

SUPPLY CHANGE

Commitments that Count

Corporations, Commodities, and Commitments that Count



A project
convened by



**FOREST
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A FOREST TRENDS INITIATIVE



DRIVING SUSTAINABLE ECONOMIES



Change is good. So is information.

Businesses, investors, and governments are committing to reverse their role in degrading the world's critical ecosystems.

But commitments that *count* are about more than just words – they're about measurable change which requires transparency, accountability, and data that enables a culture of continually improving environmental performance.

Forest Trends believes that these conditions are essential to elevating nature's standing in economic decision-making, responsibly and rapidly. This is especially true of the growing demand for commodities with reduced ecological impacts. And until now, the kind of market information that minimizes uncertainty and positively positions these choices has been scarce.

In response, Forest Trends and its partners introduce Supply-Change.Org to fill this data gap with a platform for real-time news, data, and analysis that catalogues and contextualizes global progress toward these targets. *Supply Change* aims to answer questions like, "How are firms responding to investor inquiries about forest-risk – and are they delivering on their promise?" "How do my company's procurement policies stack up against those of competitors?" "How does civil society enable target achievement?" Find this kind of ever-evolving information supporting capital deployment to sustainable agriculture at **Supply-Change.Org**.



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SUPPLY-CHANGE.ORG



Supply Change:

Corporations, Commodities, and Commitments that Count

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Supply Change informs commitments that count

The world's leading businesses, public figures, and their influencers persist in the great experiment to embed the value of nature into the cost of doing business.

Their latest solutions increasingly depend on the public sector for both the money and the means to protect critical ecosystems. Yet governments that have refereed escalating private land use and underfunded public ecosystem protection agree that private capital and input is essential to close the yawning gap between the resources they have and need.

Viewed in this light, the groundswell of private sector commitments to eradicate deforestation and degradation via better-managed commodity supply chains could be the long-awaited solution to incentivize practice change along the entire value chain. However, questions arise about the effectiveness of voluntary commitments and about how commitments will coexist with existing certification frameworks and other public and private actions.

Last year saw a verifiable flood of private sector commitments targeting full implementation by 2020. This leaves scarce time for stock-taking and strategizing within and across sectors. A shortage of comprehensive, reliable, publically available intelligence about sustainable commodity markets compounds these challenges and hinders coordination.

In response, Forest Trends introduces the *Supply Change* project as 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 demand. In *Supply Change: Corporations, Commodities, and Commitments that Count*, Forest Trends captures publically-available data from 243 companies describing 307 commitments that result in this inaugural snapshot of corporate commitments and performance when available. Data from a growing number of collaborators complements our analysis of the composition of commitments and companies' progress toward their targets; the influential role of civil society and certifications; and prospects for success.

As the markets for these commodities evolve, so will *Supply Change* explore new means to inform game-changing supply chain solutions. We hope this project will inspire real progress in the form of new commitments to supply change and public disclosure of environmental performance, recognizing the collective benefits of a transparent marketplace.

Sincerely,



Michael Jenkins
Founding President and CEO,
Forest Trends



Molly Peters-Stanley
Director,
Forest Trends' Ecosystem Marketplace

“Supply Change is a transformational resource for businesses, investors, governments, and the civil society organizations that support them.”

Commercial agriculture drives tropical deforestation

Commercial agriculture and irresponsible forest practices drive at least two-thirds of tropical deforestation.¹ Researchers attribute the worst of these forest impacts to demand for (and so production of) palm oil, soy, cattle, and timber and pulp.

The economic benefits of these agricultural exports – valued at an estimated US\$98 billion in 2013 – as well as domestic consumption are critical to sustain tropical countries' continued development. In particular, tropical forest countries produce an estimated 70% of the world's soy and all palm oil. But unchecked agriculture expansion threatens both natural and human capital.

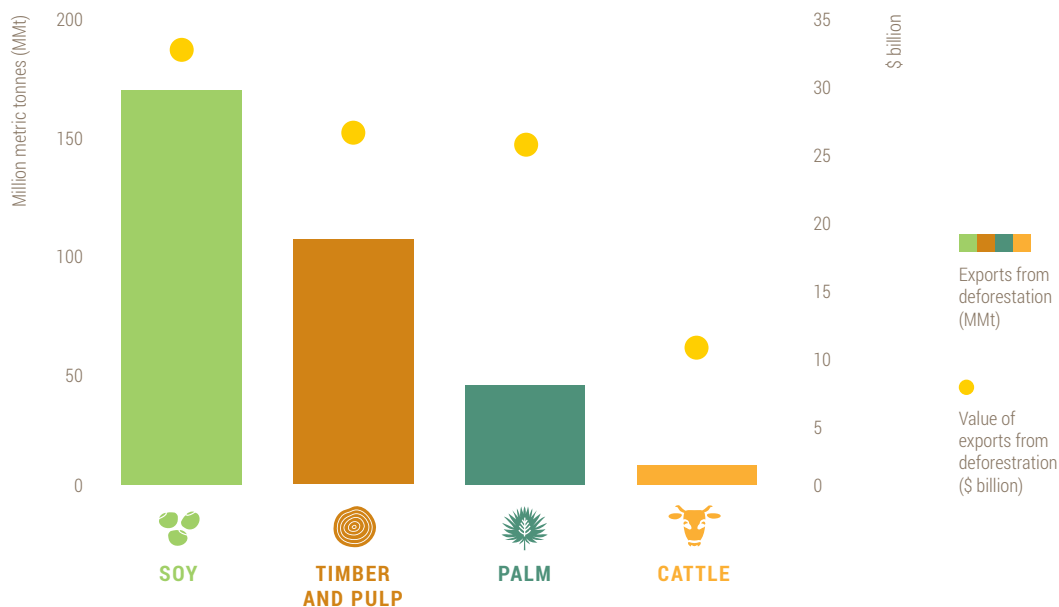
Rapid land conversion is occurring in Indonesia's peat forests, and South America's Chaco, Cerrado, and Amazon ecosystems. These regions are home to some of the world's last large caches of endemic plants. Social disruptions can also accompany rapid forest clearance, from Singapore's dangerous air pollution caused by peat burning, to indentured servitude in Brazilian beef supply chains, to the tragic deaths of some Peruvian indigenous community leaders trying to prevent illegal logging in their territories.

The same crops are key inputs to hundreds of millions of everyday products, from snack foods to shampoos, and underpin a significant volume of supply chain greenhouse gas emissions. Global trade of the raw products – and those products' products, and *those* products' products – behaves like a chain reaction with one point of origin and potentially endless destinations.

Agricultural exports and domestic consumption are critical to sustain tropical countries' continued development. But unchecked agriculture expansion threatens both natural and human capital.



