. Unprocessed, whole-grain, vitamin fortified and soy products are increasing in popularity. Moreover, social and environmental awareness among consumers has increased. Consumers' willingness to pay a premium for organic, locally grown and fair trade products is fuelling further product innovations.

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Performance on Key ESG Issues

Product Quality and Safety

Best Practices:

- Strong quality management systems, such as ISO 22000, which are externally verified
- Traceability systems enable corrective actions for in case minimum quality standards are not met
- Transparent labelling schemes facilitate consumer choice
- Phase out of PBA in packaging materials
- Reformulate products to respond to the growing obesity problem

Over the past decade, the food and beverage industry was jolted by a number of food safety incidents. These include the contamination of animal feed with dioxins and an E-coli outbreak in Germany; a fatal listeriosis outbreak in Canada; a melamine-tainted milk product scandal in China; bovine spongiform encephalopathy (BSE) — mad cow disease — outbreaks in Europe and Canada; and repeated recalls of salmonella-tainted products. Mandatory recalls of contaminated products can be very costly and damage a company's reputation. Once a brand is tarnished, consumers may opt for another product, negatively impacting the company's market share. Companies can avoid such incidents by implementing strong food safety management systems such as the ISO 22000 food management standards. ISO 22000 defines a set of general food safety requirements to ensure that food products do not cause adverse human health effects. Companies are required to perform a food safety hazard analysis and to select measures to mitigate such hazards. In addition, they have to establish traceability systems so that corrective actions can be taken in cases where products are deemed potentially unsafe. Best practices include soliciting external auditors to verify ISO 22000 compliant product quality management systems. While strong quality management and traceability systems can mitigate food safety risks, companies are still not immune to such incidents.

As consumers become more health conscious, they also demand more information about the quality and safety of their food products. In some regions there is an ongoing debate about the risks and benefits of genetically modified food ingredients such as maize, soybean, corn and canola. Environmental and consumer groups have long-advocated for labelling genetically modified foods. In regions where labelling is required, food and beverage companies must identify mechanisms to separate genetically modified from non genetically modified organisms at the production level and throughout the whole processing chain. Leaders in the industry fully disclose genetically modified ingredients throughout the entire food processing chain on product labels.

Consumers are also becoming increasingly concerned about the use of growth hormones and antibiotics in the meat and dairy industry. The industry's response to concerns over the use of growth hormones and antibiotics in meat and dairy production has been largely reactive and inadequate steps have been taken to improve animal welfare in the industry. On the positive side, it is noted that regardless of jurisdictional requirements, industry leaders such as H.J. Heinz and ConAgra have begun using BPA-free linings in some of their cans and have set timelines for eliminating the chemical from all products.

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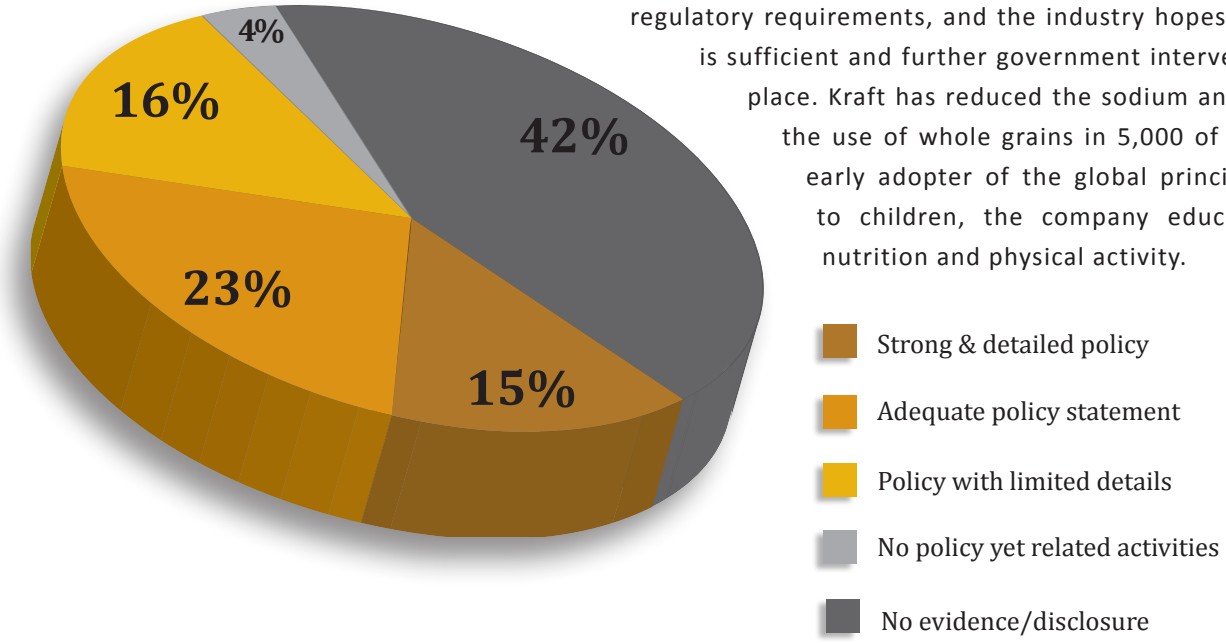
Public Position Statement on Responsible Marketing

