

# SUPPLY CHANGE

Commitments that Count

## Supply Change:

Tracking Corporate Commitments to  
Deforestation-Free Supply Chains, 2017



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**March 2017**

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## Acknowledgments

Forest Trends thanks *Supply Change* collaborators—WWF and CDP—and the following individuals that provided review and input on this report: Elizabeth Schueler, Sandra Mulder, Katie McCoy, and Jillian Gladstone. We extend appreciation to the dozens of leading businesses that lend their expertise and insights to this project, and to those companies that are making and disclosing their achievements against meaningful commitments to reducing ecosystem degradation in their supply chains.

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Forest Trends is grateful to the Global Environment Facility and the United Nations Environment Programme for their support of *Supply Change* and the production of this report.

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Branding design by thinkPARALLAX.  thinkPARALLAX

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# Introduction

Commercial agriculture drives at least two-thirds of tropical deforestation globally with the majority of forest clearance and impacts stemming from the production of the “big four” commodities: 🌴 palm, 🌱 soy, 🌲 timber & pulp, and 🐮 cattle. *Supply Change* is designed to address this immediate and global challenge by tracking corporate commitments to reducing deforestation in supply chains.

As *Supply Change* makes advancements in its research, and as we regularly grow the number of companies with these commodity supply chains that we track—now nearly two times the number we started with in 2015 with a total of 550 companies—we continue to find an increasing number of companies that produce, process, trade, manufacture, or retail products linked to these commodities. These companies fall into two groups:

- Companies making public commitments to address this commodity-driven deforestation—we are now tracking 447 companies with 760 commitments, an increase from just one year ago of 22% and 31%, respectively.<sup>1</sup> In 2016, *Supply Change* documented 366 companies with 579 such public commitments, which was also an increase from 243 companies with 307 commitments in 2015.
- Companies that do not yet have a commitment, or have not published their commitment publicly—we are now tracking 271 companies without a commitment, a 36% increase from last year’s report.

In addition to this growth in the database, we have expanded our research on each company to include 10 new commitment elements that primarily address social and environmental impacts at the site of production—such as policies related to supporting smallholders, protecting biodiversity and wildlife, improving water management and, increasing yields per hectare (see page 16 for a spotlight on these new commitment elements).

*Supply Change* draws from already available data to track companies, their commitments, and their progress towards these commitments over time to support stakeholders’ decision-making and, ultimately, to drive transformational change. In addition to providing an update on the state of corporate commitments as companies continue to establish and pursue their pledges to deforestation-free supply chains, this report features the first year-on-year comparison of commitments compiled by *Supply Change*. It explores key business trends and developments, investigates the extent to which companies report progress and also the extent to which commitments are “dormant,” highlights which supporting organizations and initiatives have helped companies along the way, and compares companies with commitments to companies without commitments.

There is an amplifying drumbeat of investors, corporations, industry groups, not-for-profit organizations, consumers, and governments calling for a deeper understanding of the impact companies’ actions have on forests; and the growing body of commitments is an answer to this call for transparency. But how do these commitments translate to action on the ground?

The role of *Supply Change* is to catalog, organize, and compare this data in a meaningful way. Going forward, *Supply Change* will further build out its tracking capabilities to keep pace as a centralized, free, and publicly available information center. We welcome all stakeholders to make use of *Supply Change* as a tool for learning about and evaluating the impacts of corporations addressing deforestation in their supply chains.

***“It’s not surprising that people don’t know where things come from. That’s not the point of a commodity. You just buy it. But now we’re asking the commodity markets to change and start to care about where things come from, and it’s changing how companies do business.”***

***Marco Albani, Director, Tropical Forest Alliance 2020***

<sup>1</sup> Ben McCarthy, *Supply Change: Tracking Corporate Commitments to Deforestation-free Supply Chains*, 2016 (Washington, DC: Forest Trends, 2016).







# Key Findings

As of December 1, 2016, the research cut-off date for this report, *Supply Change* found 718 companies—producers, processors, traders, manufacturers, and/or retailers—that have supply chains dependent on palm, timber & pulp, soy and/or cattle. Of these, we identified 447 companies that have made a total of 760 commitments to reducing deforestation impacts in their commodity supply chains, leaving 271 exposed companies without a public commitment. Snapshots of these two datasets are found in the Appendix.

The key findings from this report are:

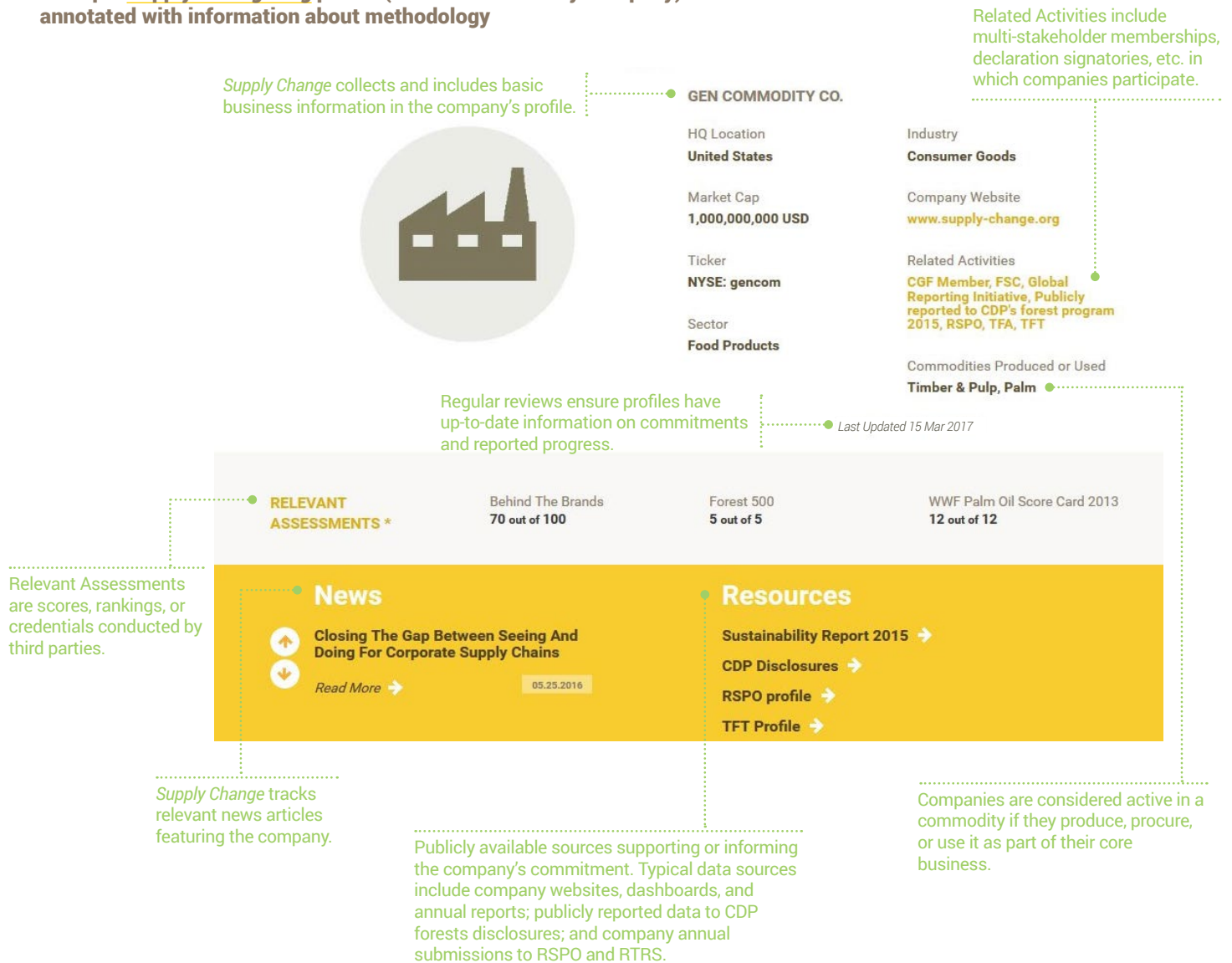
- **Progress reporting on commitments is on the rise:** progress information is publicly available for over half of commitments to deforestation-free supply chains (51%) tracked by *Supply Change* over a two-year time frame—a dramatic increase from *Supply Change*'s 2016 report, which found only one in three (36%) commitments were backed by transparent progress. In other words, 57% more pledges are accompanied by transparent reporting in 2017 than in 2016.
- **Commitments on palm, and timber & pulp continue to lead the way,** thanks in large part to more well-established certification programs and scrutiny around palm oil-driven deforestation. Commitment rates remain considerably lower for soy and cattle, which is troubling given their outsized contribution to tropical forest loss.
- **Business structure and size plays a role:** in terms of making commitments, smaller, private companies continue to lag behind their larger, publicly traded peers.
- **Commitment rates vary across the length of a supply chain:** retailers had the lowest rate of commitments—54%—compared to their peers that operate “upstream” within supply chains (producers, 71%; processors, 72%; traders, 70%; and manufacturers, 66%)
- **Commitments that aren't accompanied by progress reporting run the risk of becoming “dormant”:** *Supply Change* found that one in five commitments has a target date that is past due—or never had a target date at all—and has never had progress information available. A third of the 447 companies with commitments have at least one commitment that is dormant.
- **Collective action spurs individual action:** in its first-ever analysis of commitments made by members of coalitions and group initiatives that collectively act on deforestation, *Supply Change* found that at least 95% of participants in groups such as the High Carbon Stock Approach Group, Tropical Forest Alliance 2020, and Tropical Forest Trust have adopted pledges—as have 98% of signatories to the New York Declaration on Forests.
- **Companies are increasingly incorporating policies that address on-the-ground impacts into their commitments:** *Supply Change*, for the first time, analyzed commitments for 10 such policies and found 37% of tracked commitments now explicitly prioritize protection of biodiversity and wildlife. Other popular additions include reducing greenhouse gas emissions (35%) and improving water management (29%).



