



Out on a Limb:

The State of Corporate No-Deforestation
Commitments and Reporting Indicators that Count

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TABLE OF CONTENTS

3	Introduction
5	The State of Corporate Commitments to End Deforestation by 2020
6	Companies Leading the Charge – Reporting Quantitative Progress
7	Disclosing Progress into 2020 – Reporting Indicators that Count
10	The Countdown to 2020
11	Questions for Companies
12	Appendix
16	Endnotes



Introduction

Over the last decade, hundreds of global companies have made public commitments to eliminate deforestation from their operations and extended supply chains, largely by targeting the four big forest-risk commodities: cattle, palm oil, soy, timber and pulp. These companies span sectors from food retail and consumer products, to footwear and apparel brands, to the largest agricultural commodity producers and traders operating on the ground in growing regions.

Many businesses started making these pledges in 2010, when more than 400 member companies of the Consumer Goods Forum (CGF) made headlines by mobilizing members to stop deforestation by 2020. Then, nearly 200 signatories (companies, civil society actors, and governments) signed the New York Declaration on Forests Pledge (NYDF) during the September 2014 UN Climate Summit with the goal of reducing natural forest loss by half globally, by 2020, and ending it by 2030.

Today, nearly 500 global companies have committed, with varying degrees of specificity, to addressing deforestation within their businesses. Yet with 2020 just around the corner, still only a handful of businesses disclose quantitative progress toward actually eliminating tropical forest loss from their commodity supply chains. Many hundreds more are exposed to deforestation risk, but have yet to set public commitments or take specific actions to address it, let alone report on their progress.

This investor brief, undertaken in partnership with [Forest Trends' Supply Change](#), takes stock of progress on

corporate zero/zero-net deforestation commitments, and clarifies the data needed by institutional investors to monitor corporate progress. Our research indicates that of the 484 companies that have set commitments to source forest-risk commodities more sustainably, only 72 have set zero/zero-net deforestation commitments. Of those 72, only 21 – or just 29 percent – have disclosed quantitative progress towards a zero/zero-net deforestation deadline, which is essential data for institutional investors evaluating and mitigating deforestation risk.

This alarming commitment-to-action gap exposes companies and institutional investors to significant financial risks. Institutional investors increasingly recognize that deforestation creates material market and reputational risks for companies, and is also a source of systemic risk across investment portfolios given its contribution to climate change. Effective corporate reporting on no-deforestation commitments is a foundational input for investors seeking to understand, analyze and mitigate risk within their portfolios.

“We have a fiduciary responsibility to our investors to consider and address ESG risks, including those related to deforestation, in our Funds. The failure to establish and fulfill no-deforestation commitments exposes companies to a wide range of operational, reputational, competitive and regulatory risks. And these risks don’t vanish when a commitment is announced, so it’s imperative that companies provide investors with clear, quantitative data on their progress in meeting their commitments.”

Leslie Samuelrich, President, Green Century

MATERIAL DEFORESTATION RISKS FOR COMPANIES AND INVESTORS¹

MARKET RISK 	REPUTATIONAL RISK 	REGULATORY RISK 	MARKET RISK 
<p>United Cacao [UCCDF]</p> <p>United Cacao’s illegal deforestation causes executive turmoil and fraudulent payments; company is delisted by London Stock Exchange.</p> <p>Investors lose \$42 million in Q1 ‘17.</p>	<p>JBS SA [JBSAY]</p> <p>JBS SA is caught with 59,000 cattle from illegally deforested properties, bribes food inspectors, and is caught in bribery, financial and accounting violations.</p> <p>IPO of international division canceled in late 2017, shares down 35 percent.</p>	<p>Lumber Liquidators [LL]</p> <p>Lumber Liquidators is sentenced in federal court in Virginia due to violations of the Lacey Act.</p> <p>LL was required to pay \$13 million criminal fine, a \$1.2 million community service fine, and forfeit assets related to illegal deforestation of Russian forests in 2016.</p>	<p>IOI Corporation [IOICORP]</p> <p>IOI Corporation loses 27 corporate buyers after the Roundtable on Sustainable Palm Oil (RSPO) suspension because of illegal deforestation on 11,750 hectares.</p> <p>Q2 ‘16 earnings are a negative \$14.8 million.</p>

