

# Progress toward Ethical, Deforestation and Conversion-free Supply Chains: an assessment of German companies

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Deforestation and Conversion-free  
Supply Chains: an assessment of  
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For WWF Germany

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# Executive Summary

01

# 1 Executive Summary

Commercial agriculture drives the loss of forests, savannahs, peatlands and other natural ecosystems globally. The production of a small number of “risk commodities” – namely, cattle, palm oil, soy, cocoa, and timber – causes the majority of this ecosystem destruction and associated biodiversity loss and greenhouse gas emissions. These ecosystems and the services they provide are critical for us to have a chance at averting the worst impacts of climate change, and to build resilience against those impacts, while also providing additional benefits for sustainable development and the livelihoods of people across the world. Germany is a major importer of these risk commodities and German companies that trade and use these commodities risk contributing to ecosystem conversion and human rights violations in their supply chains. In recent years, many companies have started to recognize the responsibility they have within their supply chains and have taken action to make their supply chains more ethical and conversion-free.

In 2019, the **Accountability Framework initiative (AFi)** developed guidance on how to build ethical, deforestation- and conversion-free supply chains in agriculture and forestry sectors. Using these guidelines as a framework, this report takes stock of the policies and actions implemented by major German companies to move towards ethical supply chains. We evaluate companies’ commitments, implementation, and outcomes based on publicly available information and a detailed survey that was filled out by 15 leading companies. While some companies have started to make commendable efforts to address deforestation, conversion, and human rights abuse in their supply chains, they can do much more to have impact at scale.

The main findings from the assessment are:

- Only four companies out of 15 (Beiersdorf, Lidl, Metro, and Kaufland) have made a public commitment to eliminate the conversion of all ecosystems, including, for example, wetlands and savannahs, from their supply chains. Still, these made

commitments do not always cover all risk commodities they source. For Kaufland, the commitment only applies to soy, while for Lidl it covers soy, palm oil, cocoa, and beef. Three additional companies (Henkel, ALDI Nord, and ALDI Süd) made a commitment to eliminate deforestation, without including other ecosystems.

- Almost all respondent companies have made a public commitment to respect internationally recognized human rights throughout their operations and supply chains.
- Most of the companies have taken steps to implement their commitments or improve their practices even without a commitment in place, such as conducting risk assessments, having a committee or a high-level management position that is formally focused on sustainability issues, or setting criteria in procurement policies to buy only materials compliant with company deforestation and conversion-free commitments. On human rights, around half of the surveyed companies have made a good effort at implementing their commitments.
- Traceability of supply chains remains a challenge, but the majority of surveyed companies have made a commitment to ensure traceability for at least one of their sourced commodities.
- Almost all respondent companies use sustainability certification for palm oil, soy, and cocoa supply chains, although the share of commodities covered varies widely. Companies use certification schemes with zero-deforestation criteria, such as the Roundtable on Sustainable Palm Oil, the Round Table on Responsible Soy, and the Rainforest Alliance certification for cocoa. However, none of them use Identity Preserved certification as their main model for any commodity, instead relying on less strict models of certification.
- Thirteen of the respondent companies participate in at least one action-oriented sustainable commodity platform and the majority of respondent companies have their own projects in place on the ground to engage with producers for capacity building or to protect or restore ecosystems.
- Companies identify traceability of their supply chains, the political framework, and the unavailability of deforestation-free commodities in some supply chains as some of the main challenges in making their supply chains deforestation- and conversion-free.

The findings show a positive trend in efforts by the German companies sourcing ecosystem risk commodities. But there are ample opportunities for these companies to drive immediate and significant changes in the industry to eliminate ecosystem loss and human rights violations. Based on our findings, we make the following recommendations to German companies:

- Put processes in place to ensure compliance with and go beyond the new European Union regulation banning the import of commodities linked to deforestation;
- Adopt a commitment to eliminate deforestation and the conversion of other natural ecosystems from the company's supply chain;
- Collaborate with other actors to improve traceability of sourced commodities;
- Manage the entire supply chain to proactively fulfill commitments, identify non-compliance, and resolve any such issues expeditiously and effectively;
- Rely on Identity Preserved or Segregated certification models;
- Ensure that, prior to any activity that may affect Indigenous peoples' and local communities' rights, land, resources, territories, livelihoods, and food security, their free, prior and informed consent (FPIC) is secured;
- Provide for or cooperate in the remediation of any adverse human rights or environmental impacts and provide effective grievance mechanisms to facilitate access to remedy.

