

# Zeroing-in on Deforestation

Which agricultural commodities companies are addressing deforestation issues?  
**Executive Summary**

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Authors: Ling Sin Fai Lam, Tom Crocker, Emma Amadi and Alice Newman

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**Authors:**  
Ling Sin Fai Lam  
Tom Crocker  
Emma Amadi  
Alice Newman

**Acknowledgements:**  
Jinxi Chen

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# Linking deforestation-related metrics to earnings for the Agricultural sector

This report follows on from CDP's research on Consumer Goods companies and deforestation, first published in November 2019. It ranks 27 of the largest and highest-impact palm oil, timber, soy and cattle traders and producers on the extent to which they are managing risks and seeking opportunities to tackle deforestation within their supply chains.

Agriculture and forestry sectors are responsible for over 80% of deforestation globally,<sup>(1)</sup> largely driven by four forest risk commodities (FRCs): cattle, soy, palm oil and timber. Forest loss is contributing to climate change and the loss of biodiversity and other vital ecosystem services on an unprecedented scale. The companies involved in producing FRCs must take action to halt deforestation if these issues are to be tackled.

FRC supply chains are complex and it is difficult to attribute deforestation to individual commodity producers. By assessing companies' deforestation risk management, we highlight that the worst performing companies are more likely to be exposed to deforestation within their supply chains.

The companies assessed in this report are key suppliers to the Consumer Goods sector covered in our previous report. Commodity producers' distance from consumers means they have been subject to less scrutiny than consumer goods companies. However, action from these producers is the critical first step in tackling deforestation throughout the supply chain.

Three key areas assessed in the League Table, which are aligned with the recommendations from the TCFD:

**Transition risks:** We assess companies on their land use associated with commodity production, as well as supply chain traceability and deforestation-related certification.

**Transition opportunities:** We analyse companies' investment in innovations that tackle deforestation and improve the sustainability of commodity production.

**Governance & Strategy:** We assess companies' deforestation-related commitments, targets, risk management policies and board level expertise. We also assess companies' CDP Forests 2019 score.

## Key findings

- ▶ **Palm Oil:** **Sime Darby** top the ranking for palm oil, followed by **Golden Agri-Resources** in second. **First Resources** and **FGV Holdings** rank in the bottom two.
- ▶ **Timber:** **Stora Enso** rank in first place closely followed by **UPM & Mondi**. **International Paper** rank last.
- ▶ **Soy and Cattle:** **AMAGGI** rank first, followed by **Louis Dreyfus Company** in second. **JBS** and **Minerva Foods** rank second last and last respectively within the soy & cattle League Table.
- ▶ **Timber and palm oil companies are held to higher standards for tackling deforestation than soy and cattle companies** due to widespread uptake of sustainable certification. However, companies must go beyond certification to end deforestation.
- ▶ Across the eight timber companies an average of **73% of total timber supply is certified sustainably produced to FSC or PEFC standards**.
- ▶ **The ten oil palm companies covered in this report manage 47% of total land certified by RSPO.**
- ▶ **Currently no third-party deforestation certification standards exist for cattle producers.** While all soy companies assessed have some level of certified production, only four companies report the total percentage certified.
- ▶ **A significant proportion of companies' soy supply chains are unmapped and at risk of sourcing from areas where deforestation has occurred.** Only three soy companies state the total proportion of soy coming from indirect suppliers.
- ▶ **Supply chain traceability among cattle producers is extremely poor.** There is almost no visibility as to where cattle are bred or reared, with only one cattle company tracing supply beyond fattening farm level.
- ▶ **On average, 44% of total timber supply is produced on land companies own or lease long-term. In contrast, only one soy / cattle company owns land.** Palm oil mills and timber companies directly produce a larger proportion of their supply than soy and cattle companies, providing greater autonomy to manage deforestation risk.
- ▶ Across the regions of Brazil in which the companies in this report operate, on average **close to four million hectares of tree loss occurred from 2015-2017**. The ten cattle & soy companies covered produced over 60 Mt of soy and 1.4 Mt of beef in the same period.
- ▶ **All cattle and soy companies in our sample continue to operate within the Amazon biome,** which has the highest rate of tree loss in Brazil.
- ▶ **The tree loss to production ratio is 10x greater for cattle companies than it is for soy companies.**
- ▶ **Timber companies are ahead of the other commodities** with five companies investing in radical or transformative sustainable forest management practices and seven companies investing in circular economy products and services.
- ▶ **50% of oil palm companies are engaging in multi-stakeholder partnerships to tackle illegal deforestation** and improve the sustainability of agriculture at scale.
- ▶ **Soy & cattle companies' innovations fail to tackle deforestation at scale** and are limited to small-scale incremental initiatives providing education and financing to promote sustainable agriculture and reduce deforestation.
- ▶ **Palm oil companies have strong deforestation-related policy commitments,** reflecting the RSPO's more stringent standards.

▼ **Timber policy commitments focus on avoiding illegally produced timber and protecting high conservation value areas**, while specific commitments on peatland conservation and stopping clearance by burning or clearcutting are lacking.

▼ Eight out of 10 soy and cattle companies committed to zero deforestation and two to net-zero deforestation. However, **limited traceability means companies lack oversight of their supply chains to identify areas where tree loss is still occurring**.

The summary League Tables below present headline company findings. They are based on detailed analysis across a range of deforestation indicators which could have a significant impact on company performance. Companies placed towards the bottom are deemed less prepared to manage deforestation risk within their supply chains.

**Note:** Due to the fact that different metrics and scoring methodologies are used for each commodity, the three League Tables are not comparable. The overall weighted ranks are calculated relative to the companies within each sample.

