

SUPPLY CHANGE

Commitments that Count

Supply Change: Tracking Corporate Commitments to Deforestation-free Supply Chains, 2016



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Introduction

Negotiators from nearly 200 governments adopted the Paris Climate Agreement in December 2015, and they did so with unprecedented support from the private sector – backed, in part, by the increasing number of public pledges to end practices that flatten forests for the sake of palm, soy, cattle, and timber & pulp. But as we all know too well, it's not making the pledges that is the hard part, it's keeping them.

Just over a year ago, Forest Trends launched the *Supply Change* project with the specific aim of tracking progress reported by companies that do make pledges to reduce deforestation in their supply chains. Our goal is to provide a transformational resource for businesses, investors, governments, and the civil society organizations that support and hold them accountable, providing real-time information on the extent and value of commitment-driven commodity production and demand.

Our first report, published in March 2015, documented 307 such public commitments from 243 companies. One year later, we have made great progress and are now tracking 579 public commitments from 366 companies. In this report, which examines the *Supply Change* dataset as of March 31, 2016, we take the next step to determine the status of and trends in corporate commitments and publicly reported progress towards those commitments.

We aim to find out: Who are these companies, what's working, what can we learn from them, and what progress have they achieved towards reducing deforestation linked to their supply chains in palm, timber & pulp, soy, and/or cattle?

Most of the companies that have made such commitments are headquartered in North America and Europe, far away from the commodity-related deforestation. They also tend to be large, publicly traded companies, dealing in food products, and operating downstream in the consumer-facing manufacturing and retailing levels of global supply chains. However, despite the pledges to purge deforestation from their supply chains, public information on tangible steps towards achieving these goals is available for only one in three commitments.

Transparency around commitments provides valuable knowledge to those who are working diligently to raise awareness of corporate deforestation risks. Transparency also provides the data that shows what works for those companies proactive enough to commit to reducing deforestation and its related impacts. Standardization of reporting is critical. *Supply Change* scours all publicly available information to synthesize this information and effectively pull these companies towards change.

We applaud the 366 companies that have publicly reported their commitments. However, this is only the starting point. We encourage all companies to update their stakeholders on their progress along the way and the hundreds of other companies that have not yet made a commitment to doing so.

Palm, timber & pulp, soy, and cattle are responsible for more than a third of tropical deforestation annually.

Corporate action is critical to achieving ambitious goals for ending commodity driven deforestation

As of March 31, 2016, *Supply Change* has researched 566 companies that have supply chains dependent on palm, timber & pulp, soy, and/or cattle; these companies are engaged with these commodities in various roles – as producers, processors, traders, manufacturers, and/or retailers. These “big four” agricultural commodities are responsible for more than 3.83 million hectares of tropical deforestation annually,¹ more than a third of the 9.9 million hectares of tropical forests lost globally per year.² Out of these 566 tracked companies we identified 366 companies that have made a total of 579 public commitments to reducing the deforestation impacts of their supply chains – increases of 123 companies with commitments and 272 commitments from the time of *Supply Change*’s first report released in March 2015, “Corporations, Commodities, and Commitments that Count.”³

A review of companies, publicly disclosed commitments as well as their reported progress against those commitments reveals the following **key findings**.

Current disclosure is insufficient as public information on quantifiable progress is available for only one in three commitments. Even among pledges whose target dates have already passed, companies have disclosed progress on fewer than half.

Companies are most likely to make commitments toward palm, and timber & pulp. Of companies active in palm, 61% have adopted pledges, compared with only 15% of those companies active in cattle. The disparity is alarming because it is estimated that cattle production causes *10 times* more deforestation than palm.

Companies that operate “upstream” (producers, processors, and traders) are more likely to make commitments than their “downstream” counterparts (manufacturers and retailers) – and their pledges are potentially more impactful. Upstream actors represent just 26% of tracked companies, but 80% have made a commitment, compared with 62% of downstream companies with a commitment.

Most commitments target the year 2020. Although target dates for 36% of commitments have already passed, companies continue to work towards them and/or replace them with new target dates.

Commitments most often cite sourcing or producing commodities certified to be sustainable as a factor toward goals and implementation. This is especially true for palm, and timber & pulp.



Supply Change, Commitments that Count – 579 deforestation-related commodity commitments

Supply Change is the world's first and only freely available data aggregation and profiling platform that tracks global corporate public commitments to and progress toward eliminating deforestation from the four most damaging global commodity supply chains: palm 🌴, soy 🌱, timber & pulp 🌲, and cattle 🐮.

Included in these supply chains are thousands of distinct actors, including companies, financial institutions, and governments. In different ways, each of these actors has a responsibility for the deforestation and land degradation resulting from their actions. Producers are responsible to use best practices that avoid deforestation and manufacturers are dependent on those producers to meet demanding sourcing guidelines. Currently, Supply Change focuses on companies that both participate in activities related to commodity-related deforestation risk and that are included in other relevant assessments.⁴

Example Supply-Change.org profile (Gen Commodity Co.) annotated with information about methodology

Supply Change collects and includes basic business information in the company's profile.



GEN COMMODITY CO.

HQ Location
United States

Market Cap
1,000,000,000 USD

Ticker
NYSE: gencom

Sector
Food Products

Industry
Consumer Goods

Company Website
www.supply-change.org

Related Activities
CGF Member, FSC, Global Reporting Initiative, Publicly reported to CDP's forest program 2015, RSPO, TFA, TFT

Commodities Produced or Used
Timber & Pulp, Palm

Related Activities include multi-stakeholder memberships, declaration signatories, etc. in which companies participate.

Regular reviews ensure profiles have up-to-date information on commitments and reported progress.

Last Updated 31 Mar 2016

RELEVANT ASSESSMENTS *

Behind The Brands
70 out of 100

Forest 500
5 out of 5

WWF Palm Oil Score Card 2013
12 out of 12

Relevant Assessments are scores, rankings, or credentials conducted by third parties.

News

Closing The Gap Between Seeing And Doing For Corporate Supply Chains

Read More →

05.25.2016

Supply Change tracks relevant news articles featuring the company.

Resources

Sustainability Report 2015 →

CDP Disclosures →

RSPO profile →

TFT Profile →

Publicly available sources supporting or informing the company's commitment. Typical data sources include company websites, dashboards, and annual reports; publicly reported data to CDP forests disclosures; and company annual submissions to RSPO and RTRS.

