Goal 2: Support and help meet the private-sector goal of eliminating deforestation from the production of agricultural commodities such as palm oil, soy, paper, and beef products by no later than 2020, recognizing that many companies have even more ambitious targets

Indicator 1.1
Indicator 2.1
Indicator 2.2
Indicator 2.3
Indicator 3.1
Indicator 3.2
Indicator 4.1

Key Messages

- New data show that the number of corporate commitments to reduce deforestation driven by agricultural commodity supply chains continues to grow. Yet, their scope and ambition remain variable.
- Though reporting requirements and transparency efforts are improving, companies still face challenges tracing commodities to the source.
- Collaborative civil society initiatives, such as the Accountability Framework,

seek to harmonize definitions and develop tools that enable commitments to be implemented and monitored.

- Jurisdictional and landscape approaches indicate actors' willingness to collaboratively address the issue of deforestation in supply chains, while a number of pilot programs hold promise for the sustainable transformation of the agricultural sector.

OVERVIEW OF GOAL AND INDICATORS

Last year, for the 2016 NYDF Progress Assessment, we developed an assessment framework that provides a comprehensive tool for measuring progress towards Goal 2, based on four criteria. For the 2017 update we made a few minor revisions to this assessment framework to combine monitoring of progress and compliance in one indicator (Table 1).

Table 1: Indicators to track Goal 2

CRITERIA	INDICATOR
1. Forest-related commitments by companies	1.1 Commitments by companies
2. Implementation of private-sector forest commitments	2.1 Adoption of policies 2.2 Traceability and monitoring of commodity sourcing 2.3 Reporting of progress
3. Support by financial institutions and the public sector	3.1 Forest policies by financial institutions 3.2 Improvements in forest governance and public policies
4. Impact on deforestation	4.1 Reduction of deforestation associated with a particular commodity

FINDINGS

## Criterion 1: Forest-related commitments by companies

Indicator 1.1: Commitments by companies

As of August 2017, *Forest Trends' Supply Change Initiative* tracks the commodity-

driven deforestation commitments and policies of a growing list of nearly 900 companies which have cattle, palm, soy, or timber & pulp risk exposure. Four hundred and seventy one companies that have at least one commitment are then profiled on *Supply Change's* web platform (www.supply-change.org), representing 785 commitments (Figure 1). This leaves hundreds of companies who are without commitment but have exposure to commodity-driven deforestation.

Companies in the cattle and soy sectors continue to lag behind their counterparts in making commitments as only a small share of companies that produce, process, trade, or source these commodities have made commitments. On the other hand, more than half of the companies that have exposure to palm and timber & pulp have made commitments, which correlates strongly with the availability and uptake of certification standards for these commodities. The majority of these companies use third-party certification schemes, such as Roundtable on Sustainable Palm Oil, Forest Stewardship Council, Programme for the Endorsement of Forest Certification, Roundtable on Responsible Soy, Rainforest Alliance / Sustainable Agriculture Network, and UTZ.