# Methodology

*Supply Change* is the world's first and only freely available data aggregation and company profiling platform that tracks public corporate commitments to, and progress towards, eliminating deforestation from the “big four” agricultural commodity supply chains most strongly linked to global deforestation: palm, soy, timber & pulp, and cattle.<sup>2</sup> *Supply Change* covers the global universe of companies across the entire commodity value chain—producers, processors, traders, manufacturers, and retailers; users of Supply-Change.org can filter search results based on these identifiers.

## Example Supply-Change.org profile (Generic Commodity Company) annotated with information about methodology



<sup>2</sup> While “cattle” is not a commodity per se, *Supply Change* uses this terminology to cover all cattle products, which include, but are not limited to, leather, beef, and tallow.



First, the *Supply Change* team mines publicly available information to assess whether corporate entities have exposure to (i.e., are active in) the “big four” commodities. A company is considered “exposed” if it produces, procures, or uses soy, palm, timber & pulp, or cattle products as part of their core business. We then identify at which supply-chain level(s) they operate and record any public commitments relating to reducing deforestation linked to [or associated with] those commodities.

Upon discovering a commitment, *Supply Change* publishes a profile with links to all the relevant and utilized company-published resources on Supply-Change.org. Where possible, each commitment tracked on *Supply Change* has a summary, a target date, milestones, related goals and procurement policies, and publicly reported progress. In addition, we track companies that are active in one or more of the “big four” commodities but have not yet made commitments.

*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 related to certified (or otherwise “sustainable”) commodities or certificates/credits; 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.



Over the past year, *Supply Change* has added new data points to company profiles and now tracks participation in two new related activities and 10 new commitment policies, among other enhancements (see “Companies are strengthening their commitments with additional elements that enhance sustainability” on page 16).

#### New Related Activities:

- **Global Reporting Initiative**: An international independent organization that provides businesses, governments, and other organizations with a system for measuring and reporting on sustainability issues, including biodiversity and ecosystem impacts. The Global Reporting Initiative accepts corporate social responsibility report submissions, which are graded on their overall compliance and posted regardless of their achievement.
- **CanopyStyle Pledge**: The *Fashion Loved by Forest* campaign organized by the environmental NGO Canopy has attracted over 50 members of the fashion industry to sign a CanopyStyle Pledge, which establishes forest-friendly purchasing policies for apparel containing viscose or rayon fibers.

Also since our 2016 report, *Supply Change* has worked to increase the number of companies with exposure to cattle in our dataset. In particular, we have reviewed 100% of the corporate participants of three prominent activities that focus on deforestation risk in cattle supply chains: the Global Roundtable for Sustainable Beef, the Brazilian Roundtable on Sustainable Livestock, and the Leather Working Group.





# Supply Change, Commitments That Count—760 Deforestation-Related Commodity Commitments

In preparation for this report, we researched over 150 additional companies that have exposure to one or more of the “big four” commodities—a 25% expansion from the 566 companies that were reviewed for the 2016 report. The number of commitments captured by *Supply Change* has also increased by 180—a 31% increase from 2016.