Companies are considered active in a commodity if they produce or use it as part of their core business.

We continue to track companies that are active in one or more of the “big four” commodities but that do not have commitments, as these companies may make commitments in the future. (As of March 31, 2016, we are tracking 566 companies. Companies with commitments number 366; companies without public commitments number 200.) Note that only companies with commitments are profiled on the *Supply Change* website.

We strive to keep the research process as comprehensive as possible. Still, there are things we don’t know, most critically, the impacts that these commitments are having on the ground, the global market share for each commodity or land area used by each company, and the portion of a company’s revenue that is represented by each commodity, nor do we know the entire universe of companies that are active in and/or have commitments for these commodities.

Supply Change viewers can sort profiled companies by their commodity commitments, commitment goals, and procurement policies.

Supply Change considers a commitment to be any publicly available corporate statement targeting procurement of certified (or otherwise “sustainable”) commodity or certificate/credit purchase; supply chain traceability; supplier certification; bilateral purchase agreements; and any other organizational targets for low-/zero-deforestation or ecological degradation. Only those companies that have at least one commitment are profiled on *Supply-Change.org*.

Any milestones or progress toward the overall commitment are recorded for each year.

Terms included in the commitment that further define actions a company intends to take are listed on the profile.

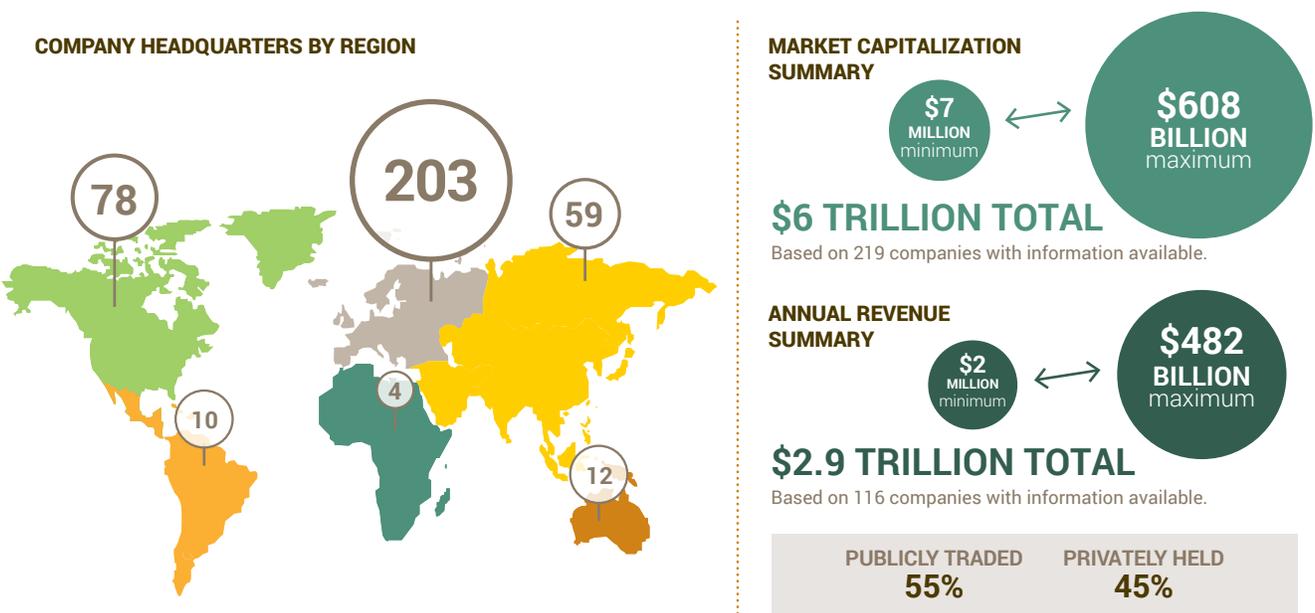


Large public companies are more likely to make commitments than small private ones

A noteworthy distinction between companies that are more likely to make a commitment is whether the company is publicly or privately held. A higher percentage of public companies (74%) have made commitments than private companies (56%). This may be a result of higher standards for disclosure and pressure from financial institutions that make investment decisions based upon principles of managing deforestation risk. For example, in 2015 the money management firm Green Century Capital Management co-filed an anti-deforestation shareholder proposal to Archer Daniels Midland (ADM) on behalf of its client The New York State Common Retirement Fund. The proposal was successful and ADM announced new commitments to deforestation in both palm and soy.

Company size, as measured by market capitalization and annual revenue, also appears related to the likelihood that a company will make a commitment. The companies in our data set which have made commitments are larger; their average market capitalization is \$28.5 billion, and they have an average annual revenue of \$25.3 billion. Companies without commitments are smaller with an average market capitalization of \$16.5 billion and annual revenue of \$9.4 billion.