Finally, the food and beverage industry as a whole is taking proactive measures to put a halt to the ever increasing obesity problem. Health authorities and scientists claim that the industry needs to reformulate its products by reducing fat, sugar and salt content. Companies should also offer smaller portion sizes. The onus is on companies to improve nutritional labelling and market food products in a responsible way, particularly when aimed at children. Many companies have been responsive, regardless of regulatory requirements, and the industry hopes that self regulation is sufficient and further government interventions will not take place. Kraft has reduced the sodium and fat, and increased the use of whole grains in 5,000 of its products. As an early adopter of the global principles for advertising to children, the company educates consumers on nutrition and physical activity.



Labour Relations

Best Practices:

- Strong and detailed policies on freedom of association and the elimination of discrimination
- Labour standards that adhere to the International Labour Organization (ILO) Conventions
- Fair working conditions and wages
- Companies must ensure health and safety policies, training, monitoring and reporting in accordance with the OHSAS 18001 framework and disclose quantitative targets to reduce health and safety incidents.

The food and beverage industry faces a number of labour related challenges. Labour disputes and class action lawsuits over compensation, overtime pay and employment agreements often lead to long-lasting and/or recurring strikes. Job security and labour conditions (wages, benefits, and insurance) are often particularly unfavourable for temporary employees. Industry leaders clearly articulate labour standards in their contractor agreements. On the job health and safety incidents, and even fatalities, related to machinery and the working environment are not uncommon. Companies in this sector have also been embroiled in diversity controversies.

In Europe, many food and beverage industry manufacturing jobs are being outsourced and there is a significant use of contract and part-time labour. As a result, labour rights issues are common as companies operate in countries with lax labour standards.

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Within Europe, there is also a growing demand for more highly-skilled labour to deal with increasing regulations, technological changes, and health and safety standards. In the U.S., it is estimated that immigrant workers comprise the majority of the workforce in the meat and food processing industry. Some employers allegedly exploit immigrant workers, by exposing them to unsafe working conditions and paying relatively low wages. Immigrant workers often have limited understanding of workplace rights and are unlikely to complain for fear of deportation. Discrimination lawsuits are very common despite companies having anti-discrimination policies in place. Clearly these policies have not been effectively implemented.

