

THE COLLECTIVE EFFORT TO END DEFORESTATION

A PATHWAY FOR COMPANIES
TO RAISE THEIR AMBITION





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To read company responses in full, please go to
<https://www.cdp.net/en/responses>

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ABOUT THIS REPORT

In 2020, 687 companies reported through CDP on the steps they are taking to eliminate deforestation from their operations and supply chains. This report looks at data disclosed by 553 companies using or producing seven commodities responsible for the majority of agriculture-related deforestation: palm oil, timber products, cattle products, soy, natural rubber, cocoa and coffee.

These companies' current governance, strategies and implementation measures are assessed against a series of industry-accepted measures to reduce deforestation, broken down into 15 Key Performance Indicators (KPIs) and split into six categories. Based on their adoption of the KPIs, companies are also mapped onto a pathway towards deforestation-free markets and a forest-positive future, allowing companies to benchmark against peers and follow in the footsteps of pioneers.

553

companies using
or producing seven
commodities
responsible for
the majority of
agriculture-related
deforestation



EXECUTIVE SUMMARY

GAINING MOMENTUM ON COLLECTIVE ACTION

Ignoring deforestation will cost businesses far more than taking definitive action

The COVID-19 pandemic has sent shockwaves throughout the global economy, impacting businesses across disparate sectors and slashing an estimated \$22 trillion off global GDP by 2025¹.

Since 2015
an estimated
10 million
hectares of
forests have
been lost
every year
action

This impact underscores the need to better protect and restore the world's forests, which act as a vital buffer by reducing the risk of diseases being passed from animals to humans, thereby providing protection from the impact of diseases like COVID-19².

Halting deforestation is also critical to achieving the Paris Agreement and Sustainable Development Goals. There is no 1.5 degrees Celsius without forests. All pathways considered by the Intergovernmental Panel on Climate Change (IPCC) assume a halt in deforestation and significant forest restoration over the coming decades - to be in line with a 1.5 degrees Celsius pathway, no further deforestation can occur from 2030 onwards³. Apart from global and local climate regulation, forests also provide society and businesses with other essential benefits - from livelihoods to water supply and regulation, protection from pollution, soil erosion control and a home for biodiversity. Forests are vital for a sustainable world.

Despite this crucial role and despite governments, financial institutions and companies pledging to eliminate deforestation from agricultural production by 2020, deforestation continues at pace: since 2015, an

estimated 10 million hectares of forests have been lost every year⁴. The greatest deforestation driver is the expansion of commercial agriculture and tree plantations. More than half of all global forest loss associated with agriculture between 2001 to 2015 was due to the production and consumption of just seven commodities - cattle products, palm oil, soy, timber products, natural rubber, cocoa and coffee. Over 72 million hectares of forests were lost to make way for their production⁵.

The situation in some regions is at a breaking point. In the Brazilian Amazon rainforest, deforestation hit a twelve-year high in 2020⁶ and scientists are warning about reaching a 'forest-to-degraded-savanna' tipping point⁷. If flipped into a savanna, this could help cascade us into a "Hothouse Earth" pathway, accelerating and locking in much hotter warming, above 1.5 degrees Celsius, in spite of any decarbonization attempts⁸. With forest loss comes increased environmental risks as well as more potential pandemics and further economic impacts. Urgent action on deforestation needs to happen now.

Companies play a key role in ending deforestation because their revenues depend on commodities that cause it. As a key source of demand for these

Between 2001
to 2015 over

72

millions hectares
of forests were lost
to make way for the
production of seven
commodities⁵

1. International Monetary Fund. (2020). World Economic Outlook - A Long and Difficult Ascent. <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>
2. Afelt, A., Frutos, R. and Devaux, D. (2018). Bats, Coronaviruses, and Deforestation: Toward the Emergence of Novel Infectious Diseases? <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5904276/>
3. Rogelj, J., et al. (2018). Mitigation pathways compatible with 1.5°C in the context of sustainable development. <https://www.ipcc.ch/sr15/chapter/chapter-2/>
4. FAO. (2020). Global Forest Resources Assessment 2020 - Key findings. <http://www.fao.org/3/CA8753EN/CA8753EN.pdf>
5. WRI. (2020). Global Forests Review. <https://research.wri.org/gfr/forest-extent-indicators/deforestation-agriculture>
6. INPE in BBC. (2020). Brazil's Amazon: Deforestation 'surges to 12-year high'. <https://www.bbc.co.uk/news/world-latin-america-55130304>
7. Lovejoy, T. and Nobre, C. (2019). Amazon tipping point: Last chance for action. <https://doi.org/10.1126/sciadv.aba2949>
8. Steffen, W., et al. (2018). Trajectories of the Earth System in the Anthropocene. <https://doi.org/10.1073/pnas.1810141115>



Disclosing information about forest conservation through CDP enables us to take action on deforestation risks and incorporate “zero deforestation” into our overall sustainable business strategy.

Chen Bin

Director of Public Relations,
Fujian Sunner Group



commodities, they are also able to influence how they are produced and drive change at scale.

Encouragingly, more and more companies are beginning to recognize the benefits of acting on deforestation. In spite of 2020’s challenges, the number of companies disclosing data through CDP on how they are managing deforestation **has increased by 27% since last year** - 687 companies disclosed data in 2020. This means that CDP has the most comprehensive dataset on corporate forest action, ensuring companies and investors can address deforestation by understanding their value chains, the current market state, where course correction is needed and learn from best practice. Transformation starts with disclosure.

However, to end deforestation, it is clear the scale and speed of action must increase. Disclosure on deforestation still

trails behind that on climate change and water security – only 31% of requested companies disclosed in 2020. Progress to end deforestation to date has been slow, limited to certain products, geographies or value chains. The majority of the market is falling short of the ambition needed.

The past decade of failed pledges has also taught us there is not a simple solution to stop deforestation. Instead, the right mix of solutions is needed - with collaboration and transparency at the heart of it.

Ambitious collective action on deforestation is needed to achieve global climate goals, curb biodiversity loss and manage pandemic risks. CDP is tracking both individual company progress and the markets’ collective advancements towards a forest-positive future where collaboration is the norm, deforestation is reversed and forest cover has increased.



KEY FINDINGS

- 1 A decade of private sector commitments has failed to eliminate commodity-driven deforestation.** The goal to eliminate deforestation from production of agricultural commodities by 2020 has not been met.
- 2 However, there are pioneers leading the market transformation.** 81 companies achieved more than eight KPIs, demonstrating high levels of traceability, certification, engagement, restoration and compliance with no-deforestation commitments.
- 3 Corporate action on deforestation is becoming the norm.** In 2020, 93% of companies have taken at least one industry-accepted measure to safeguard forests.
- 4 In some commodities, progress is strong - in others it is lacking.** More companies are demonstrating progress towards eliminating palm oil-related deforestation, even outperforming companies in timber product supply chains. Companies operating in the cattle products market and soy supply chains continue to trail behind.
- 5 The cost of inaction is greater than the cost of action.** In total, the financial impact of risks from deforestation was estimated at US\$53.1billion⁹ while the cost of responding to all risks was just over US\$6.6 billion¹⁰.
- 6 Ambition and collaboration is lacking.** Too few suitable targets have been set by companies and not enough businesses are participating in collaborative measures to successfully transition to a forest-positive future. Companies must step up to protect forests, end biodiversity loss and tackle climate change.

Key figures for 2020:



687
companies

disclosed data through CDP
in 2020

515
investors

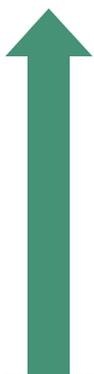
with assets of
US\$106 trillion



and

19
purchasing
companies

requested this information



27%
increase in
disclosing
companies,
compared to 2019



31%
requested
companies
disclosed in 2020

553
companies

disclosed data on one or more of the seven commodities
responsible for the majority of agricultural deforestation:



Timber products



Palm oil



Cattle products



Soy



Rubber



Cocoa



Coffee

9. Reported by 151 companies

10. Reported by 206 companies

THE PATHWAY TO A DEFORESTATION-FREE FUTURE

Based on industry-accepted best practice measures and informed by the Accountability Framework, these Key Performance Indicators (KPIs) are the most comprehensive way to assess corporate progress on decoupling commodities from deforestation.

Covering all the vital elements from governance, risk management, to targets, collective action and restoration, they set out a clear pathway for the essential action companies must take to transform their business practices and capitalize on opportunities to protect and restore forests.



11. No-deforestation forests-related public commitment that is timebound, set to be completed by 2030, includes a cutoff date before 2020, with FPIC, covers 100% of production/consumption and applies to all relevant operations



Value chain engagement

11

Supply chain engagement – smallholders

working with smallholders to support good agricultural practices and reduce deforestation or conversion of natural ecosystems through financial or technical assistance.



12

Supply chain engagement – direct suppliers

supporting and improving supplier capacity to comply with forest-related policies, commitments and other requirements through financial or technical assistance.



13

Supply chain engagement – beyond first-tier suppliers

working beyond first-tier suppliers to manage and mitigate deforestation risks through supply chain mapping or capacity building.



14

Forest-related external activities or initiatives

participating in jurisdictional approaches to promote the implementation of forest-related policies and commitments.



Ecosystem restoration and protection

15 Beyond no-deforestation*

supporting or implementing ecosystem restoration and protection projects.



12. Full coverage of relevant operations with risks beyond six years considered and availability of forest risk commodities, quality of forest risk commodities, impact of activity on the status of ecosystems and habitats, social impacts, local communities are included in the assessment

* Assessed regardless of commodity, simply as a measure of if a company is participating or supporting such projects or not.

CORPORATE ACTION ON DEFORESTATION

THE STATE OF PLAY

Action is becoming the norm for companies disclosing through CDP

Taking steps to eliminate deforestation is becoming the market norm - **93% (515) of all companies who reported through CDP in 2020** are taking at least one industry-accepted action to address deforestation.

However, most of these companies are taking insufficient action - **82% of companies (453) are at the developing stage**, incorporating between one and eight industry-accepted measures for at least one commodity.

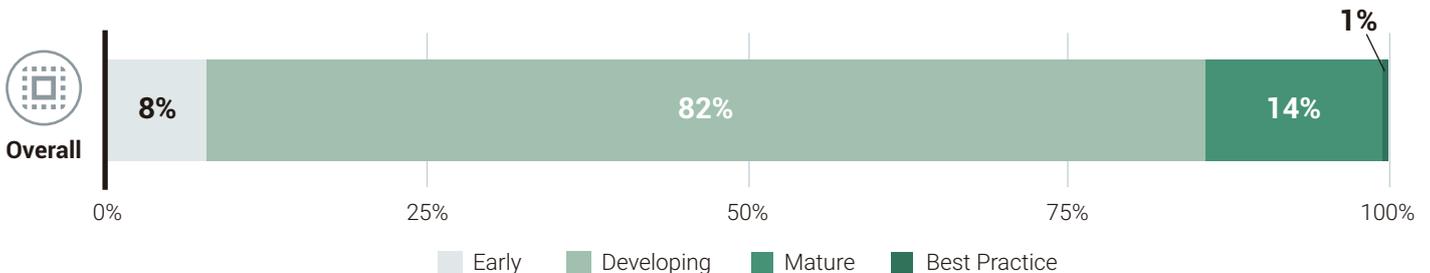
Table 1. The classification of companies based on the number of KPIs they are incorporating

Company classification	Number of KPIs adopted
Early	None
Developing	Between 1 and 8 KPIs
Mature	Between 9 and 12 KPIs
Best practice	All relevant KPIs - apart from those relating to high levels of no-deforestation compliant certification ¹⁴

For at least one¹³ of the seven key commodities (palm oil, timber products, cattle products, soy, natural rubber, cocoa and coffee):

- ▼ **46 companies (8%)** are in the early stage of transition
- ▼ **453 companies (82%)** are developing
- ▼ **79 companies (14%)** are mature
- ▼ **4 companies (1%)** are demonstrating best practice¹⁴: **Essity, L'Oréal, Mars and Tetra Pak**

Figure 1. The overall market split – companies mapped onto a pathway towards deforestation-free markets based on the number of KPIs they are incorporating for at least one commodity

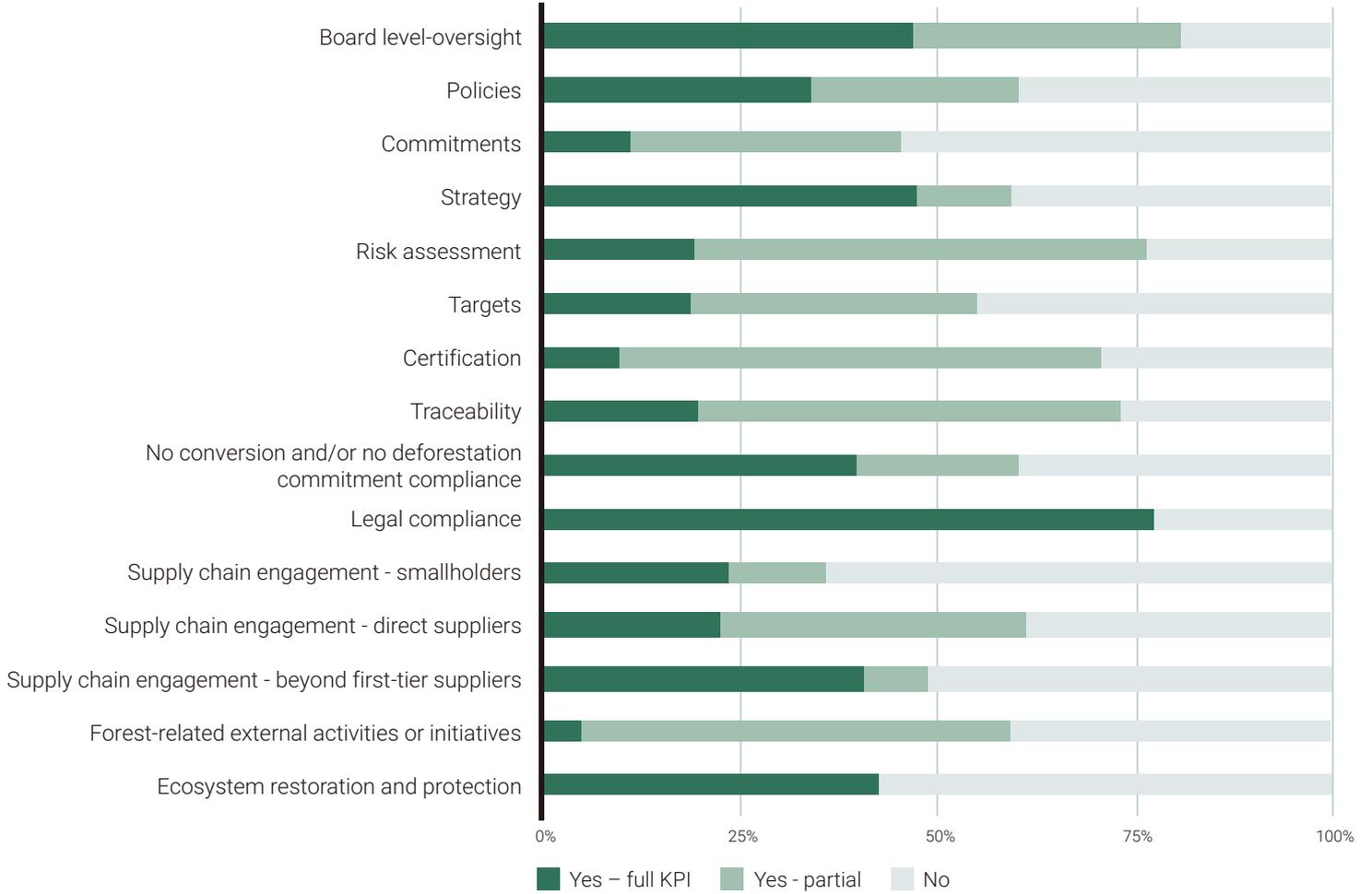


13. Companies can disclose on multiple commodities and be taking a different variety of actions across the different commodities therefore be for example in the early stage for one while mature (exhibiting more than eight KPIs) for another

