

# Leading on deforestation: maintaining progress to 2020 and beyond.

November 2018

This year's New York Declaration on Forests Progress Assessment showed that companies are not on track to meet their commitments on eliminating deforestation from agricultural commodity supply chains<sup>1</sup>. Global Canopy's Forest 500 analysis of progress shows that the most influential companies in forest-risk supply chains are not doing enough, fast enough to achieve their goal<sup>2</sup> (Figure 1). Financial institutions - who have enormous power to drive change - are doing even less.

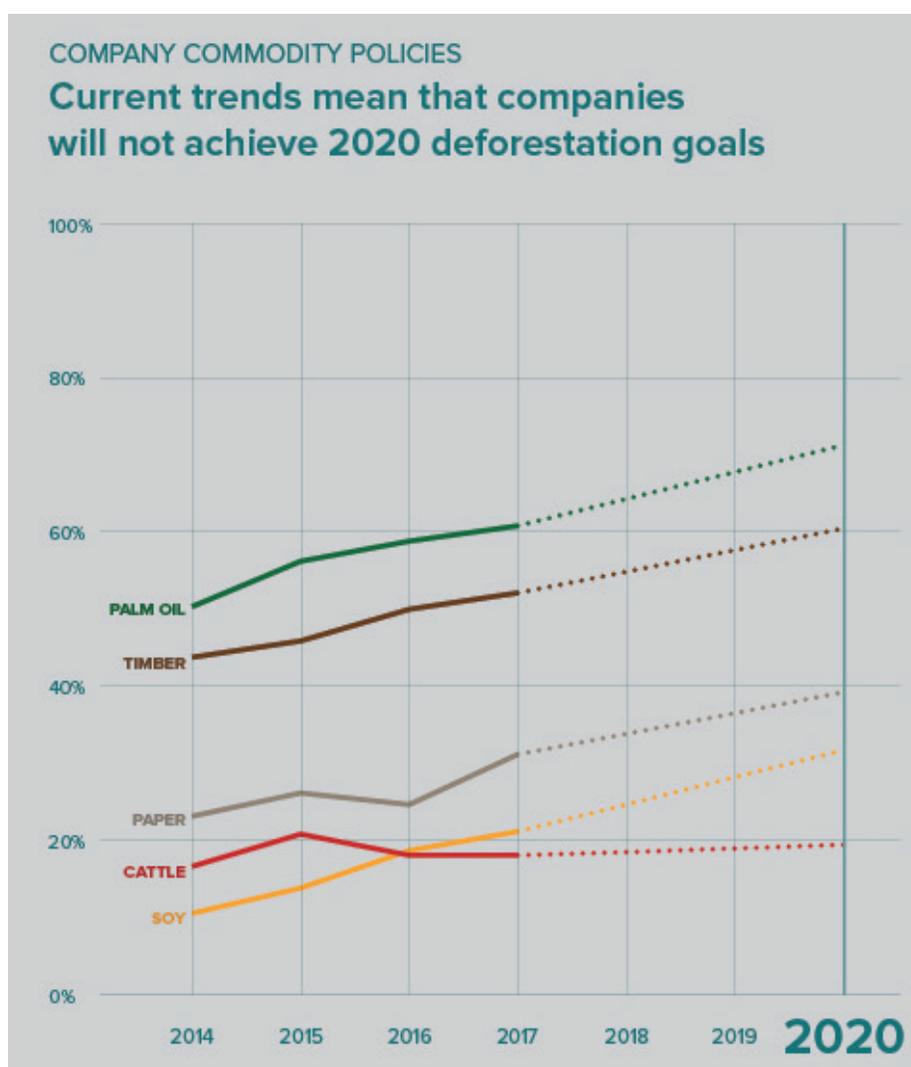


Figure 1. Projected trends of commodity policy uptake to 2020 based on proportions with a policy since 2014.

## Room for progress at the top

Fifty five companies and financial institutions have signed the New York Declaration on Forests<sup>3</sup>, but just 28 of these companies (or their parent companies) and just four financial institutions are considered influential enough to make the Forest 500 ranking of the companies and financial institutions with the greatest exposure in the deforestation economy.

Forest 500 ranks these companies and financial institutions on the strength and scope of their commitments to tackle deforestation in their supply chains or portfolios, and on their implementation plans, awarding a score out of five. On average, the signatory companies' 2017 scores were double the average scores of the non-signatories, suggesting that collective commitments such as the NYDF have helped to drive individual company action on deforestation.

These signatory companies - which include big brands such as Unilever, Nestle, Procter & Gamble and McDonalds - still have significant room for improvement when it comes to translating their NYDF commitments into policies<sup>4</sup>. Sixteen of these companies do not achieve the top 5/5 ranking in Forest 500 assessments, and 10 of them do not have an overarching deforestation commitment for all the commodities they are exposed to.

NYDF signatories Mondelez, Ferrero and Ahold Delhaize score only 3/5 while Mitsubishi and Nutreco (under parent SHV holdings) score just 2/5. These two companies are exposed to multiple commodities through their operations, but neither have an overarching commitment to address deforestation, nor a commitment for all of the commodities they are assessed for. Both companies do have commitments on palm oil (scoring 4/5 on this) showing that they recognise the risks, and are acting on them in one area of their work, but have not applied this thinking across other commodities.

## Sharing best practice across the company

Seven of NYDF signatories are subsidiaries of Forest 500 companies - and their parent companies were found to have weaker commitments than the other signatories<sup>5</sup>. Commitments should apply to all of the forest-risk commodities that a company is exposed to, and need to be applied across all of their operations. This should include the parent company, and all subsidiaries that are involved in forest-risk commodity supply chains.

