

REPRISK CASE STUDY

Nestlé

Global NGO campaign targets relationship with controversial palm oil supplier

What happened

In spring 2010, Greenpeace launched a high-profile campaign denouncing Nestlé over its sourcing of palm oil from the controversial Indonesian supplier, Sinar Mas. The campaign was rolled out using multimedia components, a social media campaign, and traditional on-the-ground activism, causing severe damage to the company's reputation.

In particular, the campaign featured a YouTube parody of Nestlé's famous "Have a break, Have a Kit Kat" commercial, in which a bored office worker finds himself biting into an orangutan finger as opposed to a Kit Kat bar.

Despite Nestlé's attempt to censor the video, the campaign went viral, with over 40,000 views on YouTube and over 100,000 views on Vimeo within the first 20 hours. Almost immediately, Nestlé decided to drop Sinar Mas as a supplier to avoid further reputational harm.

Sinar Mas suffered financial losses and its reputation was widely affected when the Roundtable on Sustainable Palm Oil (RSPO) began investigating the company.

Consequences for Nestlé

Within a few months, the Greenpeace video had been viewed over 1.5 million times and prompted 200,000 emails of protest against Nestlé. Nestlé dropped Sinar Mas as a supplier and subsequently

Case Study Timeline

2007

July

RepRisk detects severe criticism of Sinar Mas Group including allegations of deforestation in Indonesia, displacement of indigenous peoples, and extreme pollution. *See blue box on page 3.*

2010

March 17

Greenpeace launches the campaign "Ask Nestlé to give rainforests a break."

March 18

Nestlé drops Sinar Mas as a supplier amid the escalating crisis.

May

Greenpeace's campaign against Sinar Mas continues with a focus on other areas of its business – the paper and pulp industry. HSBC Asset Management divests from Sinar Mas after activists start targeting the financial industry.

July - September

Burger King, Carrefour, Kraft, Unilever and others drop Sinar Mas as a supplier.

September

The RSPO accuses Sinar Mas of "serious non-compliance," marking the first time the RSPO publicly rebukes one of its members.

2011

June

The Greenpeace campaign moves on to target Mattel and other companies for supplying from Sinar Mas.

2012

July

Despite Nestlé ending its relationship with the controversial supplier Sinar Mas, RepRisk continues to detect serious criticism of Nestlé related to its supply chain, including allegations of child labor, union repression and human rights abuses, as well as environmental damage.

RepRisk has published a series of Case Studies that demonstrate the materiality of environmental, social, and governance (ESG) issues – and how RepRisk can serve as an early warning system before these issues translate into reputational, compliance, and financial risks. For more Cases, please visit www.reprisk.com/publications or contact us at media@reprisk.com.

partnered with the NGO The Forest Trust to “focus on the systematic identification and exclusion of companies owning or managing high risk plantations or farms linked to deforestation.”

Deforestation related with the palm oil supply chain continues to remain a very controversial topic for many food and personal care producers. In March 2016, Greenpeace released a survey “Cutting Deforestation Out of the Palm Oil Supply Chain” which ranked 14 major consumer good manufacturers for their responsible sourcing practices. The report ranked Nestlé as being “on track” to ending deforestation in its supply chain.

Was it predictable?

Prior to the 2010 Greenpeace “Kit Kat” video, RepRisk had already highlighted significant risk exposure related to the Sinar Mas Group and other palm oil suppliers such as Cargill Inc, the IOI Group, and the Wilmar Group. The criticism included allegations of human rights abuses, forced displacements of indigenous communities, impacts on protected areas and high conservation value forests, illegal logging, and destruction of key habitats of endangered species. By engaging proactively with these suppliers, Nestlé could have avoided serious reputational and financial damage.

Prior to the 2010 Greenpeace Kit Kat video, RepRisk had highlighted significant risk exposure related to the Sinar Mas Group and other palm oil suppliers.

In April 2008, Greenpeace launched an international campaign to protect rainforests in Indonesia from the expansion of the palm oil industry. The campaign targeted Unilever, who finally decided to sever its supplier relationship with Sinar Mas in December 2009.