→ **Figure 1: Research Overview**

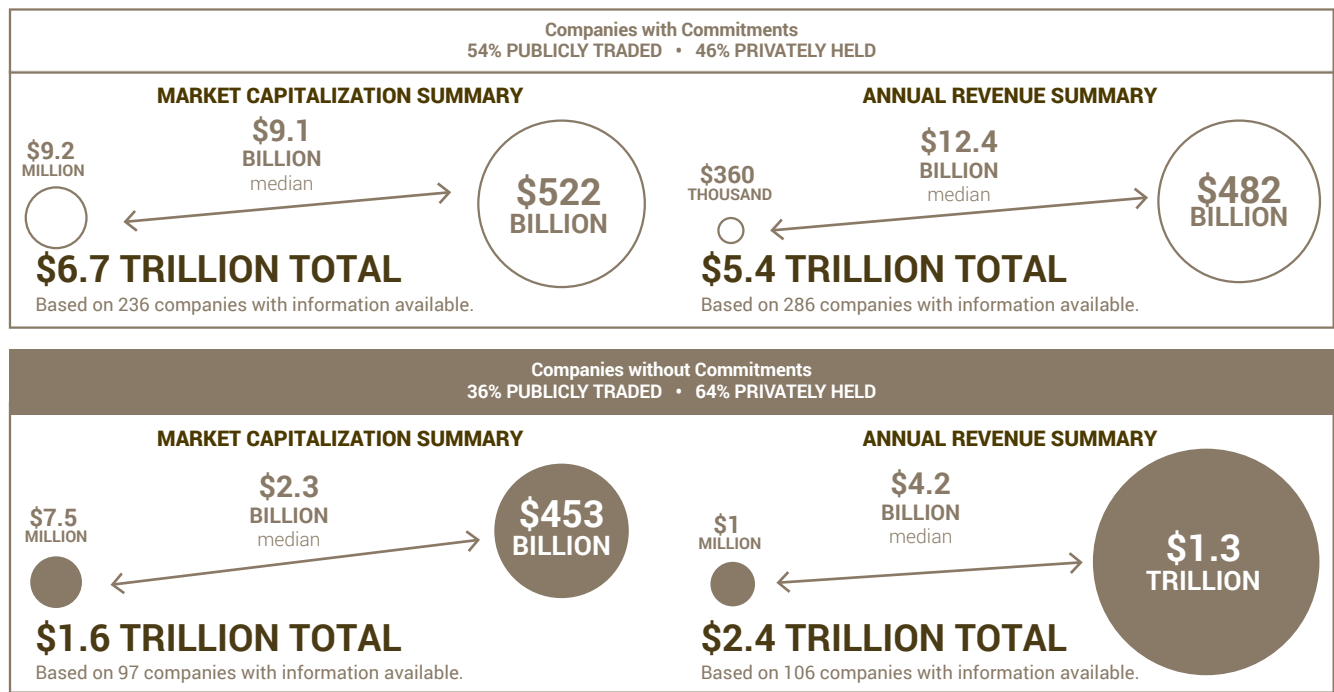
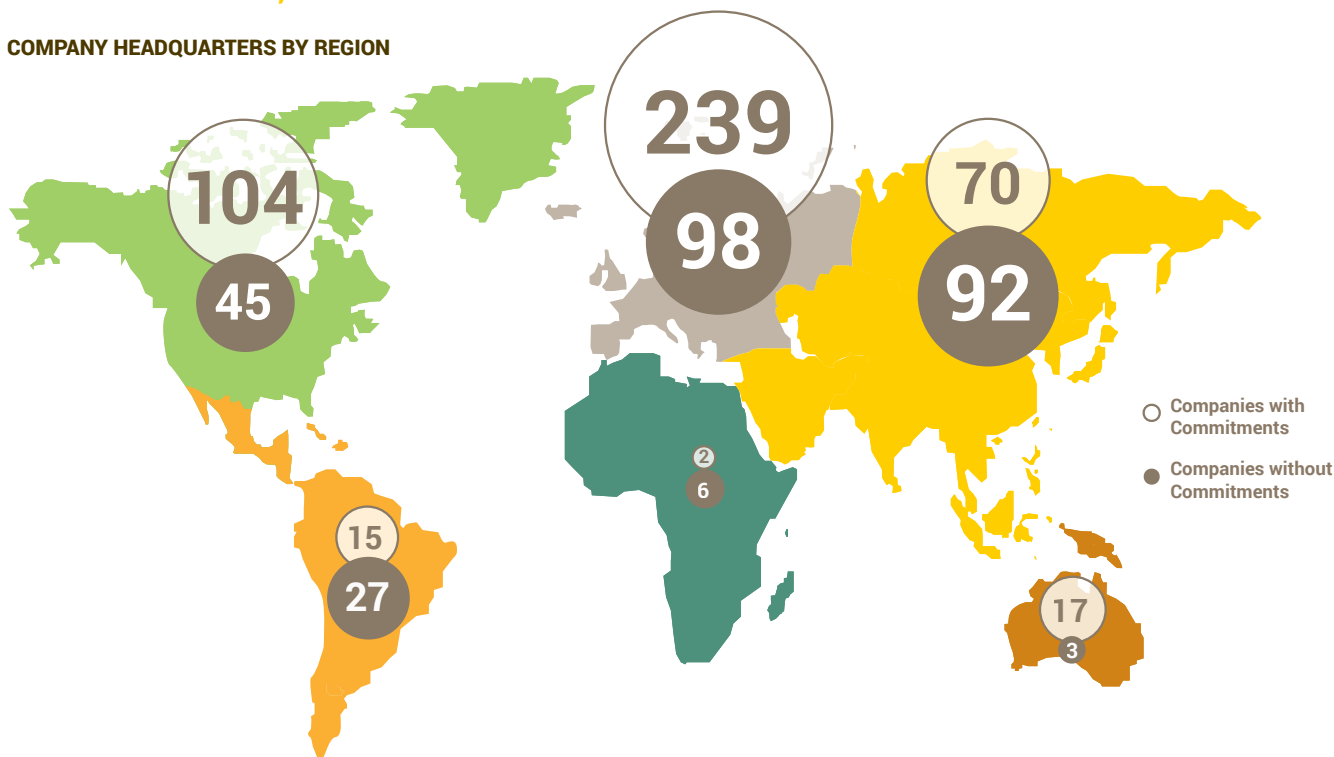


# Companies with Commitments Are Twice as Large as Companies without Commitments

In an effort to better understand the demographics of the 718 companies researched to date, *Supply Change* has for the first time conducted comparative analysis of the companies with (447) and without (271) public commitments.

➔ **Figure 2. Business Information Summary of Companies with and without Commitments, 2017**

## COMPANY HEADQUARTERS BY REGION

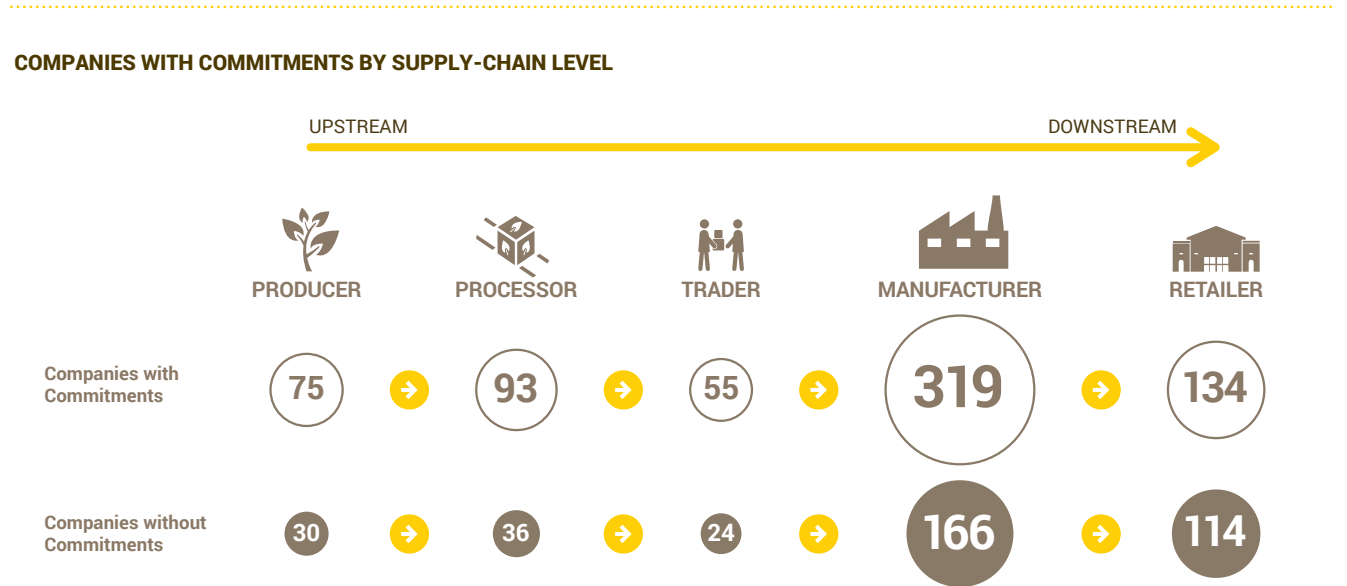
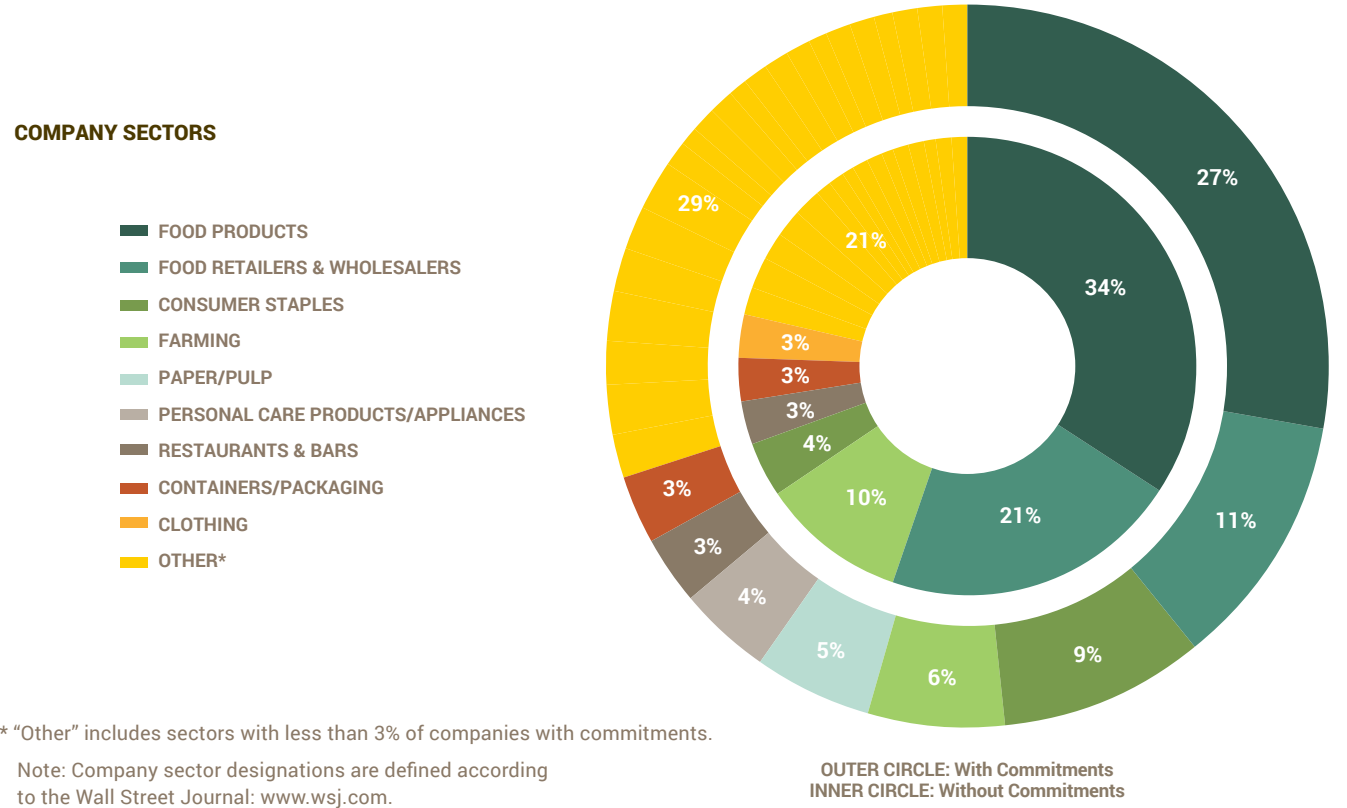