Figure 1: Business Information Summary of Profiled Companies



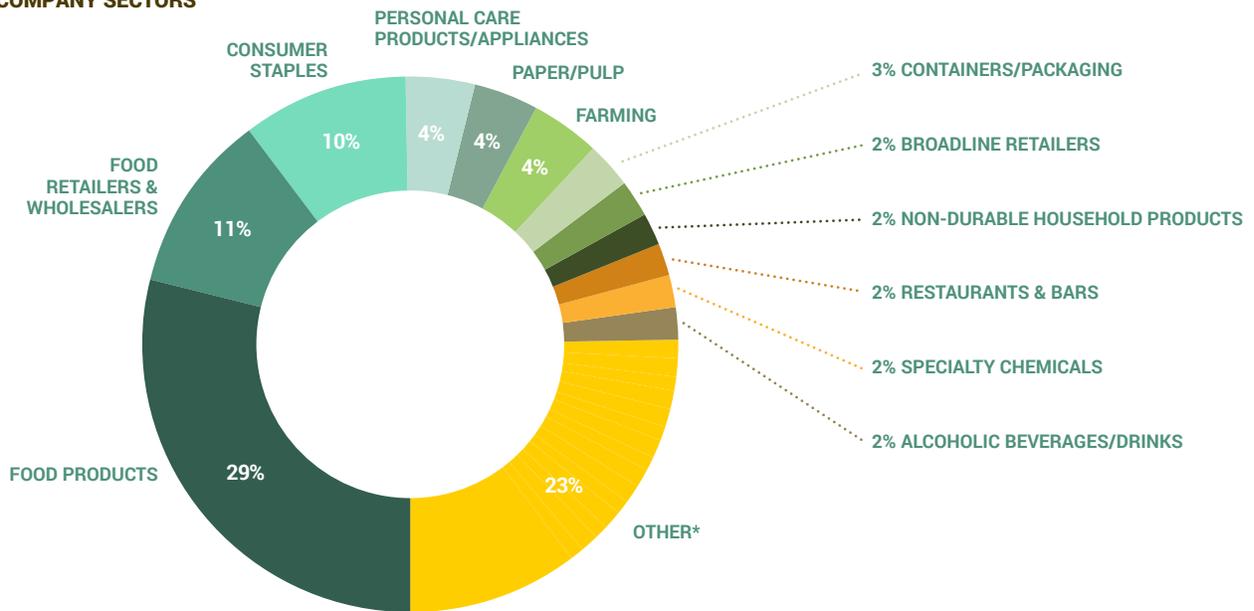
RELATED ACTIVITIES PARTICIPATION

- | | | | |
|---|---|--|--|
| 199 Roundtable on Sustainable Palm Oil | 34 We Mean Business | 13 Sustainable Apparel Coalition | 6 Indonesia Palm Oil Pledge |
| 116 Consumer Goods Forum | 30 World Business Council on Sustainable Development | 13 UN Global Compact | 6 PEFC International Stakeholder Member |
| 78 CDP Forests 2015 (responded publicly) | 27 Forest Stewardship Council | 12 The Leather Working Group | 5 Danube Soy |
| 43 Round Table on Responsible Soy | 25 The Sustainable Agriculture Initiative | 8 Global Roundtable for Sustainable Beef | 5 Palm Oil Innovation Group |
| 37 The Sustainability Consortium | 22 Global Forest and Trade Network | 8 Palm Oil Manifesto | |
| 38 New York Declaration on Forests | 15 British Retail Consortium | 6 Brazilian Roundtable on Sustainable Livestock | |
| 38 Tropical Forest Trust | 13 Tropical Forest Alliance 2020 | 6 High Carbon Stock Approach Group | |

In our research, we identify at what level in the supply chain – or sometimes at which multiple levels – a company is operating. Of the 366 companies with commitments, the largest proportion was operating downstream at the manufacturer level (67%) and the retailer level (27%). A lower proportion was operating upstream at the producer (14%), processor (19%), and trader (9%) levels.

Upstream companies are more likely to have a commitment to reducing deforestation in their supply chains, and those commitments are arguably more critical. Roughly 80% of upstream companies have made commitments compared to 63% of their downstream customers. Since upstream companies handle a bigger amount of the commodity than those downstream, their commitments are potentially of greater impact. For example, an upstream palm company like Wilmar International handles over 16 million tonnes of palm per year, dwarfing Walmart, one of the largest retailers in the world, which sources about 96 thousand tonnes of palm per year.⁵ While impact of a commitment ultimately depends on implementation, one upstream commitment has the same potential for change in deforestation as numerous downstream commitments.

COMPANY SECTORS



*Other includes 39 sectors with 1% or less of profiled companies.

COMPANIES WITH COMMITMENTS BY SUPPLY-CHAIN LEVEL*



*Total exceeds 100% because some companies operate at multiple levels within a supply chain.

Companies are most likely to make commitments toward palm, and timber & pulp, and soy

A company's likelihood to address deforestation varies from commodity to commodity. Of the 566 researched companies, more are active in palm, and timber & pulp value chains, and a higher percentage of these companies – 61% and 54%, respectively – have made commitments than those that are active in soy (19%) and cattle (15%).

This commitment distribution is particularly unsettling when considered alongside current deforestation data. Cattle production is the biggest driver of tropical deforestation followed by soy⁶ and is estimated to cause *ten times* the deforestation associated with palm. While it is true that commodity supply chains may also have other significant conservation impacts, such as to High Carbon Stock (HCS) areas and peatlands, this disparity nevertheless demonstrates an enormous imbalance between the scope of a commodity's impact on deforestation and the amount of attention that a commodity receives.

One important caveat in this context is that soy commitments typically only address a company's direct use. However, the indirect soy footprint embedded within animal products can be much greater since soy is used primarily as animal feed. This may change as new tools make it easier for companies to determine both their direct and indirect soy usage.⁷ One example is CGF's "soy ladder," a framework that helps companies to better detect where soy usage lies within their supply chains and where their soy footprint is most at risk of causing deforestation.

Our research shows that while many companies are active in multiple commodities, it should not be assumed that if a company has a commitment for one commodity that it would also have commitments for others. For example, of the 235 companies that have a palm commitment, 141 are also active in soy and 84 in cattle, however, only about a third of these multi-commodity companies have a similar commitment to soy or cattle. Conversely, those companies that do make a commitment to cattle are very likely to also address palm (91%), timber & pulp (89%), and soy (81%) when any one of these is also in their supply chain.



Figure 2: Number of Companies with and without Commitments by Commodity



* Union of Concerned Scientists. "What's Driving Deforestation?". Accessed April 26, 2016. <http://www.ucsusa.org/global-warming/stop-deforestation/whats-driving-deforestation>

Pervasive certification schemes may result in more companies addressing commodity risk

Companies with exposure to forest-risk commodities have recognized supply chain-related business risks as well as opportunities to increase their sustainability initiatives. The 2015 CDP forests survey that analyzed companies' 2015 CDP Disclosures found that 75% of 171 responding companies identified substantive supply chain-related business risks including reputational, operational, and regulatory.⁸ Around half of the companies that disclosed to CDP identified substantive reputational business risks – such as activist campaigns – from deforestation associated with their timber & pulp, cattle, or soy supply chains, while a larger number of companies (64%) identified that same risk for palm. A little more than half of companies with timber & pulp (54%) or palm (52%) in their supply chains saw operational risks, such as losing orders from companies with stringent commitments, while a smaller percentage of companies identified this as a risk for cattle (36%) and soy (41%). Between 27% and 37% of companies saw regulatory risks in their palm, cattle, and soy supply chains, whereas nearly half saw these risks for timber & pulp.