# Setting the Scene

02

## 2 Setting the Scene

**In the past 20 years, commercial agriculture has caused the destruction of more than 100 million hectares of forests globally, an area the size of Egypt.<sup>1</sup>**

Southeast Asia and South America are the hotspots of deforestation and conversion of non-forest ecosystems for commodity production.<sup>2</sup> The destruction of these ecosystems threatens biodiversity and food and water security, and eliminates carbon sinks that are vital for climate change mitigation. The clearing of forests and other ecosystems can also be accompanied by human rights violations including child labor and land grabbing.

**The production of cattle, palm oil, soy, cocoa, and timber is the largest driver of ecosystem destruction.**

In Southeast Asia, the palm oil sector has caused the largest share of deforestation, responsible for around 23% of forest loss in Indonesia between 2001 and 2016.<sup>3</sup> In Latin America, the main drivers of deforestation and ecosystem conversion are cattle and soy. Cattle alone accounted for around 80% of forest loss in the Brazilian Amazon.<sup>4</sup> Cocoa is another significant driver of deforestation. Although the impact of cocoa on a global scale is smaller, it has severe local impacts, particularly in Sub-Saharan Africa. For example, between 1988 and 2007, 2.3 million hectares of forests were lost in the Guinean Rainforest region in Cote d'Ivoire, Ghana, Nigeria and Cameroon due to the production of cocoa.<sup>5</sup>

**Germany is a major market for these risk commodities.**

A significant share of deforestation is embedded in commodity imports to Europe and Asia. Among EU member states, Germany is the second largest importer of soy, the largest importer of beef, and the fourth largest importer of palm oil; it is also the second largest importer of cocoa in the world.<sup>6,7,8</sup> In 2019, the country imported 3.7 million tons of soybean, 16% of which came from Brazil.<sup>9</sup> This is already a much smaller share from Brazil than in previous years, with soy beans being increasingly imported from the United States instead. Germany also imported over one million tons of palm oil and palm

palm kernel oil in 2019, mostly produced in Indonesia and Malaysia.<sup>10</sup> Compared to these commodities, Germany imports relatively small amounts (56,000 tons) of beef from outside the EU, with 88% of the imported beef products coming from EU member states.<sup>11</sup> But the remainder has been imported from Argentina, Uruguay and Brazil – regions with high rates of deforestation driven by beef production.<sup>12,13,14</sup>

### **German and multinational companies that trade and use these commodities risk contributing to deforestation, ecosystem conversion, and human rights violations.**

From the palm oil used in products from shampoo to chocolate, and soy in animal feed for fish, poultry, and cattle, to beef in frozen burger patties and pet food, these deforestation-risk commodities are found on German supermarket shelves.

### **Many companies are now recognizing their responsibility and taking action to make their supply chains more ethical.**

Some are actively engaging with their direct and indirect suppliers, while others rely on independent certification schemes to source sustainable raw materials as part of their move towards ethical, deforestation and conversion-free supply chains.

## **Establishing ethical, deforestation and conversion-free supply chains**

Over the years, companies have used several approaches to address ecosystem conversion and human rights risks in their supply chains. In 2019, the Accountability Framework initiative (AFi) developed a comprehensive set of definitions and guidance on how to build ethical supply chains in agriculture and forestry that are free from conversion of ecosystems and human rights violations. Following the Core Principles developed by the AFi, in their journey to establish and maintain ethical supply chains, companies need to continuously work through three key steps:<sup>15</sup>

**Figure 1:** Ethical supply chain journey



**1. Set and strengthen supply chain goals:**

Develop clear and effective policies and commitments to eliminate deforestation, ecosystem conversion, and human rights abuses from commodity supply chains.