In light of these material risks, institutional investors are stepping up their scrutiny of corporate efforts to address deforestation. For instance, CDP’s annual survey to companies on forest-risk is backed by over 525 signatory investors, with a combined \$96 trillion in assets.² In March 2019, through efforts informed by Ceres and the Principles for Responsible Investment (PRI), nearly 60 investors with more than \$6.3 trillion in combined assets under management called on companies to disclose and eliminate deforestation risks associated with their soybean supply chains.³ Dozens of shareholder resolutions have been filed over the last decade with companies exposed to forest-risk, asking them to set robust no-deforestation policies.⁴ The efforts are far and wide – with active participation from investors in all corners of the world.⁵

As investors engage with companies in their portfolios to press for robust no-deforestation commitments,⁶ clear and comparable data on corporate progress is urgently needed. This investor brief both clarifies the state of public corporate commitments around deforestation and lays out the case for elevating two key reporting metrics from companies:

- What annual percentage of the commodity produced or purchased is in compliance with no-deforestation principles?
- What annual percentage of their suppliers of a commodity is in compliance with no-deforestation principles?

According to research from the World Resources Institute’s Global Forest Watch (GFW) and data from the University of Maryland, the tropics lost 12 million hectares of tree cover in 2018, the fourth-highest annual loss since record-keeping began in 2001.⁷ The data reveal that despite a growing number of no-deforestation commitments from governments and companies, primary rainforest loss hit record highs in 2016 and 2017, largely due to fires, and remained above historical levels in 2018. A considerable percentage of this forest loss has been attributed to forest conversion for the production of the “big four” forest-risk commodities –cattle, palm oil, soy, timber and pulp.





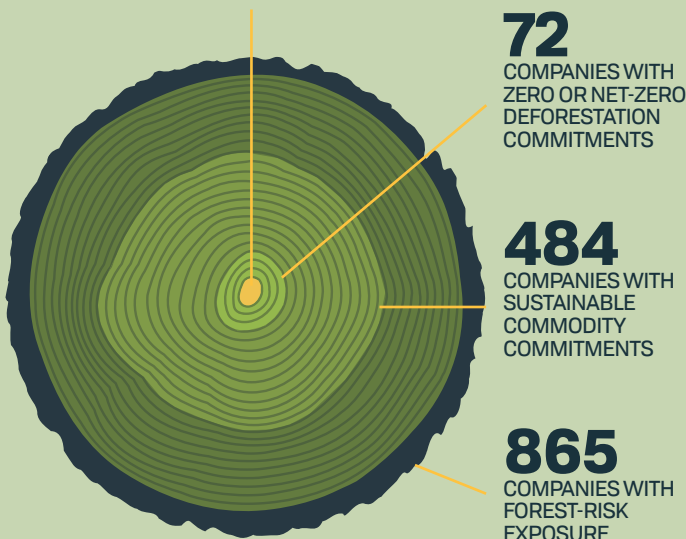
The State of Corporate Commitments to End Deforestation by 2020

To take stock of the progress made by the hundreds of companies that have made public commitments to eliminate deforestation from their businesses, Ceres partnered with Forest Trends' Supply Change to analyze company public disclosures on zero or zero-net deforestation efforts.⁸ The data set included 865 companies with forest-risk exposure associated with the "big four" commodities (see Figure 1).

CORPORATE COMMITMENTS AND PROGRESS REPORTING ON ZERO-DEFORESTATION

21

COMPANIES REPORT QUANTITATIVE PROGRESS ON ZERO OR NET-ZERO DEFORESTATION



KEY FINDINGS:

484 (56%) of the 865 companies with forest-risk exposure have set sustainable commodity commitment(s). Of the 865 companies tracked, 484 aim to implement sustainable commodity commitment(s) related to sourcing the "big four" commodities in ways that address deforestation.

Only 72 (8%) of the 865 companies have committed to achieve zero/zero-net deforestation for at least one "big four" commodity. Of the 865 companies tracked by Supply Change, 72 companies (8%) have committed to zero/zero-net deforestation supply chain(s).

Just 21 companies (29%) of the 72 companies have at least one zero/zero-net deforestation commitment with quantitative progress.⁹ Of the 72 companies with zero/zero-net commitment(s), just 21 have reported quantitative progress¹⁰ toward achieving at least one of them.



Figure 1. Variation in companies' commitments and quantitative progress toward addressing deforestation as determined via analysis by Supply Change.