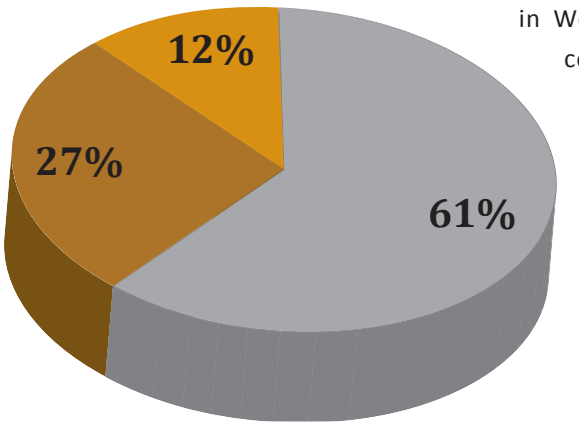
Supply Chain Management

Best Practices:

- Supply chain standards based on internally recognized standards
- Systems to monitor and audit policy compliance along with disclosure of auditing practices and outcomes
- Capacity building programmes for farmers to educate them about sustainable agriculture
- Quantitative commitments to source certified commodities within a certain time frame

In response to growing international pressure and demands from consumers, companies are setting specific targets to increase the use of sustainably sourced raw materials and to increase their offering of certified organic and fair trade products. Companies in the food and beverage industry have long supply chains, yet they typically limit their monitoring to first-tier suppliers, overlooking many issues occurring further down the supply chain. Many agricultural commodities are produced by local farmers or cooperatives in developing countries where markets are typically less robust and governments sometimes weak or corrupt. Of particular concern are the supply chains of commodities such as cocoa, soy, sugar and palm oil. Several companies, such as Wilmar International and Golden Agri-Resources, have recently been scrutinized for their use of palm oil produced on plantations that were built by clearing rainforests in high conservation regions in Indonesia. In response the companies have promised to comply with the principles of the Roundtable on Sustainable Palm Oil. Similarly, civil society organizations continue to target Hershey for sourcing cocoa from plantations in West Africa that allegedly employ child labour. These supply chain controversies gain a lot of attention in the media. Yet, a significant number of companies in the Sustainalytics database fail to implement social supply chain standards. While leaders in supply chain management are not free from controversies, companies with limited supply standards or weak monitoring systems face more risks to be exposed to incidents.

Supply Chain Monitoring System



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Climate Change

Best Practices:

- Quantitative targets and deadlines to reduce carbon emissions, progress reporting and participation in the Carbon Disclosure Project (CDP)
- Climate programmes to phase out CFCs and HCFCs, improve fuel efficiency

Climate change is emerging as a key factor influencing the availability, price and quality of agricultural commodities, thereby impacting production processes. On the other hand, the industry is also a major contributor to climate change. Greenhouse gas (GHG) emissions are most commonly associated with livestock production, mechanized food production processes, transportation and logistics, and refrigerant gases for cold storage. Livestock farming is responsible for approximately 51 per cent of GHG emissions, and crop production of livestock feed is also a leading cause of deforestation (further increasing its climate impact). Some consumer movements advocate eating less meat and moving towards crop- and plant-based farming in order to reduce the impact of climate change.

Companies that are proactively addressing climate change risks have implemented management systems to track and monitor emissions and set future reduction targets. Noteworthy strategies within the sector include phasing out chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs) from refrigeration equipment, increasing fleet fuel efficiency, and overall energy efficiency in food production. Participation in the Carbon Disclosure Project (CDP) is an effective way for companies to communicate their climate impacts and programs and report on their understanding of climate risks that are specific to their operations. Yet, just over half of the North American food and beverage companies that were contacted by the CDP in 2009 responded to the questionnaire, only two of which are recognized as carbon disclosure leaders.

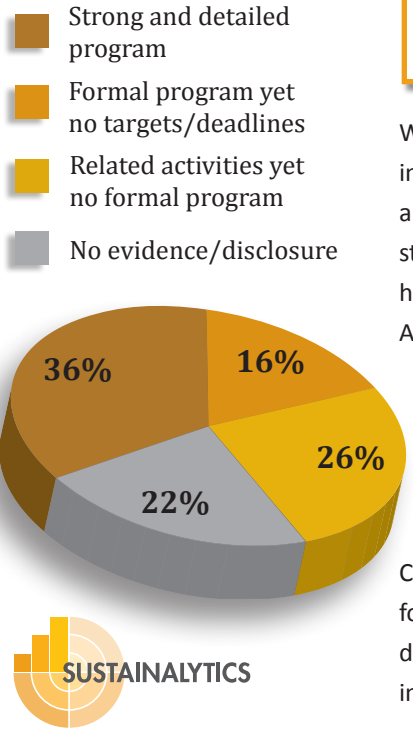
Water Management

Best Practices:

- Water risk assessments and detailed water reduction strategies
- Participation in the CDP Water Disclosure Project and UN CEO Water Mandate
- Quantitative targets to reduce absolute water consumption

Water is a key ingredient in many of the products in this industry, and is also intensively used in production processes, and in the heating and cooling of facilities. Agriculture accounts for approximately 74 per cent of all global freshwater use, according to the World Wildlife Fund. A study by McKinsey revealed that by 2030 we will require 40 per cent more water than we currently have access to. According to JP Morgan, the combined water consumption of Nestlé, Unilever, Anheuser-Busch Inbev, Coca-Cola, and Danone is approaching 575 billion litters a day, which is enough to cover the daily basic needs of everyone on the planet. The industry as a whole recognizes the strategic importance of freshwater management, with many companies reducing water use through innovation and technology, community education and multi-stakeholder engagement. Furthermore, many companies have started implementing water policies, setting quantitative goals and targets and utilizing innovative technologies. In 2010, the CDP released its first water disclosure report. Approximately 66 per cent of the companies in the food, beverage and tobacco sector responded to this first questionnaire. The high response rate demonstrates that companies in this industry recognize the threat of water scarcity and future implications.

Programs & Targets to Reduce Water Use



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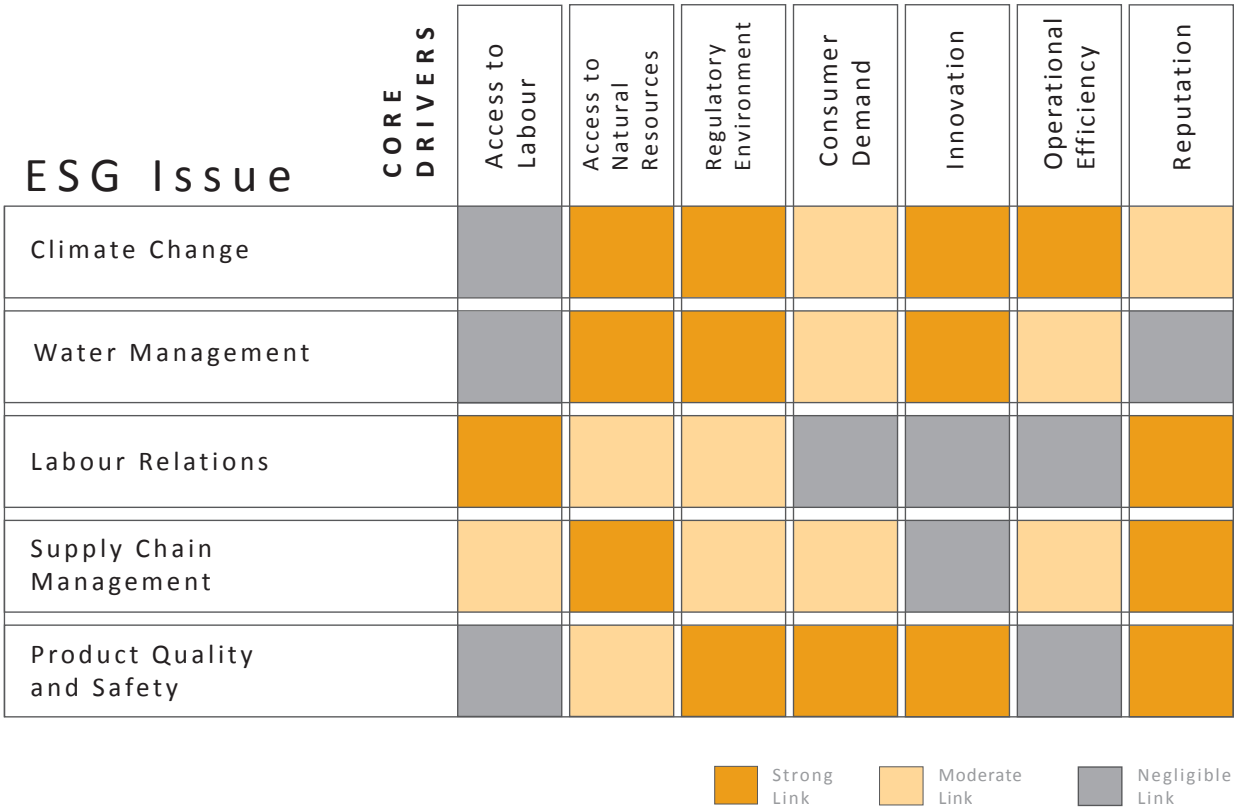
Implications for Investors



