

# Consumer Goods Forum will not achieve deforestation goal

Forest 500 analysis shows that Consumer Goods Forum members need to up their game beyond 2020.

September 2019

## Introduction

The recent fires in the Brazilian Amazon have provided a timely reminder of the damage to our climate caused by tropical deforestation. Over the last decade many companies, governments and other organisations have declared their ambition to be deforestation free (or net zero) by 2020. Clearing forests for agricultural commodities is the single largest driver of tropical deforestation, which both contributes to climate change and reduces our ability to mitigate it.

The Consumer Goods Forum (CGF), an industry network of consumer goods manufacturers, retailers and other related organisations, announced a deforestation resolution in 2010. On behalf of their 400 members, which include brands such as Mars, Unilever and Amazon, the Consumer Goods Forum committed to mobilise resources to support zero net deforestation in its members' commodity supply chains by 2020<sup>1</sup>.

The resolution has successfully driven action by some companies and institutions. In the last decade, many organisations have set deforestation commitments, and more collective agreements have been launched, including the New York Declaration on Forests<sup>2</sup> and the Banking Environment Initiative's Soft Commodities Compact<sup>3</sup>.

However, with the 2020 deadline rapidly approaching, it is clear deforestation will not be eliminated from commodity supply chains in time, and even the leading companies will struggle to be sure that they are deforestation-free<sup>4</sup>. Indeed, research by Greenpeace found that none of the consumer goods companies they contacted could demonstrate deforestation-free sourcing<sup>5</sup>, either because they couldn't be sure where they were sourcing from, or because their suppliers were still linked to deforestation.

Since 2014, the Forest 500 project has identified and ranked the 500 largest powerbrokers in the supply chains linked to global deforestation. Seventy four of these companies are Consumer Goods Forum members<sup>6</sup> and therefore should be working towards the 2020 deadline.

The Forest 500 annual ranking allows an assessment of whether these Consumer Goods Forum member companies have translated the resolution into their own commitments on deforestation – the very first step in removing deforestation from their supply chains. It uses publicly available commitments and reporting to assess company policies as well as the implementation activities the companies are taking to achieve them.

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<sup>1</sup><https://www.theconsumergoodsforum.com/initiatives/environmental-sustainability/key-projects/deforestation/>

<sup>2</sup><https://forestdeclaration.org/about/>

<sup>3</sup><https://www.cisl.cam.ac.uk/business-action/sustainable-finance/banking-environment-initiative/programme/sustainable-agri-supply-chains/soft-commodities>

<sup>4</sup>Rogerson, S., 2019. Forest 500 annual report 2018 - the countdown to 2020, Global Canopy: Oxford, UK. [https://forest500.org/sites/default/files/related-documents/forest500\\_annualreport2018\\_o.pdf](https://forest500.org/sites/default/files/related-documents/forest500_annualreport2018_o.pdf)

<sup>5</sup>Greenpeace, 2019. Countdown to Extinction - what will it take to get companies to act? <https://www.greenpeace.org/international/publication/22247/countdown-extinction-report-deforestation-commodities-soya-palm-oil/>

<sup>6</sup>70 powerbrokers are members; 4 powerbrokers have subsidiaries who are members

# How are the Consumer Goods Forum companies performing?

The Forest 500 2018 annual assessment shows that many of the Consumer Goods Forum companies tracked by Forest 500 have not yet made their own company commitments on deforestation. One in five of these companies have not made any commitments to protect forests in any of their commodity supply chains (Figure 1).

In comparison just under half of the non-member Forest 500 companies have no forest-related commitments. This difference indicates that the resolution has had some success in motivating companies to set their own commitments.

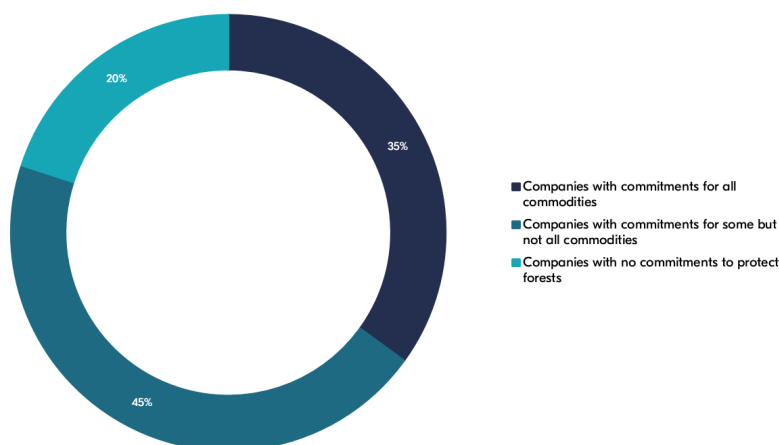


Figure 1: percentage of Consumer Goods Forum members in the Forest 500 that have made commodity-specific commitments to protect forests.