Companies Leading the Charge – Reporting Quantitative Progress

While few companies report consistent progress on their no-deforestation commitments – or provide these updates to investors in a quantitative, standardized manner – the examples below highlight global companies that have begun disclosing critical outcomes-based indicators in their annual public reporting. These efforts provide a sense of how companies are progressing in reaching their time-bound targets.

NESTLÉ S.A.

☑ NO-DEFORESTATION COMMITMENT
2020 TARGET DATE OF GOAL

Nestlé (NSRGY) is a major Swiss food manufacturer and retailer of packaged foods with brands sold in more than 185 countries and a \$281.797 billion market cap.¹¹ In 2010, Nestlé made a commitment to ensure that none of its products would contribute to deforestation by 2020. As of April 2019, Nestlé announced that **77 percent of its agricultural commodities are verified as deforestation-free.**¹² The company has reached this milestone by using a combination of tools such as supply chain mapping, certification standards, on-the-ground verifications and, most notably, real-time satellite imagery from the Starling system. The data is broken down on the company's newly published [Transparency Dashboard](#).

WILMAR

☑ NO-DEFORESTATION COMMITMENT
2020 TARGET DATE OF GOAL

Wilmar International (WIL:SP), a palm oil production giant, has over 500 manufacturing plants, distributes to more than 50 countries and employs about 90,000 people worldwide. As of September 2018, Wilmar owned a total planted area of 228,443 hectares of palm oil, 66 percent of which are in Indonesia and 25 percent of which are in East Malaysia. The company uses company published reports, submission of the CDP forests questionnaire and the Roundtable on Sustainable Palm Oil (RSPO) Annual Communications of Progress (ACOP) to provide updates to investors and stakeholders on its no-deforestation goals. Wilmar reported that in 2018, **64 percent of its total production and consumption of palm – 3,649,693 metric tons – was RSPO producer/grower certified.**¹³ According to its website, 94 percent of Wilmar's global palm oil was traceable to the mill level and palm mill lists have been published.

UNILEVER PLC

☑ NO-DEFORESTATION COMMITMENT
2020 TARGET DATE OF GOAL

With a market cap of \$151.47 billion,¹⁴ Unilever (UN) is one of the world's largest consumer goods companies, with operations across a wide range of market segments spanning from food and beverages to cleaning agents and personal care. As a member of both the Consumer Goods Forum (CGF) and the Tropical Forest Alliance (TFA) 2020, Unilever has committed to a zero-deforestation supply chain. While Unilever is exposed to multiple forest-risk commodities, it is notably the largest end-user of physically certified palm oil in the consumer goods industry, impacting an estimated 8 percent of global palm production through its use of crude palm oil, crude palm kernel oil and their derivatives.

As disclosed in Unilever's 2018 CDP forests questionnaire submission and its 3-Year Summary of Progress published in May 2018, 56 percent (37,000 metric tons) of Unilever's volume of palm oil was physically certified by the RSPO. Further, **78 percent of Unilever's palm oil was traceable**, i.e., able to be traced back to a known production area attached to a mill. Finally, **72 percent of Unilever's soy oil was sourced sustainably**, as verified by the Sustainable Agriculture Code, Round Table on Responsible Soy (RTRS) certification and RTRS credits.

Unilever verifies alignment to and implementation of their Responsible Sourcing Policy (RSP) through the use of supplier self-declarations, online assessments and – for designated high-risk countries and supplier types – independent verification including third-party audits.¹⁵

Disclosing Progress into 2020 – Reporting Indicators that Count

Meaningful disclosure on company progress on no-deforestation commitments is lacking. Even where information on progress is available, the qualitative nature of the disclosures makes it very difficult for investors to assess a company’s improvements over time and to compare their achievements to their competitors’.

This inconsistency is due in part to the variety of definitions, environmental, social and governance (ESG) indicators and reporting mechanisms that companies are expected to use to disclose agriculture, forestry and other land use (AFOLU). Much of this information is self-reported through mechanisms and frameworks such as annual reports, the Global Reporting Initiative (GRI), CDP and the Sustainability Accounting Standards Board (SASB), in addition to commodity-centric sustainability standards such as the RSPO’s ACOP.

As a result, investors are struggling to understand how companies are addressing deforestation risks in their supply chains. Investors are looking to streamline the time-consuming and laborious process of understanding company performance across several varying standards of disclosure. Ultimately, they are looking for a set of comparable, quantitative metrics to more readily inform their investment decision-making process and monitor how their portfolio companies implement no-deforestation commitments.