14. No companies have adopted all measures across all KPIs - therefore, companies labelled best practice are those that adopted all measures apart from one set relating to high-levels of no-deforestation compliant certification - either targets relating to no-deforestation compliant certification or high levels of commodities certified to a no-deforestation compliant certification. See appendix for more details

Beyond the overall market picture, detailed CDP data enables a deeper dive into progress against each KPI.

Figure 2. Overall rate of adoption and progress against each KPI among all companies and commodities. A full break down of figures is available in the Annex - pg. 42





Governance

1

Board-level oversight

81% of companies have board-level oversight of forest-related issues and in **nearly half** of companies one of the 5 key board positions has oversight of forest-related issues.



Strategy

4

Strategy business plans

Around half of all companies integrate forest issues into all parts of their long-term strategic business plans including in financial planning, strategy and objectives.



Risks management

5

Forest-related risk assessment

76% of companies conduct a risk assessment that includes forest-related issues. However **only a minority** of companies (20%) conduct a comprehensive risk assessment¹⁶.



Measuring & targets

6

Targets

Only 10% of companies have a target to trace 100% of the commodities to municipality or equivalent level and are making linear progress towards or have already achieved this target.

11% of companies have a target to source 100% certified no-deforestation compliant commodities and are making linear progress towards or have already achieved this target.

19% of companies either have targets to source 100% certified no-deforestation compliant commodities or trace 100% to municipality or equivalent level and are making linear progress towards or have already achieved this target.



7

Certification

10% (1 in 10) of companies have at least 90% of one commodity certified in a no-deforestation compliant certification.



8

Traceability

One in five companies can trace more than 90% of one commodity to municipality or equivalent level.



9

Compliance

Three in five companies have a system to control, monitor, or verify compliance with no conversion/no deforestation policies or commitments for at least one of the commodities they report on.

However, **only 40%** of companies report over 90% of total volume of at least one commodity in compliance.

Only 29% of companies have such high levels of compliance for robust no-deforestation commitments or policies.



10

Legal compliance

78% of companies that produce or source commodities from regions with a high deforestation risk assess their own or supplier compliance with forest regulations and/or mandatory standards for at least one commodity.



15. Free, Prior and Informed Consent (FPIC) is a specific right that pertains to indigenous peoples and is recognised in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). It allows them to give or withhold consent to a project that may affect them or their territories, withdraw it at any stage and enables them to negotiate the conditions under which the project will be designed, implemented, monitored and evaluated.



Value chain engagement

11

Supply chain engagement – smallholders

36% of companies are working with smallholders to support good agricultural practices and reduce deforestation or conversion of natural ecosystems, **two-thirds** of whom are providing them with technical or financial assistance¹⁷ to do so.

12

Supply chain engagement – direct suppliers

61% of processors, traders, manufacturers and retailers are working with direct suppliers to support and improve supplier capacity to comply with forest-related policies, commitments and requirements, with over **a third** of these companies providing direct suppliers with technical or financial assistance.

13

Supply chain engagement – beyond first-tier suppliers

Nearly half of manufacturers or retailers are working beyond their first-tier suppliers to manage and mitigate deforestation risks, over **80%** of whom engage with their in-direct suppliers through supply chain mapping or capacity building activities.



14

Forest-related external activities or initiatives

59% of companies participate in external activities or initiatives to promote the implementation of their forests-related policies and commitments, with **5%** participating in jurisdictional approaches.



Ecosystem restoration and protection

15 **Beyond no-deforestation***

42% of companies are moving beyond no-deforestation by implementing ecosystem restoration and protection projects.



16. Offering on-site technical assistance and extension services, investing in pilot projects, paying higher prices linked to best agricultural practices, financial incentives for certified products.

17. Jurisdictional or landscape initiatives, where deforestation and other environmental and social issues are tackled at the level of a jurisdiction or landscape, bring together all relevant actors within a political administrative boundary to co-develop goals, align activities and share monitoring and verification.

A lack of sufficient measurable ambition and progress

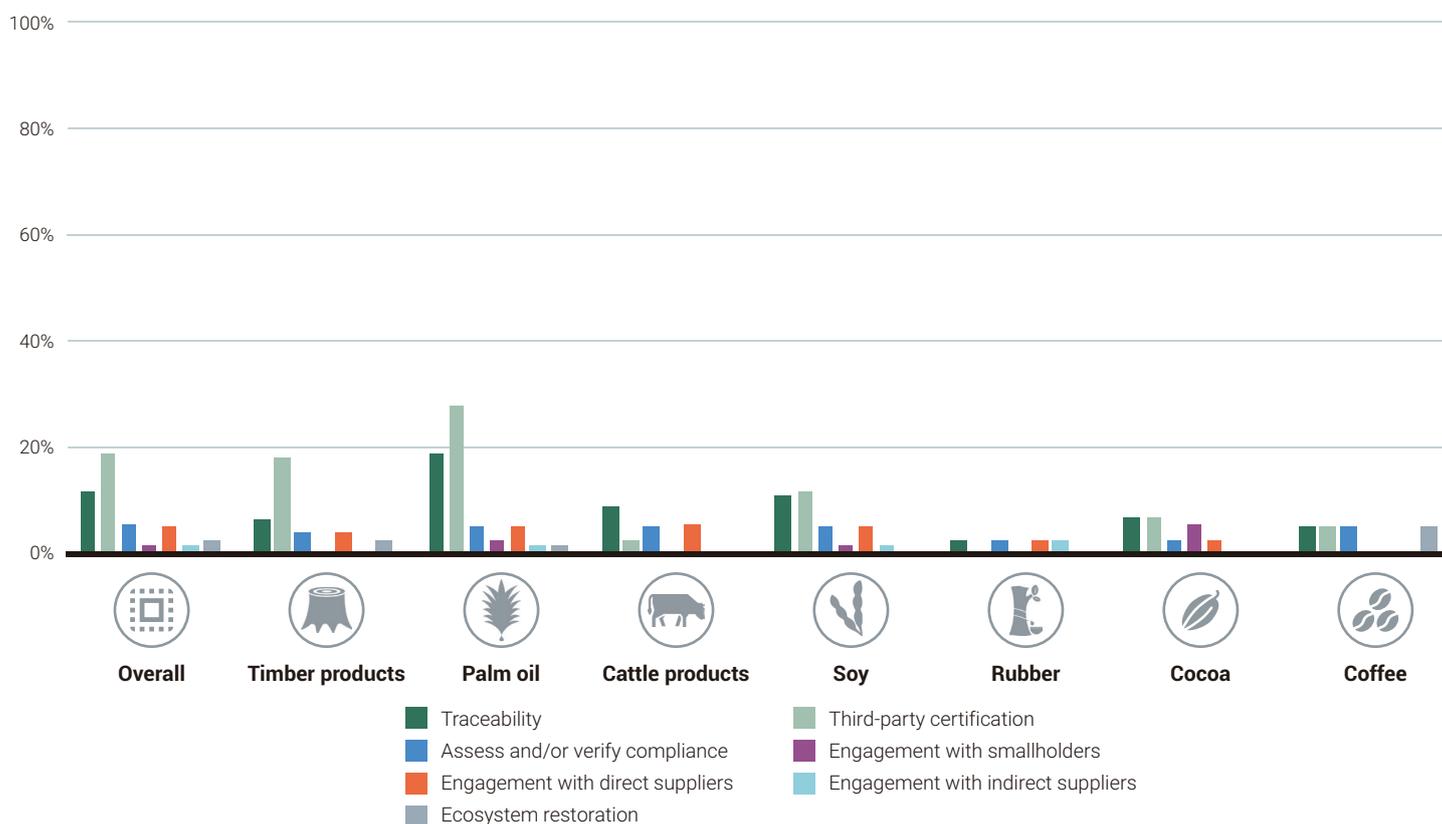
To move the needle on commodity-driven deforestation, we need more companies to take a greater variety of bolder, faster and more collaborative action. To be in line with a 1.5 degrees Celsius pathway, global deforestation needs to end by 2030 and substantial restoration needs to take place¹⁸. However, the current level of ambition is not enough to even shift the majority of companies – who are in the developing stage – to a mature stage in the next 10 years.

Specific, quantitative targets which can be objectively evaluated and verified are essential for this - and currently, they are scarce. Only 26% of companies (146) have a target linked to a no deforestation¹⁹ commitment for at least one commodity, whether related to traceability, certification, compliance, supplier engagement or restoration. Certification is the main focus - targets relating to supplier engagement and restoration are scant.

Difference in ambition among the commodities is also evident. Targets linked to no conversion and zero net/gross deforestation are more frequent among companies reporting on palm oil. This difference in company action across commodities can also be seen in the KPIs. For example, it was most common for companies reporting on palm oil to have a general or commodity specific publicly available company-wide no-deforestation policy (43% of companies). Having such policies was least likely for businesses reporting on natural rubber (15% of companies).

In general, companies are making more progress towards eliminating deforestation from palm oil supply chains, even outpacing companies in timber products supply chains – the commodity that has seen most effort in the past. Companies have been slow to adopt the comprehensive progress required in cattle and soy supply chains, which continue to trail behind.

Figure 3. Percentage of companies reporting each type of target linked to a no conversion or zero net/gross deforestation commitment



18. Rogelj, J., et al. (2018). Mitigation pathways compatible with 1.5°C in the context of sustainable development. <https://www.ipcc.ch/sr15/chapter/chapter-2/>
 19. No conversion or zero net/gross deforestation commitments



THE TRAILBLAZERS

Some leaders are spearheading the market transformation - 81 companies showed a mature or best practice approach to tackling deforestation for at least one commodity, meaning they were addressing more than eight KPIs.

Of these, four companies (**Essity, L'Oréal, Mars** and **Tetra Pak**) have adopted nearly all KPIs for one commodity, leading the way on the action to halt deforestation.

This section explores one example: how Mars is showing leadership and best practice on palm oil. Go to CDP's website²⁰ to read Mars' or one of the other best practice company's full disclosure.



MARS

A palm oil case study

In 2020, Mars disclosed on five commodities - cattle products, cocoa, palm oil, soy and timber products – through CDP. It is taking at least eight industry-accepted actions for each commodity and is demonstrating best practice for palm oil by adopting measures across the whole range of KPIs bar one set²¹. Mars has taken the following actions to address deforestation from palm oil in its value chain:



Governance

1 Board-level oversight

All aspects of Mars' Climate Action, Deforestation and Land Use Change strategies and targets are the responsibility of the Board and led by the Board Chair.

2 Policy

Mars has both a publicly available general policy and palm oil specific company-wide no-deforestation policy, the Palm Oil Positive Plan. Through its Palm Positive Plan, Mars aims to deliver 100% deforestation-free palm oil by the end of 2020 and advance respect for human rights across its suppliers' extended supply chains.

3 Commitments

On palm oil, Mars has a public no-deforestation commitment that covers 100% of its palm oil supply, includes a cutoff date of 2015 and a target date of 2020. Among other aspects, Mars expects its suppliers to:

- ▼ Ensure no deforestation or conversion of primary forest or natural ecosystems of high conservation value (HCV);
- ▼ Ensure no development in high carbon stock (HCS) areas;
- ▼ Support free prior and informed consent;
- ▼ Resolve land rights disputes through a balanced and transparent dispute resolution process;
- ▼ Respect farmers' and communities' land rights and the rights of indigenous and forest-dependent people;
- ▼ Support farmers and plantation owners to comply with Mars' deforestation-related requirements.

20. <https://www.cdp.net/en/responses> - Free registration required.

21. Either targets relating to no-deforestation compliant certification or high levels of commodities certified to a no-deforestation compliant certification



Strategy

4 Strategy

Mars integrates forest issues into all parts of long-term strategic business plans including its long-term business objectives, strategy for long-term objectives and financial planning. Financial performance and positive societal impact guide Mars' decision-making because "a business model that focuses exclusively on financial performance is not sustainable or desirable". This approach ensures Mars' financial planning helps it achieve near-term results so it can remain a successful business for the next 100 years. It has also resulted in sustainability investments of nearly US\$1 billion since 2016.



Risk assessment

5 Risk assessment

Mars reports assessing forest-related risks across its palm oil supply chain, with risks beyond six years considered and includes: the availability of forest risk commodities, quality of forest risk commodities, impact of activity on the status of ecosystems and habitats, social impacts and local communities in the assessment. Forest-related risks are assessed more than once a year using external consultants, Global Forest Watch Pro, internal company methods and Starling. For example, to assess palm oil deforestation risks, Mars overlays its palm oil sources identified through supply chain mapping with areas at high risk of deforestation, using an internal geographic information system.