Figure 1: Forest-related commitments in different commodity supply chains
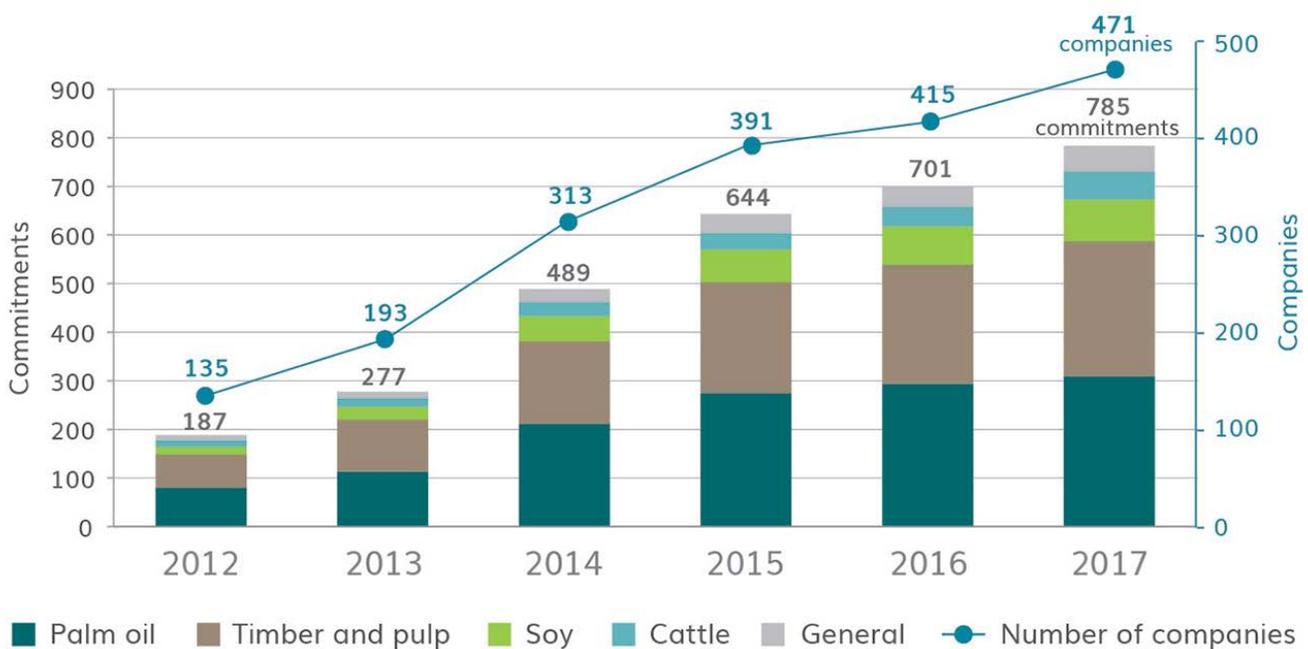
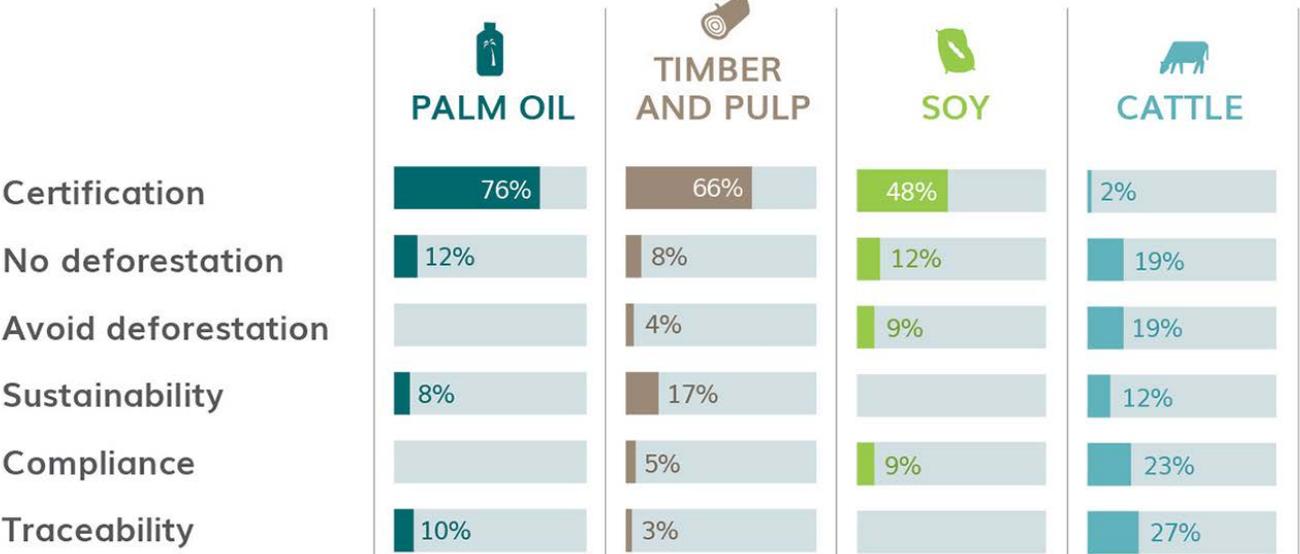Source: Compiled by Climate Focus based on 2017 data presented on Supply-Change.org.