**2. Implement ethical supply chains:**

Take action towards effective implementation systems, including systems for traceability, certification, supplier management, responsible production, monitoring and verification, and improvements beyond the supply chain.

**3. Report on progress:**

Report how the company is progressing towards fulfilling their commitments, backed by credible verification.

# Objective and Approach

03

### 3 Objective of the assessment

The objective of this assessment is to take stock of policies and actions by major German companies to eliminate deforestation and ecosystem conversion and to address human rights issues in their supply chains. The assessment focuses on the sourcing of four high risk commodities: palm oil, soy, cocoa, and cattle. Based on publicly available information and a detailed survey, we evaluated companies' commitments, implementation, and outcomes to see where progress is being made and where efforts need to be increased. The report offers recommendations for companies to build ethical supply chains that are free from adverse environmental and human rights impacts.

#### Company selection and survey

The project team from WWF and Climate Focus (or "we") began the assessment process by identifying an initial pool of German companies with exposure to risk supply chains. To create this sample, we identified German companies active in the supply chain of at least one of the four risk commodities. As a proxy for companies' impact, we ranked them based on their annual revenues. Based on this ranking, the WWF team selected and surveyed (see Annex I) a sample of 28 companies that had the highest revenues and sourced at least one of the risk commodities. Companies selected represent a range of sectors and different sections of supply chains. 9% of the 28 companies were involved in processing, 64% in manufacturing, and 50% in retail (some companies are involved in multiple sections of the supply chain). The most represented sectors among selected companies were packaged food (48%), food retail (38%), and cosmetics and personal care (33%).

We deliberately chose to focus on industry leaders with the largest impact. The number of companies in the sample had

to be limited due to time and resource constraints. Hence, this study might not be representative of efforts of smaller companies in the sector. Furthermore, 43% of the 28 selected companies did not respond to the survey at all and were not included in the final assessment. Hence, there might be a response bias, with companies more likely to participate in the survey if they have more ambitious commitments and policies in place.

The WWF team designed the survey to comprehensively assess company progress in building ethical, deforestation- and conversion-free supply chains based on AFi Core Principles and guidelines. In the first step, we pre-populated the survey based on publicly available information from corporate sustainability reports and websites. In the second step, we shared the survey with company representatives.