Measuring & targets

6 Targets

98% of palm oil supply tracing achieved in 2019

In 2014, Mars set a target to trace 100% of its palm oil supply back to the mill by 2020 and is reporting linear progress towards it, achieving 98% in 2019. As well as traceability, Mars also reports a 2020 certification target and a 2020 target to engage with indirect suppliers linked to its zero-deforestation commitment.

7 Certification

68% of Mars' global palm oil supply was RSPO mass balance certified **32%** of palm oil was RSPO certified segregated

Since 2013, Mars has purchased 100% of its palm oil from Roundtable on Sustainable Palm Oil (RSPO)-certified sources through the mass balance program. In 2019, Mars began sourcing RSPO-segregated palm oil for its European and Australian businesses. As of 2019, 68% (51,441 metric tons) of Mars' global palm oil supply was RSPO mass balance certified while 32% (23,816 metric tons) was RSPO certified segregated.

8 Traceability

Mars reports that it can trace 98% of its palm oil consumption back to the mill level. The full list of its Tier-1 partners and mills supplying palm oil to Mars are also available [online](#).

9 Compliance

>90% of its total palm oil volume in compliance with its no deforestation policies and commitments.

Using geospatial monitoring tools and second-party verification, Mars has a system to control, monitor, and verify compliance with its no deforestation policies and commitments in its palm oil supply chain. Mars is working with an external consultant to conduct monthly satellite monitoring of its total palm oil supply chain at a supplier group level for deforestation or development on peat. Any findings are verified and followed up with Tier-1 suppliers to take appropriate action.

Mars engages in longer-term contracts with suppliers who commit to and deliver supply chains that meet its expectations. If reported supplier non-compliance is validated, Mars will remove the supplier from its supply chain and work with them to develop a corrective action plan. Corrective actions are reviewed to ensure they meet re-entry before re-engaging the supplier. Mars reports more than 90% of its total palm oil volume in compliance with its no deforestation policies and commitments.

10 Legal compliance

Mars conducts a general assessment of legal compliance with forest regulations and/or mandatory standards within its palm oil supply chain. Legal compliance is included in its Supplier Code of Conduct and Mars assesses the sustainability performance, social and legal compliance audit results of prioritized suppliers using an external supplier evaluation tool.



Value chain engagement

11 Supply chain engagement – smallholders

2,000 palm oil smallholders have been engaged by Mars through the Areal Prioritas Transformasi (APT) program

Mars is working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems through capacity building, supply chain mapping, investing in pilot projects and prioritizing support for smallholders in high deforestation risk regions. For example, Mars reports that it has engaged 2,000 palm oil smallholders through the Areal Prioritas Transformasi (APT) program that addresses the challenges of deforestation caused by poverty, preventing deforestation inside concessions, forming community-based conservation plans and providing alternative livelihood options for these farmers.

12 Supply chain engagement - direct suppliers

100% its direct suppliers engaged through: capacity building, supply chain mapping and financial and commercial incentives.

To support and improve its suppliers' capacity to comply with forest-related policies, commitments and other requirements, Mars reports that it has engaged 100% of its direct suppliers through capacity building, supply chain mapping and financial and commercial incentives. It develops or distributes supply chain mapping tools, invests in pilot projects, has long-term contracts linked to forest-related commitments, offers on-site training and technical assistance, and uses supplier questionnaires on environmental and social indicators.

13 Supply chain engagement - beyond first-tier suppliers

To manage and mitigate deforestation risks Mars is working beyond first-tier suppliers through capacity building, developing or distributing supply chain mapping tools and investing in pilot projects.

14 Forest-related external activities or initiatives

Mars is participating in jurisdictional approaches to promote the implementation of forest-related policies and commitments because "Integrated landscape approaches are a critical complement to supply chain management to achieve a deforestation-free transformation, especially in the most critically threatened or highest conservation value landscapes." For palm oil, Mars has partnered with Conservation International and other organizations to develop the Coalition for Sustainable Livelihoods to support smallholders and sound natural resource management in Aceh and North Sumatra, Indonesia. It has also engaged with initiatives such as the Consumer Goods Forum and Tropical Forest Alliance to catalyze collective action in support of landscape approaches.



Ecosystem restoration and protection

15 Beyond no-deforestation

>2 million multi-purpose trees for on-farm restoration via agroforestry by 2022

In relation to cocoa, Mars is supporting ecosystem restoration projects and has developed action plans for Côte d'Ivoire and Ghana²². This includes targets to support the distribution and planting of more than 2 million multi-purpose trees for on-farm restoration via agroforestry by 2022 - more than 1,743,262 million trees in Côte d'Ivoire and 262,087 trees in Ghana. By the end of 2019 more than 120,000 multipurpose trees were distributed for on-farm planting in Ghana and more than 350,000 in Cote d'Ivoire.

DEFORESTATION-FREE BUSINESS IS GOOD BUSINESS

131

companies disclosing through CDP valued these forest-related opportunities at **US\$35.6 billion**

Setting and implementing no-deforestation commitments and policies presents a huge opportunity

From increased brand and shareholder value to improved supply chain resilience and stakeholder relations as well as market expansion and improved access to capital, businesses benefit from taking action on deforestation.

In 2020, just 131 companies disclosing through CDP valued these forest-related opportunities at US\$35.6 billion.

Empresas CMPC

Issuing green bonds



Green bonds have allowed **Empresas CMPC** to match new financing opportunities and growing its investor base with its policies and 2030 environmental goals. The proceeds are used to finance or refinance new and existing projects with social and environmental benefits aligned to its corporate goals. For example, adding 100,000 hectares for conservation, protection and restoration purposes to the existing 320,000 hectares the company already has in Argentina, Brazil and Chile. Over the last three years, funds worth US\$621 million have been allocated to green projects, with US\$104 million allocated in 2019.

- ▼ **Commodities:** Timber products
- ▼ **Related KPIs:** 2 3 4 15
- ▼ **Type of opportunity:** Financial Incentives - Issuing green bonds
- ▼ **Maximum potential financial impact:** US\$104 million

Unilever Plc

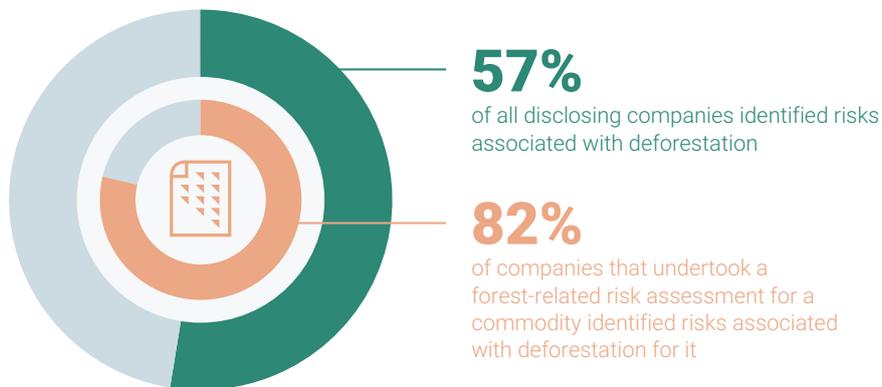
Increased brand value



Unilever Oleochemicals Indonesia (UOI)

sources sustainable palm oil and processes it into certified fractions to use in **Unilever** products such as soap, shampoo and detergent. **Unilever** established **UOI** because it identified that by shortening its supply chain it could increase brand value, improve traceability, reduce cost and better integrate smallholder farmers into its value chain. Through UOI, **Unilever** brands also benefit from being positively associated with its sustainability initiatives.

- ▼ **Commodities:** Palm Oil
- ▼ **Related KPIs:** 8 11
- ▼ **Type of opportunity:** Products & Services - Increased brand value
- ▼ **Maximum potential financial impact:** US\$179.2 million



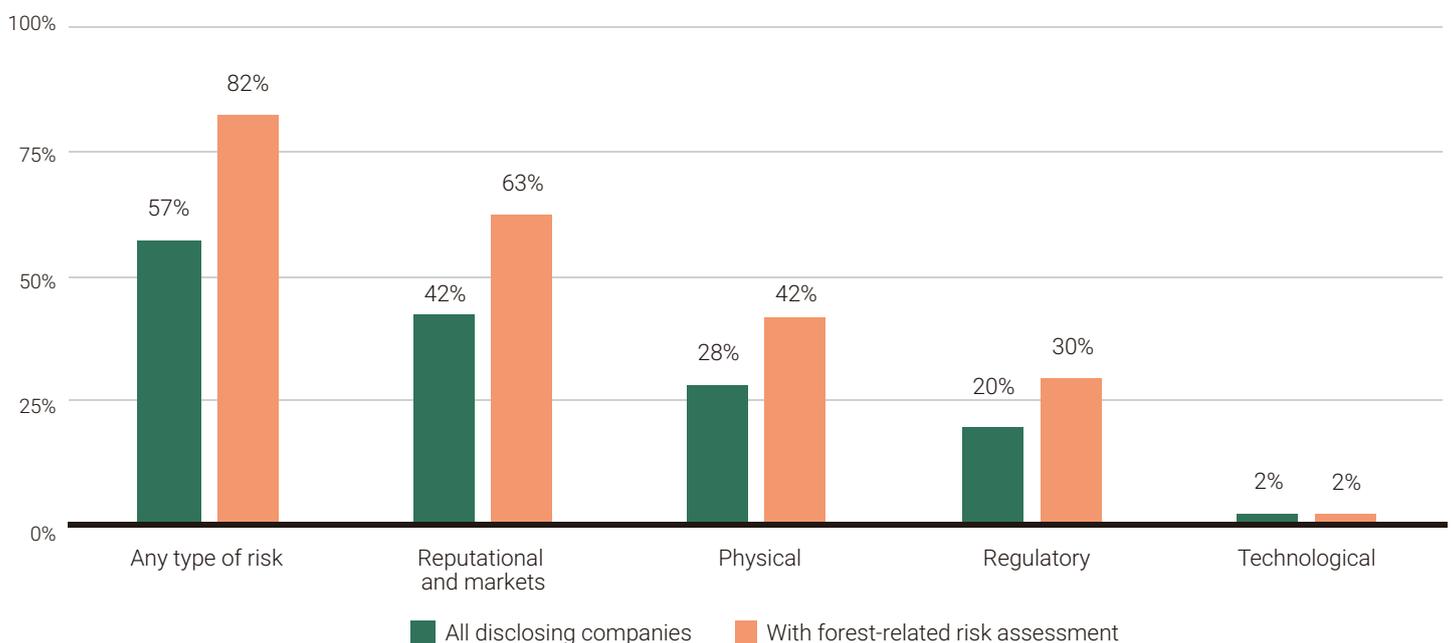
It also pays to identify and address forest-related risks. While around a half (57%) of all disclosing companies identified risks associated with deforestation, nearly all companies that undertook a forest-related risk assessment for a commodity identified risks associated with deforestation for it (82%).

Reputational or market risks continue to be at the forefront of corporate concerns when it comes to deforestation suggesting that not all companies fully appreciate the systemic risks posed by deforestation. Disclosing on risks and risk assessments through CDP is a clear demonstration to investors and other

stakeholders that these risks are being considered and managed by companies.

Just half of companies reporting risks could put a financial value to the risks they faced, with 151 companies identifying forest-related risks with a potential financial impact worth US\$53.1 billion. In stark contrast, the complete cost of responding to identified risks was estimated at only US\$6.6 billion²³ or 13% of what all companies stood to lose. The effects of such risks can ripple through markets, especially with companies disclosing that on average, 31% of their entire revenue was reliant on forest risk commodities.

Figure 4. The percentage of companies that report forest-related risks among all disclosing companies and those that conduct forest-related risk assessments for that commodity by risk type



23. Reported by 206 companies

THE WAY FORWARD

Deforestation is threatening to plunge the world into another pandemic and pushing us closer to a tipping point that could help cascade us past the point of no return, into an irreversibly scorching climate with catastrophic effects. More must be done to save and restore the world's forests – and quickly.

Progress to date has been slow and the majority of the market is falling short of the ambition needed. Just four companies have adopted measures across all but one set of the 15 KPIs for a commodity. Only a further 77 companies have adopted more than eight KPIs for at least one commodity. More companies need to learn from these pioneers who are leading the market transformation or risk falling behind.

Businesses in all areas must ramp up action and correct course in line with best practice to turn the tide on deforestation and achieve global climate goals, curb biodiversity loss and manage pandemic risks. Companies need to set sufficiently ambitious targets and work in collaboration with all stakeholders to deliver goals. The Accountability Framework can guide companies towards achieving and monitoring ethical and sustainable commodity supply chains while disclosure through CDP can deliver the necessary transparency and aid collaboration.

The differences in ambition for various commodities must also be addressed – while progress in palm oil and timber value chains is more advanced, action in supply chains of cattle products and soy continues to trail behind. For those willing to seize them, there is a wealth of opportunities available to companies producing or sourcing soy and cattle products – which make business sense and protect forest habitats. For example, Marfrig, one of the world's largest beef producers, recently received a US\$30 million ten-year sustainability-linked loan facility to achieve a deforestation-free cattle supply chain in the Amazon and Cerrado²⁴.

There is no simple silver bullet to address deforestation. The right mix of solutions is needed, with collaboration and transparency at the heart of action. But forests are worth it - they underpin our economies through the myriad benefits they provide us and rewards await those who take action to protect them.

PERFORMANCE BY COMMODITY





PERFORMANCE BY COMMODITY

TIMBER PRODUCTS

14.5%

of tropical and sub-tropical deforestation

annually was associated with traded timber products

Timber products are one of the major drivers of global deforestation, due to the large variety of uses for timber and processed wood. Timber products are used in construction, as paper and packaging or biomass and sold as furniture or textiles.

Between 2005–2013, 14.5% of tropical and sub-tropical deforestation annually was associated with traded timber products – around 0.8 million hectares per year²⁵. As much as half of all tropical timber traded internationally is estimated to come from the clearance of forests for other land uses and is often considered illegal²⁶.