In an effort to address the disclosure gap, the Accountability Framework initiative (AFi) established a common set of deforestation and land use definitions for commodity-specific no-deforestation commitments (*see select definitions in Appendix*). The use of common terminology helps both companies and institutional investors establish comparable performance indicators and data for monitoring and verification.

The principles and best practices outlined by AFi range from commodity-specific no-deforestation commitments, targets/milestones that are specific and quantitative, and those that can be objectively evaluated and verified. Their work also includes expectations across all members of the supply chain and all geographies. These definitions and principles can be used to harmonize and simplify reporting across different platforms. For example, CDP is in the process of increasing alignment between their Forest Questionnaire and the AFi in order to reduce the complexity for both companies and investors looking to report on progress and track the impact of corporate efforts, respectively.

Building on these AFi definitions, and in light of growing traceability tools and datasets available to companies, investors should engage companies and ask them to report on the following metrics:

- What annual percentage of the **commodity** produced or purchased is in compliance with no-deforestation principles?
- What annual percentage of their **suppliers** of a commodity is in compliance with no-deforestation principles?



These metrics, when disclosed, provide deep insights into both corporate progress and impact. The first metric helps investors and other stakeholders understand the progress companies are making in reducing their own purchases of deforestation-linked commodities. The second provides insights into the

progress made by the company's suppliers in eliminating deforestation across their entire operations and supply chain.

What **annual percentage** of the **commodity** produced or purchased is **in compliance** with **no-deforestation principles**?

BREAKING DOWN THE REPORTING METRIC

WHAT **ANNUAL PERCENTAGE**



Investors require timely information to assess whether a company adequately mitigates its business risks and reports on annual progress. Reporting can be done through mechanisms like CSR reports, websites, CDP, etc.



For investors to accurately assess risk, companies need to report both the absolute and the relative volumes on commodity compliance.

OF THE **COMMODITY**



Since the complexity and material risks vary by commodity supply chain and sourcing region, investors need commodity-specific data to assess companies' risk mitigation.

PRODUCED OR PURCHASED IS **IN COMPLIANCE** WITH



Investors know there is a range of tools and approaches to monitor compliance, including certifications, purchase control systems, remote sensing technology, jurisdictional initiatives and sector approaches. Different approaches must be combined in a clear and systematic way. Universal to these systems is traceability of product to its point of control.

NO-DEFORESTATION PRINCIPLES?



As outlined in the AFi principles, robust and credible no-deforestation commitments are commodity-specific, have specific and quantitative milestones that milestones can be objectively evaluated and verified, and apply uniform standards to all members of the supply chain in all geographies.

HOW IS COMPLIANCE ASSESSED?

In order for investors to understand the breadth and depth of commitment implementation, companies (buyers) need to disclose the level of compliance within the supply chain (from suppliers). This disclosure is critical as businesses need to manage their supply chains to show that they do not have links to deforestation and to identify non-compliant suppliers. Although risk assessments may be used to prioritize verification activities, companies are expected to monitor compliance across their entire supply chain.

Companies may use a range of tools and approaches to monitor compliance including certifications, purchase control systems, remote sensing technology, jurisdictional initiatives and sector approaches. If multiple approaches are used, they should be combined in a clear and systematic way. AFi suggests a common starting point for compliance with no-deforestation principles is traceability and transparency of product at a level that assures compliance (point of control),¹⁶

Proforest's report *Accelerating Implementation of Responsible Sourcing Commitments*¹⁷ outlines one system that can be used by companies to report in more detail on progress toward implementing deforestation commitments. Proforest includes a stepwise framework for reporting volumes at different stages of progress toward fully implementing responsible-sourcing commitments. This framework provides a snapshot on policy commitments and allows for progression over time.

Additionally, the AFi provides guidance on the timeframe for monitoring compliance in agricultural supply chains with exposure to deforestation. The frequency depends

on many variables such as origin of the commodity, relationship with suppliers and the procurement frequency. Companies may assess supplier compliance annually, at the time of contract renewal (long-term contracts) or at the time of procurement (short-term contracts).

WHERE SHOULD COMPANIES REPORT?

