



Time for change: Delivering deforestation-free supply chains Webinar Q&A

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Forest 500 methodology

How are the Forest 500 companies and financial institutions selected?

We identify the 350 companies and 150 financial institutions which have the greatest influence on tropical deforestation and which make up the Forest 500, every two years.

The 350 companies are selected based on their exposure to tropical deforestation in their supply chains, through six key commodities: palm oil, soy, timber, pulp and paper, beef, and leather. This exposure is identified based on a variety of data sources, including trade data, share of specific markets, and land bank area.

The selection of the 150 financial institutions is determined by which 150 financial institutions provide the most finance to the 350 companies.

If you want to find out more about our selection methodologies, you can read them [here](#).

How are companies and financial institutions assessed?

Forest 500 assesses companies and financial institutions using two different methodologies.

Companies are assessed on the strength and implementation of the deforestation commitments they apply to their commodity supply chains, while financial institutions are assessed on the

strength and implementation of the deforestation policies they apply to the companies in their financial portfolios. If you would like to find out more, the [methodologies](#) are available on our website.

Is there any assessment of policies implementation? Contents of policies versus real data over time?

Inconsistent reporting from companies and financial institutions makes it difficult to track progress towards commitments and policies over time, or to compare progress made by companies or financial institutions.

However, both the company and financial institution methodologies assess how the companies and financial institution methodologies implement their commitments and report on their progress towards them. For financial institutions we assess whether they report on compliance of companies in their financial portfolios, whereas for companies the assessment focuses on their suppliers or own operations depending on the stage of the supply chain.

Why were only seven Latin American financial institutions assessed?

Seven Latin American financial institutions were assessed as they were in the 150 financial institutions that were providing the most finance to the 350 companies we had identified as having the greatest exposure to tropical deforestation. The 150 financial institutions selected are not the only ones exposed to deforestation through their financial portfolios - they are just the ones with the highest exposure to these 350 companies.

Do you find many companies have generic "deforestation free" goals but lack the specifics about what they are doing relevant to specific commodities? Is that the normal roadmap or do they tend to start with (eg) palm oil and then extend that to other commodities?

In our Company Assessment Methodology, companies can only score for commodity-specific deforestation commitments if their deforestation commitments mention each commodity directly. Some companies do have overarching deforestation-free commitments, which we also collect within our assessments, and start from there, while other companies start with one commodity and then expand.

How do you treat deforestation commitments that are incorporated into more generic prevention of biodiversity loss commitments?

The assessment methodologies take into account commitments on both deforestation and conversion of all ecosystems and landscapes. A commitment which specifically includes preventing the destruction of forests is considered as a deforestation commitment (with several categories within that), including if it is within a biodiversity loss commitment.

Do you look at how companies define deforestation?

Within the Forest 500 assessments, Forest 500 accepts all commitments to deforestation, and categorises deforestation commitments into five categories; protects priority forests, zero-net deforestation, zero-gross deforestation, zero-net conversion, and zero-gross conversion. Commitments to protect priority forests score the lowest of the five, and commitments to zero-gross conversion score the highest.

Our methodology does not specifically include forest degradation outside of deforestation.

Lots of agricultural financing for SMEs and smallholders comes from national development banks and state-owned banks, which often lack ESG policies. Is this something you might be exploring in future work?

The 150 financial institutions within the Forest 500 already include national development banks and state-owned banks, as they are among the 150 financial institutions providing the most finance to the 350 companies in the Forest 500.

Do you assess whether companies work with stakeholders on the ground to find sustainable solutions?

Our company assessment methodology includes an indicator on collaborative actions to improve the sustainability of the commodity supply chain. This looks for companies to be working with another company, organisation, or group (not as a consultancy).

We also look for evidence of companies working on the ground, to ensure that their commitments are being implemented. Some key examples of this are the indicators on whether or not the company has conducted forest-risk assessments, and environmental and social impact assessments for new land acquisitions.

Moving forward and stopping deforestation

What should companies and financial institutions without a deforestation commitment or policy do?

The companies and financial institutions without any commitments or policies on deforestation need to make a public policy that covers all of their operations or financial portfolios - and implement it effectively.