Barilla Holding SpA

Shifts in consumer preference

There is an increasing pressure on companies from consumers who are increasingly aware of the environmental issues and negative consequences of paper production such as deforestation. To ensure this does not cause brand damage, **Barilla Holding SpA** has developed a set of principles to ensure the sustainability of its packaging. As result, 100% of timber-based folding cartons and papers purchased by Barilla Holding SpA came from sustainably managed forests.

▼ **Related KPIs:** 2  7 

▼ **Type of opportunity:**
Reputational and markets -
Shifts in consumer preference

▼ **Primary potential impact:**
Brand damage

▼ **Maximum potential financial impact:**
US\$81.7 million

▼ **Cost of response:**
US\$1.1 million



Risk

45% On average, 45% of revenue was reported to be associated with timber products

54% of companies identified forest-related risks related to timber products

US\$22.2 billion Companies report over US\$22.2 billion in deforestation risks linked to timber products²⁷.



Opportunities

53% of companies identified forest-related opportunities associated with timber products in their operations or supply chains

US\$23.3 billion 99 companies reported over US\$23.3 billion worth of potential benefits from addressing timber product deforestation

US\$3.2 billion The cost of responding to forest-related risks remains a fraction of the potential financial impacts from risks – just 14% or US\$3.2 billion²⁸

25. Pendrill, F., et al. (2019). Deforestation displaced: trade in forest-risk commodities and the prospects for a global forest transition. <https://iopscience.iop.org/article/10.1088/1748-9326/ab0d41>

26. Hoare, A. (2015). Tackling Illegal Logging and the Related Trade - What Progress and Where Next? <https://www.confor.org.uk/media/79650/chatham-house-tackling-illegal-logging-report-july-2015.pdf>

27. Reported by 109 companies

28. Reported by 151 companies

HOW ARE COMPANIES IN THE TIMBER PRODUCTS SUPPLY CHAIN PERFORMING?

- ▼ 411 companies disclosed on their production or use of timber products and related deforestation management.
- ▼ Two companies - Essity and Tetra Pak - have adopted measures across the nearly complete range of KPIs, demonstrating current best practice.
- ▼ Companies disclosing on timber products tend to lack rigorous no-deforestation commitments (9%) and have lower levels of engagement with direct suppliers or smallholders through technical or financial assistance (12%).
- ▼ On the other hand, these companies often assess compliance with forest regulations (83%) and have the highest levels of no conversion/deforestation commitment compliance in their operations or supply chains (35%) among all reporting companies.
- ▼ Among all commodities, companies in the timber product supply chains also have the largest share of certification and degree of traceability:
 - a) 10% of companies disclosing on timber have at least 90% certified in a no-deforestation compliant certification
 - b) 17% can trace more than 90% of their production/consumption back to at least municipality level or equivalent
- ▼ 31 companies disclosing on timber products (8%) have not taken any of the industry-accepted measures to address deforestation – the largest proportion of companies from those disclosing on one of the four main commodities responsible for the majority of tropical deforestation²⁹. Wider action by companies on deforestation related to timber products could be expected, especially given the established, widely available certification schemes and management techniques associated with timber products.

Figure 5. The timber product market split – companies mapped onto a pathway towards deforestation-free markets based on the number of KPIs they are incorporating for timber products.

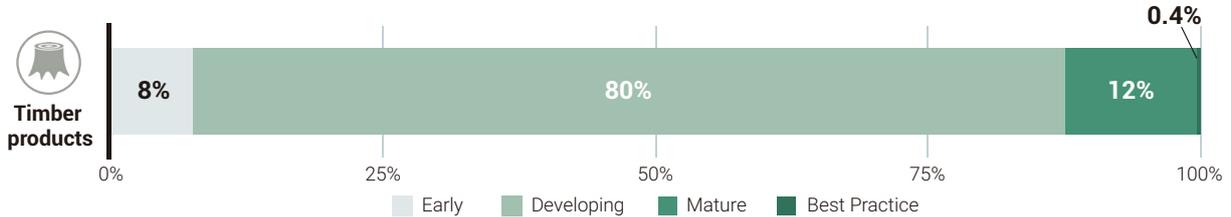
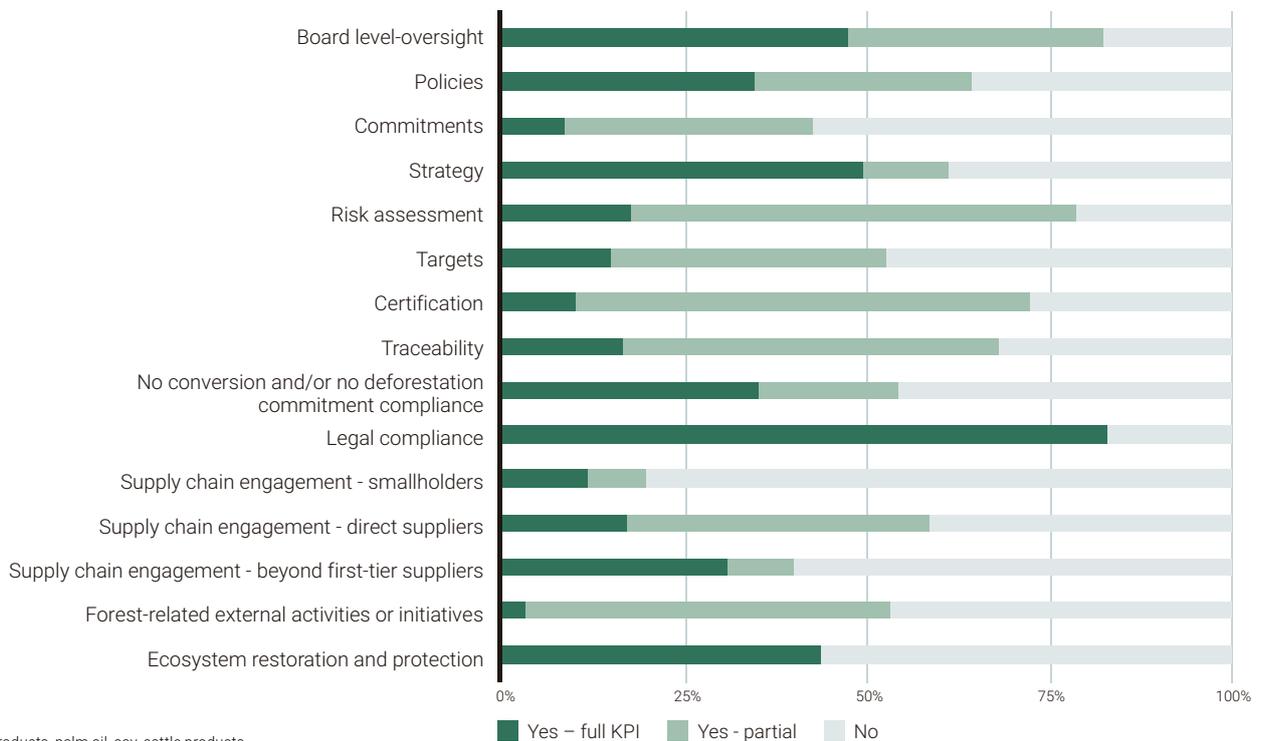


Figure 6. Rate of adoption and progress against each KPI among all companies producing or sourcing timber products. A full break down of figures is available in the Annex - pg. 42



29. Timber products, palm oil, soy, cattle products



PERFORMANCE BY COMMODITY

PALM OIL

70%

of palm oil expansion between 2008-2015 occurred on forestland while **18%** occurred on peatland

Palm oil production leads to deforestation as land is cleared for palm oil plantations.

Among crops, palm oil has both the highest speed of overall land expansion, the highest share of expansion into forestland and a large share of expansion on peatland - 70% of palm oil expansion between 2008-2015 occurred on forestland while 18% happened on peatland³⁰. Peat soil contains large quantities of carbon and converting forested peatlands to palm oil plantations results in extremely high CO₂ emissions. Palm oil and its derivatives have a variety of uses from edible products and cooking to non-food products such as cosmetics or detergents or as a biofuel.

L'Oréal

Increased production costs

Climate change is expected to result in increased frequency and severity of extreme weather events resulting in changes in precipitation patterns. Such changes are expected particularly in Indonesia and Malaysia from which **L'Oréal** sources 99.7% of its palm oil, a significant ingredient in its products. This could cause price volatility resulting in increasingly expensive palm procurement and subsequently higher production cost potentially costing **L'Oréal** US\$51.5 million. To overcome this risk, **L'Oréal** is building resilience of its supply chains through field projects and establishing longer-term business agreements with upstream suppliers. Since 2015, **L'Oréal** has been working with its palm value chain and an NGO to promote adoption of improved agricultural practices, traceability and RSPO certification among Malaysian producers. In 2019, **L'Oréal** also partnered with a research centre to work closely with smallholders and help improve their soil quality and productivity via agricultural practices. Working closely with farmers will enable to deliver them more value, ultimately improve their farm profitability while securing L'Oréal volumes and stabilizing prices.

- ▼ **Related KPIs:** 7 8 11 12 13
- ▼ **Type of risk:** Physical - Increased severity of extreme weather events
- ▼ **Primary potential impact:** Increased production costs
- ▼ **Maximum potential financial impact:** US\$51,520,023
- ▼ **Cost of response:** US\$5,040,002



Risk

21%

On average, 21% of revenue was reported to be associated with palm oil

66%

of companies identified forest-related risks associated with palm oil

US\$13.1 billion

Companies report over US\$13.1 billion reported in deforestation risks linked to palm oil³¹.



Opportunities

58%

of companies identified forest-related opportunities associated with palm oil in their operations or supply chains.

US\$5.6 billion

40 companies reported over US\$5.6 billion worth of potential benefits from addressing palm oil deforestation

US\$355 million

The cost of responding to forest-related risks remains a fraction of the potential financial impacts from risks – just 3% or US\$355 million³²

30. European Commission. (2019). Report from The Commission to The European Parliament, The Council, The European Economic and Social Committee and The Committee of The Regions on the status of production expansion of relevant food and feed crops worldwide. <https://ec.europa.eu/energy/sites/ener/files/documents/report.pdf>

31. Reported by 57 companies

32. Reported by 78 companies

HOW ARE COMPANIES IN THE PALM OIL SUPPLY CHAIN PERFORMING?

- 187 companies disclosed on their production or use of palm oil and related deforestation management.
- Two companies – L’Oréal and Mars – have adopted measures across the complete range of KPIs, which demonstrates current best practice.
- Compared to all other commodities, companies reporting on palm oil have made the most progress on deforestation, by far. Nearly all companies (98%) are taking at least one industry-accepted measure to address deforestation while only four companies are reporting none.
- These companies have the highest levels of rigorous no-deforestation commitments (20%), comprehensive risk assessments (25%) and integration of forest-related issues into all parts of their long-term strategic business plans (57%).
- Companies in the palm oil value chain are also leading on setting and fulfilling targets – the largest proportion of companies to have set or achieved targets to either source 100% certified no-deforestation compliant commodities or trace 100% of commodities to at least municipality (18%).
- These companies are also ahead in terms of engaging with direct suppliers by providing them with financial or technical assistance (25%) and engaging beyond first tier suppliers through supply chain mapping or capacity building (41%).
- Companies reporting on palm oil also have the highest levels of participation in jurisdictional approaches (5%) among companies reporting on the four commodities driving the majority of tropical deforestation. Among all commodities, this is the second highest rate, after cocoa.

Figure 7. The palm oil product market split – companies mapped onto a pathway towards deforestation-free markets based on the number of KPIs they are incorporating for palm oil products.

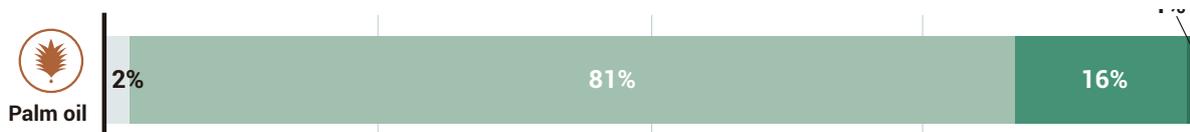
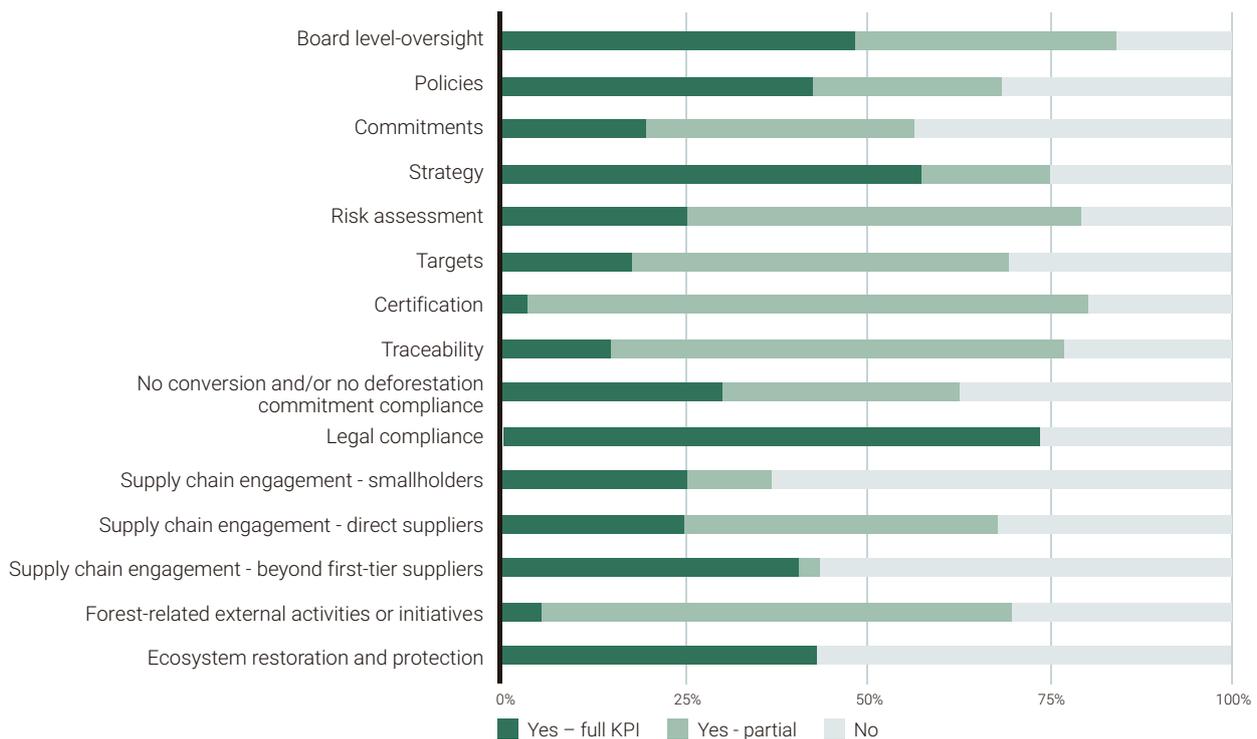
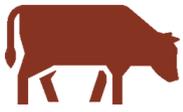


Figure 8. Rate of adoption and progress against each KPI among all companies producing or sourcing palm oil products. A full break down of figures is available in the Annex - pg. 42





PERFORMANCE BY COMMODITY

CATTLE PRODUCTS

45.1

million hectares of land was deforested for cattle pastures

Around 45.1 million hectares of land was deforested globally between 2001 and 2015 to make way for cattle pastures. This accounts for 36% of all trees cover loss associated with agriculture³³.