The following core business drivers are most intrinsically linked to key ESG issues for the industry:

Access to Natural Resources

- Companies that are dependent on agricultural commodities will be challenged by the increasing impact of climate change. Natural disasters, such as hurricanes, floods and droughts will affect the availability, quality and cost of agricultural commodities. The scarcity of certain agricultural commodities may result in material operational risks for companies. However, as precipitation patterns change, agricultural activities may be expanded into other regions, thereby creating new opportunities.

- Water scarcity will lead to higher water prices and increased production costs unless companies invest in water saving programs. Companies that fail to reduce water use may face smaller margins and may need to increase the price of their final products, which may impact competitiveness. On the positive side, water saving programs can also result in significant cost savings.

- Companies can mitigate the risk of commodity scarcity by sourcing from different regions, investing in local capacity building programs and educating and assisting local farmers on how to best deal with climate change. Some companies are establishing exclusive partnerships with local farmers in developing countries to grow crops that are more water-resistant and less water-intensive.

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As the availability of agricultural land decreases, due to population growth and the demand for biofuels, some international companies are directly investing in agricultural farmland in Africa, Asia and Latin America. By owning farmland, companies have direct control over the resources and are not dependent on traders or exporters for key commodities.

Regulatory Environment

- Governments and regulators are responding to climate change and environmental devastation by establishing more stringent regulations for emissions. The EU council of ministers recently announced a directive that orders meat and dairy producers to cut pollutants including sulphur, nitrogen compounds and dust. Stricter regulation will require companies to invest heavily in innovative technologies. Such short-term investment can result in considerable long-term savings. Companies can implement techniques to capture methane from wastewater treatment and use it as a local energy source.

- Companies that do not invest in techniques to reduce emissions may be confronted with higher costs as a result of emission trading schemes and carbon taxation. Several governments including Japan, China, and South Korea have plans to introduce carbon emission trading schemes before 2015. As an energy intensive industry, food and beverage companies will also be impacted by rising energy prices resulting from carbon taxes. A significant increase in logistics and packaging costs would follow suit, leading to higher prices of the final product. On the other hand, companies that have invested in carbon reducing techniques will have the potential to sell some emission rights.

- Water scarcity has and will continue to prompt governmental regulation. Companies are required to invest in water saving and treatment activities or otherwise face fines. If companies operate in water scarce regions, regulators might decide to raise fees for water rights and services or may dictate withdrawal thresholds. This may cause disruptions to scheduled production cycles and, in extreme cases, could even lead to site closures given that water is a key component for many of the companies in this industry.

- National governments can also influence the market for agricultural commodities. After the food crisis in 2008, at least 25 producing countries restricted the export of staple food crops. Scarcity of agricultural commodities can impact operational processes of food and beverage producers.

- The fight against obesity is now firmly ensconced on the agenda of policy makers and companies are facing increased legislative and regulatory pressure to reduce trans fatty acid, salt, sugar and saturated fats in food products. Product innovations are not only demanding in terms of research and development resources, but may ultimately require additional investments in new product lines and processes. Furthermore, companies are required to provide more detailed labelling of nutritional contents so that consumers can make informed decisions. Companies in the food and beverage industry need to engage with governments to stay ahead of legislation on labelling and marketing of products.