Some companies aspire to make commitments addressing these business risks, but they may be unwilling to do so without a clear way to operationalize their goals and achieve measurable results. Certification schemes provide a turnkey option toward sustainability that many companies are pursuing. Around 21% of global palm production is certified under the Roundtable on Sustainable Palm Oil (RSPO),⁹ and 10-15% of managed forest area – mostly non-tropical – is certified under the Forest Stewardship Council (FSC) and/or the Programme for the Endorsement of Forest Certifications (PEFC).¹⁰ By contrast, the Round Table for Responsible Soy (RTRS) covers less than 1% of global soy production despite having a globally recognized certification scheme.¹¹ Cattle product supply chains lack an industry-supported, comprehensive global standard. The Leather Working Group audits a little over 10% of global leather production,¹² while the Global Roundtable on Sustainable Beef (GRSB) does not intend to set standards or to create a certification program – though it is working toward regional roundtables which may better be able to address geographic variations in cattle ranching.¹³

Standards and overlying certification schemes establish industry best practices, standardized metrics for monitoring performance, and, in some cases, labeling that is likely to be recognized by consumers. Research also suggests that certifications can help companies achieve operational improvements. For example, a 2016 RSPO study found that Malaysian and Indonesian palm producers with higher proportion of RSPO certification achieved a 35% increase in yields per hectare.¹⁴ Further, certified commodities have been found to demand a price premium of \$3.33 per tonne for RSPO-certified palm,¹⁵ \$1.80 per cubic meter for FSC-certified roundwood,¹⁶ and between \$3 and \$4 per tonne for certified soy.¹⁷

Critics of these certification schemes view these as imperfect stopgaps for weak government regulation and enforcement and claim they do not address underlying issues of sustainability. Certification outcomes are inherently limited by the effectiveness of the scheme (pervasiveness, stringency, etc.) and the independence of the auditors. Critics contend that ultimately these certifications encourage a race to the bottom, or in other words, a pursuit of cost-cutting measures while meeting only minimum standards, rather than a race to the top.

Yet in spite of these criticisms, development of certification schemes may offer an opportunity for more companies with soy and cattle exposure to establish initial deforestation-related commitments and increase ambition over time. An alternative approach that has been demonstrably successful are public-private partnerships such as the Amazon Biome Soy Moratorium – a pledge by companies not to trade or finance soy from areas deforested after 2008 – which contributed to reducing deforestation in the Amazon region 70% between 2005 and 2014.¹⁸



Courtesy of WWF-Canon / N.C. TURNER

More than 80% of palm, and timber & pulp commitments include certification, many companies do even more

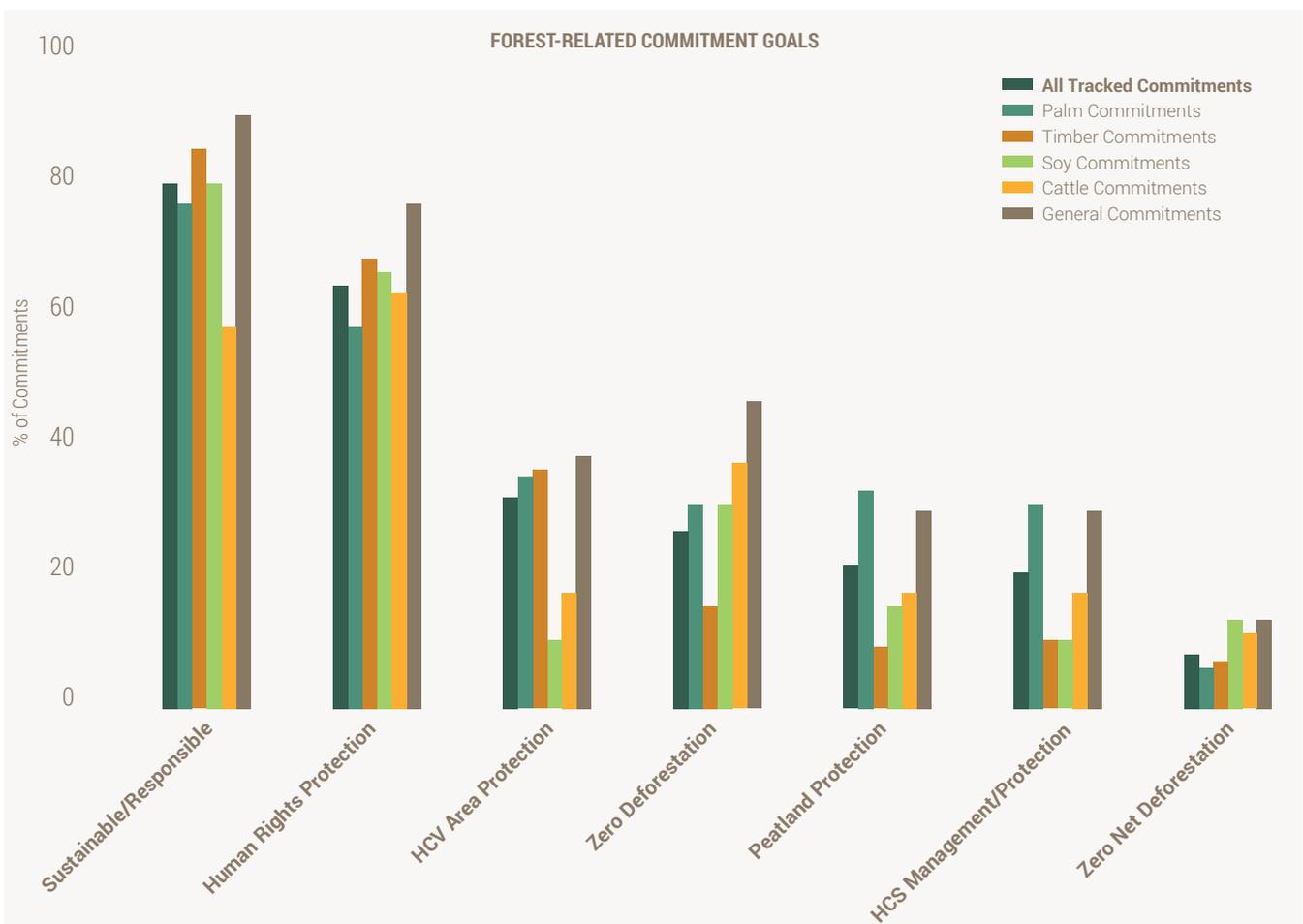
Supply Change tracks explicit mention of more than a dozen variables within commitment documents. These variables include goals and policies, such as the use of certification or the need to pay special attention to High Carbon Stock areas. They add specificity to a company's overall commitment and help move a company toward commitment implementation. Civil society is responsible for promoting many of these goals and policies.