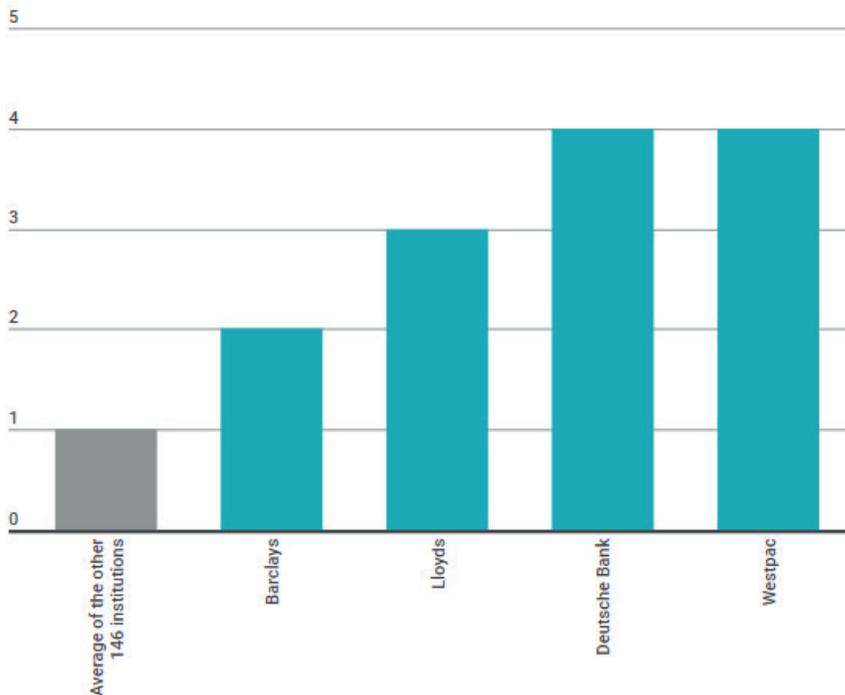
As well as applying commitments to all subsidiaries, parent companies also need to increase transparency for company ownership structures<sup>6</sup>. Palm oil companies have come under scrutiny for 'hiding' deforestation in complex and opaque organisational structures- preventing full accountability.

## Best practice across the supply chain

All but two of the 26 are manufacturers or retailers, and as such, can only achieve their deforestation-free commitments by engaging with other companies in the supply chain. Without action from upstream companies, these downstream companies cannot be sure that the commodities they are sourcing meet their commitment.

## Finance sector still lagging

Financial institutions lag behind companies in their actions on deforestation. Just under 70% of the financial institutions assessed as part of the Forest 500 last year had no policies for investing or lending to companies in forest-risk commodity supply chains, scoring 0-1 out of 5<sup>7</sup>. The four NYDF signatory institutions included in Forest 500 had an average score of 3/5 (Figure 2).



Financial institutions need to recognise that deforestation is a climate-related risk - and they should be reporting on deforestation risks for that reason. Progress has been made in recognising other aspects of climate risk, particularly following the introduction of the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

Figure 2. Forest 500 scores for financial institutions that have signed NYDF

## Conclusions

- The NYDF signatories are not going to deliver on the commitments they made by 2020, but it is crucial that they maintain momentum and work to implement ambitious policies that respond to the ambition of the Declaration.
- Corporate leaders must work on their supply chains and engage with suppliers to ensure their policies can be implemented.
- The financial institutions identified in the Forest 500 must engage with the companies in their portfolios to understand where they are exposed to forest risks. There must be greater recognition that deforestation represents a material financial risk<sup>8</sup>.
- Companies and financial institutions all have a responsibility to deliver deforestation-free supply chains - and must work together to achieve this goal.



The New York Declaration on Forests (NYDF) is a collective commitment signed in September 2014 by over 190 companies, governments, civil society and indigenous organisations.

Goal 2 of the Declaration is to support and help meet the private-sector goal of eliminating deforestation from the production of agricultural commodities such as palm oil, soy, paper, and beef products by no later than 2020.



The Forest 500 identifies and ranks the most influential companies, financial institutions, and governments in forest risk commodity supply chains as we shift to a deforestation-free economy.

## References

<sup>1</sup> <http://forestdeclaration.org/goal/goal-2/>

<sup>2</sup> <http://forestdeclaration.org/>

<sup>3</sup> The Declaration: <https://nydfglobalplatform.org/declaration/>

<sup>4</sup> Signatories in Forest 500: Ahold Delhaize, Cargill, Danone, Ferrero Group, General Mills Inc., Grupo Bimbo SAB de CV, Johnson & Johnson, Kao Corp., Kellogg Co., L'Oreal S.A., Marks & Spencer Group PLC, McDonald's Corp., Mondelez International Inc., Musim Mas, Nestle S.A., Orkla Group, Sime Darby Bhd., Tesco plc, Unilever PLC, Wal-Mart Stores Inc., and Wilmar International Ltd. A further six companies are subsidiaries of companies that are ranked in Forest 500: Apical Group Limited (Royal Golden Eagle), Asia Pulp and Paper (Sinar Mas Group), Asian Agri (Royal Golden Eagle), Cermaq (Mitsubishi Corp.), Denofa (Grupo Andre Maggi), Golden Agri-Resources (Sinar Mas Group Co. Ltd), Skretting Group (NutraCo N.V.).

<sup>5</sup> Signatory companies where the parent was the signatory had an average score of 4/5. Companies where a subsidiary had signed the declaration but the parent company had not scored an average of 3/5.

<sup>6</sup> <https://www.eco-business.com/news/palm-oil-firms-use-shadow-companies-to-hide-deforestation-links-report/>

<sup>7</sup> <https://forest500.org/achieving-2020-forest-500-report-2017>

<sup>8</sup> <http://globalcanopy.org/publications/linking-deforestation-risks-investment-value>