Nearly half of the Consumer Goods Forum members assessed have made a commitment to protect forests in at least one of their commodity supply chains, but not for all of the forest-risk commodities in their supply chains. Public commitments are important because they provide a signal to suppliers, and to customers, of a company's intention to act on this issue. They are a first step to tackling deforestation in commodity supply chains.

Only 24 of these companies have an overarching commitment to zero or zero net deforestation, covering all of their operations and all of the commodities they produce or buy. This means that two thirds of the Consumer Goods Forum companies assessed have not made a commitment equivalent in strength to the Consumer Goods Forum resolution.

## Progress since 2016

In 2016 Global Canopy and CDP released an assessment of the progress Consumer Goods Forum members were making against the collective commitment<sup>7</sup>. We found that members were more likely to have commitments and to engage with suppliers than non-members, but that a significant proportion of the members were still not acting on the resolution.

In 2016, a quarter of the companies we looked at had made their own zero or zero net commitments in line with the resolution. In the last three years, this proportion has increased to one third. This progress is too slow, and with less than a year to the deadline leaves two thirds of members still not acting.

Further, Forest 500 shows that only six of these 24 companies are disclosing actions they are taking on at least three of the five activities that the Forest 500 assessment considers necessary to implement these policies across all of the commodities they source. Only two companies, Nestle and Kao, publicly report on their progress for all of their commodity commitments. Such transparency is crucial to allow stakeholders to understand how companies are performing against their commitments, and how successful they are in implementation. Both score 5/5 in the 2018 assessment.

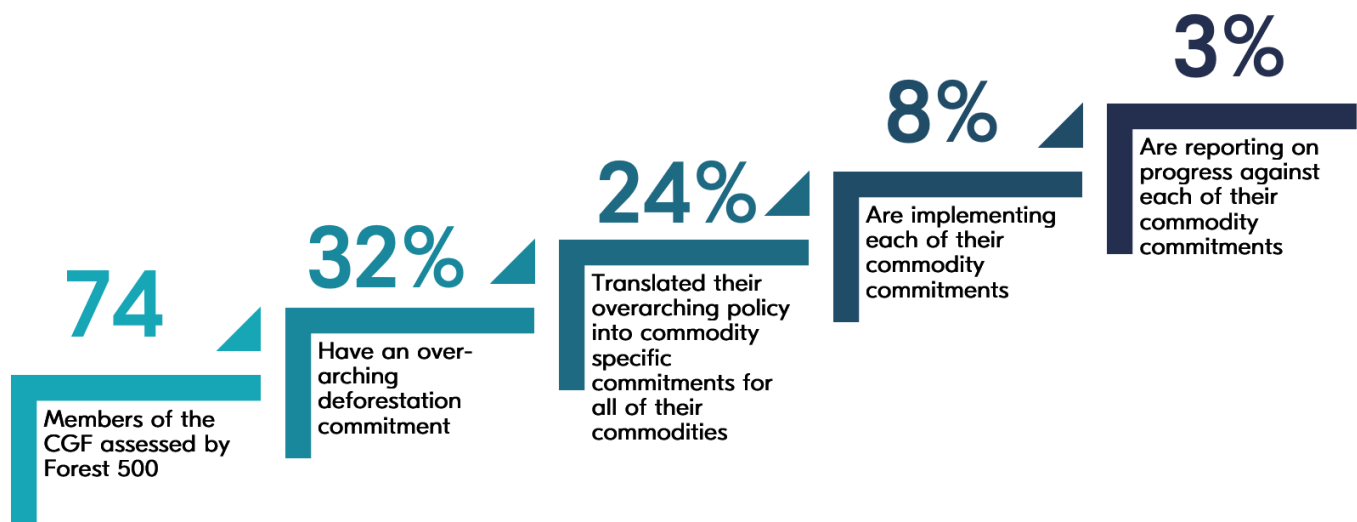


Figure 2: the percentage of Consumer Goods Forum members in the Forest 500 that are at each stage in the pathway to a deforestation free supply chain.