65%

of deforestation in the Brazilian Amazon can be linked to cattle ranching

Farming cattle for products such as: beef, leather, tallow, by-products (e.g., glycerin, gelatin) is the main driver of deforestation in virtually every Amazon country³⁴ and responsible for the release of 340 million tons of carbon emissions, equivalent to 3.4% of past global emissions³⁵. In the Brazilian Amazon about 65% of deforestation can be linked to cattle ranching³⁶.



Risk

Marfrig Global Foods S/A

Increased operating costs

Climate change and the subsequent increased frequency and severity of droughts, rainfalls and extreme climate phenomena can affect pasture productivity and consequently impact the entire livestock production cycle. This may affect the final quality and availability of cattle and increase cattle prices. To better understand this risk, **Marfrig** undertook a scenario analysis on the impacts of climate change to their units through to 2040 using RCP8.5 and RCP4.5. Results showed that some of Marfrig's units are already at risk to severe droughts around 1.5 degrees Celsius to 2 degrees Celsius. To mitigate this risk, Marfrig promotes best practice and awareness. For example, a project has been developed in Tangará da Serra (Mato Grosso, Brazil) with the purpose of restoring the riparian forest of the local watershed.

▼ **Related KPIs:** 5 15

▼ **Type of risk:** Physical - Changes in precipitation patterns

▼ **Primary potential impact:** Increased operating costs

▼ **Maximum potential financial impact:** US\$4,270,000

▼ **Cost of response:** US\$228,3422

21%

On average, 21% of revenue was reported to be associated with cattle products

43%

of companies identified forest-related risk associated with cattle products

US\$4.3 billion

Companies report over US\$4.3 billion in deforestation risks linked to cattle products³⁷



Opportunities

43%

of companies identified forests-related opportunities associated with cattle products in their operations or supply chains

US\$4.3 billion

14 companies reported over US\$4.3 billion worth of potential benefits from addressing cattle product deforestation

US\$218 million

The cost of responding to forest-related risks remains a fraction of the potential financial impact from risks – just 5% or US\$218 million³⁸.

33. WRI. (2020). Global Forests Review. <https://research.wri.org/gfr/forest-extent-indicators/deforestation-agriculture>

34. Nepstad, D., et al. (2008). Interactions among Amazon land use, forests and climate: prospects for a near-term forest tipping point. <https://royalsocietypublishing.org/doi/full/10.1098/rstb.2007.0036>

35. WWF. (u.d.) Unsustainable cattle ranching. https://www.panda.org/knowledge_hub/where_we_work/amazon/amazon_threats/unsustainable_cattle_ranching/

36. Recanati, F., et al. (2015). Global Meat Consumption Trends and Local Deforestation in Madre de Dios: Assessing Land Use Changes and other Environmental Impacts. <https://www.sciencedirect.com/science/article/pii/S1877705815021517>

37. Reported by 16 companies

38. Reported by 29 companies

HOW ARE COMPANIES IN THE CATTLE PRODUCTS SUPPLY CHAIN PERFORMING?

- 112 companies disclosed on their production or use of cattle products and related deforestation management.
- No company reached the “best practice” category for cattle products; however, 11 companies (10%) are at the mature stage incorporating more than 8 of the measures into their business practice.
- Company performance on cattle products is slightly behind that on soy, with 7 companies not taking any action for either commodity representing 6% and 5% of companies respectively.
- Only around two-thirds (61%) of companies producing or sourcing cattle products from regions with a high deforestation risk assess their own or supplier compliance with forest regulations and mandatory standards.
- Due to limited availability and uptake of certification for cattle products, it is not surprising that no company has at least 90% of their products certified in a no-deforestation compliant certification.
- Among the four commodities responsible for the majority of tropical deforestation, companies disclosing on cattle products have the lowest levels of rigorous public no-deforestation commitments (8%) as well as engagement with their direct suppliers through financial and technical assistance and indirect suppliers through supply chain mapping or capacity building (13% and 27% respectively).
- Companies disclosing on cattle products also have low levels of traceability and engagement with smallholders - only 13% of companies can trace more than 90% of their production/consumption back to at least municipality or equivalent while only 12% provide smallholders with technical or financial assistance.
- Around a third (29%) of companies disclosing on cattle products report either general or commodity specific no-deforestation policies, while a similar amount (29%) report over 90% of total commodity volume in compliance with their no-deforestation policies or commitments.

Figure 9. The cattle product market split – companies mapped onto a pathway towards deforestation-free markets based on the number of KPIs they are incorporating for cattle products.

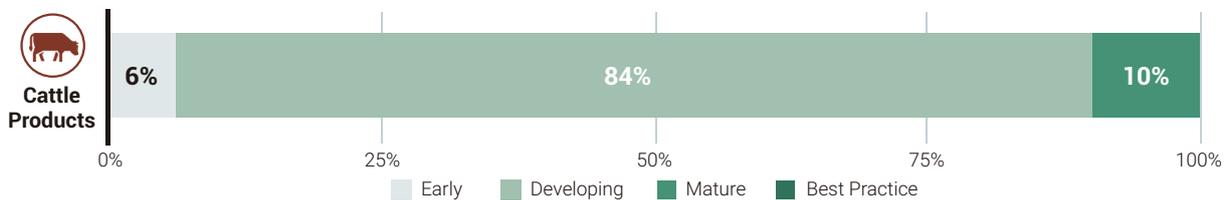
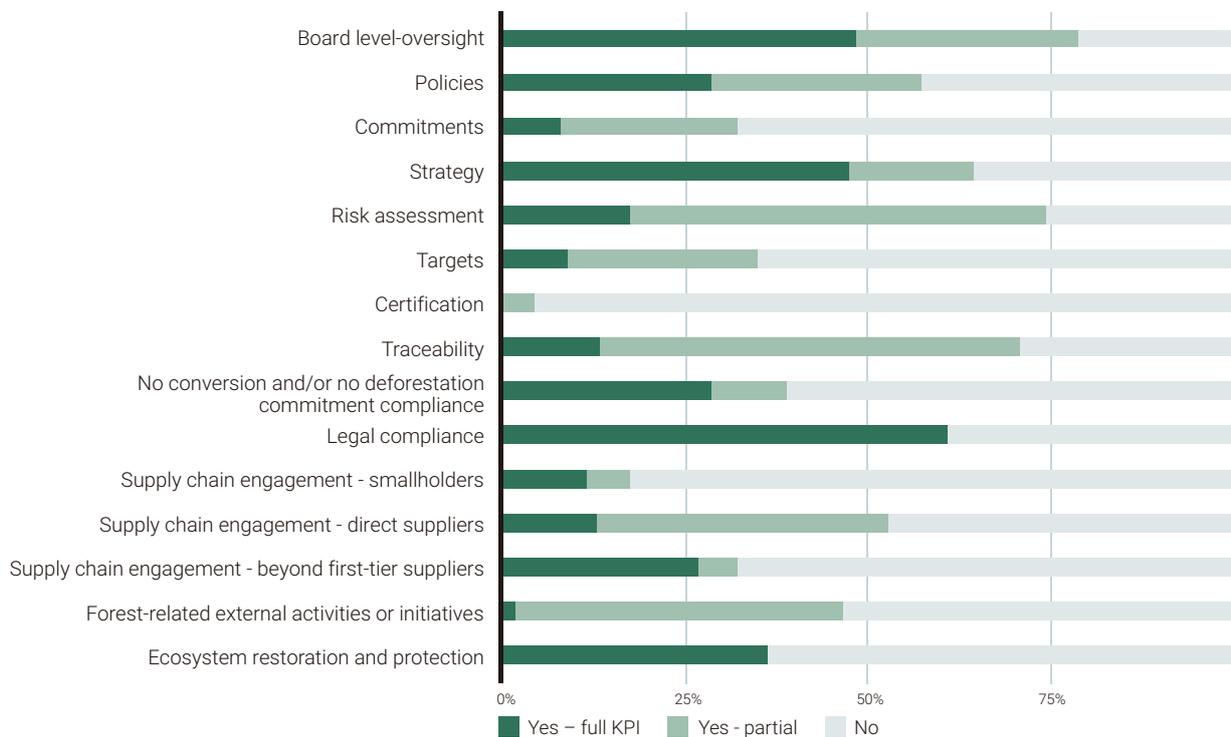


Figure 10. Rate of adoption and progress against each KPI among all companies producing or sourcing cattle products. A full break down of figures is available in the Annex - pg. 42





PERFORMANCE BY COMMODITY

SOY

70-75%

of the world's soy

is used as animal feed - the remaining soy and its derivatives are used in food production, as biodiesel or an emulsifying agent

Soybean production was the third largest agricultural driver of deforestation³⁹. Soy production can also displace pasture causing deforestation indirectly. Either directly or indirectly soy production is driving deforestation in not only the Amazon but other biodiverse and carbon-rich forested habitats such as the Cerrado⁴⁰ or Chaco⁴¹.

Soy production accounted for 0.6 million hectares of land use change per year between 2000 and 2011 in Brazil, Argentina, Paraguay and Bolivia⁴². Every year during this period, 0.4 million hectares of this land use change - more than 560,000 soccer fields - was also embedded in global trade⁴³. The majority of the world's soy (70-75%) is used as animal feed with the remaining soy and its derivatives used in food production, for products like margarines, pastry, chocolate, cookies, condiments and cooking oils or as a biodiesel or technical emulsifying agent (e.g. cosmetics)⁴⁴.

AMAGGI

Shifts in consumer preference

Consumer preferences have changed in recent years and they are increasingly demanding a deforestation-free value chain. To manage this risk **AMAGGI**, in line with its commitment to achieve a grain chain free of deforestation, engages with its suppliers, uses certification schemes, ensures compliance through an improved monitoring system and participates in multi-stakeholder initiatives focused on the risk of deforestation linked to soybeans, investing approximately 2 million reais annually (US\$507,427).

Related KPIs:



▼ **Type of opportunity:** Reputational and markets - Shifts in consumer preference

▼ **Primary potential impact:** Reduced demand for products and services

▼ **Primary response:** Stakeholder engagement and chain management strengthening

▼ **Maximum potential financial impact:** US\$23,141,725

▼ **Cost of response:** US\$507,427



Risk

19%

On average, 19% of revenue was reported to be associated with soy

45%

of companies identified forest-related risks associated with soy

US\$10.2 billion

Companies report over US\$10.2 billion in deforestation risks linked to soy⁴⁵



Opportunities

47%

of companies identified forests-related opportunities associated with soy in their operations or supply chains

US\$651 million

27 companies reported US\$651 million worth of potential benefits from addressing soy deforestation

US\$25.2 million

The cost of responding to forest-related risks remains a fraction of the potential financial impact from risks – just 0.25% or US\$25.2 million⁴⁶

39. Between 2001-2015. WRI. (2020). Global Forests Review. <https://research.wri.org/gfr/forest-extent-indicators/deforestation-agriculture>

40. Kuschig, N., Cuaresma, J. C. and Krisztin, T. (2019). Unveiling Drivers of Deforestation: Evidence from the Brazilian Amazon. https://epub.wu.ac.at/7335/1/WP_32.pdf

41. Fehlenberg, V., et al. (2017). The role of soybean production as an underlying driver of deforestation in the South American Chaco. <https://www.sciencedirect.com/science/article/abs/pii/S0959378017305964>

42. Henders, S., et al. (2015). Trading forests: land-use change and carbon emissions embodied in production and exports of forest-risk commodities. <https://iopscience.iop.org/article/10.1088/1748-9326/10/12/125012/pdf>

43. Ibid.

44. Brack, D., Glover, A. and Wellesley, L. (2016). Agricultural Commodity Supply Chains - Trade, Consumption and Deforestation. <https://www.chathamhouse.org/sites/default/files/publications/>

45. Reported by 29 companies

46. Reported by 39 companies

HOW ARE COMPANIES IN THE SOY SUPPLY CHAIN PERFORMING?

- 135 companies disclosed on their production or use of soy and related deforestation management.
- Similarly to the cattle products supply chain, no company reached the “best practice” category for soy – however, 10% of companies (13) are at the mature stage incorporating more than 8 of the industry-accepted measures into their business practice
- Nearly all companies (95%) disclosing on soy are taking at least one measure to address deforestation.
- Companies disclosing on soy have high levels of integration of forest issues into all parts of long-term strategic business plans (52%) - second only to companies disclosing on palm oil.
- Comparably, the rate at which companies disclosing on soy engage beyond first-tier suppliers through supply chain mapping or capacity building is also high (34%) second only to companies disclosing on palm oil.
- Levels of no-deforestation policies are similar to that of the timber product supply chain - 34% of companies disclosing on soy report such policies.
- Rigorous public no-deforestation commitments are rarer – only 12% of companies have such a public commitment that covers soy. Yet, these commitments are rare across all commodities and this is still the second highest rate among the four commodities driving the majority of tropical deforestation.
- Companies disclosing on soy still tend to lack comprehensive risk assessments (17%), high levels of traceability to at least municipality (10%) or large levels of no-deforestation compliant certification of commodities (3%), sufficiently ambitious targets (8%) and high levels of no-deforestation commitment compliance (22%) or engagement with smallholders through financial or technical assistance (10%). Out of the four main commodities driving tropical deforestation, the soy supply chain incorporates the least industry-accepted measures for these last four KPIs.