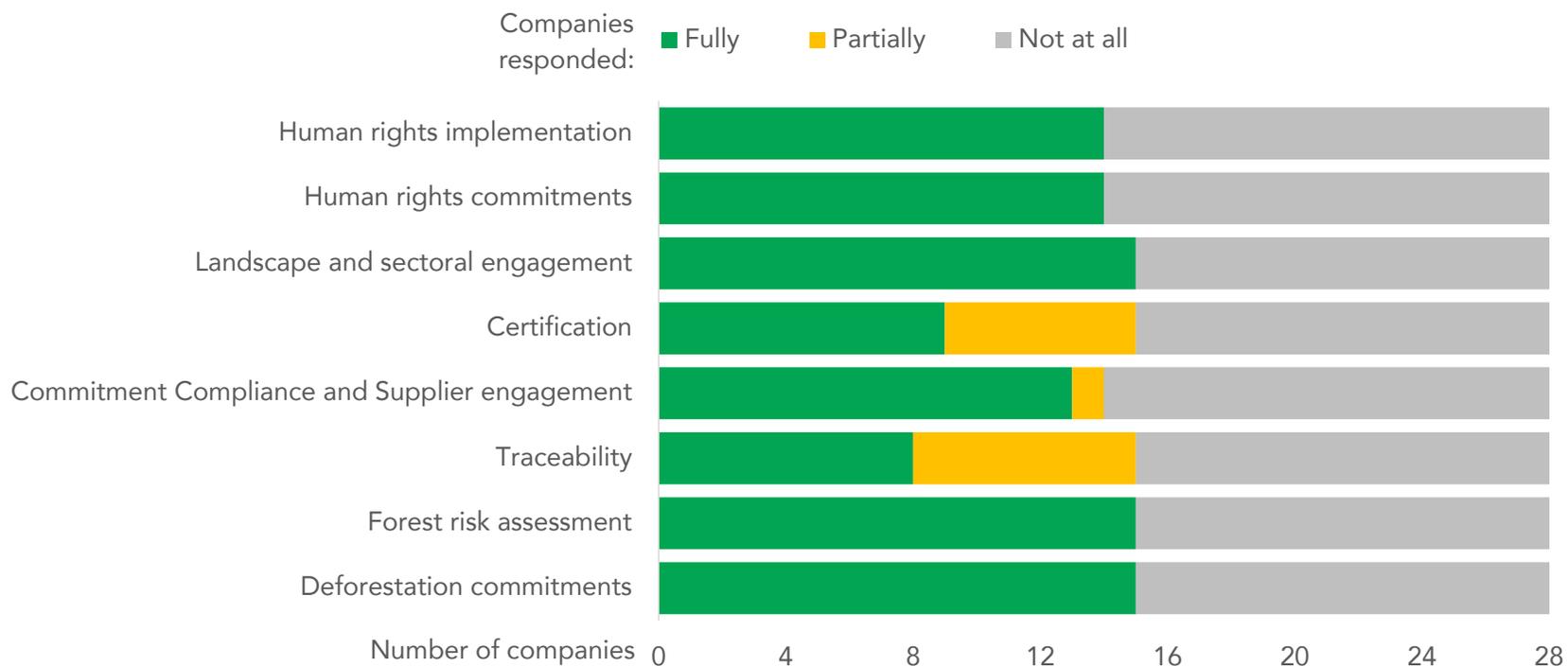
The analysis presented in this report is largely based on self-reported data by companies to this survey. Where available, we supplemented survey answers with publicly available information and the WWF team carried out plausibility checks for the final evaluation. If reported information conflicted with publicly available information, companies were approached to clarify. The respondent companies were also given an opportunity to comment on the analysis and findings of the assessment. Despite these efforts, complete information was still not always publicly available, and the assessment relies on the information provided by the companies and publicly-available information from sustainability reports and websites, assuming the information provided is accurate.

Some companies only filled out part of the survey or left questions unanswered. If companies did not respond to a question and no public information was available, this was taken to mean the company did not have a relevant policy or commitment in place. In some cases, while this reflects lack of transparency of companies, it might also underrepresent their efforts to address ecosystem conversion and human rights issues in their supply chains.

Of the 28 companies that were invited to participate, 13 companies completed the survey and two companies submitted

partially filled surveys, which were supplemented with publicly available information. 12 companies (43% of the sample) did not respond to the survey.<sup>c</sup> All of the 15 responding companies indicated that they source palm oil, 14 companies source soy, nine source cocoa, and 11 companies use cattle products.

**Figure 2:** Response rate per question category (from all 28 companies invited to participate)



<sup>c</sup> The PHW-Gruppe responded on behalf of two brands: WIESENHOF and MEGA Tierernährung.

The following companies were reached out to but did not respond: Agravis, BUDNI, Deutsche Tiernahrung Cremer, Evonik, Griesson-de Beukelaer, Haribo, Herta, Meica, ROSSMANN, Rewe, Ritter Sport, Rügenwalder Mühle.

Among respondent companies, most responded to questions regarding their commitments and broadly responded to questions on implementation with varying levels of detail. Questions on commitment outcomes (traceability, commitment compliance, and certification), such as “What percentage of each commodity volume in the company’s operations or supply chain is compliant with zero conversion and zero deforestation commitments?,” received only few responses.

## Approach to scoring company performance

We analyzed company performance using a scoring system developed by the WWF team based on the 12 Core Principles of the AFi for companies to set, implement, and monitor effective commitments to eliminate deforestation and ecosystem conversion from supply chains and to protect human rights. See Annex I for details, question categories, and illustrative examples.

Companies’ answers, supplemented by publicly available information, were translated into scores for each question. The maximum points available for each question ranged between 0.5 and 3. Points were added together within each question category (Deforestation Commitments, Forest Risk Assessment, Traceability, etc.) and a percentage score was computed. The total score is the average of all category scores, with all categories weighing equally. For categories that were scored per commodity, the average of all commodity scores was taken before computing the total score. Human rights commitment and implementation were initially scored per commodity, but since differences between commodities were negligible, only the averages are shown.