## Why should consumer goods companies act on deforestation?

Aside from the urgent need for global action to reduce deforestation as part of strategies to address climate change reflected in the Consumer Goods Forum resolution, consumer goods companies should be addressing the risks that their business faces through being linked to deforestation.

Many consumer goods companies already recognise the business risks that they are exposed to as a result of being linked to deforestation. For example, 92% of the companies that responded to CDP's Forest questionnaire in 2018 and included deforestation in their risk assessments, identified substantial risks to their business<sup>8</sup>.

These included physical risks as a result of unsustainable production practices threatening the long-term supply of commodities for their supply chains. Empresas CMPC disclosed to CDP that the risk of fires on their plantations, exacerbated by high temperatures, threatened 10% of their operating expenses in 2018.

Reputational risks are also increasing as more and more consumers ask for sustainable products and call out companies that are still linked to deforestation. Finally, as more consumers, companies and governments look to improve the sustainability of their products there is also a growing risk of new policies and regulations that may lead to fines or reduced market access for unsustainable products. Chain Reaction Research found that reputational risk was a key consideration for consumer goods companies<sup>9</sup>. In 2015, polls by Nielsen showed that two-thirds of consumers would pay more for products from sustainable brands<sup>10</sup>, whilst in 2018 they found 73% of consumers would consider changing their consumption habits to reduce their impact on the environment<sup>11</sup>.

<sup>7</sup>Bregman, T.P., McCoy, K., Servent, R., and MacFarquhar, C. 2016. Turning collective commitment into action: Assessing progress by Consumer Goods Forum members towards achieving deforestation-free supply chains. Global Canopy Programme and CDP, UK. [https://forest500.org/sites/default/files/gcp\\_and\\_cdp\\_2016\\_turning\\_collective\\_commitment\\_into\\_action.pdf](https://forest500.org/sites/default/files/gcp_and_cdp_2016_turning_collective_commitment_into_action.pdf)

<sup>8</sup>CDP, 2019. The Money Trees - The role of corporate action in the fight against deforestation. <https://www.cdp.net/en/research/global-reports/the-money-trees>

<sup>9</sup>Rijk, G., Steinweg, T., and Piotrowski, M., 2019. Deforestation-Driven Reputation Risk Could Become Material for FMCGs, Chain Reaction Research. <https://chainreactionresearch.com/wp-content/uploads/2019/05/Reputation-Risk-and-FMCGs.pdf>

<sup>10</sup>The Nielsen Company, 2015. Consumer-goods' brands that demonstrate commitment to sustainability outperform those that don't. <https://www.nielsen.com/us/en/press-releases/2015/consumer-goods-brands-that-demonstrate-commitment-to-sustainability-outperform/>

<sup>11</sup>The Nielsen Company, 2018. Sustainable Shoppers - Buy the change they wish to see in the world. The Nielsen Company, US. <https://www.nielsen.com/wp-content/uploads/sites/3/2019/04/global-sustainable-shoppers-report-2018.pdf>

# Missing 2020, what should the Consumer Goods Forum and its members do?

While Consumer Goods Forum companies have left it too late to deliver on the 2020 goal, the need for consumer goods companies to address deforestation risks has not gone away, and indeed is increasing. As milestones are being missed, the need for global action on climate change mitigation, biodiversity conservation and forest protection are increasingly urgent.

Companies should re-evaluate their goals and timelines, but maintain ambition. They need to set realistic deadlines which aim for deforestation-free supply chains as soon as is possible. Companies also need to improve monitoring and reporting, and publicly report the volumes of their procurement which are compliant with their policies each year.

The Consumer Goods Forum has recognised that it has an important role to play in educating and encouraging companies to act on these risks, but progress over the last 10 years has been too slow. It should continue to reach out to its members that have not set commitments, to understand why they have not, and to drive understanding and action on this issue.