Figure 11. The soy product market split – companies mapped onto a pathway towards deforestation-free markets based on the number of KPIs they are incorporating for soy products.

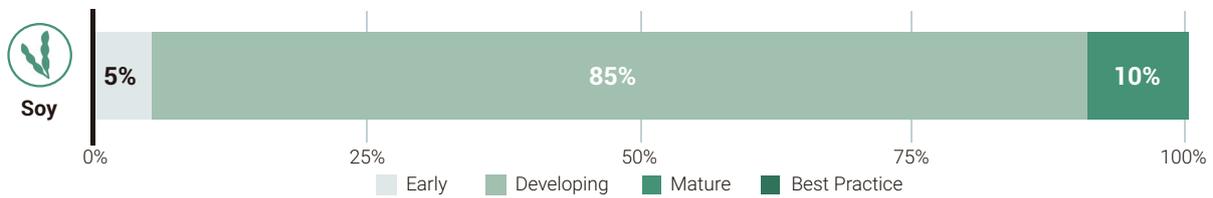
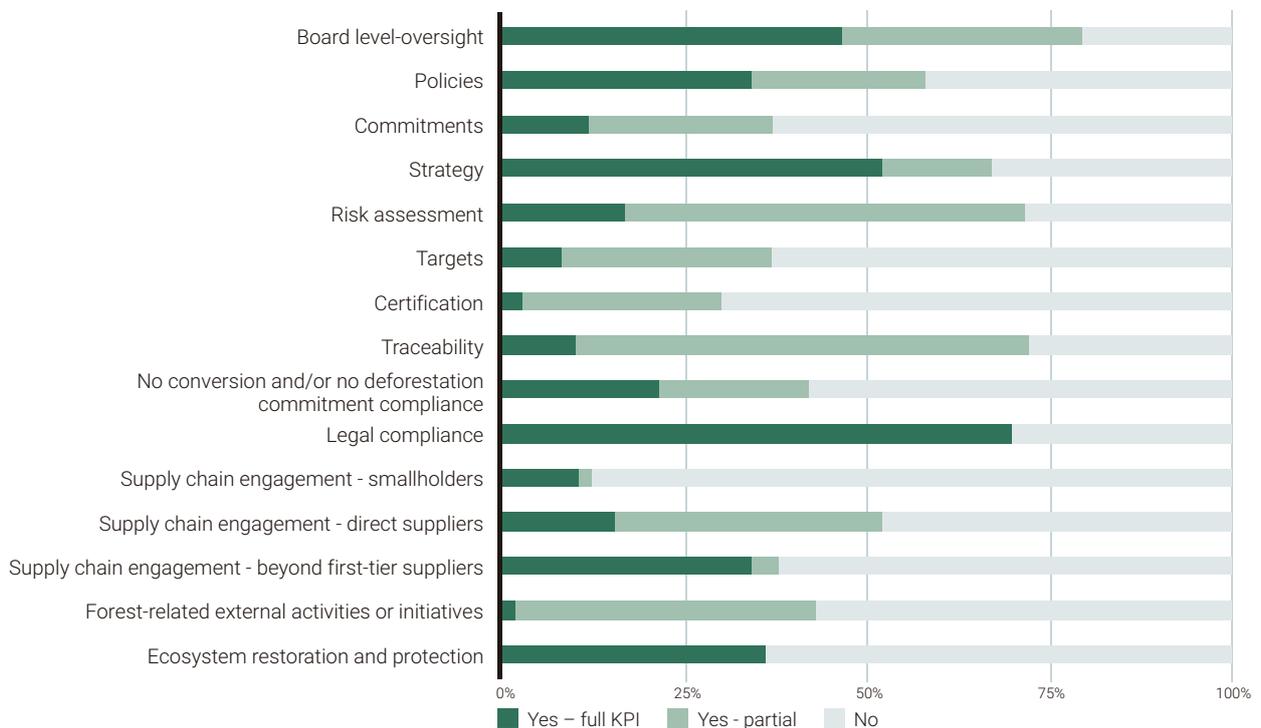


Figure 12. Rate of adoption and progress against each KPI among all companies producing or sourcing soy products. A full break down of figures is available in the Annex - pg. 42





PERFORMANCE BY COMMODITY

NATURAL RUBBER

70%

of rubber expansion in mainland Southeast Asia occurred into natural forests – resulting in large amounts of deforestation

Global land area devoted to rubber doubled between 2000 and 2016, totaling 12.9 million hectares⁴⁷. Between 2003-2014 in mainland Southeast Asia, 70% of rubber expansion occurred into natural forests – resulting in large amounts of deforestation⁴⁸.

The production and consumption of natural rubber occurs primarily in South East Asia and China⁴⁹ with products containing natural rubber often subsequently exported to other countries. To meet the projected demand, an additional 4.3-8.5 million hectares of rubber plantations are required by 2024, threatening substantial areas of Asian forest, including many protected areas⁵⁰.

Reckitt Benckiser

Negative media coverage

Rubber is an integral commodity to a Reckitt Benckiser brand sold in several markets globally but is considered a high-risk commodity which may result in a negative narrative related to the brand and possibly affect the brand performance. To manage this risk, **Reckitt Benckiser** has established its Responsible Sourcing Standard which sets out certain criteria against which it assesses the commodities it uses and ensures its suppliers meet them. It aims to work with suppliers to progress them against meeting the criteria and will cease sourcing from those that do not meet the criteria. In Thailand, **Reckitt Benckiser** also has a partnership with an NGO to ensure smallholders remain included in supply chains by building resilience and driving innovation at smallholder level. This helps improve product quality and future security of supply and lessen the likelihood of reputational damage and associated losses in the future in both direct and indirect supply chains.

▼ **Related KPIs:** 2 9 11 12

▼ **Type of risk:** Reputational and markets

▼ **Primary risk driver:** Shifts in consumer preference - Brand damage

▼ **Primary response:** Engagement with suppliers

▼ **Maximum potential financial impact:** US\$23,141,725

▼ **Cost of response:** US\$458,990



Risk

29% On average, 29% of revenue was reported to be associated with natural rubber

34% of companies identified forest-related risks associated with natural rubber

US\$1.5 billion Companies report over US\$1.5 billion in deforestation risks linked to natural rubber⁵¹



Opportunities

22% of companies identified forest-related opportunities associated with natural rubber in their operations or supply chains

US\$958 million Three companies reported over US\$958 million worth of potential benefits from addressing natural rubber deforestation

US\$860 million The cost of responding to forest-related risks remains a fraction of the potential financial impact from risks – around half of the potential impact at 57% or US\$860 million⁵²

47. Fern. (2018). EU consumption of rubber and deforestation. <https://www.fern.org/news-resources/eu-consumption-of-rubber-and-deforestation-31/>

48. Hurri K. and Fox, J. (2018). Rubber Has Replaced Natural Forests in Southeast Asia. <https://scholarspace.manoa.hawaii.edu/bitstream/10125/59207/20180919-Rubber%20has%20Replaced%20Natural%20Forests%20in%20Southeast%20Asia.pdf>

49. European Tyre & Rubber Manufacturers Association (ETRMA). (2019). Sustainable Natural Rubber & European Commission Deforestation Agenda. [https://ec.europa.eu/environment/forests/pdf/respondents-additional-inputs/European%20Tyre%20and%20Rubber%20Manufacturers%20Association%20\(ETRMA\).pdf](https://ec.europa.eu/environment/forests/pdf/respondents-additional-inputs/European%20Tyre%20and%20Rubber%20Manufacturers%20Association%20(ETRMA).pdf)

50. Warren-Thomas, E., Dolman, P. M. and Edwards, D. P. (2015). Increasing Demand for Natural Rubber Necessitates a Robust Sustainability Initiative to Mitigate Impacts on Tropical Biodiversity. <https://onlinelibrary.wiley.com/doi/full/10.1111/conl.12170>

51. Reported by 4 companies

52. Reported by 7 companies

HOW ARE COMPANIES IN THE NATURAL RUBBER SUPPLY CHAIN PERFORMING?

- 41 companies disclosed on their production or use of natural rubber and related deforestation management.
- No company is demonstrating best practice while only three companies (7%) disclosing on natural rubber are at the mature stage incorporating more than eight of the industry-accepted measures into their business practice.
- Out of all commodity supply chains, companies disclosing on natural rubber have the lowest proportions of no-deforestation policies – only 15% of companies disclosing on natural rubber have a general or commodity-specific publicly available company-wide no-deforestation policy.
- Similarly, low levels of performance can be seen across nine other KPIs for companies disclosing on natural rubber – only 3% of companies conduct a comprehensive risk assessment, no company has ambitious enough certification/traceability targets, while only 7% have high levels of traceability, only 37% assess legal compliance with forest regulations or mandatory standards, only 8% engage with their direct suppliers through financial or technical assistance, 16% engage with indirect suppliers through supply chain mapping or capacity building activities, while none participate in jurisdictional or landscape initiatives associated with this commodity.
- On the other hand, companies disclosing on natural rubber have the highest levels of oversight of forest-related issues by one of five key board positions (52%) and the highest levels of support for ecosystem restoration and protection projects (48%).

Figure 13. The natural rubber product market split – companies mapped onto a pathway towards deforestation-free markets based on the number of KPIs they are incorporating for natural rubber products.

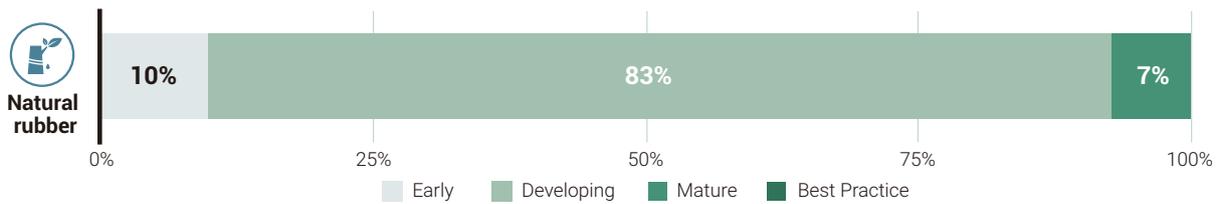
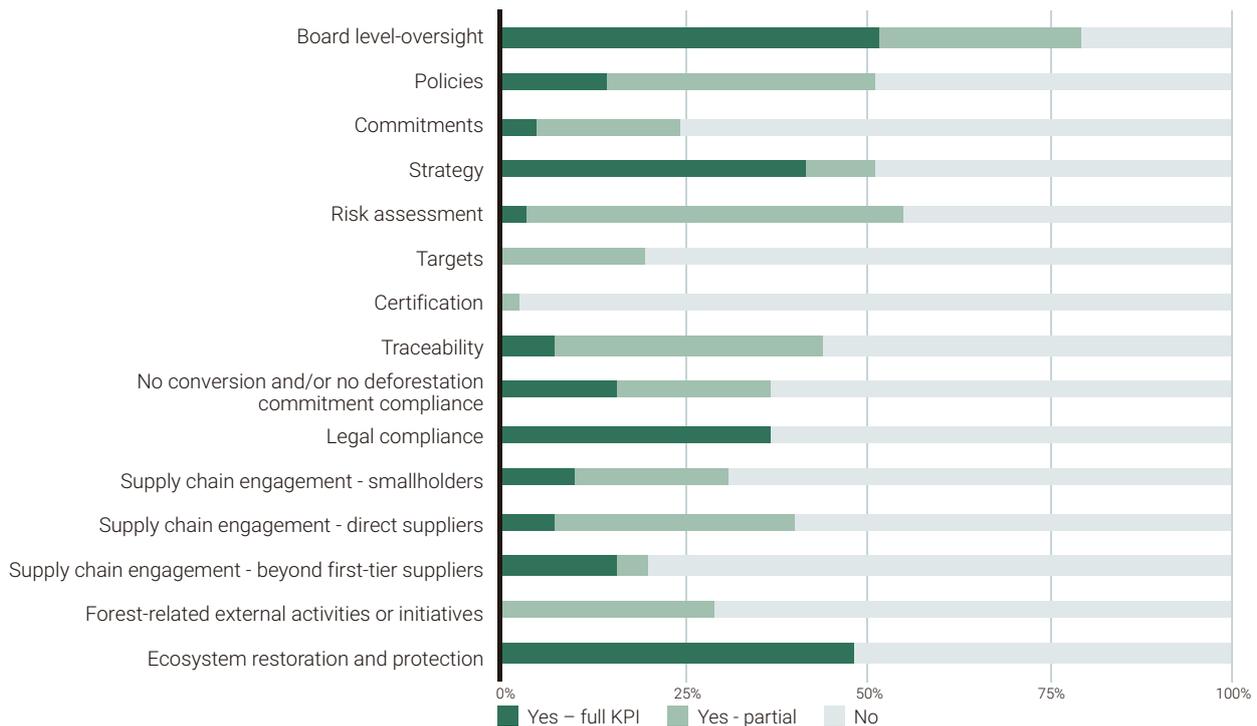


Figure 14. Rate of adoption and progress against each KPI among all companies producing or sourcing natural rubber products. A full breakdown of figures is available in the Annex - pg. 42





PERFORMANCE BY COMMODITY

COCOA

More than

117,350

hectares of protected areas

in the Ivory Coast cleared for cocoa production between 2001-2014

Cocoa beans are one of the major contributors to deforestation in several countries. Between 1990-2008, 9% of the deforestation in Indonesia, 8% for Nigeria and 31% in Ghana was associated with cocoa beans⁵³.

Many of Ivory Coast's national parks and protected areas have been entirely or almost entirely cleared of forest and replaced with cocoa growing operations, with more than 117,350 hectares of protected areas cleared for cocoa production between 2001-2014. Meanwhile, Ghana lost 10% of its entire tree cover, 25% of which was associated with the chocolate industry⁵⁴.