# Findings

04

## 4 Overall scores

**Respondent companies on average scored 52% of the 63 available points, leaving a lot of room for improvement.**

The scores show that, although progress has been made in some areas, respondent companies still have a long way to go to build ethical supply chains free from deforestation, ecosystem conversion, and human rights violations. Almost all companies scored between 40% and 60% of the available points, with an average score of 52%.

Companies on average performed better for palm oil than on any of the other commodities. They were better able to trace their palm oil supplies than other commodities and used more reliable certification methods. All surveyed companies use RSPO certification to ensure (part of) their supply chain is deforestation-free, with most companies using Segregated certification (See box 3 on page 36). Similar schemes exist for the soy and cocoa supply chains, but are less commonly used by the surveyed companies. For beef, an established global deforestation certification scheme does not exist and companies are often not able to trace imported beef further back than to its country of origin. Companies also more commonly assess supplier compliance in their palm oil supply chains than in supply chains for other commodities.

Scores on human rights commitments and their implementation were higher than those on deforestation measures. Human rights scores did not show large differences between commodities, as companies generally gave the same response in each commodity category. The scores are therefore presented as averages per company, rather than per commodity.

**Table 1:** Overall company scores



	Deforestation commitment	Forest Risk Assessment	Traceability	Compliance & Supplier engagement	Certification	Landscape & Sectoral engagement	Human Rights Commitment	Human Rights Implementation	Overall (%)
LIDL									67
Beiersdorf									65
PHW-Gruppe (Wiesenhof & MEGA Tierernährung)									62
Aldi Nord									61
Aldi Süd									61
Kaufland									61
BASF SE									54
Metro									52
Edeka									49
Bayer AG									48
Bahlsen									48
Henkel									45
Netto									41
dm									37
Tönnies									37
BUDNI	<b>No response</b>								
Evonik									
REWE									
Ritter									
Griesson-de Beukelaer									
Rossmann									
Agravis									
Haribo									
Deutsche Tiernahrung Cremer									
Meica									
Herta									
Rügenwalder									

## 4.1 Supply chain commitments

As a declaration of intent, public commitments are an important step toward eliminating deforestation, ecosystem conversion, and human rights violations from supply chains. These are voluntary sustainability policies that signal a company's intention to address sustainability and human rights issues in its supply chains and operations.<sup>16</sup> These policies also provide direction and clarity on company goals, set expectations for their suppliers and allow for clear reporting of progress.

### Protecting forests and other natural ecosystems

Sometimes efforts to halt deforestation can have the unintended consequence of shifting pressures to other natural ecosystems, causing the conversion of, for example, wetlands or savannahs. Therefore, companies should set policies that commit to not only deforestation-free, but entirely conversion-free supply chains, including a prohibition on the "conversion of non-forested natural ecosystems to agriculture, tree plantations, intensive livestock production, or other land uses, as well as the severe or sustained degradation of such ecosystems."<sup>17</sup> Comprehensive policies should prohibit all deforestation and conversion along supply chains, even if it is not illegal under the producer country's laws, and should include specific, measurable, and time-bound targets and milestones.

#### **AFi Core Principle 1:**

Companies commit to eliminating deforestation and the conversion of other natural ecosystems from their supply chains.

## Only four respondent companies (out of 15) have made a public commitment to eliminate the conversion of all ecosystems from their supply chains.

Three companies have made a commitment to eliminate deforestation (excluding other ecosystems). One company indicated a commitment to eliminate illegal deforestation from its supply chain and one made a commitment to zero-net deforestation, meaning they will compensate for any deforestation that occurs by planting forests elsewhere. Figure 3 shows an overview of companies' commitments to eliminate deforestation and ecosystem conversion from their supply chains.