Figure 1: Global Value and Volume of Deforestation-Derived Exports, by Commodity, 2013



SOURCE: Forest Trends. 2014. www.forest-trends.org/illegal-deforestation.php

Commodity supply chains are inherently complex

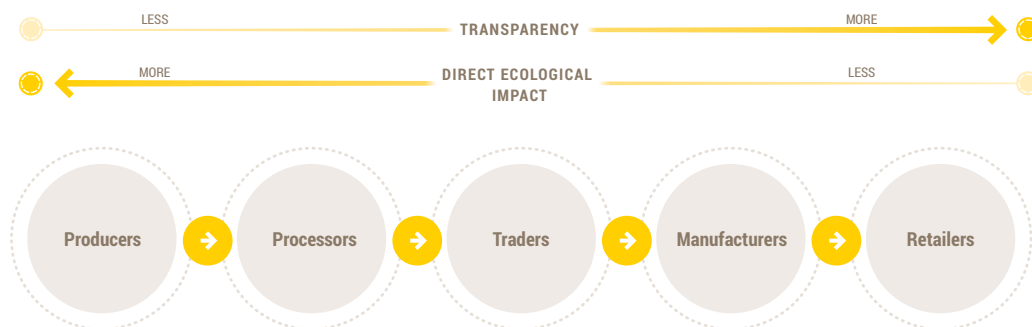
The story of forest-risk supply chains originates at the farm and forest level. Here, commodities are grown and harvested by millions of small-scale producers or a few large industrial firms. Producers most often accept a market price for their goods, regardless of whether they were sustainably or destructively produced. After harvest, palm oil, soy, cattle, and timber and pulp enter vast and complicated value chains with tendrils around the globe.

Raw materials can pass through several hands before arriving at processing mills or trading facilities, where they are mixed with raw materials from countless other sources. Now increasingly distant from their origins, commodity inputs might then fuel other industrial or agricultural processes or be sent to manufacturers to be further mixed, processed, and packaged as consumer products under innumerable brand names.

Though it was once business-as-usual for companies to disregard commodity origins, sustainable commodity agriculture is increasingly spotlighted by companies and governments implementing sound



Figure 2: Typical Value Chain Structure, Actors, and Directionality of Transparency, and Impacts



SOURCE: *Supply Change*, a project of Forest Trends. 2015. www.supply-change.org

production and procurement commitments; financial institutions screening investments for forest-risk; and civil society organizations working to improve agricultural practices, increase traceability, laud leaders, call out laggards, build demand for certified products, and support companies that commit to the journey.

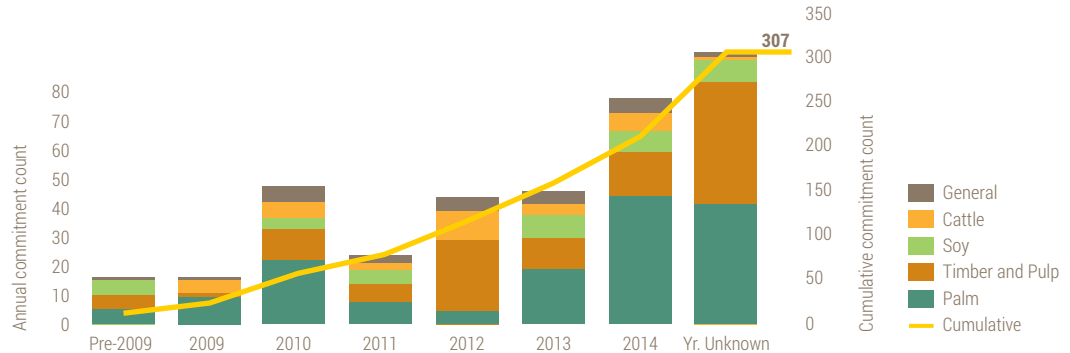
These diverse actors share common goals, but are challenged by the limited transparency inherent to large, complex markets. For example, producers can directly implement sustainable practices, but large multinational campaigns can find it challenging to engage the massive and strewn producer community. Traders, manufacturers, and retailers are increasingly transparent and responsive to reputational risks – but they too can fall back on indirect influence via procurement policies and targets, when what is needed is both ambitious commitments and follow-through to ensure supplier compliance.



Companies are increasingly committing to change



Figure 3: New Forest-Risk Commodity Commitments, by Announcement Year, Annual and Cumulative



SOURCE: *Supply Change*, a project of Forest Trends. 2015. www.supply-change.org

NOTES: Based on 307 tracked commitments made by 243 unique companies and sub-brands.

Actors at every step of the supply chain are taking ownership of their role in commodity-driven deforestation by publically committing to reduce the ecosystem impacts of the commodities that they produce or procure.

These commitments vary by scope, depth, timeframe, and sometimes dozens of other sourcing criteria. Hundreds of companies publically disclose their forest-risk commodity exposure and related sustainability initiatives – some through annual sustainability reporting, others to initiatives such as the CDP Forest Program, or via member reporting to multi-stakeholder initiatives such as the Forest Stewardship Council, Roundtable for Responsible Soy (RTRS) or the Roundtable for Sustainable Palm Oil (RSPO).

Figure 3 illustrates the corporate community's mounting public targets to reduce or eradicate forest-risk supply chain impacts. Companies with a total market capitalization of at least US\$4T have announced commitments. At least one-third of these new pledges were made in 2014, nearly doubling 2013's announcements.

Last year's spike in new commitments can be partly attributed to new institution-scale targets set by members of The Consumer Goods Forum (target: pursue "zero net deforestation" by 2020) and/or signatories of the New York Declaration on Forests (target: halve forest loss by 2020). The largest number of new commitments addresses ecosystem degradation from palm oil production and saw a 171% increase over commitments made in 2013. Palm oil commitments consistently dominate in this and related research partly due to the RSPO's member progress reporting requirement and intense civil society attention to the sector.

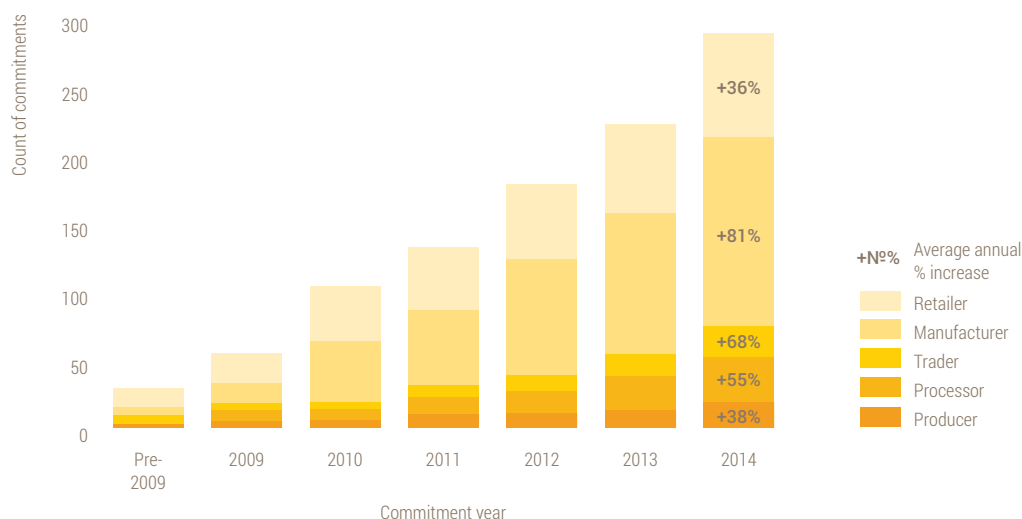
Commitments spur action upstream

Commitments from retailers downstream in the supply chain help spur action and additional commitments from their manufacturers, traders, processors, and producers upstream. On average, this project tracks three upstream commitments from suppliers for every one commitment from a major retailer (think Marks and Spencer or Walmart).