We looked at the 85 commitments announced in 2015 from our profiled companies and compared them to the snapshot of findings from the 307 commitments reported in *Supply Change's* first report.¹⁹ The overall order of importance of these variables stayed the same, with human rights protection, High Conservation Value (HCV) area protection, and legality being among the most cited. However, the percentage of commitments that included these goals and policies increased in every case. This demonstrates an increasing similarity among commitments, a convergence on the factors that civil society considers important, and a recognition that deforestation commodity issues go beyond environmental impacts.

Within our dataset, sourcing and producing commodities with certification is the most-often cited policy approach across all commodities except for cattle and, to a lesser extent, soy. The low market penetration of the RTRS and the lack of an industry-backed global certification scheme for cattle likely contribute to the lower instance of commitments among the companies in our dataset active in those commodities. However, it may also be the case that producers forgo costs associated with certification because of a lack of demand.



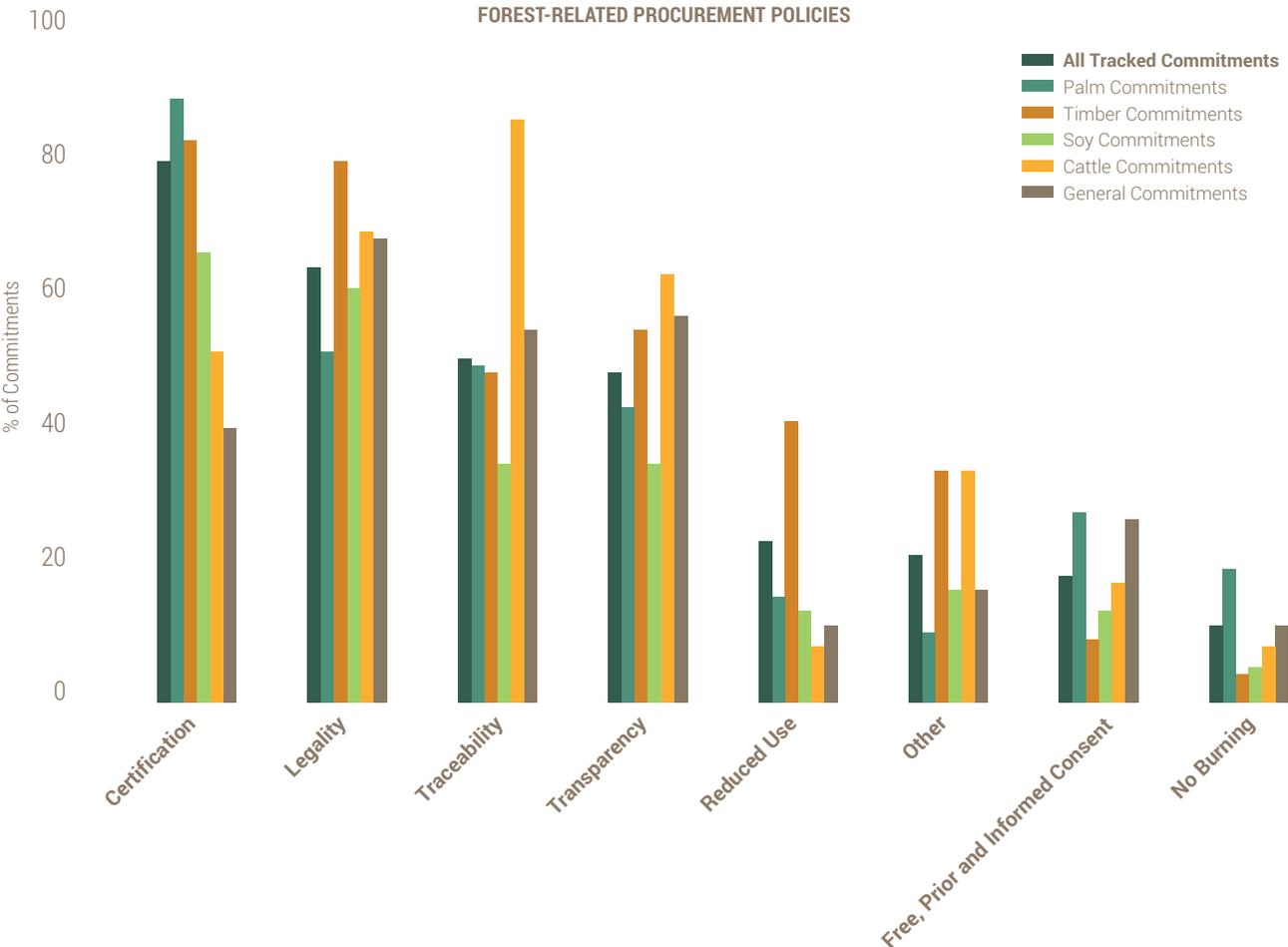
Figure 3: Percentage of Commitment Texts that Include Commitment Goals and Procurement Policies by Commodity



While certification serves as a clear baseline for commitments, many companies go further than the requirements set by standard bodies to establish additional policies. Traceability is an important contributor to full implementation of deforestation-free commitments, and this policy approach is among the most frequently cited. Within commitments related to cattle, traceability is identified at a particularly high percentage (83%), which can be partially attributed to food safety issues particular to beef consumption. Similar rates toward traceability would be expected for other meats, however, the cattle industry is unique in its large deforestation footprint. Integrating sustainability metrics into existing food safety certifications and regulation might achieve traction on cattle deforestation issues that has so far been elusive.

Cattle supply chains are more complex than the other commodities. Cattle can be sold through auctions, traders, or other middlemen, and ranch-to-ranch transfers may occur at any stage in the production process. Still, traceability is being implemented to address deforestation in cattle production. Marfrig, a Brazilian meat company, has implemented an innovative system in partnership with Greenpeace, known as the “Request for Information” tool, whereby their direct suppliers voluntarily share who they are procuring from. With the help of this tool, a company can check the origins of cattle against the government’s list of unapproved suppliers.²⁰

Each commitment target and procurement policy is represented in at least some portion of all the commodity commitments, even “peatland protection” or “no burning,” which are often associated with palm production (Figure 3). These two items are mentioned most often in palm commitments but still at a relatively low rate. Among all 243 tracked palm commitments, 32% include a reference to peatland protection and 19% to no burning. Even though these numbers may be considered low, they represent an uptick from our first report. The inclusion of no burning in a palm commitment has increased from 22% in our first report to 26% for commitments announced in 2015, and the inclusion of peatland protection has similarly increased from 16% to 37%. This is an important trend to watch considering the role each plays in safeguarding the 88.5 gigatonnes of carbon stored within tropical peatlands.²¹



Most time-bound commitments target 2020, but the number without a target date is increasing

Although announcements of new commitments identified by *Supply Change* peaked in 2014 (at 186 commitments), companies continue to make commitments. In 2015, we identified 85 new commitment announcements and 9 so far in 2016. As mentioned previously, we are now tracking a total of 579 commitments across the four commodities.

