

COMPANIES 2015 RESULTS



To ensure deforestation free
supply chains, companies
need to adopt and implement
timebound and measurable
policies for forest risk
commodities

About the Forest 500:

The Forest 500 is the world's first rainforest rating agency. It identifies and ranks the most influential companies, investors and governments in the race towards a deforestation-free global economy.

Contact:

To contact the Forest 500 team please write to forest500@globalcanopy.org

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About the Global Canopy Programme:

The Global Canopy Programme (GCP) is a tropical forest think tank working to demonstrate the scientific, political and business case for safeguarding forests as natural capital that underpins water, food, energy, health and climate security for all. GCP works through its international networks – of forest communities, science experts, policymakers, and finance and corporate leaders – to gather evidence, spark insight, and catalyse action to halt forest loss and improve human livelihoods dependent on forests.

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EXECUTIVE SUMMARY

- The 2015 Forest 500 results demonstrate that companies have made little year-on-year progress to address deforestation risk within supply chains.
- Among the 250 companies assessed, those headquartered in North America continue to score, on average, the highest; while companies in the Asia-Pacific region have made the least progress on commitments.
- Signatories to the New York Declaration on Forests score on average three times higher than non-signatories and have made twice as much progress on deforestation during 2015.
- The least action has been taken by companies involved in the soya supply chain, with only 22% of these companies publicly committing to responsible soya policies. In contrast, 65% of companies within the timber supply chain have a commodity commitment and 62% within the palm oil supply chain.
- Animal feed manufacture consumes 75% of global soya production. In the 2014 Forest 500 results, this sector had the least developed policies. In 2015, animal feed manufacturers continue to perform poorly. Greater progress in this sector would have a meaningful impact for improved sustainability in the soya supply chain.

INTRODUCTION

The Forest 500 identifies and ranks the progress of the 250 companies that have the greatest potential influence in the race towards a deforestation-free global economy. In the last half century, over 50% of the world's tropical forests have been lost; commercial agriculture supply chains have been responsible for 71% of tropical forest loss¹. In particular, the supply chains of five forest risk commodities have had a major impact upon rainforests – palm, soya, beef, paper and timber. The companies included in the Forest 500 represent the major corporate powerbrokers with respect to tropical deforestation in the context of these forest risk commodity supply chains. If these companies took concerted action on tropical deforestation exposure in their supply chains, they would have large-scale impact.

Companies are increasingly recognising the legislative, reputational and operational risks associated with deforestation within supply chains. In late 2014, The New York Declaration, which supports the goal of ending forest loss through agricultural commodity production by 2020, was signed by 109 companies. The Consumer Goods Forum, a network of some 400 business with almost \$3 trillion in combined turnover, has similarly pledged to achieve zero net deforestation supply chains by 2020. These large-scale agreements demonstrate the growing importance for sustainability among major companies. Yet there is disparity on the scope and strength of commitments, both between sectors and regions.

ABOUT THIS REPORT

This report tracks the progress of Forest 500 companies towards addressing deforestation risks within their supply chains. It then expands upon areas of greatest concern and priority for the year ahead, namely commitments on soya.

The report is divided into two sections:

- **Forest 500 results:** This section examines corporate progress during 2015.
- **The Soya Supply Chain:** This section examines the current context and challenges facing the soya supply chain, indicating areas requiring the greatest focus by companies and other stakeholders during 2016.