**Figure 3:** Companies' commitments to end deforestation and ecosystem conversion in their supply chains



COMMITMENT	NUMBER OF COMPANIES	COMPANIES
Eliminate all forms of ecosystem conversion	4	METRO*, Lidl, Beiersdorf*, Kaufland*
<i>* Only for some of the risk commodities</i>		
Eliminate deforestation	3	ALDI Nord*, ALDI Süd*, Henkel*
Eliminate illegal deforestation	1	Tönnies
Zero-net deforestation	1	Bayer AG
Commitment to buy certified products	3	BASF SE, dm, PHW-Gruppe
No clear commitment yet**	3	Bahlsen, Netto-Marken Discount, EDEKA
<i>** No clear commitment within the AFi definitions but some of these companies are currently developing commitments or have other policies or purchasing guidelines in place to ensure forest protection.</i>		

**Five of seven companies<sup>c</sup> with a zero-conversion or a zero-deforestation commitment indicated that their commitment applies to all of the company’s business operations and subsidiaries and to all of the regions and biomes that the company sources from.**

For most companies, commitments apply to all direct and indirect suppliers. Most of the commitments, however, do not apply to all of the risk commodities the company sources (e.g., palm oil, soy, cocoa and cattle). Beiersdorf’s conversion-free commitment, for example, does not apply to cattle and cocoa, but does apply to palm oil and soy. Kaufland’s commitment only applies to soy. Metro’s deforestation-free commitment does not cover cocoa and the commitment for palm oil is net-zero. Only Lidl’s commitment covers all four risk commodities. As the AFi guidelines indicate, “a broad scope is essential if commitments are to drive transformative change while minimizing displaced impacts.” Commitments should have a broad scope, cover all of the company’s operations and supply chains, and should identify a clear cut-off date and interim milestones. A commitment should also include an intention to take active measures to support the protection of forests and other natural ecosystems.

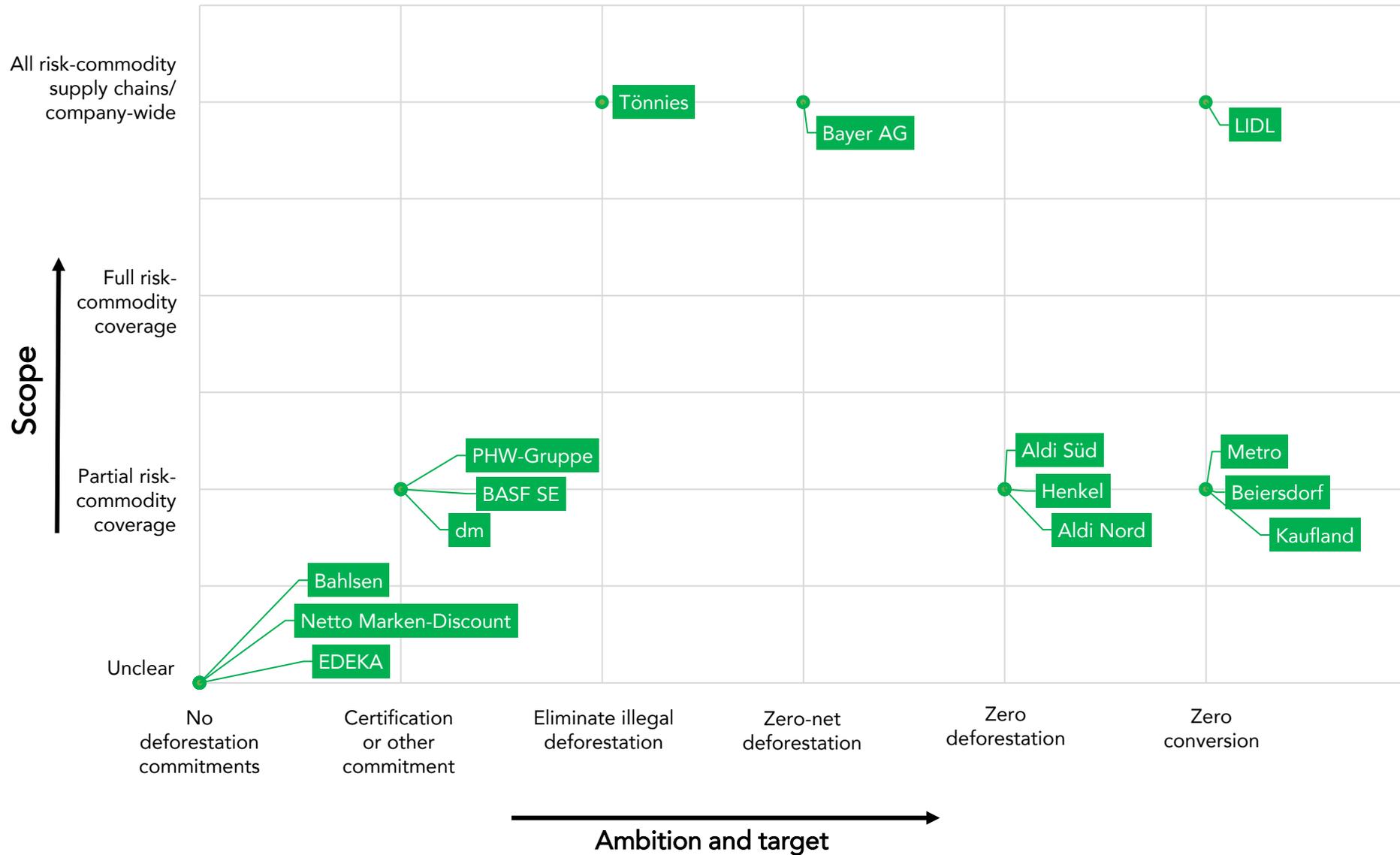
**The companies with commitments to eliminate deforestation and conversion almost all specified a cut-off date.**

