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First Report to Track Implementation of Corporate Sustainability Commitments Finds Notable Progress on Forest Protection Promises

415 companies have more than 700 supply chain commitments addressing mostly palm oil and timber; Fewer focus on cattle, the primary driver of deforestation, and soy

WASHINGTON, DC (November 3, 2016)—On the eve of the Paris Agreement's entrance into force, the first report to show the global "state of play" of private sector efforts to sustainably produce and source raw materials for countless products—from floorboards to ice cream—finds that companies worldwide have started to make good on promises to eliminate forest destruction from their supply chains. Released by a coalition of leading think tanks and research organizations, the report analyzes 600 companies engaged in the production of the big four globally traded commodities responsible for 40 percent of deforestation—palm oil, wood, cattle and soy. It finds that companies are already taking concrete steps to scrutinize their supply chains while corporate forest protection commitments continue to surge—since December 2015, 108 companies made 212 commitments. However, it cautions that, across the board, commitments are not time-bound and progress is mixed on implementation.

The report is part of a multi-year effort to track progress on the ten goals laid out in the New York Declaration on Forests (NYDF), a pledge by 190 national governments, sub-national governments, multi-national companies, indigenous groups and NGOs to halve natural forest loss by 2020 and end it by 2030. The assessment provides new, concrete details about action companies along the entire supply chain—from farmers and loggers to manufacturers and retailers—are taking to end the loss of forests, which store carbon and emit it when destroyed. Meeting the New York Declaration's ten goals—which call for both forest protection and restoration, key tactics for tackling climate change identified in the Paris Agreement—would cut between 4.5-8.8 billion tons of carbon pollution each year, which is as much as the United States' current emissions.

"Tomorrow, as the Paris Agreement comes into force, nearly 200 governments shift focus from climate commitments to action," said Charlotte Streck, co-founder and director of Climate Focus, a climate change think tank that led development of the report. "We need this same shift in corporate sustainability commitments. But action has to be fast as natural forests are still disappearing at an alarming rate, posing the risk that supply chains may only become 'deforestation-free' once forests are gone."

"What we now need, if forests and the climate are to be saved, is action on commodities with the biggest forest impacts, and an increase in partnerships between companies and governments, and among retailers, traders and producers that pool resources to save forests," continued Streck.

From using satellites to monitor forest loss to training cocoa farmers to grow sustainable crops, the report highlights innovative private sector strategies designed to keep forests in Latin America, Southeast Asia and Central Africa standing. It also sheds light on the barriers and setbacks facing companies as they attempt to translate their ambitious pledges into actual impact on deforestation. In doing so, the report provides evidence of how this sector is seeking to implement sustainability commitments.

The report aggregates, cross-references and interprets data from a range of data sources that dive deep into corporate practices and forest-floor developments to provide the most comprehensive assessment of corporate supply chain commitments to date. Drawing on and consolidating data from 12 initiatives by leading think tanks and research organizations engaged in monitoring forest commitments and incorporating insight from original interviews with corporate sustainability officers, this year's report focuses on Goal 2 of the New York Declaration on Forests, which calls on companies to end deforestation associated with the production of key agricultural commodities. A second report released at the same time provides an update on all ten goals of the New York Declaration on Forests.

In providing a snapshot of the status of these commitments across 600 companies, the Goal 2 report reveals:

- **Implementation has begun.** Almost all companies assessed in the report have put their commitments into motion. Between 84-87 percent have identified if and where their operations put forests at risk. And most companies (56-70 percent of producers, processors and trades and 64-87 percent of retailers and manufacturers) have established rules about how goods are produced and sourced that are in line with their commitments. Most companies use certification—where available and tested—as a strategy for sourcing sustainable goods.

- **Progress is (too) gradual.** The report cautions that commitments are piecemeal. Nearly all company commitments only address one commodity or a specific geography. Only 43—10 percent—of the 415 companies with commitments have set company-wide targets that cover all commodities relevant to the company's portfolio.

- **Soy and cattle lag**. Nearly 60 percent of the companies that source or produce palm oil and 53 percent of those engaged in wood have made commodity specific commitments. For soy (21 percent) and cattle (12 percent), the proportion of companies with commitments is considerably lower.

  "Only 12 percent of cattle companies engaged in cattle rearing, which feeds our appetite for beef and leather, have commitments in place," Streck said. "Raising cattle is one of the leading causes of deforestation, but it's difficult for the sector to make commitments as cows change hands multiple times over their lifespans. Tracing deforestation to the specific animal is a major challenge."

  Brazil has nonetheless made some progress on efforts to remove deforestation from beef and soy production, the report suggests. This progress is often achieved not through commitments, but through collaborations among producers, the government and NGOs. In the Brazilian State of Pará, for example, nearly 90 percent of federally inspected slaughterhouses have signed agreements with Greenpeace that commit them to avoiding the purchase of cattle from ranches that contribute to deforestation. And Brazil's Soy Moratorium is a public-private initiative that has led to drastic reductions in deforestation.