Unilever Plc

Increased production costs

Increasing consumer awareness of the impact of commodity supply chains on forests could cause campaigns and a boycott of products which could cause reputational damage to Unilever brands with a potential impact on shareholder value. As sustainability lies at the center of **Unilever Plc's** strategy and to manage this risk, it is working closely with its cocoa suppliers to achieve its Consumer Goods Forum commitment to source 100% deforestation-free cocoa by end of 2023. As a group, Unilever sustainably sourced 89% of cocoa volumes in 2019 using FairTrade and Rainforest Alliance certification. It has also become a signatory of the Cocoa & Forests Initiative and through impact programs focuses on deforestation with smallholder cocoa farmers by working with other companies that work with farmers on the ground to strengthen sustainable land use in cocoa production. **Unilever** has also committed to further impact programs such as one focusing on remediation over the next 4 years.

Related KPIs:



▼ **Type of risk:** Reputational and markets - Negative media coverage

▼ **Primary potential impact:** Brand damage

▼ **Maximum potential financial impact:** US\$77,280,035

▼ **Cost of response:** US\$17,920,008



Risk

18% On average, 18% of revenue was reported to be associated with cocoa

38% of companies identified forest-related risk associated with cocoa

US\$908 million Companies report over US\$908 million in deforestation risks linked to cocoa⁵⁵



Opportunities

36% of companies identified forest-related opportunities associated with cocoa in their operations or supply chains

US\$552 million 5 companies reported US\$552 million worth of potential benefits from addressing cocoa deforestation

US\$2 billion The cost of responding to forest-related risks is higher than the potential financial impacts from risks – estimated at over US\$2 billion⁵⁶ although only 6 companies reported a value for the risks, they faced.

53. European Commission. (2013). The impact of EU consumption on deforestation: Comprehensive analysis of the impact of EU consumption on deforestation. <https://ec.europa.eu/environment/forests/pdf/1.%20Report%20analysis%20of%20impact.pdf>

54. Higonnet, E., Bellantonio, M. and Hurowitz, G. (2017). Chocolate's dark secret: How the cocoa industry destroys national parks. http://www.mightyearth.org/wp-content/uploads/2017/09/chocolates_dark_secret_english_web.pdf

55. Reported by 6 companies

56. Reported by 9 companies

HOW ARE COMPANIES IN THE COCOA SUPPLY CHAIN PERFORMING?

- 42 companies disclosed on their production or use of cocoa and related deforestation management.
- Only 7 companies (17%) disclosing on cocoa are at the mature stage, incorporating more than eight of the industry-accepted measures into their business practice, whilst no company is demonstrating best practice.
- Out of all commodity supply chains, companies disclosing on cocoa have the highest levels of participation in jurisdictional approaches (7%) and the second highest rate of engagement with smallholders, through financial or technical assistance (31%) – second only to the coffee supply chain.
- Nevertheless, these companies have the lowest rates of support for ecosystem restoration and protection projects (34%).
- No company disclosing on cocoa has large proportions of this commodity certified in a no-deforestation compliant certification or traceable to at least municipality or equivalent level.
- Compliance with no conversion/no deforestation policies or commitments is also low - only 18% of companies report over 90% of total cocoa volume in compliance with their no conversion/no deforestation policies or commitments.
- In contrast to other commodity supply chains - and despite these rates still being low - companies disclosing on cocoa have fairly high levels of no-deforestation policies (31%) or robust public commitments (12%), ambitious enough certification/traceability targets (12%), engagement with their direct suppliers through financial or technical assistance (22%), engagement with indirect suppliers through supply chain mapping or capacity building activities (36%) and assessments of legal compliance (74%).

Figure 15. The cocoa product market split – companies mapped onto a pathway towards deforestation-free markets based on the number of KPIs they are incorporating for cocoa products.

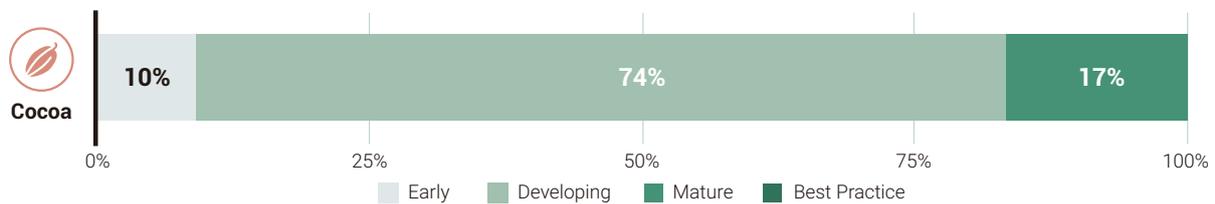
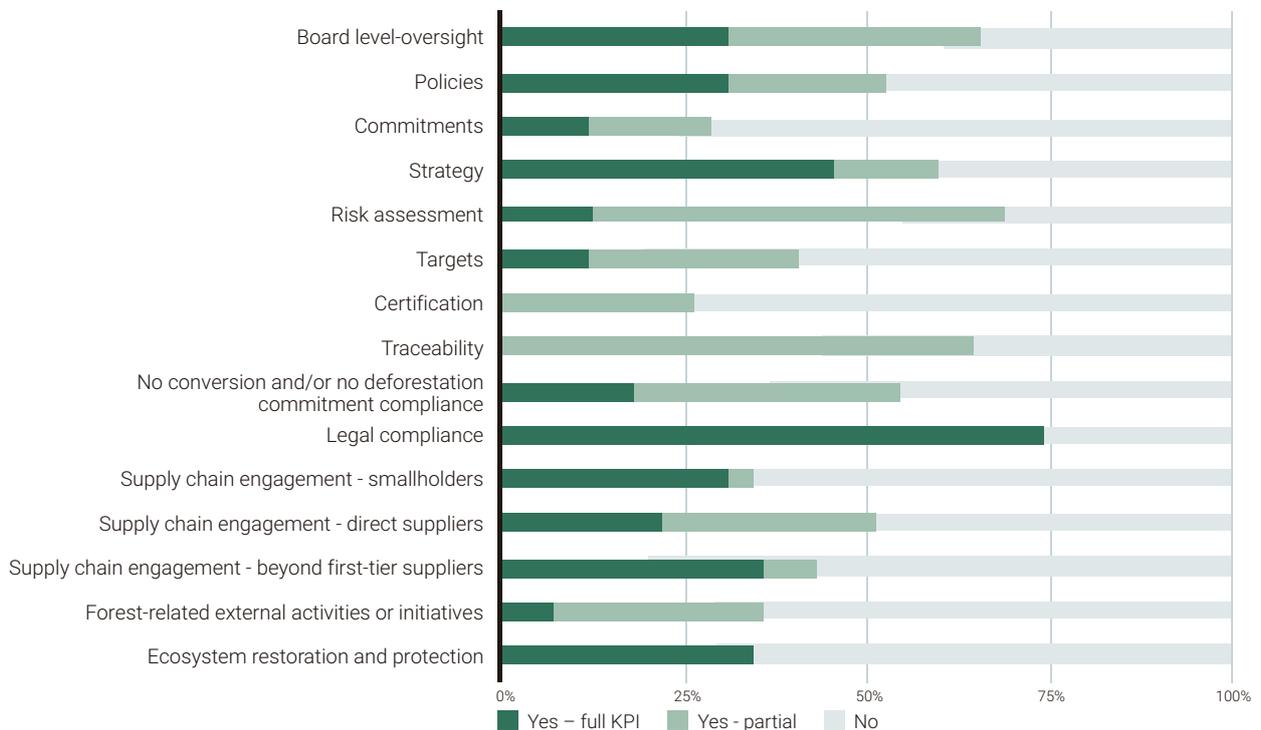


Figure 16. Rate of adoption and progress against each KPI among all companies producing or sourcing cocoa products. A full break down of figures is available in the Annex - pg. 42





PERFORMANCE BY COMMODITY

COFFEE

1.9
million hectares
of deforestation
caused by the
production of coffee
between 2001-2015

The production of coffee was responsible for 1.9 million hectares of deforestation between 2001-2015⁵⁷. While more geographically dispersed, coffee production led to the loss of 0.60 million hectares of forest in South East Asia and 0.21 million hectares in Central America⁵⁸.

The EU imports around 60% of the world's coffee, making it the largest global importer⁵⁹. EU-wide consumption of coffee between 1990-2008 was responsible for an estimated at 0.3 million hectares of deforestation embodied within this trade⁶⁰.

The SPAR Group Ltd

Shifts in consumer preference

The **SPAR Group** is under increasing pressure from stakeholders, including consumers and the broader public, to address environmental issues. If **SPAR** was unable to demonstrate that the Group is addressing environmental issues, the overall **SPAR** brand could suffer over time resulting in a decline in the demand for **SPAR** retail outlets and therefore for the **SPAR Group's** goods. To proactively mitigate this risk, **SPAR** Bean Tree Café procures coffee products certified by Rainforest Alliance Certification and Fairtrade Certification. By using certified coffee, **SPAR** is driving sustainable consumption and is promoting sustainable coffee farming which also drives resource efficiency around water, energy, fertilizers and pesticides in line with **SPAR's** sustainability commitment to responsible living and resource stewardship.

▼ **Related KPIs:** 3 7

- ▼ **Type of risk:** Reputational and markets - Shifts in consumer preference
- ▼ **Primary potential impact:** Reduced demand for products and services
- ▼ **Primary response:** Increased use of sustainably sourced materials
- ▼ **Maximum potential financial impact:** US\$378,954,848
- ▼ **Cost of response:** Not available



Risk

14% On average, 14% of revenue was reported to be associated with coffee

33% of companies identified forest-related risk related to coffee

US\$390 million Companies report over US\$390 million in deforestation risks linked to coffee⁶¹



Opportunities

38% of companies identified forest-related opportunities associated with coffee in their operations or supply chains

US\$134 million 3 companies reported over US\$134 million worth of potential benefits from addressing coffee deforestation

US\$634 million The cost of responding to forest-related risks remains a fraction of the potential financial impact from risks – less than 1% or US\$634 million⁶²

57. WRI. (2020). Global Forests Review. <https://research.wri.org/gfr/forest-extent-indicators/deforestation-agriculture>

58. Between 1990-2008. European Commission. (2013). The impact of EU consumption on deforestation: Comprehensive analysis of the impact of EU consumption on deforestation. <https://ec.europa.eu/environment/forests/pdf/1.%20Report%20analysis%20of%20impact.pdf>

59. European Commission. (2018). Feasibility study on options to step up EU action against deforestation. https://ec.europa.eu/environment/forests/pdf/feasibility_study_deforestation_kh0418199enn_main_report.pdf

60. Ibid.

61. Reported by 2 companies

62. Reported by 4 companies

HOW ARE COMPANIES IN THE COFFEE SUPPLY CHAIN PERFORMING?

- 24 companies disclosed on their production or use of coffee and related deforestation management.
- No company in the coffee supply chain is either at the mature stage or demonstrating best practice. A majority of 22 companies are at the developing stage - incorporating between one and eight industry-accepted measures.
- Out of all commodity supply chains, companies disclosing on coffee have the lowest rates of robust public no-deforestation commitments (4%), high levels of coffee in compliance with their no conversion/no deforestation policies or commitments (11%), oversight of forest-related issues by one of five key board positions (21%) or forest issues fully integrated into all parts of long-term strategic business plans (38%).
- No company in the coffee supply chain has large proportions of this commodity certified in a no-deforestation compliant certification or ambitious enough certification targets to achieve this. Similarly, no company is participating in jurisdictional approaches focused on coffee.
- On the other hand, companies in the coffee supply chain have the highest rate of engagement with smallholders through financial or technical assistance (36%).

Figure 17. The coffee product market split – companies mapped onto a pathway towards deforestation-free markets based on the number of KPIs they are incorporating for coffee products.

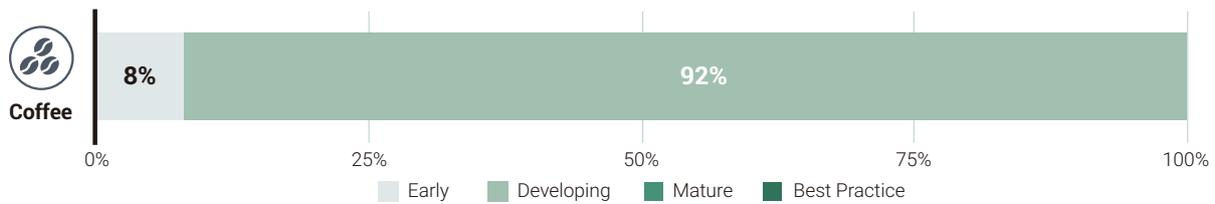
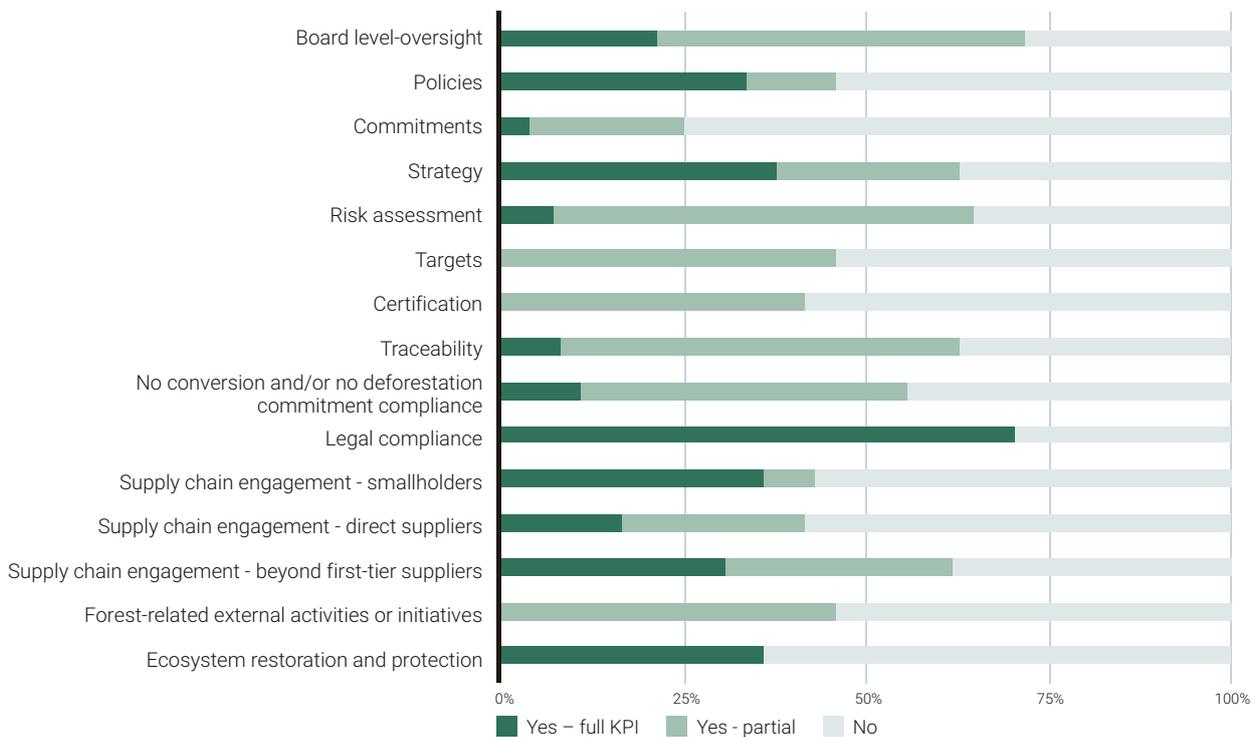