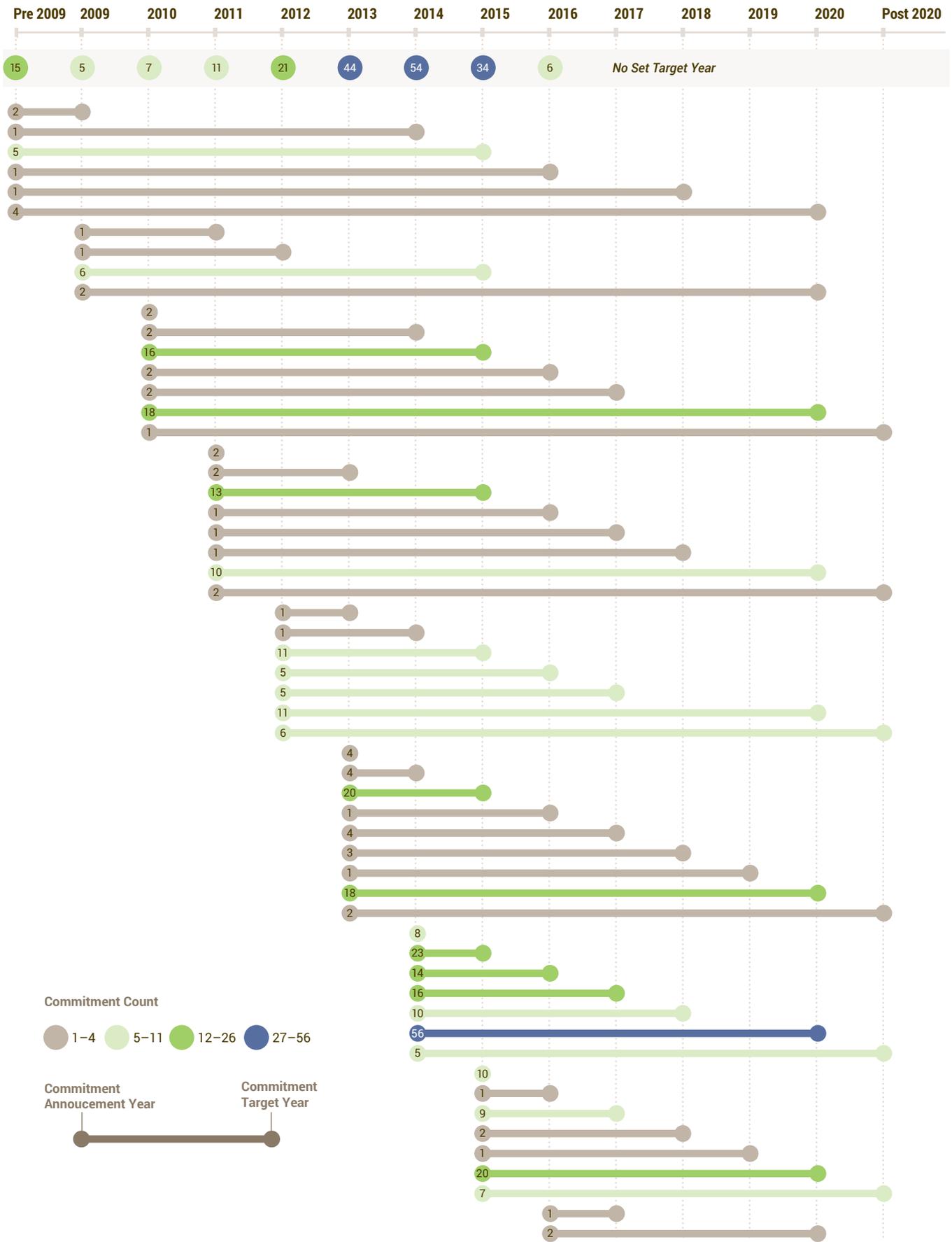
Most commitments (382 of 579 tracked commitments) have a target date; but the percentage of commitments that are time-bound has decreased from 79% in *Supply Change's* first report to 66% in the current dataset. The Climate and Land Use Alliance has proposed that commodity commitments need to be ambitious, geographically defined, and time-bound,²² so this trend toward non-time-bound commitments may be a step backwards.

Of the commitments that are time-bound, 36% targeted 2015 or earlier and 64% now target 2016 and beyond. The target year 2020 is now the most common target year for all time-bound commitments and increased from 17% in our first report to 24% now. The dominance of the 2020 target date has been established by numerous efforts including the New York Declaration on Forests (NYDF), the Consumer Goods Forum (CGF), and the Tropical Forest Alliance 2020, which themselves have set 2020 deforestation reduction targets. This may partially reflect herd mentality and the power that competitive advantage can play in driving companies to mitigate reputational risks and keep up with their competitors. Furthermore, with so much focus being placed on 2020 deadlines, it is unclear how companies plan to make improvements beyond 2020, whether or not they meet their 2020 goals.





Figure 4: Timeline of Commitment Announcement and Target Years



Current disclosure is insufficient as information on progress is available for only one in three commitments

Stakeholders – including shareholders – want to know that companies are actually achieving their goals. Companies should be commended for communicating progress at every stage – when goals are achieved, incrementally along the way, and even when targets are missed. Disclosure of progress provides an opportunity to celebrate success as well as to reflect on lessons learned when aspirations are not met. While any disclosure is laudable, there are inherent strengths in an approach with consistent, comparable, and timely provision of data. CDP offers one such platform to facilitate transparency by providing a way for companies to publicly disclose their deforestation reduction activities.