Disclosure of qualitative progress on no-deforestation commitments should be publicly reported through market-level disclosure platforms such as annual reports, corporate websites and/or the CDP forest Questionnaire.¹⁸ CDP's forest questionnaire covers a breadth of information about how a company produces, sources and uses any or all of the "big four" commodities. With ten modules, the 2019 questionnaire collects a comprehensive data set on each disclosing company. For the sake of the suggested outcomes-based key performance indicators (KPI) in this brief, investors can streamline their due diligence process by directing their attention to module F6: Implementation. The following questions from module F6 address the KPIs highlighted in this investor brief:

- **CDP forests F6.1b:** Percent of total production/ consumption covered by commitment.
- **CDP forests F6.3a:** Percent of total production/ consumption volume traceable; point to which commodity is traceable.
- **CDP forests F6.5:** Do you specify any sustainable production/procurement standards for your disclosed commodity(ies), other than third-party certification? Indicate the percentage of production/ consumption covered and if you monitor supplier compliance with these standards.





The Countdown to 2020

Investor engagement over the past several years has led to a number of company commitments to help achieve no-deforestation supply chains by 2020. Implementing these commitments, however, has largely proven difficult for the business community. While some companies have embraced the challenge, many struggle with implementation and reporting information to investors.

In order to accurately assess company level deforestation risk, investors need improved disclosure of corporate progress toward implementation. Investors should encourage and call on companies to demonstrate measurable improvements over clear timelines, work towards strengthening supply chains, and purchase exclusively from suppliers who demonstrate transparent and verified implementation of aligned commitments. By annually assessing standardized metrics and progress towards commitments, investors can better understand where companies are on the journey toward no-deforestation supply chains.

Nearly ten years ago, companies publicly stated enormous ambitions to end deforestation. Yet there was no roadmap and very few corporate best practices or systems in place to address these massive supply chain risks. Today, that gap has shrunk. Guidance and expertise have grown, and partnerships have formalized to assist companies in fulfilling their stated ambitions. Significant tools and collaborations now empower companies to set timebound commitments with clear policy requirements, implement those commitments in practice throughout their supply chains, and disclose meaningful, quantitative progress to a variety of interested stakeholders.

With 2020 just around the corner, it's time for companies to take stock and report their progress.



Questions for Companies

In addition to the two main metrics in this brief, investors can also use the following questions in engagements with companies to encourage quantitative disclosure of progress on public no-deforestation commitments. These questions can be posed to any company with supply chain exposure or commitments to end deforestation, but have been developed for use particularly with food and beverage companies sourcing commodities such as cattle, cocoa, palm oil, rubber, soy, sugar and timber.

WHAT ARE THE COMPANY'S NO-DEFORESTATION POLICIES AND STANDARDS?

- Does the company have a time-bound, no-deforestation policy that clearly outlines its approach to achieving a deforestation-free supply chain?
- Does the company have a commitment that meets the best practices put forward by the AFi?
- Can the company trace the commodity back to a level that assures compliance?
- Are the compliant volumes reported externally verified by a credible third party?
- If a policy exists, but will not be met by the target date – does the company have an action plan detailing how they plan to achieve the goal?
- What tools and partnerships are the company using to monitor this information across different regions?

WHAT ANNUAL PERCENTAGE OF THE COMMODITY PRODUCED OR PURCHASED IS IN COMPLIANCE WITH NO-DEFORESTATION PRINCIPLES?

- Does the company report this percentage for all commodities in their supply chain that have exposure to deforestation risk?
- If the company purchases and produces commodity products, does it report the percentage of commodity produced and the percentage of a commodity purchased in compliance with no-deforestation policies?
- Where and how frequently is this information reported?

WHAT ANNUAL PERCENTAGE OF THE SUPPLIERS OF A COMMODITY IS IN COMPLIANCE WITH NO-DEFORESTATION STANDARDS?

- Does the company specify any sustainable production/procurement standards for disclosed commodity(ies), other than third-party certification? If so, what percentage of production/consumption is covered and does the company monitor supplier compliance with these standards?
- How does the company address non-compliant suppliers (see below)?

DOES THE COMPANY HAVE STRICT SUPPLIER NON-COMPLIANCE PROTOCOLS IN PLACE?¹⁹

- Does the company have a protocol for identifying and addressing supplier non-compliance?
- Does this protocol specify criteria for non-compliant supplier engagement, temporary suspension or potential exclusion of suppliers?
- What management systems (e.g., timebound supplier engagement plans) does the company use to engage non-compliant operations and suppliers in order to address and remedy non-compliance?
- What type of support does the company offer to its suppliers to help them achieve compliance with commitments?