Our research shows 54% of companies with commitments and 36% of companies without commitments are publicly traded, indicating that the structure of a business might be a factor in determining whether a company establishes a public commitment to reducing deforestation in their supply chain. Further, the \$12.4 billion median annual revenue for companies with commitments is substantially higher than the \$4.2 billion median for companies without commitments, indicating that smaller companies are lagging behind their larger peers.

Geographically, most companies with commitments are headquartered in Europe (53%) and North America (23%), and of those without commitments, most are based in Europe (36%) and in Asia (34%)

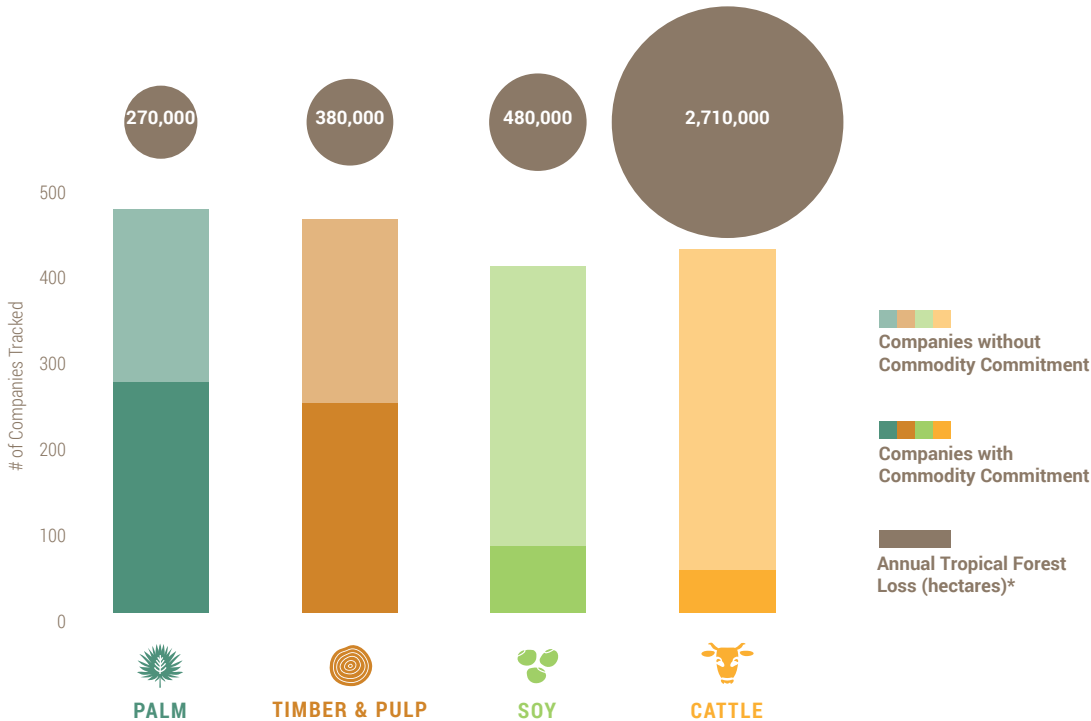
Researched companies—both those with and without commitments—are most likely to operate at the manufacturing and retail supply-chain levels. Notably, retailers have the highest proportion of companies without commitments (46%).



Between two key sectors with direct land-use impacts—farming and paper/pulp—there is a stark contrast in the proportion of companies with and without commitments: only 52% (28/54) of companies in the farming sector have a commitment, far less than the 91% (21/23) of companies in the paper/pulp sector. A possible reason contributing to this finding is the fact that many countries have export/import regulations, such as the EU Timber Regulation,<sup>3</sup> for timber but not for other commodities.

Among the companies tracked by *Supply Change*, far more companies with exposure to palm and timber & pulp have commitments than companies with exposure to soy and cattle.<sup>4</sup> This is in part due to these commodities having longer-standing certification schemes that have captured larger portions of commodity market share (i.e., Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), and Roundtable on Sustainable Palm Oil (RSPO)). Companies exposed to palm have in recent years faced larger reputational risks due to media criticism for their involvement in deforestation, while timber users operate under more stringent legal requirements, which explains why so many companies have pursued certification to mitigate these risks.<sup>5</sup>

**Figure 3. Number of Companies with and without Commitments by Commodity**



\* Source: Sabine Henders, U. Martin Persson, and Thomas Kastner, “Trading forests: land-use change and carbon emissions embodied in production and exports of forest-risk commodities,” *Environmental Research Letters* 10, no. 12 (2015), doi:10.1088/1748-9326/10/12/125012.

Note: Companies are exposed if they produce, procure, or use a commodity as a part of their core business.

<sup>3</sup> European Parliament and Counsel. Timber Regulation: Regulation (EU) No 995/2010 (Brussels: European Commission, 2010), Last modified February 22, 2017, [http://ec.europa.eu/environment/forests/timber\\_regulation.htm](http://ec.europa.eu/environment/forests/timber_regulation.htm).

<sup>4</sup> Soy exposure also includes “indirect exposure” which primarily refers to the use of soy feed in the livestock sector.

<sup>5</sup> CDP. Revenue at risk: Why addressing deforestation is critical to business success (CDP, 2016), <http://bit.ly/2mQLQ85>.



# Progress Reporting Gains Steam—57% Growth

Progress information on companies' commitments to reducing deforestation in their supply chains is increasingly available, namely for over half (51%) of the commitments that *Supply Change* has consistently tracked over the past two years.<sup>6</sup> This is a dramatic increase from the 2016 *Supply Change* report, which found that progress information was available for only one in three (36%) of commitments.

**Progress Reporting:** *Supply Change* regularly monitors public updates on commitment progress. In order to qualify as progress, an update must contain quantitative information that clearly states, or can be used to generate, the proportion of the commitment that has been achieved. This information is gathered from a variety of sources, including public disclosures to CDP's forest program, sustainability reports, RSPO Annual Communications of Progress, and Roundtable on Responsible Soy (RTRS) annual reports. More information on data sources is available in *Supply Change*'s full methodology: <http://www.supply-change.org/pages/full-methodology>.

Note: A quantified baseline report at the time of the commitment's announcement or anytime thereafter qualifies as a progress report.