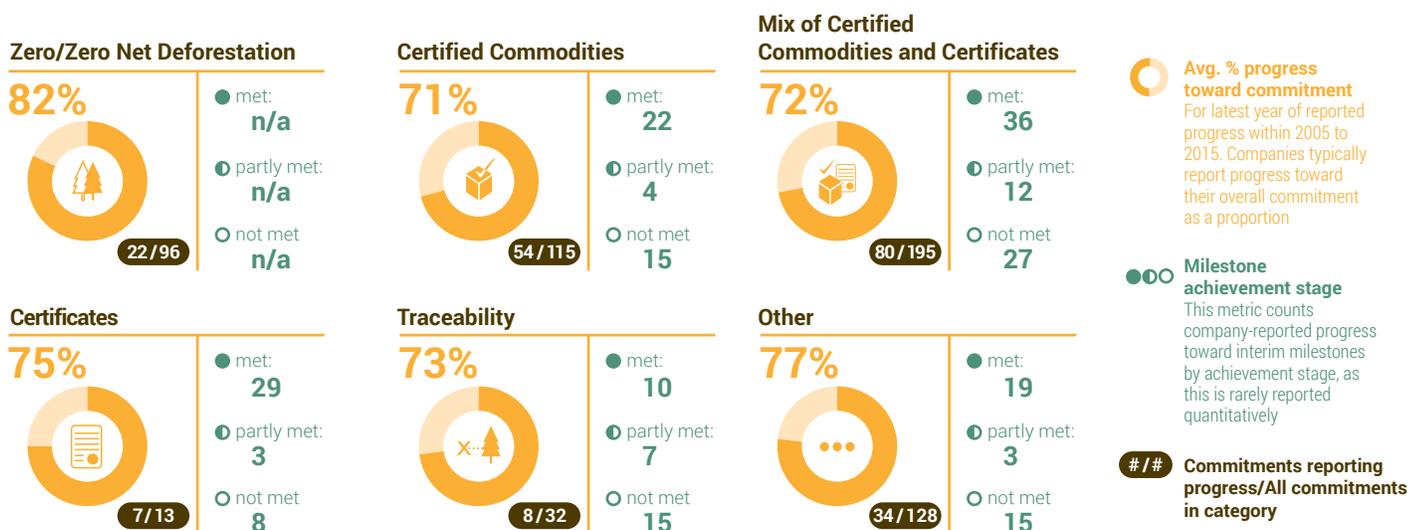
While the average progress doesn't vary widely by commitment category, the disclosure rates do. Companies most often report progress toward commitments to procure certified commodities. These can be commitments to procure physically certified supplies, purchase of certificates or credits that support sustainable production without actually sourcing certified supplies, or some mix of both. Disclosure rates for these three categories of commitments range from 41% to 54%. Companies report less often on commitments that aim toward non-certification goals, namely between 23% and 27%. These include commitments to zero or zero net deforestation, traceability, or some other goal (i.e., substituting or eliminating use of the commodity).

Time-bound commitments that targeted 2015 or earlier show average disclosure rates of 48% and achievement of 82%, which is somewhat better than the averages for commitments targeting 2016 or later which show average disclosure rates of 37% and achievement of 61%. Commitments with no target date have an average disclosure rate of 25% and 86% achievement.

The contrast of low disclosure rates with relatively high achievement reporting begs the question whether companies only disclose progress when it is good news. Considering that progress information is available for less than half of the commitments which have come due, how can companies be held accountable for these voluntary commitments?

Furthermore, is the reported progress believable? Even when a company does disclose progress it is almost always self-reported. Some companies like Proctor & Gamble and Unilever are taking a leading approach of contracting third-party verifiers such as BDO and KPMG to conduct in-field verifications, but these are the exceptions rather than the norm. In other cases a company may have its sustainability report desk-audited, but does not go any further. Progress reported against zero and zero net deforestation commitments invites particular scrutiny. A unified and verifiable framework to ensure that products, processes, or producers do not contribute to the loss of natural forests has yet to emerge. Without such a framework, it remains to be seen if commitments to reduce deforestation from agricultural supply chains can actually pull their weight to create positive impacts on the ground.

Figure 5: Most Recently Reported Progress toward Overall Commitment and Milestones to Date by Commitment Category



Critical stakeholders, including financial institutions and sub-national governments, step up to the plate

One emerging trend is that financial institutions are developing policies against investing in companies with deforestation risk. The types of financial institutions participating in this effort range widely and include national sovereign wealth funds, private wealth management firms, and project-level investors. Presently they are organized within two groups exploring these issues, the Natural Capital Declaration and the Banking Environment Initiative.

At the core of these efforts is a simple concept: investments in companies or projects with high deforestation risk are poor financial investments. The costs of deforestation have begun to manifest themselves on balance sheets, particularly in regards to the cost of high-profile incidents that can burn both a company and its investors. A noteworthy example of such an incident took place in March 2016 when the IOI Group was suspended from the RSPO (despite being a founding member) for violating rules related to forest clearing. During the aftermath of the announcement the IOI Group suffered a number of blows, including an immediate dip in its stock price, the loss of twelve major customers (including Unilever, Nestlé, and Johnson & Johnson), and an inability to sell its palm at the sustainable price premium. Risk identification and mitigation has long been a cornerstone of investment viability assessments, and it is promising to see the introduction of deforestation as a legitimate risk factor. This acknowledgement appears to be a substantial step toward private sector internalization of environmental costs.

Another potentially game-changing development in commodity commitments is the concept of jurisdictional certification schemes. Currently, certifications are individually approved for a specific facility such as a plantation or mill. Under a jurisdictional scheme, this model is supplanted by a commitment from the local government to produce only certified commodities within its territory. This commitment generally includes the creation of a localized monitoring system. The jurisdictional approach is currently being piloted in regions with highly concentrated levels of commodity production such as Sabah (Malaysia), Central Kalimantan (Indonesia), and Mato Grosso (Brazil). This approach has generated substantial excitement and is being applauded for the way it addresses shortcomings in existing systems such as cost of certification, smallholder engagement, and “leakage” of deforestation from one place to another. Jurisdictional schemes could provide some consistency in regards to the designation of HCV Land, ensuring Free, Prior and Informed Consent (FPIC), and the improvement of other commodity-linked afflictions that call for a regional lens.

While this report focuses on the “big four” commodities at the global scale, significant regional drivers of reducing deforestation are also incredibly important to track. Two such efforts in the Brazilian Amazon are the Soy Moratorium and the Cattle Agreement. These industry-led public-private partnership moratoria were a “driving force”²³ to successfully reducing deforestation in the region by 70% between 2005 and 2014.²⁴ To achieve the commitment to zero deforestation in its cattle supply chain, the world’s largest animal protein producer, JBS, developed “a socio-environmental monitoring” satellite system that can pinpoint and confirm compliance of its cattle suppliers.²⁵ Deforestation monitoring systems like these play an important role in making these commitments actionable. As more attention rightly turns toward deforestation from cattle and soy production, lessons learned in the Amazon will be a valuable export.