Retailer and manufacturer pledges understandably dominate given the companies' greater and regular exposure to consumer scrutiny. As seen in Figure 4, manufacturers have historically reported the largest average increase in new forest commitments. Pressure is now mounting for the less visible supply chain actors that supply *them* to clean up their act. In fact, the number of commitments attributed to commodity producers themselves increased by 46% in the last year, up from an historical average increase of 38% year-on-year.

While commitments from commodity traders are fewer in numbers, these supply chain actors have strategic access to and thus influence on both buyers and suppliers, irrespective of location. Traders such as Cargill and Marfrig contributed to the second highest increase in new targets, historically (+68% year-on-year) and in 2014 (+38%).

Figure 4: Count, New Commitments by Company Supply Chain Role, Cumulative (Labels: Average Annual % Increase)



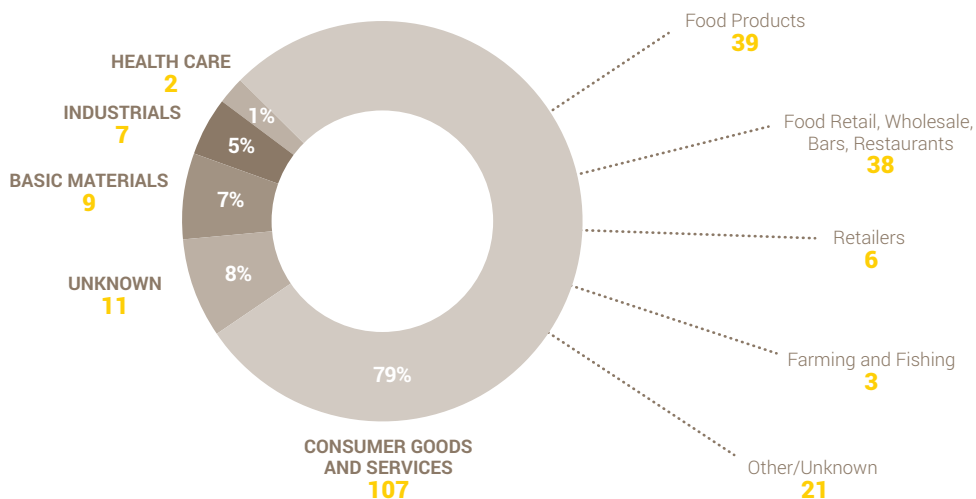
SOURCE: *Supply Change*, a project of Forest Trends. 2015. www.supply-change.org.

NOTES: Based on 289 tracked commitments associated with a company supply chain role.

Food industry is leading global forest commitments



Figure 5: Share and Count of Commitments by Company Industry (Detail: Consumer Goods & Services Sectors)



SOURCE: *Supply Change*, a project of Forest Trends. 2015. www.supply-change.org.

NOTES: Based on 144 companies with identified industries/sectors.

Consumer goods are squarely positioned at the nexus of farms, food, fiber, fuel, and forests. As such, the food industry can easily appreciate and articulate the importance of secure commodity supply and supplier relationships. As a result, well over half (60%) of forest-risk commodity commitments tracked are from food product manufacturers (e.g., Kellogg's); food retailers such as grocery stores (e.g., Carrefour, Tesco); restaurants (e.g., Dunkin' Donuts, McDonald's); and agricultural raw materials producers, which are increasingly responding to downstream buyer pressures (e.g., New Britain Palm Oil).

Commitments are additionally made by retailers (e.g., H&M); chemical companies, some of which use palm oil and soy in their production of oleochemicals such as waxes and fatty acids (e.g., BASF, Bayer); and even airlines (e.g., British Airways).

Commitments feature common elements

Companies might be influenced by the same campaigns and stakeholders, but no two commitments are alike. Figure 6 diagrams major decisions and minutiae that targets describe. Will a commitment address multiple commodity liabilities or only one? Will it apply to some product lines or all of a company's brands? Will it extend to suppliers?

Common commitment goals including “zero deforestation” (no deforestation anywhere) or “zero net deforestation” (e.g., forest loss might occur, but offset by restoration). Currently, there are no standardized definitions of these terms or formal frameworks for verifying performance. Some companies enlist supplier compliance checks or verification against self-defined criteria, absent any formal infrastructure or governance.

Companies typically specify timetables for achievement (“time-bound” commitments), bookended by baseline and target dates and possible interim milestones. They may also strengthen their pledge with explicit procurement policies that are addressed by certification. However, companies are also promising and implementing policies outside of certifications systems that come with no accompanying standardized verification frameworks.

This project identifies and tracks over a dozen variables that are cited across commodity types – from promises of no expansion into peat lands, to direct community dialog through efforts to formally obtain “Free, Prior, and Informed Consent (FPIC)” – that have emerged as civil society pressures companies to recognize the full landscape of impacts surrounding commodity-driven deforestation.

Figure 6: Elements of a Typical Commitment



PRODUCT	General commitments (spans entire operations)	Multiple commodities	Specific commodities	Sub-products of each commodity
SCOPE	Own brand products	Own operations	Expand to suppliers	
TARGETS	Zero deforestation	HCV area protection	HCS management/protection	
	Zero net deforestation	Sustainable/Responsible		
	Zero gross deforestation	Human rights protection		
	Peatland protection			
TIMELINE	Start date	Milestones	Target date	Reporting on progress
PROCUREMENT POLICY	Certification	Reduce use	No burning	
	Transparency	FPIC		
	Traceability			
	Legality			

SOURCE: *Supply Change*, a project of Forest Trends. 2015. www.supply-change.org



Courtesy of WWF-Canon / Tanyo BANGUN

Companies explicitly commit to procurement criteria

The impacts of agricultural forest incursion do not stop at deforestation – and commitments that treat related social and environmental challenges with a light touch might leave some companies open to reputational risks.