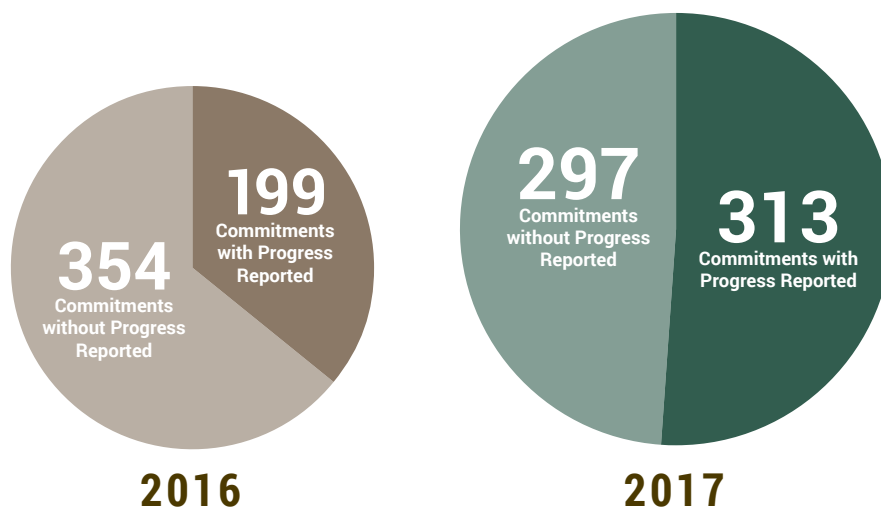
Progress reporting is an important metric to gauge the implementation status of commitments, and companies should be commended for communicating progress at any stage—achievement, interim milestones, and even when goals are missed and/or re-established. The reporting of progress provides an opportunity to celebrate success as well as to reflect on lessons learned when aspirations are not met. While any degree of transparency is laudable, there are inherent strengths in an approach with a consistent, comparable, and timely, public release of data.

***“Transparency on a company's actions is becoming increasingly important, and more investors than ever before are requesting this information.”***

***Katie McCoy, Head of Forests Program, CDP***



**Figure 4. Progress Reporting on Commitments, 2016 vs. 2017 Findings**



Notes: Data are for a control group of companies that had commitments in both 2016 and 2017.

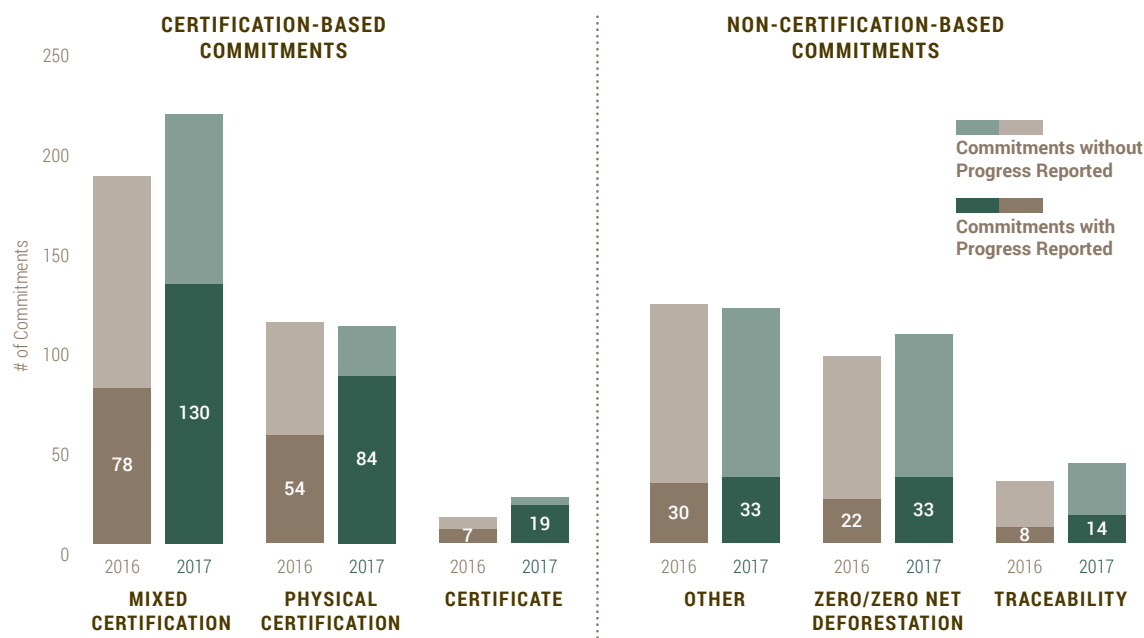
The increased commitment count is due to new commitments published by companies within the control group.

<sup>6</sup> Our analysis is based on a “control group” of 347 companies that held active commitments at the time of data analysis for both the 2016 and 2017 *Supply Change* findings reports. This controls for the effects that newly added companies have on overall progress reporting rates.

# Although Certification-Based Commitments Lend Themselves to Progress Reporting, Increased Progress Reporting Was Seen Across All Commitment Types

Certification-based commitments naturally lend themselves to (and in some cases require) quantitative reporting, and therefore it is unsurprising that our data shows that certification-based commitments are more likely to have progress information available. These commitments include plans to procure physically certified supplies, purchase certificates that represent sustainable or responsible production, or some combination of these two approaches.

➔ **Figure 5. Progress Reporting by Commitment Category, 2016 vs. 2017 Findings**



Note: Data are for a control group of companies that had commitments in both 2016 and 2017.

The three categories of certification-based commitments mentioned above had the most dramatic growth in progress reporting (66%) since 2016. Nonetheless, between 2016 and 2017, increased progress reporting was experienced across all commitment types, without exception. Non-certification-based commitments also had a notable 37% growth in reporting. For example, the 59% growth in progress reporting on zero deforestation (ZD) commitments is especially noteworthy since this type of commitment does not yet have a universal system of metrics for reporting such progress. Therefore, generating a quantitative progress report for ZD requires some innovation on the part of the company. For example, French food manufacturer [Danone](#) reported 100% progress toward its ZD palm oil commitment, American retailer Walmart reported 100% progress toward its ZD cattle commitment, and Singaporean paper company Asia Pacific Resources International reported 100% progress toward its ZD wood fiber commitment.<sup>7</sup> Quantitative reporting on the implementation of ZD commitments will become increasingly common as satellite monitoring becomes more available and a comprehensive system of ZD metrics emerges.

<sup>7</sup> "Danone: Palm," *Supply Change*, last modified February 13, 2017, <http://supply-change.org/company/danone#company-Palm>.

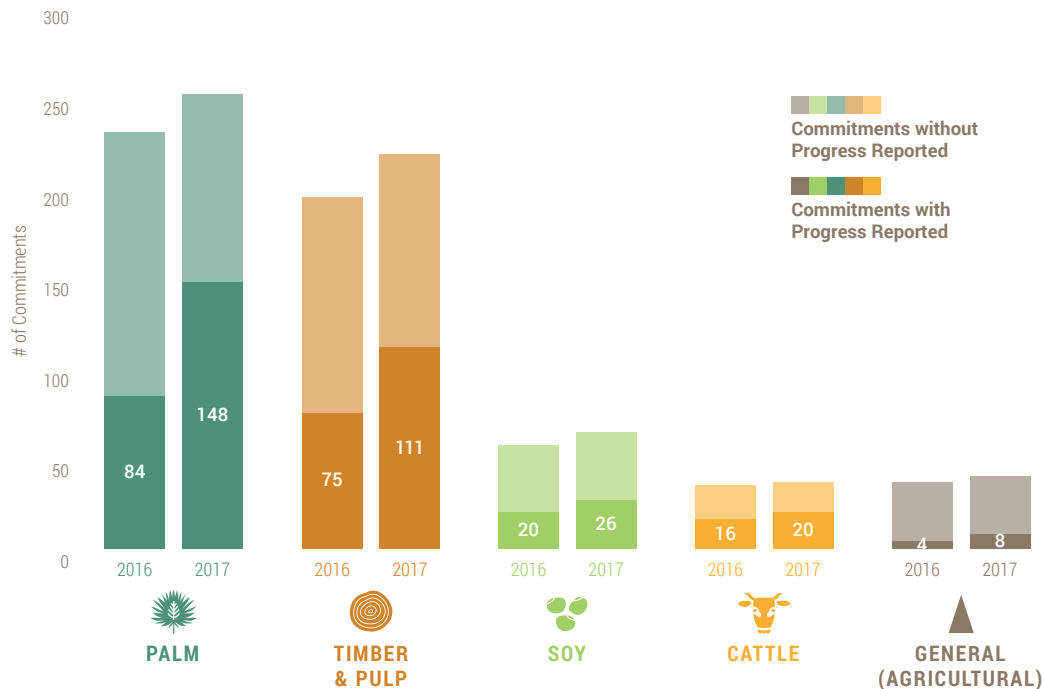
"Walmart: Cattle," *Supply Change*, last modified March 2, 2017, <http://supply-change.org/company/walmart#company-Cattle>.