For more information on commodity drivers of deforestation, engagement briefs and tools for investors, visit [Engage the Chain](#) and [Ceres' Investor Portal](#).

Appendix

I. FOREST TREND'S SUPPLY CHANGE METHODOLOGY

For this Ceres research brief, *Supply Change* identified key differences in the depth and level of detail that companies provide around their ambitions to address deforestation risk and in their related disclosures. The questions and associated findings centered around these key issues:

- Whether companies have **exposure** to a commodity causing deforestation
- Whether companies have made a **commitment** to sustainability for at least one major commodity driving deforestation within their supply chain
- What **type of commitment** they've made, as broadly separated into:
 - Pledges to implement recognized, often standardized, general **sustainable commodity commitments**, including practices such as tracing commodities back to the origin of production or attaining sustainability certification. *These targets are achievable and verifiable, but they don't guarantee elimination of deforestation.*
 - Pledges to eliminate deforestation from their own supply chains (called "**zero-deforestation pledges**"). *These are highly motivational but difficult to measure and implement without broad structural and sectoral change.*
- Whether or not the companies have reported quantitative **progress** towards achieving these commitments, either in terms of compliant volumes or progress towards specific milestone(s) to address deforestation.

Forest-risk Exposure: Exposure indicates that a company produces, sells, or procures the commodity and/or related derivatives and byproducts as part of its core business. *Supply Change* checks for exposure to all of the "big four" forest-risk commodity supply chains and the research covers a variety of derivatives, byproducts and areas.

Commitment: A commitment is defined as a publicly-available corporate statement specific to a particular commodity such as cattle, palm oil, soy, and/or timber. These statements range from commitments to follow recognized procedures for producing products certified as "sustainable," to tracing the path of products back toward their source to any other organizational targets for zero/zero-net deforestation or ecological degradation. Commitments may or may not include a target date. For the *Supply Change* analysis, these commitments can be divided into two categories:

Sustainable Commodity Commitments: For the purposes of this report, "sustainable commodity commitments" is an umbrella term encompassing all commitments that explicitly target zero/zero net deforestation commitments as well as all commitments to sustainable production or sourcing with a clear connection to limiting land use impacts, including commitments around commodity certification, traceability, and reduction or elimination of forest-risk commodities.

Zero/zero-net Deforestation Commitments: *Supply Change* counts company commitments towards zero/zero-net deforestation if the commitment text states, "zero deforestation," "no-deforestation," "deforestation free" or similar language that implies "no-deforestation anywhere," whether the company has defined the term or not. For the purpose of this analysis by *Supply Change*, no-deforestation includes "zero deforestation," "zero illegal deforestation," and "zero-net deforestation."

Milestones: *Supply Change* also counts having time-bound intermediate or milestone goals toward no-deforestation – as well as toward other sustainability goals (e.g., toward certification) – along with progress toward them. Milestones are often directly related to the high-level commitment, but have lower percentage targets and earlier target dates. For example, a company may have a commitment to 100 percent deforestation-free soy by 2020, so sets an intermediate or milestone goal of 70 percent deforestation-free soy by 2019.



Milestones may also be in support of the larger commitment, but focus on a different angle of sustainability in preparation for achieving it. In the example above, the company might also have a milestone to have 100 percent certified-sustainable soy by 2018.

Finally, milestones are not all quantitative. Some may be qualitative, such as a company planning to establish a system to monitor land use change by 2018.

Progress: Progress refers to when companies report compliance towards a high-level commitment and/or a related milestone.

Commitment Progress: Companies can provide quantitative progress toward a commitment either as a percentage of the total that is in compliance and/or the volumes of the product (or the area of land) in compliance. For example, corporate disclosure that 20 percent of the soy it uses in 2018 is deforestation-free would be progress toward a commitment to use 100 percent deforestation-free soy by 2020.

Milestone Progress: Companies may disclose quantitative or qualitative progress toward a milestone depending on its focus. In the example above, a company may report that 40 percent of the soy it uses is deforestation-free or, alternatively, is certified as sustainable. In this case, the former would be considered progress toward the overall commitment and the milestone, and the latter would only be counted as progress toward the milestone.