According to Forest 500, more than 40 percent of "powerbroker companies" in the palm oil and timber sectors have measures in place to avoid procuring commodities from primary, intact, natural and/or High-Conservation-Value (HCV) tropical forests

or commitments to cover their production or procurement using a credible certification scheme. More than half (60 percent) had vague commitments to sustainability, sometimes referring to forests specifically but not excluding exploitation of priority forest types or committing to the use of credible certification schemes.[1]

For the palm oil sector, the Sustainable Palm Oil Transparency Toolkit (SPOTT) initiative provides comprehensive information on the land bank and market shares covered by company commitments. Data indicates that a major share of the sector has adopted commitments, and shows good performance based on SPOTT's ranking system.[2] In the palm oil sector, one quarter of all companies that are listed with commitments on *Supply Change* belong to the group of influential Forest 500 companies. For timber and pulp, soy, and beef, the share is much lower: 16 percent, 13 percent, and 15 percent, respectively.[3]

In an analysis of data from *Supply Change's web platform*, we find that commitments continue to be highly variable, which often makes them difficult to understand. It is also difficult to compare their scope or ambition in meeting forest goals (Figure 2). Many commitments refer to vague, high-level objectives (e.g. for sustainability, responsibility, no deforestation). Some provide more tangible targets (e.g. relating to the share of certified products) or specify the approaches they have chosen to achieve their commitment (e.g. traceability to a certain point in the supply chain, compliance with certain policies). For most of these elements, additional detail is required to understand their relevance to deforestation.

Figure 2: Companies that mention specific targets and strategies in their commitments (percent)

	PALM OIL	TIMBER AND PULP	SOY	CATTLE
Certification	76%	66%	48%	2%
No deforestation	12%	8%	12%	19%
Avoid deforestation		4%	9%	19%
Sustainability	8%	17%		12%
Compliance		5%	9%	23%
Traceability	10%	3%		27%

New efforts to streamline commitments and align their implementation tools in order to improve traceability and transparency are evolving. For instance, a new coalition of civil society organizations in consultation with the private sector and governments is developing Accountability Framework for this purpose (Box 1).

Box 1: Aligning supply-chain commitments and implementation tools – The Accountability Framework

In response to the need for clear and consistent guidance on definitions, implementation, monitoring, verification, and reporting on supply-chain commitments, a coalition of leading environmental and social NGOs is developing the Accountability Framework in close consultation with companies, governments, and other stakeholders. The Framework is designed for companies, financial institutions, government agencies, reporting and tracking initiatives, implementation service providers, advocacy organizations, producers, and communities affected by commodity production to help:

1. Better align different implementation tools, systems, and initiatives relative to common definitions and norms
2. Develop effective implementation systems for regions and commodities where they are now lacking
3. Improve supply-chain management systems to translate commitments into steady progress on the ground
4. Improve the consistency and credibility of monitoring, verification, reporting, and claims
5. Strengthen the voice of producers, workers, communities, and their advocates in ensuring accountability to company commitments

The Framework is being developed in late 2017 and 2018, beginning with the global framework followed by more detailed good practices and guidance in an accompanying manual.

Criterion 2: Implementation of private-sector forest commitments

Indicator 2.1: Adoption of policies

Recent data provided by CDP's forest program show that companies have taken some steps to operationalize their forest-related commitments. The large majority of companies that responded to CDP's disclosure request in 2016 had conducted an assessment of deforestation risks and opportunities for their business (Figure 3). Only a few companies (20 percent) across the four commodities, however, had

assessed their risks in the longer term (six or more years into the future).