FOREST 500 RESULTS

Corporate progress towards deforestation-free supply chains

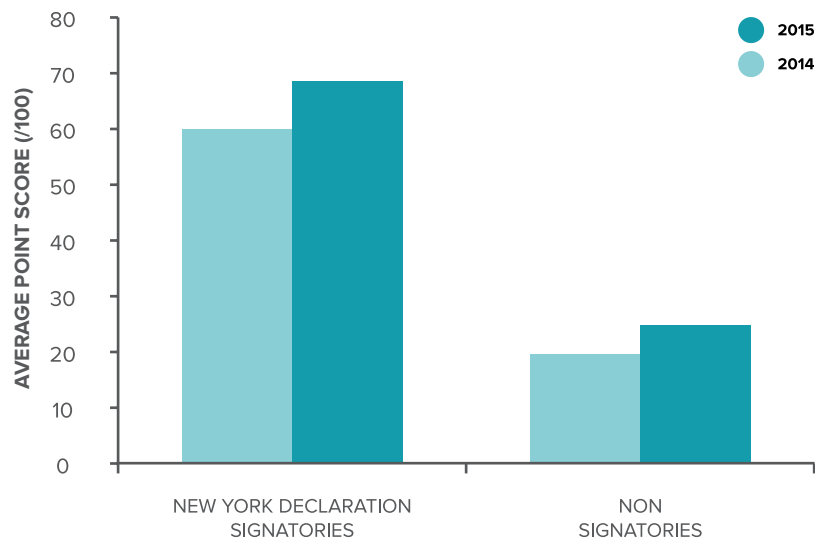
Companies are increasingly recognising the regulatory, reputational and operational risks associated with unsustainable supply chains. While some companies continue to lead on this issue, the 2015 Forest 500 results reflect that the same sectors and regions continue to lag behind.

OVERALL PROGRESS

The 2015 results found that the average score of companies increased to 30 points out of 100, up from 26 in 2014. In total, 12% of powerbrokers (31 companies) improved their Forest 500 scoreband (0 to 5 points), with five companies improving by two points (Astra Agro Lestari, Groupe Eram, Grupo Bimbo, Mewah International and News Corp). No new companies joined the group of six that achieved the highest rating in 2015 – namely Danone, Kao Corp, Reckitt Benckiser, Unilever, Procter and Gamble, and Nestlé.

NEW YORK DECLARATION SIGNATORIES

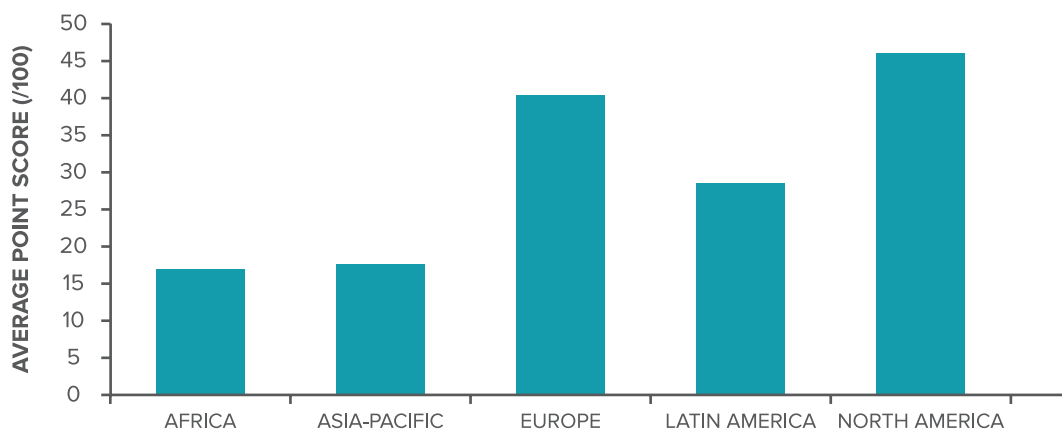
The average score of New York Declaration on Forests signatories is 69 out of 100, while non-signatories score only 25 points. Examining the results of the 21 companies included in both the 2014 and 2015 Forest 500 assessmentsⁱ, signatories made almost twice as much progress as non-signatories, increasing their average score by 9 points, in contrast to the 5 point average increase attributable to non-signatories.