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Innovation

- Consumer demand is increasing for high quality and healthy products which are certified as fair trade, organic and/or locally sourced. Seeing this market trend some companies have adapted their products to meet this demand, creating a competitive advantage. Companies that do not innovate their offerings to include healthier or more sustainable products face the risk of losing their competitive edge and market share.

- Innovation in packaging has also become a product differentiation strategy for some companies because it is easily identifiable and marketable to consumers. Such strategies often have the added benefit of reducing transportation and storage costs for companies.

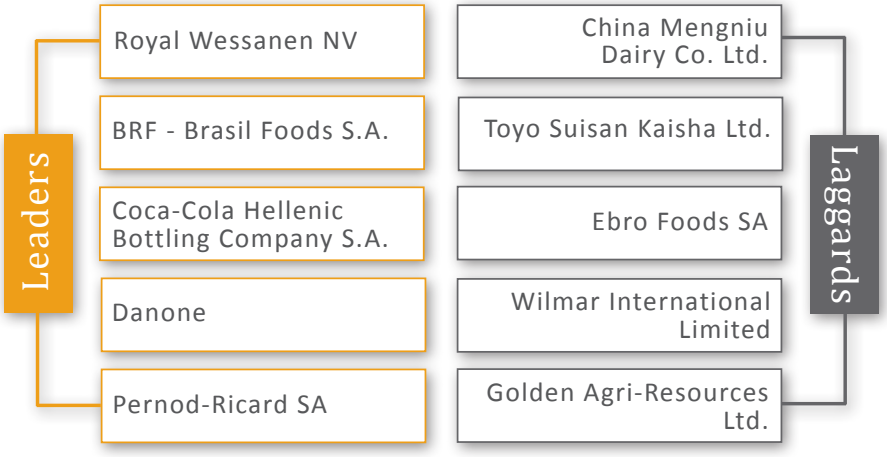
Reputation

- Food and beverage producers face elevated reputational risk from product recalls. Food recalls receive heavy media attention as they ultimately pose health hazards to consumers. Repetitive food recalls can damage a company's reputation and negatively impact its market share. Food and beverage companies must be vigilant in implementing robust quality management systems and must be highly responsive and proactive to any product controversies.

- Sustainable business practices have the potential to become a product differentiator. Implementation of sustainability policies and programs can enhance reputation and yield competitive market advantages. Companies that are named and shamed by civil society for their negative social and environmental performance risk losing the support of their employees, customers and surrounding communities. Such incidents can jeopardize a company's social licence to operate and adversely affect consumer demand and market share.

Company Performance Evaluation

Sustainalytics tracks over 80 food, beverage and tobacco companies. Industry leaders are characterized by their strong policies and programmes to address supply chain management, environmental performance and responsible marketing. Meanwhile, laggards tend to underperform in relation to these key ESG issues and are often implicated in related contoversies and infractions. The following case studies demonstrate some of the best and worst practices in the peer group.



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Case Studies

HERSHEY FOODS: SUPPLY CHAIN COMMITMENTS

The cocoa supply chain is long and complex, and includes collectors, traders, exporters, processors and manufacturers. Additionally, the cocoa industry has been exposed to labour rights issues, particularly through the use of child and forced labour. Given the large number of small-scale farmers involved in the cocoa supply chain, it is often unclear if and how companies can properly monitor compliance with their supply chain policies. However, many of the major chocolate companies have made progress in addressing these issues by setting targets and timelines for purchasing certified sustainable cocoa, and by investing in local capacity building programs to educate local farmers about sustainable agricultural practices.

Hershey, however, does not disclose a supplier code of conduct, or report on any monitoring or training activities within its cocoa supply chain. Hershey has been the target of many non-governmental organization (NGO) campaigns that draw attention to the inadequacies of the company's supply chain programs. The International Labour Rights Forum has linked child labour to the company's supply chain and has criticized Hershey for its lack of transparency and its failure to solicit third-party verification and certification programs. By implementing such supply chain programs, companies are better able to mitigate risk and to benefit from the growing demand for certified cocoa products.