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Key takeaways

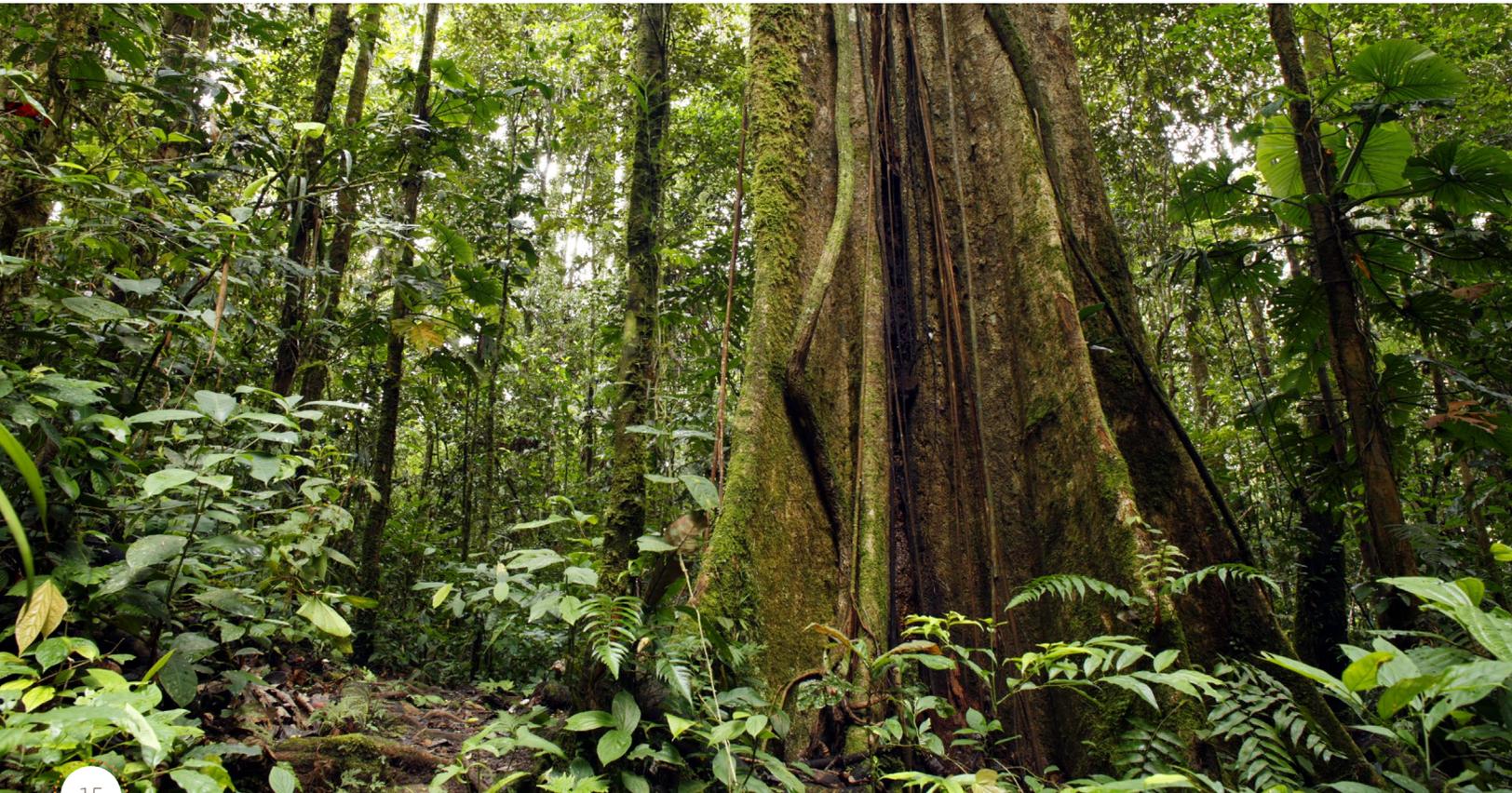
Change is happening. This report has described advancement on the issue of reducing deforestation in corporate supply chains within even just the last year. High-profile action on palm has had success in raising awareness of agricultural commodity-related deforestation. Other commodities such as soy and cattle deserve greater attention given their outsized role in global deforestation rates.

Change is incremental. Standards and certification schemes, despite their weaknesses, are a first step for many companies toward sustainable supply chains. Support for the development of nascent standards (cattle and soy) may be worth prioritizing above efforts to improve established standards (palm, and timber & pulp), though support for all is clearly needed.

Change is worth communicating. Civil society engagement on these issues has been extremely effective, especially considering the relatively short time period of some efforts. The High Carbon Stock Approach Group and Tropical Forest Alliance 2020 are just two examples of productive cooperation between civil society and businesses. Given the level of stakeholder engagement, it is in a company's best interest to communicate progress toward its commitment. Utilizing an approach with consistent, comparable, and timely provision of data is ideal to maintaining transparency essential to the process and in assessing progress. CDP offers one such globally standardized disclosure platform.

Change needs to be measurable. While it is critical to communicate progress, a common framework for how to measure progress is also essential. Establishing a verifiable method for measuring impacts on the ground is paramount with 2020 targets on the horizon for both individual companies and collective action like the NYDF and the CGF zero net deforestation goal.

Change can't happen in isolation. Voluntary commodity commitments from companies are commendable. But landscape-level change may only occur once governments establish and enforce jurisdictional-wide protections for forests. In addition, as financial institutions further realize the potential negative returns of investments with buried deforestation risk, this stakeholder group will become more and more influential. Companies have been the trailblazers; financial institutions and governments need to catch up along the path toward deforestation-free commodity agriculture.



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About *Supply Change*

Supply Change is a project of Forest Trends and is managed by Forest Trends' Ecosystem Marketplace Initiative. Ecosystem Marketplace collaborates with CDP and WWF, who provide invaluable time, insights, networks, and data to the development of this freely available report and our Supply-Change.org online resource. In all cases, collaboration does not constitute endorsement of collaborators or their respective projects, including the *Supply Change* project itself.

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