While many companies rely on certification schemes to meet their commitments, many have also adopted their own standards for producing or procuring commodities. In 2016, almost two-thirds of producers, processers, and traders across the four priority commodities had production standards in place. An even higher share of retail and manufacturing companies had procurement standards in place, but on average less than those that monitored compliance against their standards carried out supplier audits. While companies report working with their direct suppliers to improve the implementation of forest-related commitments, a smaller share of manufacturers and retailers provide capacity building and training (28 percent) and technical support (6 percent) to their suppliers.

Figure 3: Companies that have adopted policies or strategies
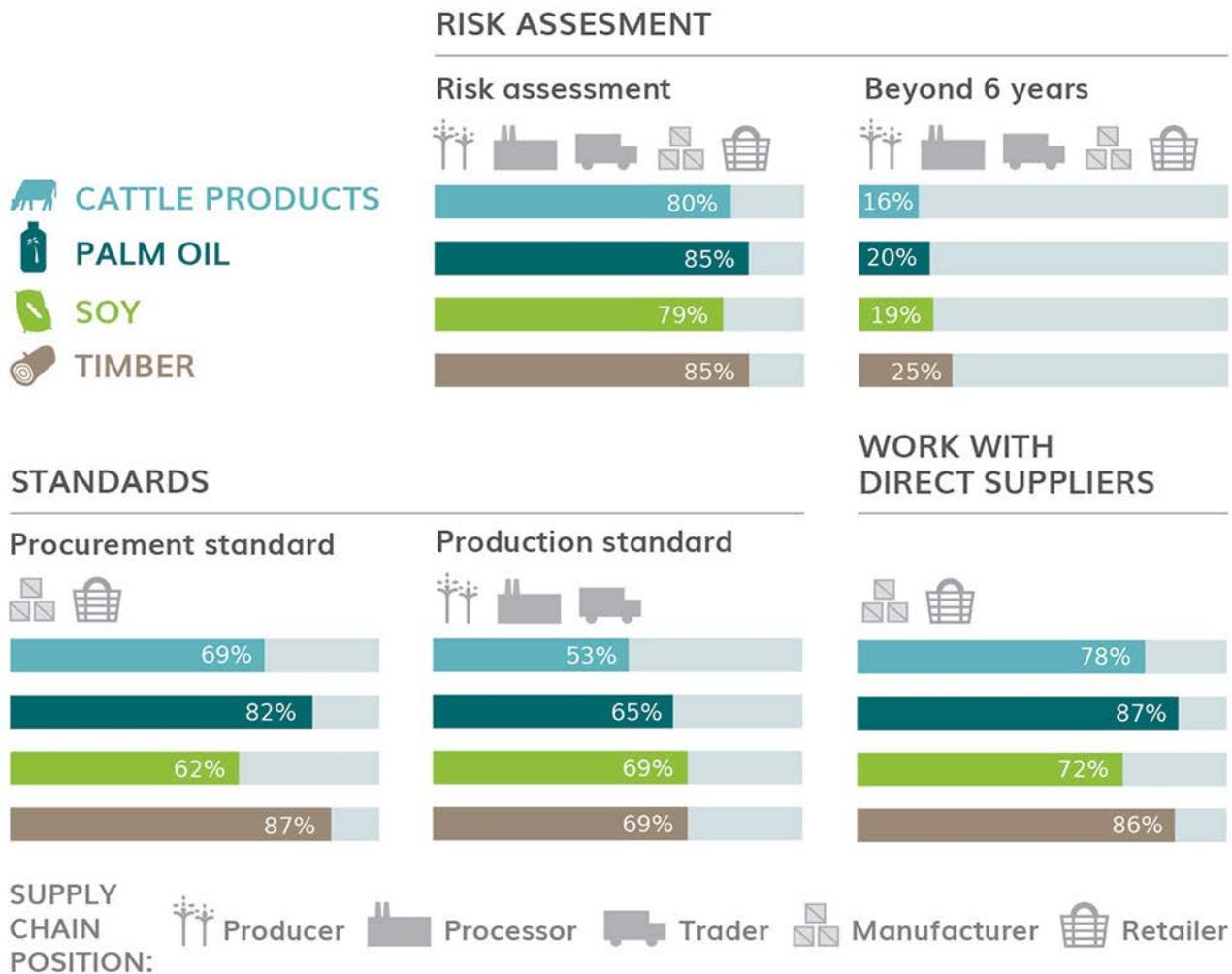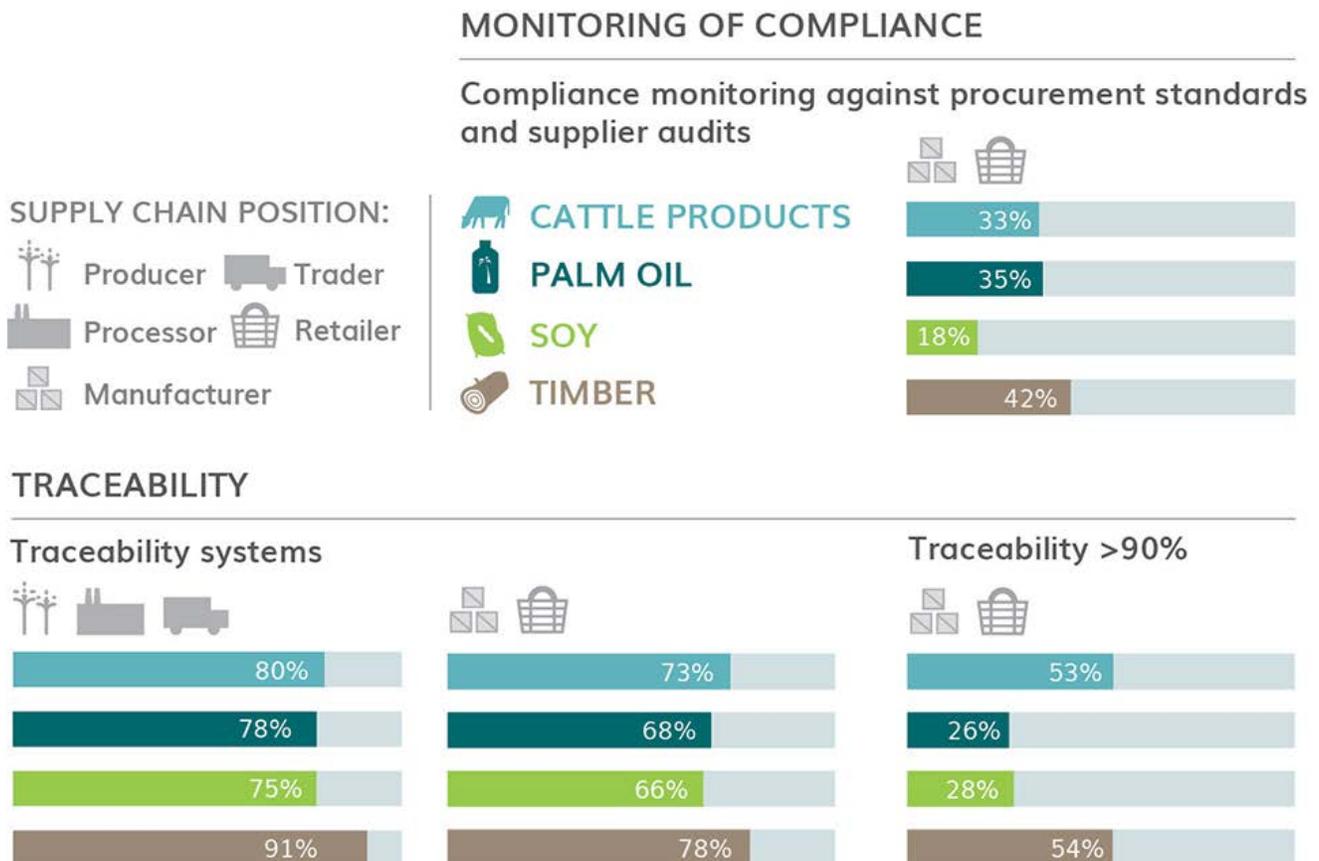

Source: Compiled by Climate Focus based on 2016 data provided by CDP's Forest Programme.