REGIONS

Companies headquartered in North America continue to lead, scoring 46 out of 100 on average in 2015, followed by European and Latin American companies. Companies in Asia-Pacific and Africa are taking the least action on tropical deforestation, as indicated by their low average scores. At the level of individual countries, however, Indian, Chinese and Russian headquartered companies continue to score the lowest.

Not only do North American companies have the highest average score, but the region is also home to one third of the companies that improved their score. North American headquartered companies form 20% of the total membership of the Forest 500 and 33% of improvers are based there.



ⁱIn the 2014 Forest 500 results, 21 companies were signatories to The New York Declaration. The entry of Delhaize into the top 250 most influential companies, due to mergers and acquisitions made during 2014/15, saw the number of signatories rise to 22 in 2015.

COMMODITIES

Taking supply chains individually, commitments within the palm oil and timber supply chains are most prevalent, while commitments within the palm oil supply chain the most transparent and clearly defined. 65% of companies involved in the timber supply chain were found to have sustainability policies for wood, and 62% of companies involved in the palm oil supply chain had a commodity-relevant sustainability commitment. By comparison, just 25% of companies involved in the beef and leather supply chain have such policies in place. In the soya supply chain, only 22% of companies have commodity-specific sustainability commitments. These findings reflect the recent widespread focus on deforestation in the palm oil supply chain, as well as the relatively early international focus on legal and sustainable timber products.

THE SOYA SUPPLY CHAIN

Barriers to achieving deforestation-free soya

The Forest 500 results demonstrate that only around one-fifth of the most influential companies operating in the soya supply chain have commodity specific commitments. Compared to other Forest 500 commodities, policies are least prevalent and developed for soya. This section considers the key initiatives influencing the sustainability of the soya supply chain and the challenges to future progress by companies.

SUPPLY CHAIN INITIATIVES

Soya is the fastest expanding crop in the world in terms of production². In the last 50 years, soya production has grown by a factor of ten, from 27 to 269 million tonnes annually³. Today, the USA, Brazil and Argentina account for 80% of global supply⁴. Four traders, often referred to informally as the ABCD group, dominate the supply chain: American companies Archer Daniel Midlands Co., Bunge Ltd., and Cargill Inc., and Dutch company Louis Dreyfus Corp.

Some stakeholders have begun to take action on improving the sustainability of the soya supply chain:

Government Initiatives: Government policies and legislation encouraging sustainable soya supply chain development exist, but strong examples are still few and far between. For example, the Brazilian government has been party to the Soy Moratorium since 2008, when the Ministry of Environment gave its support to this industry-led initiative. Trading countries governments have also begun to take action. In the Netherlands, the government introduced a policy initiative supporting sustainable soya supply chain development. This includes supporting the certification scheme of the Roundtable of Responsible Soya (RTRS), although there are no formal implementation activities attached to the 2007 legislation⁵.

The Soy Moratorium, established in 2006, is a voluntary agreement by major soya traders operating in the Brazilian Amazon not to sell soya grown on post-2006 deforested Amazonian land. It has been effective in ensuring that soya production since 2006 has not contributed significantly to loss of the Amazon forest, despite an increase in production. Before the Moratorium, between 2001 and 2006, soyabean fields expanded by 1 million hectares in the Brazilian Amazon, with 30% of expansion occurring through deforestation. Soyabean continued to expand by a further 1.3 million hectares to 2014, but only 1% occurred through forest loss⁶.

Private Sector Initiatives: Industry-led initiatives have also started to appear. For example, in 2011, the Dutch Task Force for Sustainable Soya, which represents Dutch production and trading companies, and Nevedi, which represents the Dutch animal feed industry, set a target for 100% sustainable soya imports (RTRS certified) into the Netherlands by 2015⁷. More recently, the European Feed Manufacturers Federation (FEFAC) recognised the need to act on its ambition to “encourage the sustainable development of livestock production” and released new Soya Sourcing Guidelines encouraging responsible production⁸. Partnerships between private companies and civil society organisations seeking to improve the sustainability of soya supply chains have also developed. For example, ADM has partnered with The Forest Trust to map their global supply chains for soya (and palm oil), with the aim of identifying risks of deforestation, peatland destruction and human rights violations⁹.