Company Description

Nestlé SA (Nestlé Group) is a global food and beverage company headquartered in Switzerland. The company’s products include coffee, baby foods, dairy products, breakfast cereals, ice cream, chocolate, confectionery, prepared foods, bottled water, and pet care products.

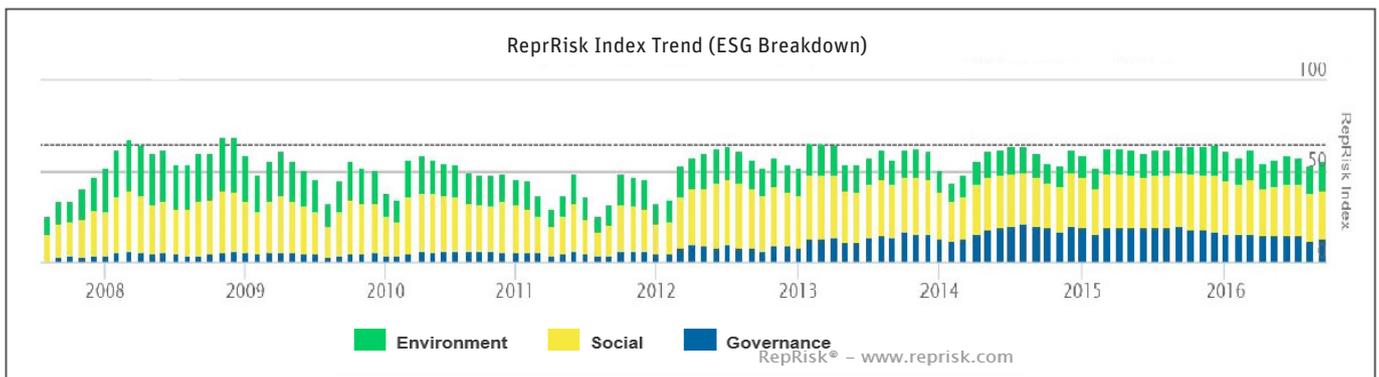


Figure 1: RRI¹ of Nestlé between July 2007 and September 2016. Source: RepRisk www.reprisk.com

¹ The RepRisk Index (RRI) is a proprietary algorithm that dynamically quantifies reputational risk exposure related to ESG issues. It facilitates an initial assessment of the ESG and reputational risks associated with financing, investing, or conducting business with a company. The RRI ranges from zero (lowest) to 100 (highest). The higher the value, the higher the risk exposure: 0-25 = low risk exposure, 26-49 = medium risk exposure, 50-59 = high risk exposure, 60-74 = very high risk exposure, 75-100 = extremely high risk exposure.

What RepRisk data captured

July 2007 The UN, the World Bank, and several NGOs claim that illegal logging in Indonesia is on the rise. The Indonesian government struggles with corrupt courts in its efforts to solve the problem.

November 2007 Greenpeace publishes a report on the effects of palm oil production in the peatland areas of Indonesia. Several companies including Nestlé are criticized for supporting the rapid rise in carbon dioxide emissions by sourcing palm oil from unsustainable plantations.

April 2008 Greenpeace activists across Europe launch campaign to protect rainforests from the palm oil industry. They target Unilever's key palm oil suppliers Sinar Mas, Wilmar, Sime Darby, and IOI Corp.

May 2008 Greenpeace claims that Unilever is the world's largest buyer of palm oil, which is said to be the cause of widespread deforestation in Indonesia. Greenpeace also targets Nestlé and Procter & Gamble in their campaign to stop deforestation by palm oil producers.

August 2008 The Rainforest Action Network, Greenpeace International, Friends of the Earth, and the Center for Science in the Public Interest criticize Kraft Foods, Kellogg's, General Mills, Archer Daniels Midland, Cargill, and Bunge for failing to prove that the palm oil in their products is sourced from sustainable plantations.

December 2009 In a report entitled "Illegal Forest Clearance and RSPO Greenwash: Case studies of Sinar Mas," Greenpeace accuses the Sinar Mas Group and its subsidiaries of clearing land without environmental impact assessments or timber cutting permits, contributing to climate change, illegal deforestation. Unilever announces that it will stop sourcing palm oil from Sinar Mas.