For this reason, most companies describe both what they are committing to (e.g., the protection of High Conservation Value [HCV] habitats) and their procurement policies for target achievement (e.g., “Certification”; “No burning”). Procurement policies can also help bridge the gap from a commitment start date to ultimate achievement. For example, half of all commitments aim for “traceability” – the ability to trace products’ ingredients back to the forest or field where they originated.

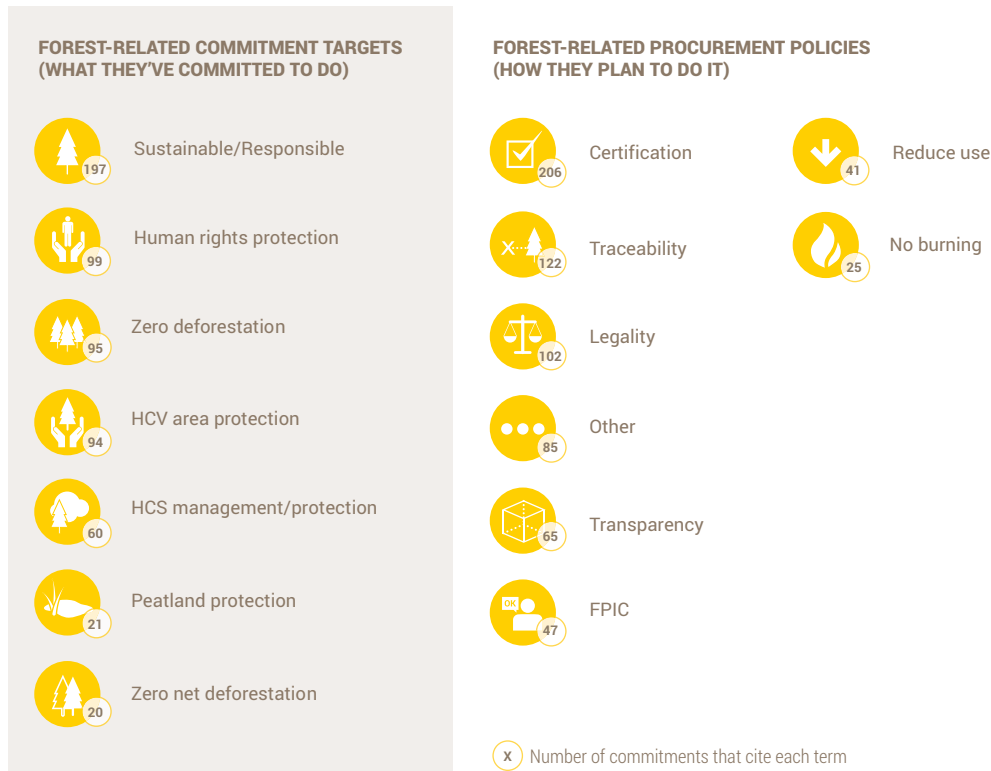
In an ideal scenario, procurement policies turn commitments into action. For example, 2 out of 3 commitments pledge to source commodities “sustainably” or “responsibly”. While seemingly non-specific, many such commitments (over 200, in fact) defer to a deeper certification policy that relies on supplier adherence to certifications’ Principles and Criteria to assure environmental, social and economic soundness. Commitments to a bevy of sustainability criteria such as HCV protection, legality, human rights protection and other safeguards also often rely on procuring commodities certified to multi-stakeholder, third-party verified certification schemes that include standards on multiple criteria.

Companies that prefer alternative approaches to assuring target achievement can and do work outside of certification systems but results are largely unverifiable and not as often publically reported.

One in two commitments aim for “traceability” – the ability to trace products’ inputs back to the forest or field where they originated.



Figure 7: Count, Specific Terminology Cited Across Commitments



SOURCE: *Supply Change*, a project of Forest Trends. 2015. www.supply-change.org.

NOTES: Based on 1,317 data points associated with 307 tracked commitments.

Most commitments include a mix of targets (e.g., "Zero net deforestation") and approaches to achievement (e.g., "Certification" or "Reduce use"). Thus some double-counting naturally occurs.



Four in five companies rely on third-party certification

Purchasing commodities that do not drive deforestation is easier said than done. Supply change starts with knowledge, but admittedly few large commodity buyers can currently trace commodities from store shelves back to their origins. Long before companies can map the commodity “chain of custody” for even one of their product lines, they are likely to owe their stakeholders – including shareholders – evidence of progress against their commitments.

Enter commodity certifications such as those administered by multi-stakeholder roundtables or other entities such as the Rainforest Alliance – all of which provide avenues to market and transact certified commodities. At least 85% of companies rely on third-party commodity certifications to identify commitment-compliant commodity supply.

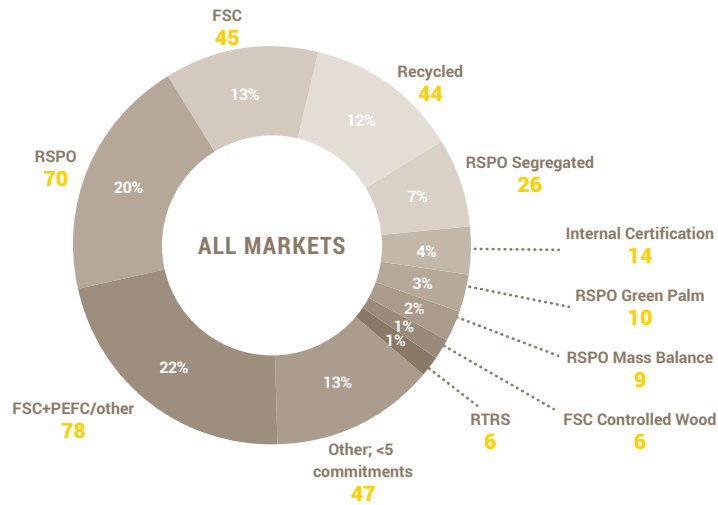
Currently procuring fully-segregated certified commodities can pose significant costs in the absence of mass demand. In the case of palm oil, too, not all derived products exist from certified sustainable sources. As an intermediary step, producers can receive credits such as GreenPalm (palm oil)² and RTRS Credits (soy)³ in return for generating one tonne of certified commodities.

Companies can purchase these credits to support sustainably-grown commodities without modifying their procurement practices to take physical delivery of certified volumes. They might never take ownership of the actual certified products, but the credit purchase nonetheless rewards the producer for certification. It also lowers the buyer’s barriers to certification in the absence of widely accessible certified commodity supply.