Once financial institutions have made a policy, they must monitor their financial portfolios for compliance with their policies, and engage with those who are non-compliant. For companies who have continued to take too little action, financial institutions should be willing to divest from them.

Companies should follow the guidance of the Accountability Framework Initiative, focusing on the implementation of their commitments and reporting on progress, in line with best practice.

How do we move from halting deforestation, to regenerating and restoring them?

Currently, action on deforestation within company supply chains and financial portfolios is still relatively low, with 43% of the most influential companies and financial institutions not having any deforestation policies or commitments, and Forest 500 remains focused on halting deforestation.

Existing primary forests hold significantly more carbon than restored forests, as well as being more biodiverse ecosystems. These ecosystems and landscapes need to be protected as a priority. Deforestation must be halted to prevent the climate and nature crises.

We do of course recognise the importance of regenerating and restoring forests. This year, as part of the alignment with the Accountability Framework Initiative, the Forest 500 company assessment methodology added two non-scoring indicators on whether companies had a commitment or project to conserve tropical forest on land they do not own, and also whether they have a commitment or project to restore or reforest tropical forests. Restoring forests is a bonus in a company's approach to deforestation, but should not be considered as a way to offset continuing deforestation elsewhere in a supply chain.

Shouldn't more focus be put on strengthening governance in producer countries too?

To deliver deforestation-free supply chains, action is needed from all stakeholders at all stages of the supply chain - from finance through to retailers. Due diligence legislation for companies

operating in consumer markets like the EU and the UK will impact a huge number of companies globally. It is hoped that the legislation will require companies to identify and address deforestation-risk throughout their supply chains, meaning legislation in consumer markets directly impacts companies operating in producer markets.

Specific cases, including questions to Nestlé and Rabobank

What's the real 'business case' that has motivated Nestlé and Rabobank to take action?

Barbara Wettstein, Nestlé: As a food and beverage company, our success depends on a secure supply of high-quality agricultural ingredients. Tackling deforestation is also key to us achieving our [net zero commitment by 2050](#)

Johan Verburg, Rabobank: For Rabobank as a cooperative bank with an international food & agriculture focus we possibly have a broader understanding of risks and opportunities, notably in transitions to future-proof F&A. The really interesting business cases are those situations where we can facilitate clients who are going through sustainability transitions.

What is the feedback of Nestlé on the Traceability Tools they have implemented: is it one single tool for all Commodities/Products/Countries or do you use different tools? Are they based on Blockchain technology ? Feedback on Blockchain for Traceability?

Barbara: Our approach is to work closely with suppliers to create a full picture of their supply chains and sourcing locations. We repeat this exercise every year, at every tier in the supply chain with the help of external partners and service providers. Our global Procurement track and monitor the origin of our raw materials via supplier Traceability Declaration Documents used to collect traceability data to plantation with our external partners, such as Earthworm Foundation and Proforest. For some raw materials we are trialing solutions like SupplyShift, a cloud-based platform to help us collect and analyze data to map our supply chain to see how it can help us gain the data we need to guide and drive our supplier engagement and purchasing decisions to meet our responsible sourcing commitments. For palm oil, we input the GPS coordinates of all the mills in our supply chain into the Starling satellite monitoring tool we use to monitor all the mills in our supply chain for deforestation risks.

The issue is the lack of traceability to origin in some commodities, like meat, where we are working with industry peers to increase that visibility.

How does Nestle define 'deforestation-free'? Do you have a cut-off date that you use? Does Nestlé's commitment also include conversion of other ecosystems?

Barbara: Our definition of deforestation-free and how we verify this can be found here: [nestle-deforestation-update.pdf](#)

Is it fair to say the RSPO & FSC certifications have led global commitments for palm oil & pulp, but there are no equivalents for the other commodities, and this would help drive commitments and support for supply chain tracing?

RSPO and FSC/PEFC have definitely facilitated the commitments on palm oil and pulp, and while some other certification schemes for the other commodities (particularly RTRS for soy) do exist, they do not cover a similar proportion of global supply as RSPO or FSC do. Certification schemes in other commodities may help to boost commitments on these commodities, but companies operating in these sectors can also make and implement deforestation commitments without the use of certification.