Notes: Total number of companies: 187. Companies included are those that responded through CDP's Forests

Indicator 2.2: Traceability and monitoring of commodity sourcing

To monitor compliance with their own standards, the majority of companies have established traceability systems, which are integral to ensuring the transparency, accountability, and integrity of tracking commitments and disclosure. According to data provided by CDP, in 2016, 81 percent of producer companies had a traceability system in place across commodities (Figure 4), an improvement on 69 percent for 2015. For companies that operate further downstream and closer to the consumer, the rate remained practically unchanged at 71 percent. Traceability systems are slightly more advanced in the case of timber products, where demand-side legislation that mandates supply-chain monitoring is in place in the European Union and the United States.

Figure 4: Companies that have traceability and monitoring systems in place (percent)
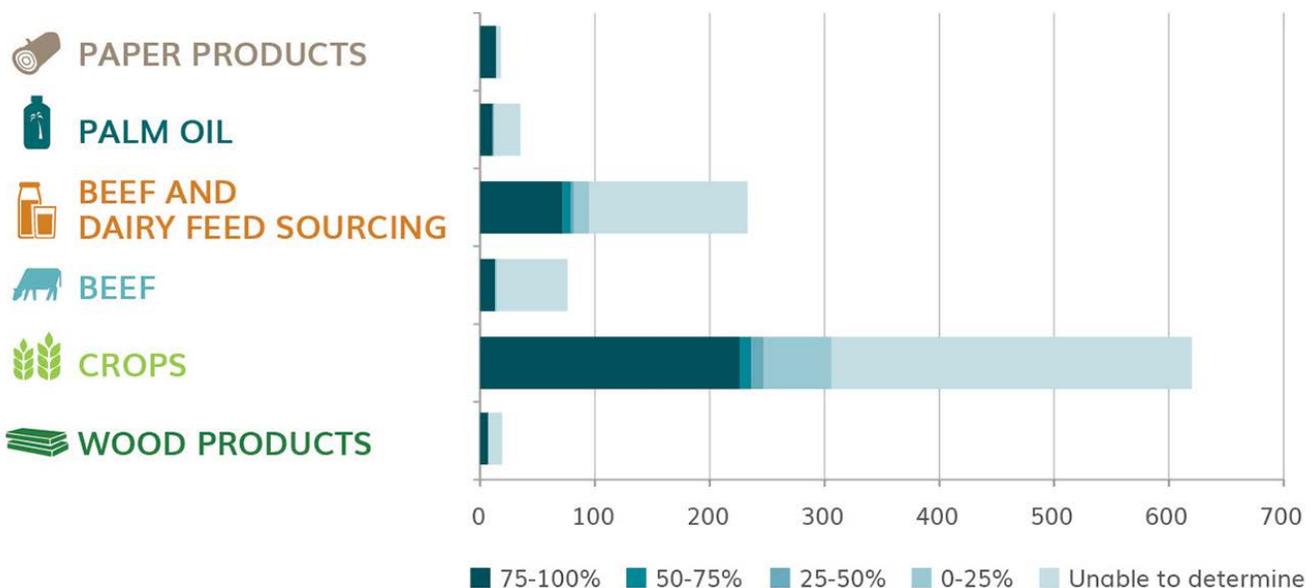

Source: Compiled by Climate Focus based on 2016 data provided by CDP's Forest Programme.

Notes: Total number of companies: 187. Companies included are those that responded through CDP's Forests

Programme up until August 2, 2016.