H.J. HEINZ: PRODUCT INNOVATION

In recent years there has been an increasing demand by North American consumers for BPA-free food packaging. In September 2010, Canada was the first country to add BPA to its toxics substances list, after it first banning its use in baby bottles. However, prior to the announcement by Health Canada, Heinz had already made commitments to eliminate BPA from its products. While the World Health Organization has recently stated that a move to eliminate BPA is premature, Heinz is seen to be at the forefront of the issue by responding to consumer demands. If, in the future ,U.S. and European governments follow Canada's lead to ban the substance, Heinz will be ahead of its competitors as it has already addressed any purported risks related to BPA in food packaging.

THE COCA-COLA COMPANY: WATER MANAGEMENT

Coke has come under increased scrutiny over its water management practices throughout the world, particularly in India, despite setting lofty water stewardship commitments. In 2003, the Indian state of Kerala revoked subsidiary Hindustan Coca-Cola Beverages' license to operate in Plachimada village, claiming that the company depleted local water resources and polluted local drinking water sources. However, in 2005 the Kerala High Court rejected the claim that the company polluted groundwater and ordered Kerala to renew the company's license. The state appealed the decision and the case is currently pending in India's Supreme Court. Separate from the court case, in 2009 the government of Kerala set up a committee to determine compensation for losses stemming from Coke's Plachimada operations. In 2010, the committee accepted a panel's conclusion that Hindustan Coca-Cola Beverages had contaminated water and polluted the environment, and should pay USD 47 million in compensation to local authorities. The compensation is intended to cover agricultural losses, water pollution and unspecified health damage between 1999 and 2004. The Coca-Cola Company has denied all allegations and dismissed the panel's findings, instead calling for any claims to be settled in court, and subsequently filed a petition with the Supreme Court of India against the proposed tribunal set up to recover the compensation funds.

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In contrast to the controversies surrounding the company's Indian operation, Coca-Cola has developed ambitious water stewardship goals that include improving water efficiency by 20 per cent by 2012; returning all water used in manufacturing processes to the environment at a level that supports aquatic life by the end of 2012; and replenishing all of the water used in its beverages by 2020. These goals are ambitious and the metrics used to set these goals, along with the ability of the company to meet these goals, has been called into question. Regardless of the water commitments set by the company, the Kerala case highlights the tensions that often arise between a company and the local communities surrounding its operations. Coca-Cola is not alone in these issues, with other soft drink bottlers facing similar accusations. However, the Kerala case has gained widespread media and NGO attention and to date is still undermining the credibility of the company's forward-looking measures.

UNILEVER & GOLDEN ARGI-RESOURCES: SUSTAINABLE COMMODITIES

Unilever buys roughly 1.6 million tonnes of palm oil and its derivatives each year, equivalent of approximately 4 per cent of the world's supply. Palm oil ingredients are used in many of its brands, from margarine to soap. In 2004, Unilever became one of the founders of the Roundtable on Sustainable Palm Oil (RSPO). Unilever has worked together with the RSPO to develop a more transparent sourcing system and standards for palm oil, including contracts, specifications, tracking and tracing, and best practice criteria for plantations. In 2008, when certified sustainable palm oil officially became available as a tradable commodity, Unilever started using it in its products. The company is considered a leader in the industry as has it released a commitment to purchase only certified palm oil by 2015.