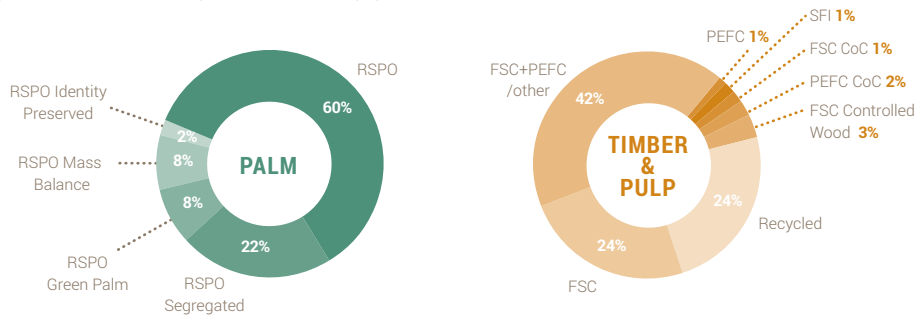
2) <http://greenpalm.org/>
3) <http://www.responsiblesoy.org/en/contribuye-to-change/adquiriendo-creditos-de-soja-rtrs/> or <https://platform.responsiblesoy.org>



Figure 8: Count, Commitments to Certified Commodity Procurement; Share, Commitments to Commodity-Specific Certifications



Example certification commitments, palm oil and timber and pulp market detail:



COC – Chain of Custody

FSC – Forest Stewardship Council

PEFC – Programme for the Endorsement of Forest Certification

RTRS – Round Table on Responsible Soy

SFI – Sustainable Forestry Initiative

Mass balance – mixed with conventional, but only the % certified is sold as certified⁴

Segregated – certified kept separate, may come from multiple certified sources⁴

Identify preserved – certified kept separate, from one specific certified source

Controlled Wood – some uncertified wood can be mixed with certified material

SOURCE: *Supply Change*, a project of Forest Trends. 2015. www.supply-change.org.

NOTES: Based on 206 certification-specific commitments.

Credits are the most common route to procure certified palm oil and soy

From 2011 to 2014, 69% of all “certified tonnes” of palm oil and soy have been transacted as credits or certificates (Figure 9), while the actual certified commodities are combined, transported, and transacted with non-certified volumes.

Some organizations criticize the *exclusive* use of credits, as this enables companies to continue using palm and soy from non-certified sources, keeping unsustainable producers in business. In response, a number of companies have struck middle ground by making near-term commitments to purchase credits, while working on a longer-term solution to efficiently find and purchase physical certified volumes. As a result, companies are transacting a growing volume of physical certified commodities as the chains of custody for certified products – from producers to purchasers – are increasingly transparent and accessible.

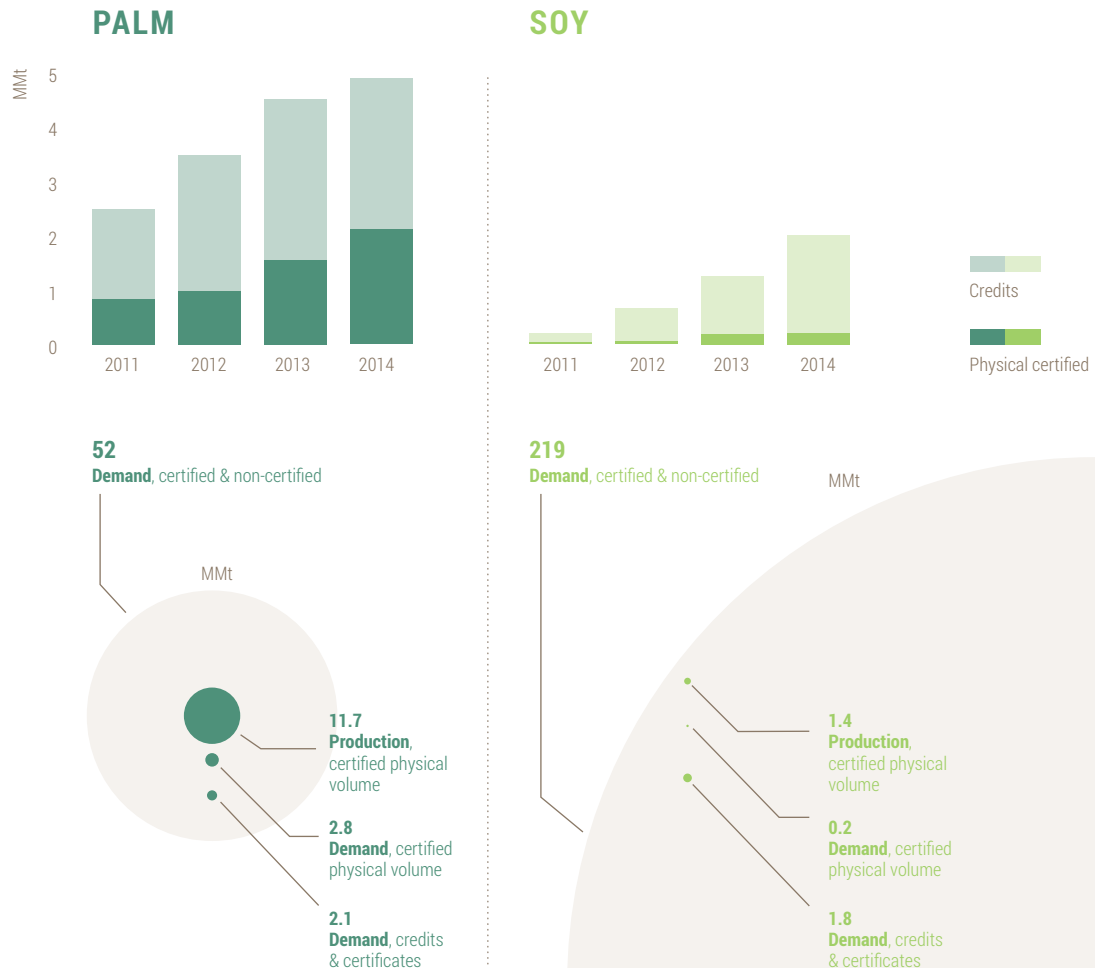
Civil society significantly influences certifications’ acceptance and use in this and many other cases. For example, organizations such as Oxfam International and Solidaridad support the work of both RTRS and RSPO. The Consumer Goods Forum’s Sustainability Activation Toolkit further identifies these and other multi-stakeholder, third-party verified certifications as acceptable instruments for their members to purchase in pursuit of their organization-wide sustainability targets.

In turn, the transacted volume of Certified Sustainable Palm Oil and Green Palm certificates; and RTRS-Certified soy and Credits increased substantially from 2011 to 2014, though it still represents from 10% to 1% of the global palm oil and soy markets, respectively.