In essence, a company that's committed to being deforestation-free would often treat a target to have 100 percent of its soy certified as sustainable as an intermediate goal on the path to its larger efforts to achieve deforestation-free soy. In the example above, qualitative progress would be to establish a system to monitor land use change by 2018.

Note: Because tracking all 865 companies simultaneously is not possible, *Supply Change* staggers company reviews throughout the year, so the research for any given company varies and is accurate as of the date it was reviewed. *Supply Change* data is gathered regularly from a variety of sources, including public disclosures to CDP's forest program, sustainability reports, websites, RSPO Annual Communications of Progress (ACOP) and Roundtable on Responsible Soy (RTRS) annual reports.

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II. THE ACCOUNTABILITY FRAMEWORK – DEFINITIONS RELATED TO DEFORESTATION, CONVERSION, AND PROTECTION OF ECOSYSTEMS

The terminology below has been extracted from the Accountability Framework’s “Terms and Definitions” document, which was compiled by a broad set of global NGO and industry partners. For more information on how these definitions are applied in practice, please see AFI’s *Operational Guidance on Applying the Definitions Related to Deforestation and Conversion, and Protection of Ecosystems*.

Deforestation: Loss of natural forest as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; or iii) severe and sustained degradation.

- This definition pertains to no-deforestation supply chain commitments, which generally focus on preventing the conversion of natural forests.
- Severe degradation (scenario iii in the definition) constitutes deforestation even if the land is not subsequently used for a non-forest land use.
- Loss of natural forest that meets this definition is considered to be deforestation regardless of whether or not it is legal.
- The AFI definition of deforestation signifies “gross deforestation” of natural forest where “gross” is used in the sense of “total; aggregate; without deduction for reforestation or other offset.”

No-deforestation (synonym: deforestation-free): Commodity production, sourcing, or financial investments that do not cause or contribute to deforestation (as defined by AFI).

- The Accountability Framework specifies no-deforestation (i.e., no gross deforestation of natural forests) as the appropriate policy and goal for companies and supply chains.
- In the context of the Accountability Framework, deforestation refers to the loss of natural forest (see definition of deforestation).
- The AFI recognizes the High Carbon Stock Approach (HCSA) as a practical tool to implement no-deforestation in the humid tropics.
- The terms “no-deforestation” and “deforestation-free” are used in favor of “zero deforestation” because “zero” can imply an absolutist approach that may be at odds with the need sometimes to accommodate minimal levels of conversion at the site level in the interest of facilitating optimal conservation and production outcomes (see definition for minimal level [of deforestation or conversion]).

Net deforestation: The difference in forest area between two points in time, taking into account both losses from deforestation and gains from forest regeneration and restoration. Net deforestation is measured with reference to a given geographic area (e.g., a district, state, nation, or globe) and a given timeframe.

- The Accountability Framework specifies that net deforestation is not an appropriate metric for characterizing the forest and land-use footprint of company operations, supply chains, or investments. Rather, companies should utilize the concept of (gross) deforestation, as defined above, in setting targets and monitoring outcomes.
- This definition is provided here for context and completeness because it sometime appears in the lexicon. Some have suggested that net deforestation may be a relevant concept for setting targets and informing land-use planning at the landscape, jurisdictional, or national scale, considering all sectors and all land uses together. To the extent that the net deforestation concept is used in these contexts, the AFI advocates that natural forests be distinguished and tracked separately from tree plantations for the purpose of quantifying forest loss and gain.



Zero-net deforestation: No net loss in forest area between two points in time, taking into account both losses from deforestation and gains from forest regeneration and restoration. Zero-net deforestation would typically be assessed with reference to a given geographic area (e.g., a district, state, nation, or globe) and a given timeframe.

- The AFI advocates against the use of zero-net deforestation as a target related to the forest and land-use footprint or outcomes of company operations, supply chains, or investments.
- This definition is provided here for context and completeness because it sometime appears in the lexicon. Zero-net deforestation may be a relevant target at the landscape, jurisdictional, or national scale, considering all sectors and all land uses together. To the extent that such a target is set in these contexts, the AFI advocates that the target also be disaggregated to establish separate sub-targets for and tracking of natural forests and tree plantations, so that the intended types of forest conservation, loss, and/or gain are clearly specified.

Cutoff date (related to deforestation-free and conversion-free commitments): The date after which deforestation or conversion renders a given area or production unit non-compliant with no-deforestation or no-conversion commitments, respectively.