Civil Society Initiatives: Multi-stakeholder certification schemes such as the RTRS and Proterra work on promoting sustainable soya supply chains, creating space for dialogue between industry, civil society and other key stakeholders.

Nonetheless, while some action encouraging companies to remove deforestation from their supply chains is occurring in the wider landscape, corporate progress towards responsible soya production remains slow.

SUPPLY CHAIN COMMITMENTS: BARRIERS TO PROGRESS

The corporate sector continues to face challenges that must be better understood and addressed if greater progress is to be achieved. **Three main points stand out:**

- 1. Finding a common approach:** Corporate policies for soya continue to be poorly defined in contrast to the established baseline components of new palm oil commodity policies, such as protection of peatlands and High Conservation Value forests. Collaboration between stakeholders is important to develop clear, standard requirements for soya policies.
- 2. Ending reliance on the Soy Moratorium:** Among existing soya commitments, a large number are based upon compliance with the Soy Moratorium. This reliance is problematic for two main reasons:

Expiration: The Moratorium does not present a long-term commitment to developing sustainable, deforestation-free supply chains as it has an expiration date. In November 2014, the agreement was renewed for the eighth time and will now end in May 2016. The new expiration date is set in line with requirements on compliance with Brazil’s new Forest Code, but concerns have been raised over the robustness of this approach and the capacity of the Forest Code to achieve the same outcomes¹⁰. In sum, companies need to create long-term commitments to sustainability in order to transform their supply chains, rather than renewing a rolling moratorium.

Leakage: Leakage of soya crops into both the forested Cerrado, which has experienced annual rates of 11-23% growth in soya production between 2007-2013¹¹, as well as some documented trans-national leakage into eastern Paraguay and Bolivia¹², further calls into question corporate reliance on the Soy Moratorium. To be effective, sustainability policies must be applied across entire supply chains and regions; a narrow focus on the Brazilian Amazon now needs to be widened.

3. Creating a stronger market for certified soya: The Roundtable on Responsible Soya (RTRS) offers a certification scheme that confirms protection of native forest and High Conservation Value areas¹³. The first RTRS certified soya entered the market in 2011. Since then, over 2.5 million tonnes of soya have been certified, but only 55% of this has been sold, mostly through credits¹⁴. Procuring certified soya is one method by which companies could implement sustainability policies across their supply chains.

Companies need to formulate and develop internal policies outlining their soya practices. Collaboration with other actors, as already being practiced by some companies, is important to develop better understanding around removing deforestation from supply chains. Company-specific rather than geographically-based commitments are especially important as soya production expands into parts of southern and central Africa¹⁵.

The animal feed sector

Driving change in the animal feed sector, which consumes 75% of global soya production, is vital for achieving wider change within soya supply chains. Yet the 2015 Forest 500 results found that this sector continues to perform poorly in terms of public commitments, scoring an average of just 19 out of 100. Of the 16 Forest 500 companies operating in the sector, over half score only one point out of five. US-based Cargill continues to lead, scoring four points out of five, but the company's soya commitment is reliant upon the Soy Moratorium. While little progress was made by Forest 500 companies, the publication in August 2015 of recommended Soya Procurement Guidelines by the European Feed Manufacturers' Federation (FEFAC) does reflect gradual change in the wider landscape. FEFAC members comprise 24 national associations in 23 EU Member States, as well as observer associations in Switzerland, Turkey, Norway, Serbia and Russia¹⁶. These guidelines are intended to encourage members to consider responsible sourcing in their procurement strategies and include environmental considerations¹⁷. The 2016 Forest 500 results will determine whether this external shift translates into corporate action.

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