Figure 9: Global Production and Demand for Certified & Non-Certified Palm & Soy (as Physical Volume versus Credits/Certificates)

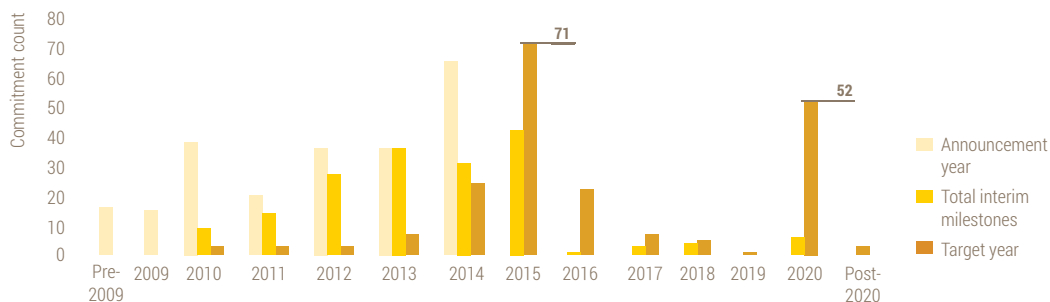


SOURCE: Transaction volumes for Certified Sustainable Palm Oil and RTRS-Certified soy last accessed January 15th, 2015. For most recent market share data, visit RSPD Impacts website: <http://www.rspo.org/about/impacts>; RTRS website: <http://www.responsiblesoy.org/>; and global commodity market size data available from the United States Department of Agriculture website: <http://apps.fas.usda.gov/psdonline/circulars/oilseeds.pdf>

The largest number of commitments target 2015



Figure 10: Count, Commitments by Announcement and Target Years, and Key Milestones Target Years



SOURCE: *Supply Change*, a project of Forest Trends. 2015. www.supply-change.org

NOTES: Based on 289 tracked commitments that communicated baseline and target dates, targets and/or milestones.

Supply Change documents over 300 unique commitments to tackle deforestation in corporate supply chains from almost as many companies. At least 30% of these commitments were established in 2014, and one-third of all commitments cite 2015 as a target date for *achievement*. Thus, achievements and challenges encountered in 2015 will be a critical indicator of the efficacy of voluntary corporate commitments to supply chain sustainability.

This looming deadline is largely reflective of civil society guidance of corporate decision-making. For example, in 2009 WWF began calling on companies to achieve 100% certified sustainable palm oil by 2015.⁵ According to WWF's 2013 Palm Oil Scorecard, 47 of 130 assessed companies had met the challenge.⁶

The New York Declaration on Forests identifies 2020 as an achievement sign post. Here, several companies and 62 governments echo WWF and the CGF in their aim of zero net deforestation by 2020. Of the 305 commitments analyzed by Supply Change, 17% (52 commitments) have target dates of 2020.

Given the complicated task of mapping thousands of supply chains from factory to farm and enlisting suppliers' support at every production level to ensure traceability, at least 82 companies set interim milestones between the date of their commitment announcement and target dates. These milestones describe stepwise approaches to supply chain sustainability, with targets ranging from supplier certification to supply chain traceability – ideally moving companies closer to their ultimate deforestation targets.

5) wwf.panda.org/what_we_do/footprint/agriculture/palm_oil/solutions/responsible_purchasing/scorecard2009/
 6) wwf.panda.org/what_we_do/footprint/agriculture/palm_oil/solutions/responsible_purchasing/palm_oil_buyers_scorecard_2013/

Companies pursue performance, with caveats

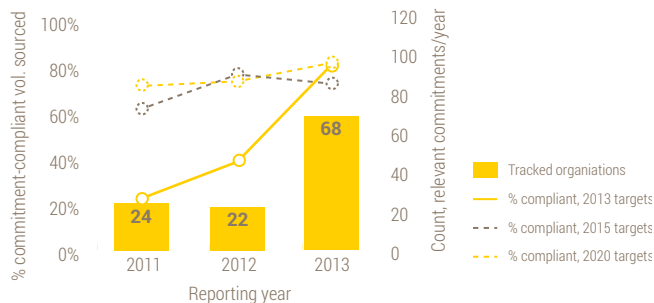
Companies making public commitments are inviting society at large to scrutinize their progress toward these voluntary goals.

While some targets and achievements are commodity-centric (e.g., “100% of soy in own-brand products is RTRS-certified by 2018”), other targets might address supplier certification (e.g., “100% of Brazil-based tanneries are Leather Working Group Silver Standard-certified by 2015”), extent of supply chain traceability, or other procedural targets. *Supply Change* aggregates self-reported achievements against all types of commitments, whether describing purchase volumes or actions.

To date, just over one-third of companies have publically reported the extent to which their 2013 activities are compliant with targets.⁷ In 2013,⁸ companies reported an average 72% progress toward achievement of their relevant sustainable commodity goals, irrespective of target year and commitment type. This proportion most often describes actual procurement of certified commodities compared to target volumes.

Figure 11 shows the average percent of relevant activities that comply with reporting companies’ targets – according to the year when they aim to *achieve* their targets. Companies with 2013 targets reported that, on average, 87% of their relevant 2013 activities were in line with their committed performance. This class of companies also had a much steeper learning curve than did their peers with 2015 and 2020 targets. More recently-committed companies also have greater resources (by market capitalization) than these earlier actors.

Figure 11: Share and Response Count, Commitment-Compliant Purchased Volume by Purchase Year



SOURCE: *Supply Change*, a project of Forest Trends. 2015. www.supply-change.org

NOTES: Based on 90 companies that reported 198 commitment targets.

Table 1: Market Capitalization and Reliance on Certification

Target year	2013	2015	2020
Average market capitalization	\$18.2B	\$37.5B	\$55.1B
Targeted use of certification	100%	90%	97%

SOURCE: *Supply Change*, a project of Forest Trends. 2015. www.supply-change.org

NOTES: Based on 90 companies that reported 198 commitment targets.

7) This proportion is measured against the total volume of commodities that is covered under a company’s commitment, rather than calculated against a company’s total annual commodity purchase volume.
8) 2013 is the most recent year for which sufficiently-robust performance reporting is available. Only 5% of companies have yet publically reported on their 2014 performance.



Companies set fewer time-bound targets as deadlines near

2020. It's the dawn of a new decade. It's a nice even number. For the 65 companies that made new commitments in 2014, a commitment year of 2020 was five whole years away. For those stepping up to the plate in 2015, it's only four years away. Then three years in 2016, two in 2017, and so on – until companies should logically consider later target years. But until now, only three in 198 companies report post-2020 goals.