Figure 18. Rate of adoption and progress against each KPI among all companies producing or sourcing coffee products. A full break down of figures is available in the Annex - pg. 42



ANNEX

METHODOLOGY

To map companies onto a pathway towards deforestation-free markets, company performance against each of 15 Key Performance Indicators (KPIs) was assessed and categorized according to the following framework and definitions of industry-accepted best practice measures:

KPI type	Assessment category	Explanation
 Board level-oversight	No	Companies without board level-oversight of forest-related issues.
	Yes - partial	Companies with board level-oversight of forest-related issues but oversight is not with one of five key board positions.
	Yes – full KPI	Companies where one of five key board positions has oversight of forest-related issues - Board Chair, Director on board, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Risk Officer (CRO).
 Policies	No	Companies without a forest-related policy.
	Yes - partial	Companies with a forest-related policy not focused on no-deforestation.
	Yes – full KPI	Companies with either a publicly available general or commodity specific company-wide no-deforestation policy - commitment to eliminate conversion of natural ecosystems, commitment to eliminate deforestation, commitment to no deforestation, to no planting on peatlands and to no exploitation (NDPE).
 Commitments	No	Companies without a public forest-related commitment
	Yes - partial	Companies with a public forest-related commitment but it is not a robust public no-deforestation commitment (see full KPI below for what constituted robust).
	Yes – full KPI	Companies with a public no-deforestation (no conversion of natural ecosystems, zero gross deforestation/no deforestation) forests-related commitment that is timebound, set to be completed by 2030, includes a cutoff date before 2020, with FPIC, covers 100% of production/consumption and applies to all relevant operations.
 Strategy	No	Companies that do not integrate forest-related issues into long-term strategic business plans
	Yes - partial	Companies that integrate forest-related issues into either financial planning, long-term business objectives or strategy for long-term objectives.
	Yes – full KPI	Companies that integrate forest-related issues into all parts of their long-term strategic business plans: financial planning, long-term business objectives and strategy for long-term objectives.

KPI type	Assessment category	Explanation
 Risk assessment	No	Companies who do not conduct a forest-related risk assessment.
	Yes - partial	Companies who conduct a forest-related risk assessment, but it is not comprehensive (see full KPI below for what constituted comprehensive).
	Yes – full KPI	Companies who conduct a comprehensive forest-related risk assessment: full coverage of relevant operations with risks beyond 6 years considered and availability of forest risk commodities, quality of forest risk commodities, impact of activity on the status of ecosystems and habitats, social impacts, local communities are included in the assessment.
 Targets	No	Companies without a forest-related target.
	Yes - partial	Companies with a forest-related target but it is not a full KPI target.
	Yes – full KPI	Companies that have achieved or are making linear progress towards targets to source 100% <i>no-deforestation certified</i> * commodities or trace 100% of supply back to at least municipality or equivalent level.
 Certification	No	Companies that do not use certification.
	Yes - partial	Companies that use certification but have less than 90% of total production/ consumption volume of a commodity certified in a no-deforestation compliant certification*.
	Yes – full KPI	Companies with at least 90% of total production/consumption volume of a commodity certified in a <i>no-deforestation compliant certification</i> *.
 Traceability	No	Companies that do not have a traceability system.
	Yes - partial	Companies that have a traceability system but cannot trace more than 90% of their production/consumption volume of a commodity back to at least municipality or equivalent level.
	Yes – full KPI	Companies that can trace more than 90% of their production/consumption volume of a commodity back to at least municipality or equivalent level.

KPI type	Assessment category	Explanation
 No conversion/ no deforestation commitment compliance	No	Companies that do not have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments.
	Yes - partial	Companies that have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments but either do not have coverage of all relevant direct operations/supply chains or more than 90 % of total volume in compliance.
	Yes – full KPI	Companies that have a system to control, monitor, or verify compliance with no conversion and/or no deforestation commitments and this system covers all relevant direct operations or supply chains and more than 90 % of total volume in compliance.
 Legal compliance	No	Companies that produce or source commodities from regions with a high deforestation risk but do not assess own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.
	Yes – full KPI	Companies that produce or source commodities from regions with a high deforestation risk and assess own compliance and/or the compliance of your suppliers with forest regulations and/or mandatory standards.
 Supply chain engagement - smallholders	No	Companies working not with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems.
	Yes - partial	Companies working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems but not by providing them with financial or technical assistance to them to help achieve this.
	Yes – full KPI	<p>Companies working with smallholders to support good agricultural practices and reduce deforestation and/or conversion of natural ecosystems by providing them with financial or technical assistance to them to help achieve this.</p> <p>Financial or technical assistance includes offering on-site technical assistance and extension services, investing in pilot projects, paying higher prices linked to best agricultural practices, financial incentives for certified products.</p>
 Supply chain engagement - direct suppliers	No	Processors, traders, manufacturers and retailers not working with direct suppliers to support and improve their capacity to comply with forest-related policies, commitments, and other requirements.
	Yes - partial	Processors, traders, manufacturers and retailers working with direct suppliers to support and improve their capacity to comply with forest-related policies, commitments, and other requirements but not providing financial or technical support to help them achieve this.
	Yes – full KPI	<p>Processors, traders, manufacturers and retailers working with direct suppliers to support and improve their capacity to comply with forest-related policies, commitments, and other requirements and are providing financial or technical support to help them achieve this.</p> <p>Financial or technical assistance includes offering on-site training and technical assistance, investing in pilot projects, paying higher prices linked to best agricultural practices, financial incentives for certified products, offering credit lines linked to best agricultural practices.</p>

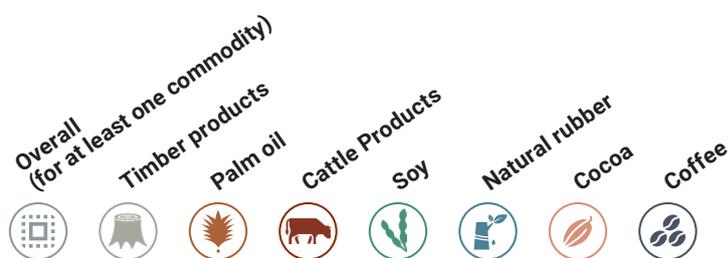
KPI type	Assessment category	Explanation
 Supply chain engagement - beyond first-tier suppliers	No	Manufacturers or retailers not working beyond their first-tier suppliers to manage and mitigate deforestation risks.
	Yes - partial	Manufacturers or retailers working beyond their first-tier suppliers to manage and mitigate deforestation risks but not through supply chain mapping or capacity building.
	Yes – full KPI	Manufacturers or retailers working beyond first-tier suppliers to manage and mitigate deforestation risks through supply chain mapping or capacity building.
 Forest-related external activities or initiatives	No	Companies not participating in external activities or initiatives to promote the implementation of their forest-related policies and commitments.
	Yes - partial	Companies participating in external activities or initiatives to promote the implementation of their forests-related policies and commitments but not through jurisdictional approaches.
	Yes – full KPI	Companies participating in external activities or initiatives to promote the implementation of their forests-related policies and commitments through jurisdictional approaches.
 Beyond no-deforestation (Ecosystem restoration and protection)	No	Companies not supporting or implementing projects focused on ecosystem restoration and protection.
	Yes – full KPI	Companies supporting or implementing project focused on ecosystem restoration and protection.

*For the purposes of this analysis “no-deforestation compliant certification” is defined as third-party verified certification that includes a no-deforestation/conversion criterion and is not a credit, offset, mass-balance or controlled wood type. Purchase of certified materials or credits using a mass-balance or book-and-claim system helps contribute to the production of no-deforestation commodities, however, it does not demonstrate that the commodities are deforestation-free/conversion-free and extra due diligence is needed to confirm commodities are not contributing to deforestation.

Companies were classified as early, developing, mature and best practice based on the number of KPIs they were incorporating where the traceability and certification KPIs were assessed together with the respective target KPI. For example, this means that companies needed to have either:

- ▼ been making linear progress towards or achieved targets to trace 100% of supply back to at least municipality or equivalent level; or
- ▼ reported being able to trace more than 90% of their production/consumption volume of a commodity back to at least municipality or equivalent level.

KEY PERFORMANCE INDICATORS



	Number of companies disclosing forest-related information	553	411	187	112	135	41	42	24
KPI TYPE	ASSESSMENT CATEGORY								
 Board level-oversight	No	19%	18%	16%	21%	21%	21%	34%	29%
	Yes - partial	34%	35%	36%	31%	32%	28%	34%	50%
	Yes – full KPI	47%	47%	48%	48%	47%	52%	31%	21%
 Policies	No	40%	36%	32%	43%	42%	49%	48%	54%
	Yes - partial	26%	30%	26%	29%	24%	37%	21%	13%
	Yes – full KPI	34%	35%	43%	29%	34%	15%	31%	33%
 Commitments	No	55%	57%	44%	68%	63%	76%	71%	75%
	Yes - partial	34%	34%	36%	24%	25%	20%	17%	21%
	Yes – full KPI	11%	9%	20%	8%	12%	5%	12%	4%
 Strategy	No	41%	39%	25%	36%	33%	49%	40%	38%
	Yes - partial	12%	12%	18%	17%	15%	10%	14%	25%
	Yes – full KPI	48%	49%	57%	47%	52%	41%	45%	38%
 Risk assessment	No	24%	22%	21%	26%	29%	45%	31%	36%
	Yes - partial	57%	61%	54%	56%	54%	52%	56%	57%
	Yes – full KPI	19%	18%	25%	18%	17%	3%	13%	7%
 Targets	No	45%	47%	31%	65%	63%	80%	60%	54%
	Yes - partial	36%	37%	51%	26%	29%	20%	29%	46%
	Yes – full KPI	19%	15%	18%	9%	8%	0%	12%	0%
	Achieved or are making linear progress towards targets to source 100% no-deforestation certified* commodities	11%	12%	5%	1%	4%	0%	2%	0%
	Achieved or are making linear progress towards targets to trace 100% of supply back to at least municipality or equivalent level	10%	4%	14%	8%	4%	0%	10%	0%
 Certification	No	29%	28%	20%	96%	70%	98%	74%	58%
	Yes - partial	61%	62%	76%	4%	27%	2%	26%	42%
	Yes – full KPI	10%	10%	4%	0%	3%	0%	0%	0%
 Traceability	No	27%	32%	23%	29%	28%	56%	36%	38%
	Yes - partial	53%	51%	62%	57%	61%	37%	64%	54%
	Yes – full KPI	20%	17%	15%	13%	10%	7%	0%	8%

		Overall (for at least one commodity)	Timber products	Palm oil	Cattle Products	Soy	Natural rubber	Cocoa	Coffee
	Number of companies disclosing forest-related information	553	411	187	112	135	41	42	24
KPI TYPE	ASSESSMENT CATEGORY								
 No conversion/no deforestation commitment compliance	No	40%	46%	37%	61%	58%	63%	45%	44%
	Yes - partial	21%	19%	33%	10%	20%	21%	36%	44%
	Yes – full KPI	40%	35%	30%	29%	22%	16%	18%	11%
 Legal compliance	No	22%	17%	26%	39%	30%	63%	26%	30%
	Yes – full KPI	78%	83%	74%	61%	70%	37%	74%	70%
 Supply chain engagement - smallholders	No	64%	80%	63%	82%	88%	69%	66%	57%
	Yes - partial	12%	8%	12%	6%	2%	21%	3%	7%
	Yes – full KPI	24%	12%	25%	12%	10%	10%	31%	36%
 Supply chain engagement - direct suppliers	No	39%	42%	32%	47%	48%	60%	49%	58%
	Yes - partial	38%	41%	43%	40%	36%	33%	29%	25%
	Yes – full KPI	23%	17%	25%	13%	16%	8%	22%	17%
 Supply chain engagement - beyond first-tier suppliers	No	51%	60%	56%	68%	62%	80%	57%	38%
	Yes - partial	8%	9%	3%	6%	4%	4%	7%	31%
	Yes – full KPI	41%	31%	41%	27%	34%	16%	36%	31%
 Forest-related external activities or initiatives	No	41%	47%	30%	54%	57%	71%	64%	54%
	Yes - partial	54%	50%	64%	45%	41%	29%	29%	46%
	Yes – full KPI	5%	3%	5%	2%	2%	0%	7%	0%
 Beyond no-deforestation (Ecosystem restoration and protection)	No	58%	57%	57%	64%	64%	52%	66%	64%
	Yes – full KPI	42%	43%	43%	36%	36%	48%	34%	36%





For more information please contact:

CDP Forests

Sareh Forouzesh

Associate Director, Forests
sareh.forouzesh@cdp.net

Viera Ukropcova

Manager, Forests
viera.ukropcova@cdp.net

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CDP Worldwide

Level 4
60 Great Tower Street
London EC3R 5AD
Tel: +44 (0) 20 3818 3900
www.cdp.net

Supported by:



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