An industry wide shift is needed to create the demand for deforestation-free commodities and the Consumer Goods Forum, as a collaboration of leading retailers and manufacturers, can provide the platform for sharing best-practice across the industry and facilitate collaborative activities to address common barriers. The UK Roundtable on Sustainable Soya, convened by the UK government demonstrates the potential of precompetitive collaborative forums to encourage and support companies to make commitments, translate their goals into action plans. This group aims to be able demonstrate meaningful progress by 2020.

## What do others need to do to encourage action?

While it is clear that Consumer Goods Forum members must act to deliver on their joint resolution, it is also evident that companies cannot achieve deforestation-free supply chains without sector-wide action and that others also have a role to play in creating an enabling environment for action. Beyond consumer goods companies, financial institutions and governments also have a responsibility to drive change.

Financial institutions are exposed to risks through their investments and loans to companies in forest risk commodity supply chains<sup>12</sup>. Financial institutions can mitigate these risks and incentivise action by engaging with their portfolio companies and setting requirements for them to have or develop deforestation-free policies and report progress on these, or risk losing financing.

Almost all of the 150 financial institutions assessed by Forest 500 in 2018<sup>13</sup> finance one or more of the Consumer Goods Forum members. Of these financial institutions, 33 require manufacturers that they finance to protect forests in their commodity supply chains. However, nearly half of these financial institutions still finance consumer goods companies that do not have commitments to protect forests in their commodity supply chains.

These financial institutions must do more to implement their policies. Without implementation they are not mitigating the risks that they are exposed to, and by continuing to finance companies that are not compliant with their policies they are not using their leverage to drive change in their portfolio companies.

Governments can help drive action among companies in commodity supply chains by encouraging collaboration, as with the UK Roundtable on Sustainable Soya mentioned above, but also through regulation. It is clear from the annual Forest 500 assessments of the largest companies and financial institutions in forest risk commodity supply chains that voluntary action on deforestation free supply chains is too slow. Legislation

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<sup>12</sup>Global Canopy, 2017. Linking deforestation risks to investment value. <https://www.globalcanopy.org/publications/linking-deforestation-risks-in-vestment-value>

<sup>13</sup>Forest 500 identifies the 150 financial institutions that provide the greatest amount of finance to the Forest 500 companies, who in turn are chosen because of their size and influence in forest risk supply chains.

that requires companies to undertake mandatory due diligence to assess, prevent and mitigate environmental and social risks in their supply chains and operations is needed to achieve the ambitious Consumer Goods Forum goal of removing deforestation from supply chains.

## Conclusion and recommendations

The Consumer Goods Forum's deforestation resolution has been influential as the first ambitious collective commitment to tackle the global problem of tropical deforestation. However, its impact on its members' own deforestation policies has been limited. A handful of companies have made ambitious commitments, but too few of the largest companies are following this lead.

When the resolution was announced, neither the Consumer Goods Forum nor its members realised the steps that were needed or the challenges that they would face when trying to achieve the goal. But a decade later, it is also clear that more progress could, and should, have been made. Had companies addressed this challenge earlier and made more investment into the understanding the issues and implementing the activities needed, we would be closer to achieving the goal. With just one year to the original deadline, it is time to rethink how to achieve the resolution and how to strengthen ambition and action beyond 2020.

- **Companies which have not effectively implemented their commitments** in time to meet the 2020 deadline need to reassess their commitments and must:
  1. Maintain or upgrade their ambition to achieve deforestation free supply chains as soon as possible;
  2. Set new deadlines which are realistic but ambitious and, critically, include time-bound implementation plans which set out the steps to achieving deforestation free supply chains;
  3. Expand the scope to all the commodities that they source and to include all of their operations;
  4. Regularly report on their progress against their implementation plans and annually disclose the volume of their sourcing that is deforestation free.
- **Companies without commitments** need to urgently set themselves clear targets to achieve deforestation-free sourcing. Understanding their existing risks is a critical first step.
- **The Consumer Goods Forum** needs to restate its ambition to support its members to achieve deforestation free supply chains, and:
  1. Work to understand barriers to commitment uptake and implementation, and provide assistance to all members;
  2. Facilitate knowledge exchange and collaboration between member companies; and
  3. Report progress against the resolution, including successes, challenges and the number of members that are compliant.
- **Financial institutions with policies** need to ensure that their portfolio companies are in compliance, set deadlines, and make clear consequences of non-compliance including removal of finance.
- **Financial institutions without policies** need to do more to understand and mitigate the risks that they are exposed to, and set requirements for their portfolio companies.
- **Consumer governments** need to ensure companies are carrying out sufficient due diligence to mitigate environmental and social risks, and set legislation to require this if necessary.