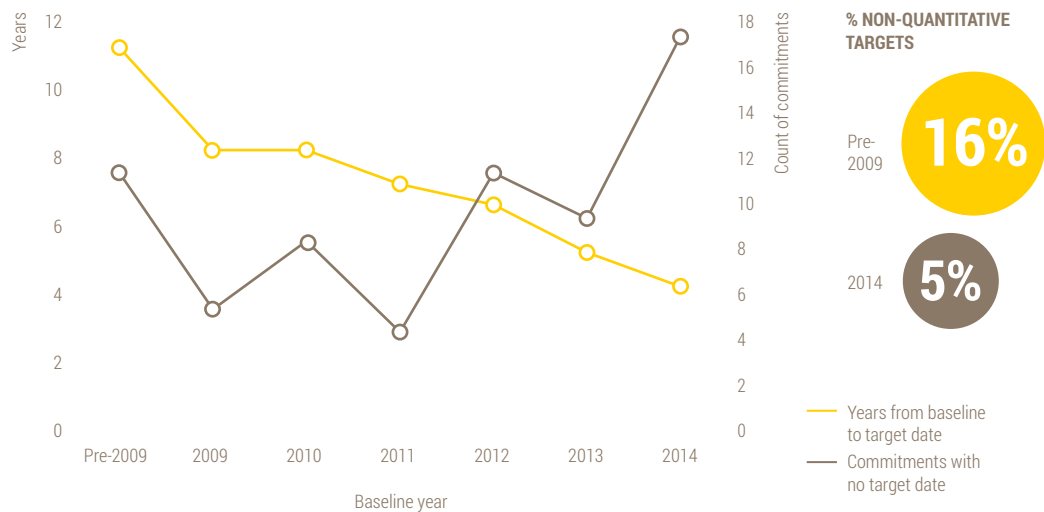
Instead, new commitments are incorporating ever-shorter maturity periods (the time between launch and target dates). Companies that made announcements prior to 2009 planned for achievement in 10 years (most commonly by 2020) while companies that made announcements in 2014 planned for achievement in 4 years (*also* in 2020). In theory, this trend puts them on the road to reach the banner 2020 target at pace with peers that got an early start. Where the rubber meets the road, though, they are significantly more challenged to cross the finish line in time.

Of course, one way to avoid missing a deadline is to never set one in the first place – even if the resulting open-ended target could potentially jeopardize commitment credibility. Indeed, the number of commitments that do not set a target date for achievement has tripled since 2009, despite civil society's emphasis on the importance of “time-bound” targets.

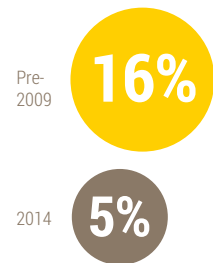
In the same time period, a similar push for companies to set quantified targets has paid off. In 2014, only 5% of targets did not commit to measurable goals for purchase volumes, compared to 16% of commitments established before 2009 (Figure 12).



Figure 12: Commitments w/ Open-Ended Targets & Years between Commitment and Target Years, by Commitment Year



% NON-QUANTITATIVE TARGETS



SOURCE: *Supply Change*, a project of Forest Trends. 2015. www.supply-change.org
 NOTES: Based on 134 tracked commitments that reported baseline and target years and other target details.

Civil society coordination is mission-critical

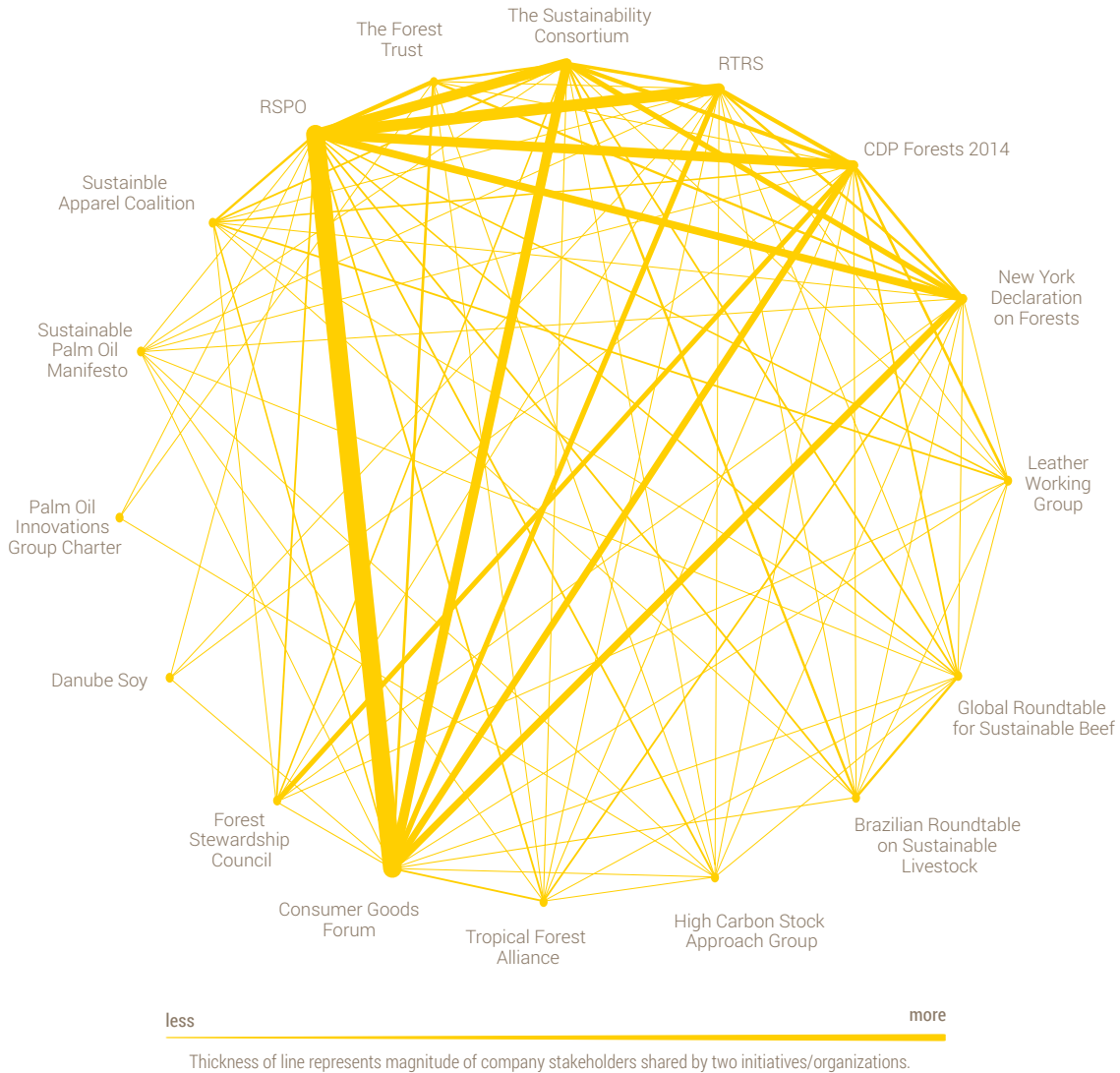
Civil society has unprecedented influence over private sector decisions about sustainable commodities. One important way corporations are responding to calls for transparency is by participating in a multitude of related activities. And each civil society organization, disclosure initiative, and industry association promotes unique desired outcomes, commitment criteria, stringency, disclosure requests, conferences, guidance documents, working groups, and/or desired target dates.