- **Focus on forest hotspots**. Encouragingly, more than 90 percent of the commitments come from companies sourcing or producing from deforestation hotspots in Southeast Asia, South America and West Africa. Of these, 32 percent target Brazil, 32 percent focus on Indonesia, 26 percent address Malaysia and 10 percent deal with Paraguay.

- **Western companies dominate**. Nearly 90 percent of deforestation commitments come from companies based in North America, Europe and Australia. Corporations in emerging markets are lagging behind their western counterparts, the report says.

  The report includes notable exceptions: palm oil and timber producers and processors in Southeast Asia—such as Musim Mas and Asia Pulp and Paper—and meat processors and slaughterhouses in Brazil have engaged in forest protection efforts.

- **Suppliers and producers less committed**. Significantly, the players who operate closest to the forest floor—such as producers, processors and traders—have fewer commitments than companies "downstream," such as manufacturers and retailers. Only 17 percent of producers, 20 percent of processors and 13 percent of traders have commitments. This is in contrast to 67 percent of manufacturers and 30 percent of retailers. Here, too, palm oil companies in Southeast Asia and meat processors in Brazil offer examples of "upstream" corporate commitments.

  "While engagement of companies higher up in the supply chain is significant, it is the actions from companies directly involved in production that show the greatest impact on deforestation," Streck said.

- **Transparency is key**. About half of the companies examined don't publicly disclose their successes or shortcomings in adhering to their own sustainability policies. In interviews, companies said that compliance with their deforestation policies range from between 50 and 100 percent. However, a lack of specific details about compliance makes independent monitoring of implementation efforts a sticking point, the report finds.

- **Monitoring is difficult**. Most companies have monitoring systems in place that enable them to trace their commodities along part of the supply chain. But they said in interviews that tracing these commodities—particularly soy and palm oil—all the way back to the farm level is challenging.

  About a third of the companies interviewed have a system in place for monitoring compliance along the entire supply chain. These include satellite mapping systems that provide up-to-date information and quickly expose sources of deforestation.

"Ultimately, it is not pledges, but realizing those pledges that will end deforestation," Streck said. "Implementation and monitoring are key. More action by both public and private sector players—and sooner—is needed to have a meaningful impact on deforestation by 2020 and to ultimately end it by 2030."

Companies can't do it alone
The report identifies the four stages companies go through to realize their commitments. Companies first adopt supply chain commitments, then implement these commitments through company policies and operational plans. To successfully realize these plans, companies need

the firm support of governments, non-supply chain private actors such as financial institutions, and NGOs. Finally, companies must determine the overall impact of their efforts on deforestation.

Governments, in particular, the report finds, are essential for helping companies to deliver on their forest commitments. For example, companies interviewed for the report said that poor land-use planning, weak law enforcement and insufficient monitoring and accountability systems in forest countries where they operate make it difficult for them to achieve their goals.

“The private sector can’t deforest alone; some governments enable deforestation by making it possible for companies to do so without impunity,” Streck said. “Governments must get a firm grip on what’s happening in their forests, establish policies that keep illegal activity at bay and protect the rights of indigenous and local communities to avoid land conflicts so that businesses can operate on the ground without risk.”

Tackling deforestation in Indonesia and Brazil, the report asserts, is most urgent, due to a spike in forest fires in Indonesia (associated with the production of palm oil and timber) and a recent increase in deforestation in Brazil (due to soy and cattle production). The report finds that Southeast Asia has the highest rates of deforestation in the period 2010-2014 (Cambodia, Malaysia, Indonesia, Vietnam and Laos). Most of the forest loss there is linked to palm oil, timber and, more recently, rubber.

Deforestation is also on an upswing in West Africa. In Sierra Leone, Guinea, Liberia and Cameroon, deforestation rates have more than doubled or tripled from 2001 to 2009. The expansion of palm oil, sugar and cocoa is leading to forest loss.

Some companies are choosing to work with only those countries showing a commitment to eliminating deforestation. In 2015, for example, Unilever and Marks & Spencer committed to preferential sourcing from the 50 tropical forest countries engaged in the reduction of deforestation and forest degradation (REDD+)—a policy included in the Paris Agreement.

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Twelve think tanks and research organizations contributed to the two reports: CDP, Climate Focus, Environmental Defense Fund (EDF), Forest Trends, Global Alliance for Clean Cookstoves (GACC), Global Canopy Programme (GCP), International Union for Conservation of Nature (IUCN), Rainforest Alliance, Stockholm Environment Institute (SEI), The Sustainability Consortium (TSC), Woods Hole Research Center (WHRC), World Resources Institute (WRI) and Global Forest Watch.