"Asia Pacific Resources International: Timber & Pulp," *Supply Change*, last modified March 8, 2017, <http://supply-change.org/company/asia-pacific-resources-international-limited>.





**Figure 6. Progress Reporting by Commodity, 2016 vs. 2017 Findings**



Note: Data are for a control group of companies that had commitments in both 2016 and 2017.

The greatest growth in progress reporting was found in commitments related to palm and timber & pulp, which grew by 75% and 48%, respectively. The disparity between growth rates suggests that progress reporting for palm and timber & pulp commitments is becoming an industry standard, whereas progress reporting for soy and cattle commitments is at an earlier stage of development. The accelerated development of palm and timber & pulp reporting can be attributed in part to the widespread proliferation of their main certification programs (RSPO, FSC) as well as the more stringent import/export regulations for timber & pulp markets (U.S. Lacey Act, European Union Timber Regulation).

Supply Change welcomes this increase in progress reporting and applauds companies for reporting on their progress, regardless of their level of implementation. That being said, there are many companies (135/447) that are not updating their stakeholders on progress towards achieving their commitments (151/760), and we have provided analysis of these “dormant” commitments on page 17.

***“The 2010 CGF Board resolution to achieve zero net deforestation by 2020 was an important goal post for companies to collectively aim for. The resolution still serves this purpose, however, we know there’s no agreed-upon assessment methodology to measure it. It is very difficult to track and report progress on such a goal. This doesn’t necessarily mean that companies are not doing something, but it does raise the question of what are they doing.”***

***Ignacio Gavilan, Director of Sustainability, Consumer Goods Forum***

# Collective Ambition is Galvanizing Corporate Commitments

*Supply Change* now tracks 35 initiatives—referred to as “related activities”—in order to understand how companies are engaging with external stakeholders to address commodity-related deforestation.<sup>8</sup> Related activities can take several forms, including industry associations (e.g., [Consumer Goods Forum \(CGF\)](#), [Global Agri-business Alliance](#)), multi-stakeholder groups (e.g., [Tropical Forest Alliance 2020](#)), reporting and disclosure systems (e.g., [CDP](#)), certification roundtables (e.g., [RSPO](#), [RTRS](#)), and group pledges (e.g., [New York Declaration on Forests \(NYDF\)](#), [CanopyStyle Pledge](#)).<sup>9</sup>

These various initiatives and groups afford their participants a number of benefits and can provide a template for commitment creation, facilitate the sharing of strategies, offer participation in collaborative work streams, and provide an opportunity for convergence around reporting metrics. The major challenges these initiatives face relate to their top-down nature and can include maintaining oversight of their participants, enforcing their pledges, and being flexible enough to tailor support to individual companies.

Industry associations and commitment sign-up initiatives, such as the CGF, We Mean Business Coalition (specifically, the Deforestation Commitment on their “[Take Action](#)” platform), and the NYDF deserve particular acknowledgment for helping to establish the necessary infrastructure for their private sector stakeholders to make company-level commitments on deforestation.

In an effort to better understand the reach of these related activities in the context of *Supply Change*, we have analyzed 15 of them. This consisted of identifying how many participants have commitments, what portion of the total participant base this represents, and what portion of those commitments have progress information available.<sup>10, 11</sup>

## Related activities that have the most companies with commitments

As one would expect, related activities with group pledges exclusively devoted to deforestation issues, such as NYDF and [Tropical Forest Trust](#), have an especially high percentage of members who have made commitments. However, these groups tend to also have a smaller total number of participants with commitments.

On the other hand, some activities that provide a broader scope might have a higher number of participants with commitments, but given their non-exclusive focus on deforestation issues, this might represent a smaller percentage of their total corporate participant base. For example, CGF has a high number of total exposed participants—more than four times that of the next related activity. And while they have a high number of participants with commitments, by more than two times that of the next related activity, the percentage of their participants with commitments is lower than in some other related activities with fewer total and committed participants.

The following figure shows how many (exposed) company participants have established commitments, the percentage of total (exposed) participants that represents, and the percentage of commitments made by participants, for which progress information is available.<sup>12</sup>

<sup>8</sup> A company's participation in related activities is visible on each *Supply Change* profile (see Methodology on page 4).

<sup>9</sup> A group resolution is not considered to be a company commitment unless the company adopts it in its own company-level reporting.

<sup>10</sup> These 15 related activities were selected for analysis because *Supply Change* had reviewed at least 75% of corporate participants in them.

<sup>11</sup> Only commitments made for commodities addressed by the related activity are counted. For example, CGF also has a refrigeration resolution, which would not be counted as a *Supply Change* commitment.

<sup>12</sup> *Supply Change* does not assess the quality of these commitments.





**Figure 7. Companies and Commitments by Related Activity**

Highest Number of Participants with Commitments		Highest Percentage of Participants with Commitments		Highest Percentage of Commitments with Progress Information Available*	
Consumer Goods Forum	99	High Carbon Stock Steering Group	100%	Palm Oil Innovation Group	73%
New York Declaration on Forests	41	New York Declaration on Forests	98%	High Carbon Stock Steering Group	58%
Tropical Forest Trust	39	Tropical Forest Alliance 2020	95%	Tropical Forest Alliance 2020	57%
We Mean Business (Forest Group)	39	Tropical Forest Trust	95%	Consumer Goods Forum Sustainability Committee	54%
Tropical Forest Alliance 2020	21	We Mean Business (Forest Group)	91%	We Mean Business	52%
				New York Declaration on Forests	52%

\* Across all commitments, progress information is available for 51% of commitments.

Notes: Companies may participate in more than one activity that addresses commodity-related deforestation.

### The devil is in the detail when it comes to related activities

As discussed in the section about progress reporting (pages 11–13), a company's ability to report progress is dependent upon the quantitative nature of the commitment. For example, a commitment to certification is by nature more quantifiable and more easily tracked. Commitments from participants in the Palm Oil Innovation Group (POIG) have a high percentage of progress information available (73%), in part because POIG requires its members to seek sustainability certification by RSPO. POIG requires its members that are grower companies to ensure that at least 50% of their plantations (regardless of shareholding or location) are RSPO-certified and to commit to becoming 100% RSPO-certified within two years of their membership start date.<sup>13</sup> In addition, a company may be incentivized to report depending on its accountability obligations to a related activity and/or other stakeholders, among other factors.

Taking another tack, the Tropical Forest Alliance (TFA) 2020, a global public-private partnership in which partners take voluntary actions, individually and collectively, to stop commodity-driven deforestation also has a high rate of commitments with progress information available (57%), even though member companies are not necessarily centralized around certification or a specific commodity.<sup>14</sup>

Related activities are proving themselves a valuable asset in the drive for a corporate response to deforestation. We anticipate that as they mature, these activities will provide future opportunities for progress such as, standardizing reporting practices, setting requirements for corporate-level commitments, and monitoring and verifying participants' commitments.

***“We have to be part of a system change, and that system change is in part because all of the retailers that we work with at the Consumer Goods Forum and brands line up and specify the same high standard of expectation of their supply chains.”***

***Mike Barry, Director of Sustainable Business (Plan A)***

<sup>13</sup> “Join POIG,” Palm Oil Innovation Group (POIG), accessed March 10, 2017, <http://poig.org/join-poig/>.