Target date: The date by which a given company (or other commitment- or policy-issuing entity) intends to have fully implemented its commitment or policy.

ENDNOTES

- 1 For more examples of case studies, see Ceres and Climate Advisors' *Case Study Series: Business Risks from Deforestation* November 2017. <https://www.ceres.org/resources/reports/case-study-series-business-risks-deforestation>
- 2 <https://www.cdp.net/en/forests>
- 3 Ceres Press Release, *Investors with \$6.3 Trillion in Assets Call on Companies to Cut Climate, Deforestation-Related Risks in Global Soybean Supply Chains*, March 2019. <https://www.ceres.org/news-center/press-releases/investors-63-trillion-assets-call-companies-cut-climate-deforestation>
- 4 Ceres tracks shareholder resolutions on sustainability-related issues focusing on climate change, energy, water scarcity, and sustainability reporting. Link to database: <https://www.ceres.org/shareholder-resolutions-database>
- 5 Active investor no-deforestation working groups include the Ceres and PRI Investor Initiative for Sustainable Forests (IISF), Ceres' Shareholder Initiative on Climate and Sustainability (SICS), PRI's Palm Oil Working Group and the Interfaith Center on Corporate Responsibility (ICCR).
- 6 Companies need to a set time-bound commitment to no-deforestation with intermediate goals for all of their forest-risk commodity supply chains. This means going beyond zero net deforestation goals popularized by the CGF to only have commitments aligned with AFI no deforestation principles.
- 7 Global Forest Watch Blog, *The World Lost a Belgium-sized Area of Primary Rainforests Last Year*, April 2019 https://blog.globalforestwatch.org/data-and-research/world-lost-belgium-sized-area-of-primary-rainforests-last-year?utm_campaign=gfw&utm_source=monthlyrecap&utm_medium=hyperlink&utm_term=2018tcl_4_2019
- 8 Rothrock, P., Weatherer, L., Zwick, S., Donofrio, S. and Hamrick, K (2019). *Corporate Commitments to Zero-Deforestation: Company Progress on Commitments that Count*. Forest Trends.
- 9 See definition for quantitative progress in the Appendix.
- 10 See definition for quantitative progress in the Appendix.
- 11 Yahoo! Finance (2019). Nestlé S.A. (NSRGY). Source: <https://finance.yahoo.com/quote/NSRGY>
- 12 Nestlé (2019). <https://www.nestle.com/media/pressreleases/allpressreleases/nestle-three-quarters-supply-chain-deforestation-free>
- 13 https://www.cdp.net/en/formatted_responses/responses?campaign_id=62452162&discloser_id=4982&locale=en&organization_name=Wilmar+International+Limited&organization_number=20664&program=Forest&project_year=2018&redirect=https%3A%2F%2Fcdp.credit360.com%2Fsurveys%2Fbb7fpt23%2F31548&survey_id=58186834 (F6.4)
- 14 YCharts (2019). Unilever NV (UN). Source: <https://ycharts.com/companies/UN>
- 15 Unilever Responsible Sourcing Policy (2017): https://www.unilever.com/Images/responsible-sourcing-policy-interactive-final_tcm244-504736_en.pdf
- 16 AFI provides useful guidance on point of control traceability on page 3 and 4 of Operational Guidance on Supply Chain Management. <https://accountability-framework.org/wp-content/uploads/2018/12/Op-Guidance-on-Supply-Chain-Management-DRAFT-2018-12.pdf>
- 17 Proforest (2018). *Accelerating implementation of responsible sourcing commitments: A Framework for Progress to 2020 and Beyond*. Source: <https://www.proforest.net/en/publications/accelerating-implementation-of-responsible-sourcing-commitments-a-framework-for-progress-to-2020-and-beyond>
- 18 As of March 2019, the CDP forests questionnaire updated its indicators with question linkages to the Accountability Framework initiative (AFI) that correspond to the core KPIs outlined in this brief: <https://guidance.cdp.net/en/guidance?cid=9&ctype=theme&idtype=ThemeID&incchild=1µsite=0&otype=Questionnaire&tags=TAG-597%2CTAG-609%2CTAG-600>
- 19 For more information on supplier non-compliance, reference Ceres' *Investor Primer on Non-Compliance Protocols: Ending Deforestation at the Source* via Engage the Chain engage.thechain.org



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