

# Realizing zero-deforestation:

Transforming supply chains for the future

## European summary



### **With international efforts to address climate change accelerating, reducing deforestation and forest degradation is rising up the global agenda. Agriculture is the direct driver of up to 80% of deforestation worldwide<sup>1</sup>. Suppliers and buyers of key agricultural forest-risk commodities – cattle products, palm oil, timber products and soy – are therefore coming under growing pressure to ensure that their supply chains do not undermine efforts to manage forests sustainably.**

That pressure is building from their consumers and their investors. This year, 298 investors with €17.2 trillion in assets have requested that companies report data about forest risks through CDP, a 24% jump compared with last year. Half of these are European investors, representing two thirds (€11.1 trillion) of the asset base backing CDP's forests program.

The business world is waking up to deforestation risks in their supply chains. Of the 72 European companies analyzed as part of the 171 responding companies in this year's global report, almost three-quarters (72%) recognize at least one deforestation-linked supply chain risk.

And with 75% of European companies reporting some form of commitment to address forest loss, companies have understood the business case for tackling deforestation. Doing so presents opportunities, as well as challenges: 96% of European respondents report opportunities related to the sustainable production or sourcing of forest-risk commodities, exceeding the global average by almost 10%. But the challenge is translating these commitments into action.

European companies working in the context of EU commitments to halt global forest loss by 2030<sup>2</sup> and prevent the import of illegal timber using policy mechanisms, such as the EU Timber Regulation (EUTR), will be under increasing pressure to implement their commitments.

The good news is that they are primed to act. 81% of European companies have board level responsibility

for tackling these issues, compared to only 35% of their North American counterparts. However, CDP's data reveals that businesses are currently only meeting a fraction of their targets. In Europe, half of the companies with commitments to source certified soy are yet to get any into their supply chains. For palm oil this is the case for almost a third (29%) of companies.

To deliver on their high-level commitments companies must embed sustainable practices into their procurement processes, and buyers must collaborate with their suppliers to build capacity to address the issue. And there is still work to be done by European companies, particularly on soy: although 80% of European manufacturers and retailers have procurement standards in place across commodities, only 64% do so for soy. Furthermore, where standards are in place, they often lack detail on deforestation risk management.

This is concerning given that, for example, reputational risk associated with producing or sourcing soy surpassed even reputational risk associated with palm oil for European respondents this year.

The **global forests report** sets out a five-stage process for companies to help drive deforestation and forest degradation out of their supply chains. This involves enhancing procurement processes, communicating effectively, tracking progress, collaborating along the value chain and reviewing what's working, and what's not.



Companies should monitor whether suppliers that deliver commodities, products, and materials produced in tropical forests seek best practices to avoid deforestation and adhere to international, recognised standards and certification systems for sustainable production and management of forests.

NBIM's climate expectations<sup>3</sup>



<sup>1</sup> <http://www.sciencedaily.com/releases/2012/09/120925091608.htm>

<sup>2</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:ev0007>

<sup>3</sup> <http://www.nbim.no/contentassets/27ce1a7cbf0b4bba9d4d94bd23165e46/climate-change-strategy-document.pdf>

# 96%

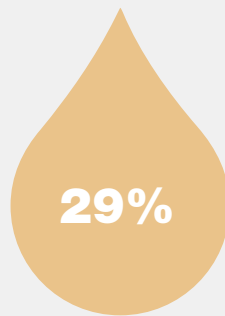
of European companies report opportunities related to the sustainable production or sourcing of forest-risk commodities.

# 75%

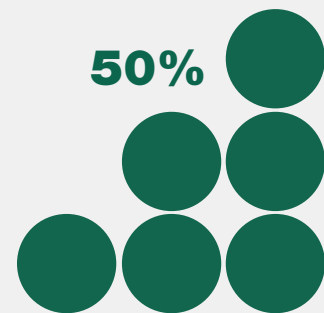
of European companies report to have committed to reduce or remove deforestation and forest degradation.

## Implementation is lagging behind

% of European companies with commitments to source certified material that are yet to get any into their supply chains.



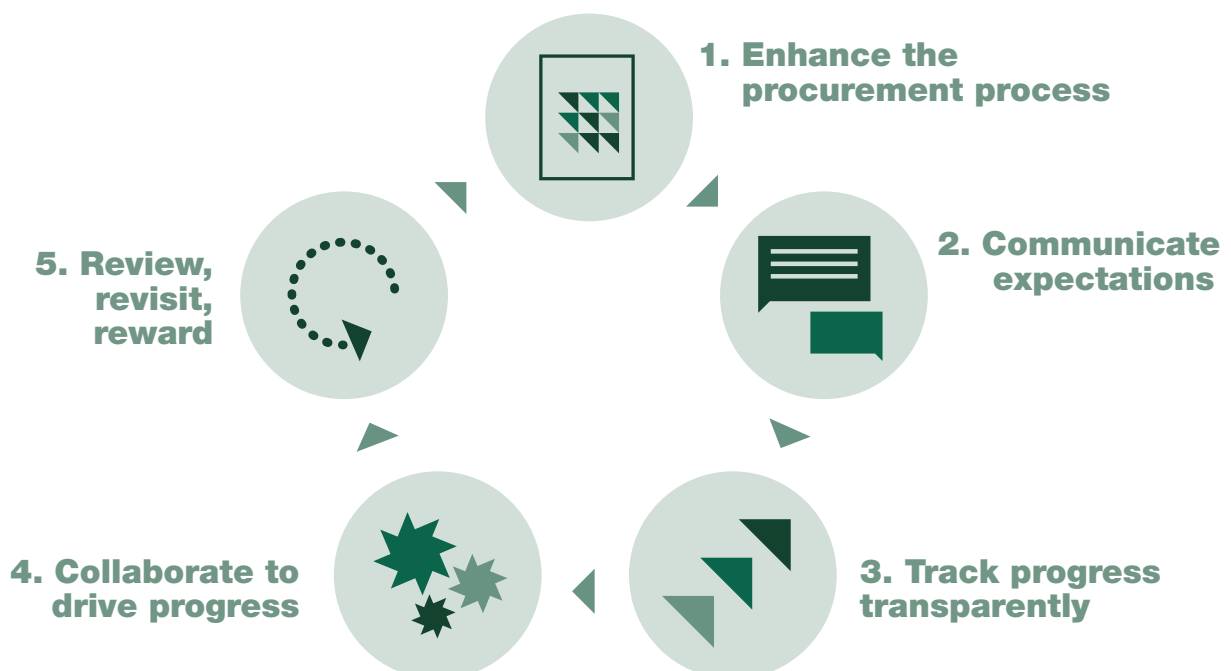
**Palm oil**



**Soy**

## Supply chain performance plan

How might a buyer of forest-risk commodities ensure that a deforestation commitment is met? An effective supply chain performance plan should contain five components:



#### CDP Europe contacts

**Steven Tebbe**  
Managing Director

**Mirjam Wolfrum**  
Director Policy & Reporting

**Lena Meintrup**  
European Project Manager, Forests

#### CDP's forests program

**Katie McCoy**  
Head of Forests

**Roberta Iley**  
Senior Project Officer, Forests

**Rafel Servent**  
Project Officer, Forests

**Rebecca Willcox**  
Technical Officer, Forests

#### CDP Europe Board of Directors

**Simon Barker**

**Sue Howells**

**Steven Tebbe**

#### CDP gGmbH

Reinhardtstraße 19  
11017 Berlin  
Germany

Tel: +49 (0)30 311 777 174  
[www.cdp.net/europe](http://www.cdp.net/europe)  
[info@cdp.net](mailto:info@cdp.net)

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