<sup>14</sup> “Objectives,” Tropical Forest Alliance 2020, accessed March 7, 2017, <https://www.tfa2020.org/about-tfa/objectives/>.

# Companies Are Strengthening Their Commitments with Additional Elements That Enhance Sustainability

As *Supply Change* progresses into its fourth year of researching companies, we find that companies are strengthening their commitments with additional elements that enhance supply chain sustainability. During the past year, 10 procurement policies began to appear more consistently in company commitment texts, or as overarching company policies, leading us to add them to the metrics that we track for all companies. These policies represent a company's awareness of the impact commodity production is having on the ground. While all 10 of these policies primarily address social and environmental impacts at the site of production, we found that they are not only being adopted by producers, but also by processors, traders, manufacturers, and retailers, who are now demanding that their suppliers adhere to them.



## **Biodiversity and wildlife protection: 37% of tracked commitments**

This policy captures a company's commitment to uphold the biodiversity of its lands or the lands of its suppliers. Biodiversity and wildlife protection is one of the more common criteria.



## **Reduce greenhouse gas (GHG) emissions:\* 35%**

GHG emissions from producer operations contribute to a company's carbon inventory. Policies focus on quantifying and mitigating GHG emissions from land use change, such as draining peatlands and cutting down forests for production.



## **Improve water management:\* 29%**

Improved water management can take a variety of forms, such as protecting watersheds, prohibiting peatland drainage, minimizing discharge of pollutants into waterways, or reducing irrigation inputs.



## **Reduce pesticides or toxins:\* 26%**

Many upstream and downstream companies recognize that pesticides, herbicides, and chemicals (such as the herbicide paraquat) used in commodity production can pose serious risks to farm workers, local communities, and surrounding ecosystems. Consequently, many limit or outright ban their use.



## **Support smallholders: 22%**

Smallholders are responsible for a sizeable share of production of the big four commodities as well as the associated forest conversion. Some companies help suppliers with sustainable production, audits, workshops and trainings, group certification, and technical support.



## **Improve waste management:\* 21%**

Similar to pesticides, some agricultural producers recognize that the large amounts of waste associated with commodity production also pose risks like polluting local waterways, harming biodiversity, and contributing to inefficient resource use.



## **Improve soil conditions: 13%**

Farmers and their buyers recognize that maintaining healthy soils is vital for sustaining long-term production for each of the big four commodities.



## **Improve fertilizer management: 10%**

When used effectively, fertilizers can improve yields (sometimes short-term) of soy, palm, and timber. However, inexperienced or excessive use can result in polluted waterways.



## **Improve yields per hectare: 7%**

Given growing demand for the big four commodities, many regard improving yields per hectare as a vital way of increasing production without increasing agricultural expansion into forests.



## **Respect animal welfare (cattle-specific): 63%**

Many companies experience public pressure both to ensure the ethical treatment of their cattle and the elimination of deforestation from the expansion of grazing lands.

\* *Supply Change* only tracks GHG, water, waste, and toxins policies that cover production in forest landscapes. Therefore, policies for other levels of the supply chain (e.g., the GHG emissions of manufacturing facilities) are not included.

\*\* Despite the connection between deforestation and GHG emissions, this is more commonly reported separately from deforestation management policies within a company's sustainability report.

Note: Percentages in line with each policy represent the proportion of researched companies that have included the policy in their commitment text.



# One in Five Commitments Has Become Dormant and Almost One in Three Companies Has at Least One Dormant Commitment

While it is clear that an increasing number of companies are making more commitments, and progress reporting is now available for over half of commitments, commitments that aren't accompanied by transparent progress reporting run the risk of becoming "dormant." We define dormant commitments according to three criteria (see box to right). Our analysis of tracked commitments tells us that 20% of commitments are dormant and 30% of companies with *Supply Change* profiles have at least one dormant commitment (see Figure 8).

In line with our criteria for a dormant commitment, *Supply Change* conducts an ongoing review of each commitment for the availability of progress reporting on its main goal or any milestones. Further, *Supply Change* notes in this assessment whether commitments with target dates reported progress before their target date had elapsed. Finally, we analyze commitments without a target date to determine if they had been reported on within two years of the date they were announced.

A commitment is considered dormant if it meets all three of the following conditions:

- 1. The commitment target date has passed, **OR** the commitment was announced in 2015 or earlier and never had a target date  
**AND**
- 2. The commitment never had any progress reported towards its main goal  
**AND**
- 3. The commitment never had any progress reported towards its milestone



**Figure 8. Number of Dormant Commitments and Companies with Dormant Commitments**

**151 DORMANT**  
**760 commitments**

**135 COMPANIES**  
**447 with at least one dormant commitment**

Demonstrating progress through public reporting is critical for reassuring investors, supply chain actors, NGOs, and other stakeholders that the commitment is alive and well. Therefore, the high number of dormant commitments is an indicator of potential risk to any stakeholder engaged with these companies. In the spirit of transparency, companies with dormant commitments would benefit from providing contextual information for why they have not reported progress. There are numerous potential reasons for a company not to report on its commitment(s), including changes in management (such as a corporate merger); lack of capacity and/or resources for implementation and/or reporting; difficulty in determining appropriate reporting metrics; or readjustment of priorities. It could also simply be that the company never had the intention of working towards achievement of the commitment.

# Conclusion

In some respects, this report paints a brighter picture of more companies making commitments to deforestation-free supply chains—and more companies reporting on those commitments. The *Supply Change* dataset now reflects that progress information is available for just over 50% of commitments, up from the 36% we found in the 2016 report. However, this report also points out that overall, one in five commitments has become dormant.

Variations in commitments between companies with different headquarter regions, public-private status, commodity exposure, and activity in the supply chain highlight how these groups are responding to different incentives for making commitments. For example, a sizeable number of companies operating in Brazil have focused their cattle and soy commitments within that country, particularly the Amazon biome, which highlights the important role that underlying monitoring and governance conditions can play in influencing the scope and nature of commitments. Consequently, increasing supply chain transparency and managing deforestation risks across different geographies and commodities requires tailored approaches. Our research helps shine a light on how these underlying factors have influenced commitment implementation.

In addition, the infrastructure built by related activities for setting collective ambitions and enabling collaborative environments has coincided with higher numbers of individual corporate commitments made by participants than non-participants. This demonstrates that external collaboration can be helpful for companies in setting their own individual ambition(s).

As *Supply Change* analysis is based on what companies are reporting themselves, we can show that more companies are increasingly transparent and are strengthening their commitments to include more goals and procurement policies, such as safeguarding biodiversity, managing greenhouse gases, and supporting farmers.

Over the past year, new guidance such as Ceres' "[Reporting Guidance for Responsible Palm](https://www.ceres.org/resources/reports/reporting-guidance-for-responsible-palm/)" has become available on how to measure impacts;<sup>15</sup> more commodities are being produced under certification schemes; more companies are providing training, incentives, and assistance to suppliers to avoid deforestation; and more tools are available to understand and manage the tangled web of supply chain relationships.

There's much more to be done, but the good news is that *change is happening*.

***“With the possibility looming that certain governments will step back, private sector leadership on ending deforestation and fighting climate change becomes even more important. This third Supply Change report signals that we are committed to partnering to help build the tools and experience necessary to ensure these businesses can reach their goals, and to ensure that society makes critical progress on combating climate change.”***

***Michael Jenkins, Founding President and CEO, Forest Trends***

<sup>15</sup> Ceres, Reporting Guidance for Responsible Palm (Boston: Ceres, 2017), <https://www.ceres.org/resources/reports/reporting-guidance-for-responsible-palm/>.







# Appendix

The following tables compare the characteristics of the *Supply Change* dataset used in the 2016 report to the dataset used in this 2017 report. The 2016 report dataset is a snapshot as of March 31st, 2016 and the 2017 report dataset is a snapshot as of December 1, 2016.