In light of the many requirements of each engagement, it's easy to understand how companies might walk away confused or fatigued. Thus, the same actors have a mandate to coordinate in coming years if their mutual members and stakeholders are to achieve their targets within ever-tightening timeframes.

Figure 13 depicts the connectivity between some of the market's most influential organizations. Line thickness represents the number of company stakeholders each organization shares. Here, members of a few dominant organizations – particularly RSPO, RTRS, and the Consumer Goods Forum – are functionally connected by mutual recognition, common targets, and the same civil society supporters. In an ideal scenario, these top tier influencers will next strive to coordinate their corporate support and “asks” with organizations that are more marginally linked to them through mutual member companies.



Figure 13: Overlapping Corporate Engagement with Civil Society



SOURCE: *Supply Change*, a project of Forest Trends. 2015. www.supply-change.org

NOTES: Based on 2,940 tracked memberships to multi-stakeholder initiatives, working groups, and other relevant initiatives. Organizations, initiatives, working groups and other programs ("programs") were chosen for inclusion if we tracked more than two participating organizations that were also common to another organization.

Key takeaways

Change in context. Commercial agricultural expansion is the most powerful driver of tropical deforestation. Against this backdrop, new commitments related to deforestation-risk commodities have increased by 30% year-on-year since 2009 – accelerating by 80% from 2013 to 2014.

Change is certifiable. Most commitments currently do not directly target deforestation but instead prioritize certified commodities associated with sustainable production, responsible land management, and producer engagement. Purchasing certified commodities enables companies to take immediate action. Achieving broader zero-/ zero-net deforestation targets, however, will require governance systems that enforce environmental legislation; strengthened due diligence in lending protocols; attention to scalable regional certification of avoided deforestation (“REDD+”); and greater consumer demand for sustainably-sourced products.

Change is deliberate. This report does not distinguish between companies’ commitments (i.e., “targets”) and the *policies* they employ to achieve those targets. But in reality, commitments are only as strong as the procurement and investment strategies – alongside certifications and other implementing tools – that give them weight. Throughout 2015, *Supply-Change.Org* will feature content that begins to connect the dots between commitment contents and concrete results.

Change starts at the top. *Supply Change* joins many organizations seeking to affect change on the ground through global initiatives targeting companies that are far removed from their producers. While seemingly paradoxical, we and others are responding to constraints related to accessing millions of producers in many languages – with limited organizational resources. Thus, *Supply Change* Phase I tracks end-user (e.g., retailer) actions and their knock-on effects as these signals travel up their supply chains. Phase II (2016-2018) will leverage partner networks to more closely track producer and intermediary responses.

Change is a ticking clock. Most commitments target either 2015 or 2020 for achievement, partly due civil society and industry group guidance.

Change is a ticking clock. Most commitments target either 2015 or 2020 for achievement, partly due civil society and industry group guidance which has played a pivotal role in initiating this transformation. The same organizations must harmonize messaging, timeframes, and supporting frameworks to avoid confusion and ensure that targets and achievements are timely and impactful.



Methodology and notes

Supply Change: Corporations, Commodities, and Commitments that Count marks the inception of the *Supply Change* project, documenting an initial 307 commitments from 243 companies. Companies were profiled based on several criteria:

1. Participated in at least three relevant multi-stakeholder groups or declarations working on deforestation-risk commodities; and/or
2. Have Consumer Goods Forum board representation; and/or
3. Reported their performance publicly via RSPO's annual communications of progress (2010-2014); and/or
4. Are significant stakeholders of Forest Trends.

The data analyzed in this report comes from a range of publically available sources, including public data from CDP's Forest Report 2013 and 2014; WWF's Palm Oil Scorecards (2009, 2011, and 2013) and soy report cards (2012, 2014); the RSPO's annual communications of progress (2010-2014); companies' websites and sustainability reports; and other publically available reports, press releases, and announcements.

This project only tracks publically reported commitments and milestones, which are defined as any corporate statement targeting proportionate or absolute certified (or otherwise "sustainable") commodity or certificate/credit procurement, supply chain traceability, supplier certification, bilateral purchase agreements, and any other commitment types that pursue an organizational target of low-/zero-deforestation or ecological degradation.

For a full list and profiles of companies analyzed in this report, visit *Supply-Change.org*. The information captured through this project is limited to what companies publically disclose. We encourage stakeholders, including profiled companies themselves, to advise us of any missing or discrepant data. We will expand, update, correct, and supplement our initial data set year-round, and encourage new, full, and public disclosure through CDP (www.cdp.net/en-US/Programmes/Pages/forests.aspx).

This report is a snapshot of action on deforestation-risk commodities as of February 2015. The field is changing rapidly – we encourage readers to frequent *Supply-Change.org* for the most up-to-date news, data and analytics on commitments to sustainable commodities.

We invite feedback, corrections, clarifications, and ideas – contact us at info@supply-change.org.

Supply Change collaborators

The *Supply Change* project team is proud to collaborate with the following organizations which provide invaluable time, insights, networks, and data to the development of this freely-available report and online resource, *Supply-Change.Org*. In all cases, collaboration does not constitute endorsement of partners or their respective projects, including the Supply Change project itself.



Forest Trends forest-trends.org

Forest Trends is a Washington, DC-based international non-profit organization whose mission is to maintain, restore, and enhance forests and connected natural ecosystems, which provide life-sustaining processes, by promoting incentives stemming from a broad range of ecosystem services and products. Specifically, Forest Trends seeks to catalyze the development of integrated carbon, water, and biodiversity incentives that deliver real conservation outcomes and benefits to local communities and other stewards of our natural resources. Forest Trends analyzes strategic market and policy issues, catalyzes connections between producers, communities and investors, and develops new financial tools to help markets work for conservation and people.



Ecosystem Marketplace ecosystemmarketplace.com

Ecosystem Marketplace, an initiative of Forest Trends, is a leading source of news, data, and analytics on markets and payments for ecosystem services such as water quality, carbon sequestration, and biodiversity. Ecosystem Marketplace works through a range of qualitative and quantitative analyses to link practitioners and decision-makers with each other and advises companies, governments and other NGOs on carbon/forest carbon market developments, transparency, social and environmental co-benefits and other mechanisms.



CDP cdp.net

CDP is an international NGO that provides the only global system through which more than 5,000 companies from more than 80 countries and 207 cities report, manage and share vital environmental information. CDP now holds the largest collection globally of primary corporate environmental information and puts these insights at the heart of strategic business, investment and policy decisions. Please visit www.cdp.net or follow us [@CDP](https://twitter.com/CDP) to find out more.



World Wildlife Fund www.worldwildlife.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.



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