A lack of clarity in the scope and definition of commitments makes defining progress on implementation difficult. For example, according to data provided by The Sustainability Consortium, more than half of companies were still unable to determine if their supply was free of converted HCV or High-Carbon-Stock (HCS) forests (Figure 5). Nonetheless, 343 companies – a 34 percent increase from 2015 – were able to exclude HCV/HCS sourcing for 75-100 percent of their supply. However, these companies operate mainly in the crop and dairy feed sectors, which includes commodity sourcing from countries without deforestation (e.g. the US).

Figure 5: Retail supplier companies reporting on the share of supply not coming from converted HCV or HCS forests

Source: Climate Focus compilation based on 2016 data provided by The Sustainability Consortium.

Notes: Retailers consolidated how surveys were distributed to paper and wood suppliers, which resulted in a decrease in the number of responses for some Key Performance Indicators (KPIs). The graph depicts the number of company responses to a KPI, therefore a company may be represented more than once for a single KPI. Retailers consolidated how surveys were distributed to paper and wood suppliers, which resulted in a decrease in the number of responses for some KPIs.

Indicator 2.3: Reporting of progress

Supply Change found that companies' reporting and transparency efforts are gaining momentum.[4] Progress information on companies' commitments is increasingly available, namely for over half (51 percent) of the commitments that *Supply Change* has consistently tracked over the past two years. While this is a

dramatic increase from *Supply Change's* 2016 findings, which found that progress information was available for only one in three (36 percent) of commitments, one fifth of all commitments are not accompanied by transparent progress reporting, and are considered to be "dormant".[5] Dormant commitments are defined as those commitments whose target date has passed, or, commitments which were announced in 2015 or earlier and never had a target date.[6]

Criterion 3: Support by financial institutions and the public sector

Indicator 3.1: Forest policies by financial institutions

According to Forest 500, as of 2016, only a small number of the 150 financial institutions linked to Forest 500 companies are addressing deforestation risks in their portfolios, and about one-third have commitments associated with at least one of the big four commodities.[7] Half of the commitments refer to the protection of priority forest types but remain vague and non-binding in their environmental, social and governance (ESG) requirements. Some investors are putting pressure on agribusiness companies through shareholder resolutions, calling on them to address forest risks and eliminate deforestation in their supply chains. Although banks in Asia that provide financial services to forest-risk sectors are starting to adopt safeguard policies and ESG guidelines, few apply them to their entire portfolio.[8] Twelve banks, worth USD 10 trillion in assets, have committed to the Soft Commodities Compact within the Banking Environment Initiative and the Consumer Goods Forum.

Indicator 3.2: Improvements in forest governance and public policies

Many countries with a high prevalence of deforestation are in the process of setting up national or jurisdictional forest programs, often in the context of reducing emissions from deforestation and degradation (REDD+) initiatives. Efforts are also being made to address illegality and tenure issues. Though the lack of enforcement of laws governing forests remains a significant barrier to the successful implementation of commitments, recent advancements point to progress.

Initiatives at the jurisdictional or landscape levels provide opportunities to consolidate various supply chain sustainability efforts, and the number and variety of jurisdictional initiatives continue to grow. For example, the Produce, Conserve, Include strategy is a is a multi-stakeholder coalition of government of Mato Grosso,

private companies, and civil society organizations.[9] The coalition aims to eradicate illegal deforestation while improving agricultural activity and improving local livelihoods. In Indonesia, the South Sumatra Eco-Region Alliance/Partnership Consortium for Landscape Management works to align company commitments with national commitments to address deforestation, climate change impacts, and wildfires in the region.[10]

Criterion 4: Impact on deforestation

Indicator 4.1: Reduction of deforestation associated with a particular commodity

There are currently no available data on Criterion 4, but new tools are being developed and refined that may provide answers within the next couple of years. However, at least some initiatives work towards providing answers on direct deforestation impact: (1) Global Forest Watch–Commodities and (2) Transparency for Sustainable Economies (Trase) have established complementary platforms to monitor commercial agriculture's deforestation impacts over time.