**Table 1. Company Headquarters by Region, 2016 vs. 2017 Findings**

	2016 Report		2017 Report	
Europe	203	55%	239	53%
North America	78	21%	104	23%
Asia	59	16%	70	16%
Oceania	12	3%	17	4%
Latin America & Caribbean	10	3%	15	3%
Africa	4	1%	2	0%
<b>Total</b>	<b>366</b>	<b>100%</b>	<b>447</b>	<b>100%</b>

Note: Totals may not equal 100% due to rounding.



**Table 2. Market Capitalization and Annual Revenue Summary, 2016 vs. 2017 Findings**

Financial Parameter	2016	2017
Publicly Traded	55% (200/366)	54% (243/447)
Privately Held	45% (166/366)	46% (204/447)
<b>Market Capitalization</b>		
Minimum Market Capitalization	\$7 million	\$9.2 million
Median Market Capitalization	\$8.5 billion	\$9.1 billion
Maximum Market Capitalization	\$608 billion	\$522 billion
<b>Total Market Capitalization</b>	<b>\$6.2 trillion</b>	<b>\$6.7 trillion</b>
Number of Companies with Market Capitalization Information Available	219 companies	236 companies
<b>Annual Revenue</b>		
Minimum Revenue	\$2.2 million	\$360 thousand
Median Revenue	\$12.4 billion	\$12.4 billion
Maximum Revenue	\$482 billion	\$482 billion
<b>Total Revenue</b>	<b>\$2.9 trillion</b>	<b>\$5.4 trillion</b>
Number of Companies with Annual Revenue Information Available	116 companies	286 companies

Note: Changes year on year are due to a variety of reasons, including our company database expansion, enhancements to data collection, etc. Market capitalization decreased in 2017 primarily because Apple's market cap went down during this period.





**Table 3. Participation in Related Activities**

	2016 Report	2017 Report
Related Activities	Number of Participants with relevant commitment(s)	Number of Participants with relevant commitment(s)
Roundtable on Sustainable Palm Oil	193	217
Global Reporting Initiative	New	157
Consumer Goods Forum	116	99
Publicly report to CDP	78	87
Round Table on Responsible Soy	31	47
New York Declaration on Forests	38	41
Tropical Forest Trust	36	39
We Mean Business	34	39
The Sustainability Consortium	37	35
World Business Council on Sustainable Development	30	33
Sustainable Agriculture Initiative	25	30
Forest Stewardship Council	25	28
British Retail Consortium	15	25
Tropical Forest Alliance 2020	13	21
Global Forest and Trade Network	22	20
Sustainable Apparel Coalition	5	18
Leather Working Group	9	16
WWF Forest Campaign (UK)	New	13
High Carbon Stock Steering Group	6	10
CanopyStyle Pledge	New	9
Palm Oil Manifesto	8	8
World Business Council on Sustainable Development Forests	7	7
Palm Oil Innovation Group	5	7
Danube Soy	4	6
Indonesia Palm Oil Pledge	6	6
Brazilian Roundtable on Sustainable Livestock	4	6
Brazilian Grain Exporters Association (ANEC)	0	5
PEFC International Stakeholder Member	6	5
Global Roundtable for Sustainable Beef	5	5



**Table 4. Company Sectors, 2016 vs. 2017 Findings**

	2016 Report		2017 Report	
Sector	Number of Companies with Commitments	Percentage of Companies with Commitments	Number of Companies with Commitments	Percentage of Companies with Commitments
Food Products	107	29%	119	27%
Food Retailers & Wholesalers	41	11%	47	11%
Consumer Staples	37	10%	39	9%
Farming	14	4%	28	6%
Paper/Pulp	15	4%	21	5%
Personal Care Products/Appliances	16	4%	17	4%
Restaurants & Bars	8	2%	15	3%
Containers/Packaging	12	3%	12	3%
Specialty Chemicals	8	2%	11	2%
Clothing	3	1%	10	2%
Nondurable Household Products	8	2%	8	2%
Broadline Retailers	8	2%	7	2%
Publishing	5	1%	7	2%
Commodity Chemicals	2	1%	7	2%
Footwear	2	1%	7	2%
Furniture	4	1%	6	1%
Forest & Paper Products	4	1%	6	1%
Mixed Retailing	3	1%	6	1%
Alcoholic Beverages/Drinks	6	2%	5	1%
Diversified Holding Companies	3	1%	5	1%
Computers/Consumer Electronics	4	1%	4	1%
Electric Utilities	1	0%	4	1%
Construction	0	0%	4	1%
Home Goods Retail	3	1%	4	1%
Wholesalers	3	1%	3	1%
Consumer Discretionary	4	1%	3	1%
Non-Alcoholic Beverages/Drinks	3	1%	3	1%
Home Construction	3	1%	3	1%
Passenger Airlines	2	1%	3	1%
Specialty Retail	2	1%	3	1%
Diversified Industrials	3	1%	0	0%
Diversified Industrials	3	1%	0	0%
Other	32	9%	30	7%
<b>Total</b>	<b>366</b>	<b>–</b>	<b>447</b>	<b>–</b>

Note: Total does not sum to 100% due to rounding.



**Table 5. Companies with Commitments by Supply-Chain Level**

	2016 Report		2017 Report	
	Number of Companies with Commitments	Percentage of Companies with Commitments*	Number of Companies with Commitments	Percentage of Companies with Commitments*
Producer	52	14%	75	17%
Processor	69	19%	93	21%
Trader	32	9%	55	12%
Manufacturer	245	67%	319	71%
Retailer	98	27%	134	30%

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





# Harnessing the Power of Collaboration

*Supply Change* is an initiative of Forest Trends. CDP and WWF are collaborating partners 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* Initiative itself.

## Supply Change Steering Committee

This initiative is expertly guided by the following *Supply Change* Steering Committee members:

Mohamed Imam Bakarr (Global Environment Facility), Paul Hartman (Global Environment Facility), Jacinto Coello (United Nations Environment Programme), Ersin Esen (United Nations Environment Programme), Katie McCoy (CDP), Elizabeth Schueler (WWF), Megan Weidner (Bunge North America), and Bruce Wise (International Finance Corporation).

## COLLABORATORS



### CDP [cdp.net](http://cdp.net)

CDP, formerly Carbon Disclosure Project, is an international, not-for-profit organization providing the global system for companies, cities, states and regions to measure, disclose, manage and share vital information on their environmental performance. CDP, voted number one climate [research](#) provider by investors, works with 803 institutional investors with assets of US\$100 trillion, to motivate companies to disclose their impacts on the environment and natural resources and take action to reduce them. More than 5,800 companies, representing close to 60% global market capitalization, disclosed environmental information through CDP in 2016. CDP now holds the most comprehensive collection globally of primary corporate environmental data and puts these insights at the heart of strategic business, investment and policy decisions. Please visit [www.cdp.net/](http://www.cdp.net/) or follow us [@CDP](#) to find out more.



### WWF [www.panda.org](http://www.panda.org)

WWF is one of the world's leading conservation organizations, working in 100 countries for over half a century. With the support of almost 5 million members worldwide, WWF is dedicated to delivering science-based solutions to preserve the diversity and abundance of life on Earth, halt the degradation of the environment and combat climate change.



# Pioneering Finance for Conservation

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## **Biodiversity Initiative**

Promoting development of sound, science-based, and economically sustainable mitigation and no net loss of biodiversity impacts

## **Coastal and Marine Initiative**

Demonstrating the value of coastal and marine ecosystem services

## **Communities Initiative**

Strengthening local communities' capacity to secure their rights, manage and conserve their forests, and improve their livelihoods

## **Ecosystem Marketplace**

A global platform for transparent information on environmental finance and markets, and payments for ecosystem services

## **Forest Policy, Trade, and Finance Initiative**

Supporting the transformation toward legal and sustainable markets for timber and agricultural commodities

## **Public-Private Finance Initiative**

Creating mechanisms that increase the amount of public and private capital for practices that reduce emissions from forests, agriculture, and other land uses

## **Supply Change**

Tracking corporate commitments, implementation policies, and progress on reducing deforestation in commodity supply chains

## **Water Initiative**

Promoting the use of incentives and market-based instruments to protect and sustainably manage watershed services

Learn more about our programs at [www.forest-trends.org](http://www.forest-trends.org)