Meanwhile, in 2009, Golden Agri-Resources, one of the largest producers and processors of palm oil through its subsidiary Sinar Mas Group, was accused by several civil society groups of clearing land without conducting environmental impact assessments, and planting on peat lands without conducting high conservation value assessments. Independent investigations by auditors concluded that Sinar Mas Group was non-compliant with the RSPO code of conduct. A number of companies, including Unilever, stopped sourcing palm oil from Sinar Mas. Golden Agri responded to the accusations by releasing a policy statement on sustainable palm oil production with a commitment to certify all of its plantations by 2015. The company worked with NGO, Forest Trust, to develop a Forest Conservation Policy, ensuring Golden Agri-Resources will eliminate deforestation in its practices. Furthermore, the company is working with various universities to determine how to implement the RSPO criteria without violating the rights of local communities. In April 2011, it was announced that Golden Agri-Resources Ltd. would be accepted as a member of the RSPO. In the coming years, stakeholders will be looking to see whether the company fulfils its commitment to certify its operating units by 2015.

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Appendix: Companies Tracked

Company Name	Country
Ajinomoto Co., Inc.	Japan
Altria Group Inc.	United States
Anheuser-Busch Inbev	Belgium
Archer Daniels Midland Company	United States
ARYZTA AG	Switzerland
Asahi Breweries Ltd.	Japan
Associated British Foods plc	United Kingdom
British American Tobacco plc	United Kingdom
Brown-Forman Corporation	United States
Bunge Ltd.	United States
Campbell Soup Co.	United States
Carlsberg A/S	Denmark
Central European Distribution Corp.	United States
Coca-Cola Amatil Limited	Australia
Coca-Cola Enterprises Inc.	United States
Coca-Cola Hellenic Bottling Company S.A.	Greece
Coca-Cola West Co., Ltd.	Japan
ConAgra Foods, Inc.	United States
Constellation Brands Inc.	United States
Corn Products International Inc.	United States
Cott Corporation	Canada
CSM NV	Netherlands
Danone	France
Dean Foods Co.	United States
Diageo plc	United Kingdom
Dr Pepper Snapple Group, Inc.	United States
Ebro Foods SA	Spain
Flowers Foods, Inc.	United States
Foster's Group Ltd.	Australia
General Mills Inc.	United States
Golden Agri-Resources Ltd.	Singapore
Goodman Fielder Ltd.	Australia
Green Mountain Coffee Roasters Inc.	United States
Hansen Natural Corporation	United States
Heineken NV	Netherlands
Hershey Co.	United States
HJ Heinz Co.	United States

Company Name	Country
Hormel Foods Corp.	United States
Imperial Tobacco Group plc	United Kingdom
Ito En Ltd.	Japan
Japan Tobacco Inc.	Japan
Kellogg Company	United States
Kerry Group plc	Ireland
Kikkoman Corp.	Japan
Kirin Holdings Company, Limited	Japan
Kraft Foods Inc.	United States
Lindt & Sprungli AG	Switzerland
Lorillard, Inc.	United States
Maple Leaf Foods Inc.	Canada
Marine Harvest ASA	Norway
McCormick & Co. Inc.	United States
Mead Johnson Nutrition Company	United States
Meiji Holdings Co., Ltd.	Japan
Molson Coors Brewing Company	United States
Nestle SA	Switzerland
Nippon Meat Packers Inc.	Japan
Nisshin Seifun Group Inc.	Japan
Nissin Foods Holdings Co., Ltd	Japan
Nutreco N.V.	Netherlands
Parmalat SpA	Italy
PepsiCo, Inc.	United States
Pernod-Ricard SA	France
Philip Morris International, Inc.	United States
Ralcorp Holdings Inc.	United States
Reynolds American Inc.	United States
Royal Wessanen NV	Netherlands
SABMiller plc	United Kingdom
Sapporo Holdings Ltd.	Japan
Saputo, Inc.	Canada
Sara Lee Corp.	United States
Smithfield Foods Inc.	United States
Sudzucker AG	Germany
Swedish Match AB	Sweden

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Company Name	Country
Tate & Lyle plc	United Kingdom
The Coca-Cola Company	United States
The J. M. Smucker Company	United States
Toyo Suisan Kaisha Ltd.	Japan
Tyson Foods Inc.	United States
Unilever plc	United Kingdom
Viterra, Inc.	Canada
Wilmar International Limited	Singapore
Yakult Honsha Co. Ltd.	Japan
Yamazaki Baking Co. Ltd.	Japan

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