Data development #1: Global Forest Watch–Commodities tool for overlapping commodity data with deforestation trends

GFW–Commodities is a dynamic online forest monitoring and alert system that breaks down satellite data into mosaics and overlays it with open-sourced commodity data. Over the next couple of years, GFW–Commodities will add more commodity data to enable global measurement of deforestation by commodity type. Another iteration, GFW PRO, will soon be available, which will enable banks to track deforestation and fire alerts on specific client production areas.

Data development #2: New supply-chain transparency platform

Trase is an innovative platform (trase.earth) that maps the supply chains of globally traded agricultural commodities, linking regions of production to countries of import, via the individual companies that export and import a particular traded commodity. In doing so, Trase connects downstream supply chain actors to the impacts and opportunities associated with commodity production, enabling greater accountability, improved monitoring, and ultimately progress towards ambitious sustainability goals. Having launched in November 2016 with a focus on the Brazilian soy trade, Trase aims to cover over 70 percent of the total traded volume of forest risk commodities by 2020.

Box 2: Case study – Brazilian soy exports linked to deforestation

Trase enables interested stakeholders to explore the sourcing regions of particular supply chain actors, and to identify the sustainability risks and opportunities to which they are linked.

Figure 6 depicts the Trase model for Brazilian soy, with supply chain flows colored in green or red depending on whether the exporting company has a zero deforestation commitment. It reveals that the top three exporters have made commitments to eliminate deforestation across their entire supply chains, whilst others have made geographically specific pledges under the Amazon Soy Moratorium.

Exploring the data behind this diagram reveals that 42 percent of the soy exported from Brazil in 2015 was covered by a zero deforestation commitment of some kind. What's more Trase data reveals that 97 thousand hectares of deforestation that could be attributable to soy expansion in 2015 was associated with the sourcing regions of trading companies that have a zero deforestation commitment.

Figure 6: Trase for Brazilian soy recolored by exporter zero-deforestation commitments

Source: Data and screenshot provided by Trase, modified.

Authors: Franziska Haupt, Haseebullah Bakhtary, Alan Kroeger, and Ingrid Schulte (Climate Focus) with contributions from Stephen Donofrio (Forest Trends), Rafel Servent and Morgan Gillespy (CDP), Toby Gardner and Ben Ayre (Trase), Jeff Milder and Adrienne Stork (Rainforest Alliance), and Christy Melhart Slay (The Sustainability Consortium)

[1] Global Canopy Programme. (2016). Sleeping giants of deforestation: the companies, countries and financial institutions with the power to save forests. The 2016 Forest 500 results and analysis. Global Canopy Programme: Oxford, UK. Retrieved from https://globalcanopy.org/publications/sleeping-giants-of-deforestation-2016-forest-500-results-and-analysis

[2] The top 10 scoring companies have an average score of 78 percent for the "deforestation and biodiversity" criterion.

[3] Climate Focus analysis based on Forest 500 and Supply Change data.

[4] Donofrio, S., Rothrock, P., & Leonard, J. (2017). Supply Change: Tracking corporate commitments to deforestation-free supply chains. Washington, D.C.: Forest Trends.

[5] Donofrio, S., Rothrock, P., & Leonard, J. (2017).

[6] Donofrio, S., Rothrock, P., & Leonard, J. (2017).

[7] Forest 500 identifies and ranks the 500 powerbrokers that have significant influence over forest risk commodity supply chains.

[8] Rainforest Action Network, Tuk Indonesia, & Profundo. (2016). Bank Policy Assessment Summary. Retrieved from http://forestsandfinance.org/wp-content/uploads/2016/09/webMatrixEnglish.pdf

[9] IDH (2016). International market support for Mato Grosso's Produce, Conserve and Include Plan. News Article. Retrieved from www.idhsustainabletrade.com/news/international-market-support-mato-grossos-produce-conserve-include-plan-2

[10] Miller, C., Lujan, B., & Schaap, B. (2017). Collaboration Toward Zero Deforestation: Aligning Corporate and National Commitments in Brazil and Indonesia. Forest Trends and Environmental Defense Fund. Retrieved from www.forest-trends.org/documents/files/doc_5617.pdf