To help in monitoring compliance and to send clear signals to suppliers, it is important that companies specify a cut-off date for their commitments to indicate that if lands are deforested or converted after this cut-off date, they are considered non-compliant. Among the companies with deforestation and conversion commitments, cut-off dates ranged from November 2018 (Beiersdorf) to December 2020 (ALDI Nord). Kaufland does not publicly specify a cut-off date (yet). However, these cut-off dates should be aligned with those set in sectoral standards – such as RSPO for palm oil and RTRS for soy.

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<sup>c</sup> ALDI Nord, Beiersdorf, Henkel, Lidl, Metro

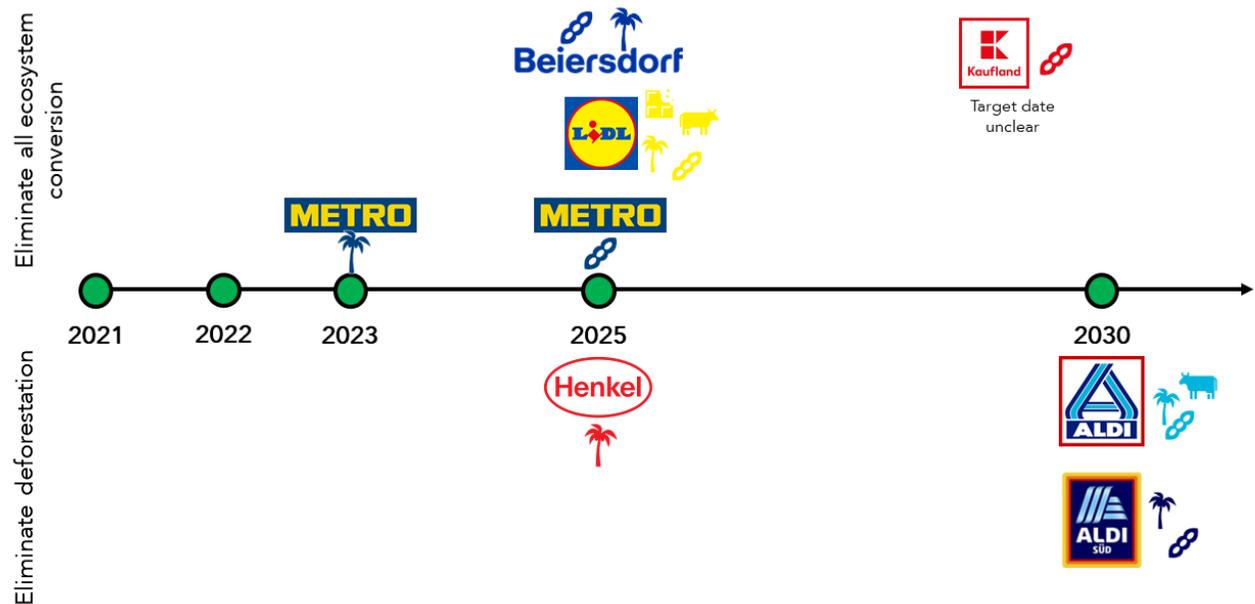
**Figure 4:** Deforestation related commitments of respondent companies