## CGF Member

## Forest 500 score

|                                     |       |
|-------------------------------------|-------|
| 3M Company                          | ●●●○○ |
| AEON                                | ●○○○○ |
| Ahold Delhaize                      | ●●○○○ |
| Amazon                              | ●○○○○ |
| Association Familiale Mulliez (AFM) | ●●○○○ |
| Barilla Holding                     | ●●●○○ |
| BRF Brasil Foods                    | ●●○○○ |
| Bright Food (Group)                 | ○○○○○ |
| C & J Clark International           | ●○○○○ |
| Campbell Soup                       | ●●●○○ |
| Cargill                             | ●●●○○ |
| Carrefour                           | ●●●○○ |
| Casino Guichard Perrachon           | ●●○○○ |
| Cencosud                            | ●○○○○ |
| China Resources National            | ●○○○○ |
| CK Hutchison Holdings               | ●○○○○ |
| Clorox                              | ●●●○○ |
| COFCO                               | ●○○○○ |
| Colgate-Palmolive                   | ●●●○○ |
| Costco Wholesale                    | ●○○○○ |
| Danone                              | ●●●○○ |
| Essity                              | ●●●○○ |
| Ferrero                             | ●●●○○ |
| General Mills                       | ●●●●○ |
| GlaxoSmithKline                     | ●●○○○ |
| Groupe Savencia                     | ●○○○○ |
| Grupo Bimbo SAB de CV               | ●●●○○ |
| Guangzhou Liby Enterprise Group     | ●○○○○ |
| Henkel AG & Co. KGaA                | ●●●●○ |
| Hormel Foods                        | ●●○○○ |
| ICA Gruppen AB                      | ●○○○○ |
| IFFCO                               | ●○○○○ |
| J Sainsbury's                       | ●●○○○ |
| JM Smucker                          | ●●○○○ |
| Johnson & Johnson                   | ●●●○○ |
| Kao                                 | ●●●●● |
| Kellogg                             | ●●●○○ |

## CGF Member

## Forest 500 score

|                              |       |
|------------------------------|-------|
| Kewpie                       | ●○○○○ |
| Kikkoman                     | ●○○○○ |
| Kimberly-Clark Group         | ●●●●○ |
| Koninklijke FrieslandCampina | ●●●○○ |
| Kroger                       | ●○○○○ |
| L'Oreal                      | ●●●●○ |
| Lotte                        | ●○○○○ |
| Marks & Spencer Group        | ●●●●○ |
| Mars                         | ●●●●○ |
| Meiji Holdings               | ●●○○○ |
| Metro                        | ●●○○○ |
| Mitsubishi                   | ●●○○○ |
| Mizkan Holdings              | ●○○○○ |
| Mondelez International       | ●●●○○ |
| Nestlé                       | ●●●●● |
| New Hope Group               | ●○○○○ |
| Nisshin OilliO Group         | ●○○○○ |
| Oetker-Gruppe                | ●○○○○ |
| PepsiCo                      | ●●●○○ |
| Pertamina Persero            | ●○○○○ |
| Procter & Gamble             | ●●●●○ |
| Rewe Group                   | ●●○○○ |
| Royal Dutch Shell            | ●●●○○ |
| SC Johnson & Son             | ●●●○○ |
| Shiseido                     | ●●○○○ |
| Sinar Mas Group              | ●●●○○ |
| SPAR International           | ●○○○○ |
| Target                       | ●●○○○ |
| Tesco                        | ●●○○○ |
| Toyo Suisan Kaisha           | ●○○○○ |
| Tyson Foods                  | ●○○○○ |
| Unicharm                     | ●●●○○ |
| Unilever                     | ●●●●○ |
| Wal-Mart Stores              | ●●●○○ |
| Woolworths Group             | ●●○○○ |
| Yamazaki Baking              | ●○○○○ |
| Yildiz Holding               | ●○○○○ |



This publication was financially supported by UK Aid from the UK government; however the views expressed in this briefing do not necessarily reflect the UK government's official policies.