**Figure 1: Palm oil League Table summary <sup>(i)</sup>**

LT rank	Company	Country	Market Cap US\$bn Q2 2020	Weighted rank	Transition risks rank	Transition opportunities rank	Deforestation governance & strategy rank
1	Sime Darby Plantation	Malaysia	8.3	3.45	1	2	5
2	Golden Agri-Resources	Singapore	1.4	3.55	2	4	2
3	Wilmar International	Singapore	21.8	4.04	7	3	1
4	PT Musim Mas	Singapore	Private	4.08	10	1	3
5	Cargill	United States	Private	4.87	4	6	7
6	IOI Corporation Bhd	Malaysia	6.4	5.13	6	7	6
7	Olam International	Singapore	3.1	5.42	5	9	4
8	Kuala Lumpur Kepong	Malaysia	5.8	5.80	3	8	9
9	First Resources Ltd	Singapore	1.5	6.64	8	5	10
10	FGV Holdings Berhad	Malaysia	4.0	7.10	9	10	8
<b>Weighting</b>					<b>40%</b>	<b>30%</b>	<b>30%</b>

Source: CDP

**Figure 2: Timber League Table summary <sup>(i)</sup>**

LT rank	Company	Country	Market Cap US\$bn Q2 2020	Weighted rank	Transition risks rank	Transition opportunities rank	Deforestation governance & strategy rank
1	Stora Enso	Finland	13.3	3.84	6	2	2
2	UPM-Kymmene Corporation	Finland	16.6	3.93	7	1	3
3	Mondi Plc	United Kingdom	10.5	3.95	5	5	1
4	Empresas CMPC	Chile	5.2	4.27	1	4	7
5	Suzano	Brazil	12.0	4.38	2	3	8
6	Asia Pulp & Paper	Indonesia	Private	5.26	3	7	6
7	Weyerhaeuser	United States	22.1	5.92	4	8	5
8	International Paper	United States	16.8	6.18	8	6	4
<b>Weighting</b>					<b>40%</b>	<b>30%</b>	<b>30%</b>

Source: CDP

**Figure 3: Soy & Cattle League Table summary <sup>(i)</sup>**

LT rank	Company	Country	Market Cap US\$bn Q2 2020	Weighted rank	Transition risks rank	Transition opportunities rank	Deforestation governance & strategy rank
1	AMAGGI	Brazil	Private	3.13	3	1	5
2	Louis Dreyfus Company	Netherlands	Private	3.21	2	2	3
3	Archer Daniels Midland	United States	27.2	4.29	4	6	1
4	Bunge	United States	7.1	4.35	6	3	2
5	Cargill	United States	Private	4.69	1	5	6
6	COFCO International	China	Private	5.75	5	9	7
7	Marfrig	Brazil	1.8	5.84	8	4	4
8	Glencore Agriculture	Netherlands	Private	6.82	7	10	8
9	JBS	Brazil	9.3	7.69	9	7	9
10	Minerva Foods	Brazil	1.1	8.55	10	8	10
<b>Weighting</b>					<b>40%</b>	<b>30%</b>	<b>30%</b>

(i) Weighted ranks are calculated for each area. We display non-weighted ranks in each summary League Table for simplicity only.  
Source: CDP

## CDP Investor Research

### CDP UK

**Carole Ferguson**

Head of Investor Research,  
+44 (0) 20 3818 3956  
carole.ferguson@cdp.net

**Ling Sin Fai Lam**

Senior Analyst,  
+44 (0) 20 3818 3936  
ling.sinfailam@cdp.net

**Tom Crocker**

Analyst,  
+44 (0) 20 3818 3935  
tom.crocker@cdp.net

**Alice Newman**

Analyst,  
+44 (0) 20 3818 3936  
alice.newman@cdp.net

**Emma Amadi**

Analyst,  
+44 (0) 20 3818 3936  
emma.amadi@cdp.net

**Jinxi Chen**

Analyst,  
+44 (0) 20 3818 3935  
jinxi.chen@cdp.net

### CDP

Plantation Place South  
60 Great Tower Street  
London EC3R 5AZ  
United Kingdom

Tel: +44 (0) 203 818 3900  
@cdp  
www.cdp.net  
info@cdp.net

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## CDP contacts

### CDP UK

**Frances Way**

Chief Strategy Officer

**Claire Elsdon**

UK Associate Director,  
Investor Initiatives  
+44 (0)203 818 3928  
claire.elsdon@cdp.net

**Sebastian O'Connor**

Senior Account Manager,  
Investor Engagement  
+44 (0) 20 3818 3900  
sebastian.oconnor@cdp.net

### CDP North America

**Emily Kreps**

Head of Capital Markets,  
+1 646 517 6470  
emily.kreps@cdp.net

**Radhika Mehrotra**

Manager, Capital Markets,  
+1 646 517 6471  
radhikamehrotra@cdp.net

### CDP Europe

**Laurent Babikan**

Director of Investor Engagement,  
+33 658 66 60 13  
laurent.babikan@cdp.net

**Torun Reinhammar**

Senior Account Manager,  
Investor Engagement  
+46 (0)705 365903  
torun.reinhammer@cdp.net

**Matteo Brezza**

Account Manager,  
Investor Engagement  
+49 30629033120  
matteo.brezza@cdp.net

### CDP Japan

**Kyoko Narita**

Senior Account Manager,  
Investor Initiatives  
+81 (0)3 6869 3928  
kyoko.narita@cdp.net

### CDP Latin America

**Diogo Negrão**

Sustainable Finance and Investor Relations Manager,  
Capital Markets  
+55 21 99657 8826  
diogo.negrao@cdp.net

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