**The target dates and milestones set by companies to fulfill their commitments are variable, and for some unclear.**

METRO has the earliest target for net-zero-deforestation palm oil supply chains by sourcing 100% Segregated or Identity Preserved RSPO certified palm oil by 2023 (with a target date of 2025 for soy, and no clear dates for cattle and cocoa). Lidl, Beiersdorf, and Henkel indicate that all of their supply chains will be deforestation-free by 2025 and ALDI Nord has set their target for 2030. Only three companies also include interim milestones towards their commitments. AFi principles provide that company commitments should “include publicly stated time-bound targets and milestones reflecting the urgency of addressing the subject environmental and social issues and which are specific, quantitative, and can be objectively evaluated and verified.”

**Figure 5:** Companies’ target dates for eliminating deforestation from their supply chain



## Protecting human rights

Companies also have a responsibility to protect human rights in their operations and along their supply chains, as established through instruments such as the UN Guiding Principles on Business and Human Rights. A company commitment can help hold upstream companies accountable for the impacts that their business has on workers, Indigenous people and local communities (IPLCs), and others. Such commitments can refer to internationally recognized human rights documents including the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights, and the International Labour Organization's (ILO) eight fundamental Conventions and Declaration on Fundamental Principles and Rights at Work.

A key component of human rights commitments in commodity supply chains is a commitment to obtain Free, Prior and Informed Consent (FPIC). FPIC entails that companies demand from their suppliers that they secure the Free, Prior and Informed Consent of potentially affected Indigenous peoples and/or local communities prior to acquiring new interests in land or resources and prior to new developments or expansions for the sourcing of all of their commodities.<sup>18</sup> The purpose of adopting this principle is to avoid land grabbing and to protect the rights of IPLCs.

### **AFi Core Principle 2:**

Companies commit to respecting internationally-recognized human rights. This includes the rights of Indigenous peoples, local communities, workers, and others who may be affected by company activities.

**Almost all 15 responding companies have made a public commitment to respect internationally recognized human rights and all of these companies indicate that commitments apply to all of their business operations, regions the company sources from and all direct and indirect suppliers.**

These public commitments are often of a general nature, not specifying specific obligations. This is why the AFi principles ask companies to actively engage with all stakeholders including Indigenous peoples, local communities, workers, and others who may be affected by company activities to ensure their rights are upheld.

A missing feature in the overwhelming majority of these statements and supplier policies is FPIC. Only two of the surveyed companies (PHW-Gruppe and LIDL) commit to or have an FPIC clause in their supplier policy for all commodities they source. Two additional companies (Beiersdorf and BASF SE) include FPIC in their supplier policy for palm oil only and Tönnies has an FPIC requirement as part of their sustainability strategy for soy.

## 4.2 Implementation of commitments

Companies must take concrete steps to implement their commitments to address forest and ecosystem loss and associated human rights violations. The implementation process could follow a cascade of activities ranging from formulating internal strategies, which aim to change the company's own day-to-day operations, to working with suppliers and producers on the ground to support sustainable land-use practices. The Accountability Framework provides principles and associated guidance on key elements of implementation for achieving ethical supply chain goals, including:

- Company systems and processes to drive implementation
- Grievance mechanisms and remediation

- Traceability and risk assessment
- Supplier management
- Monitoring and verification
- Collaboration for broader impact beyond the supply chain

## Processes to facilitate commitment implementation

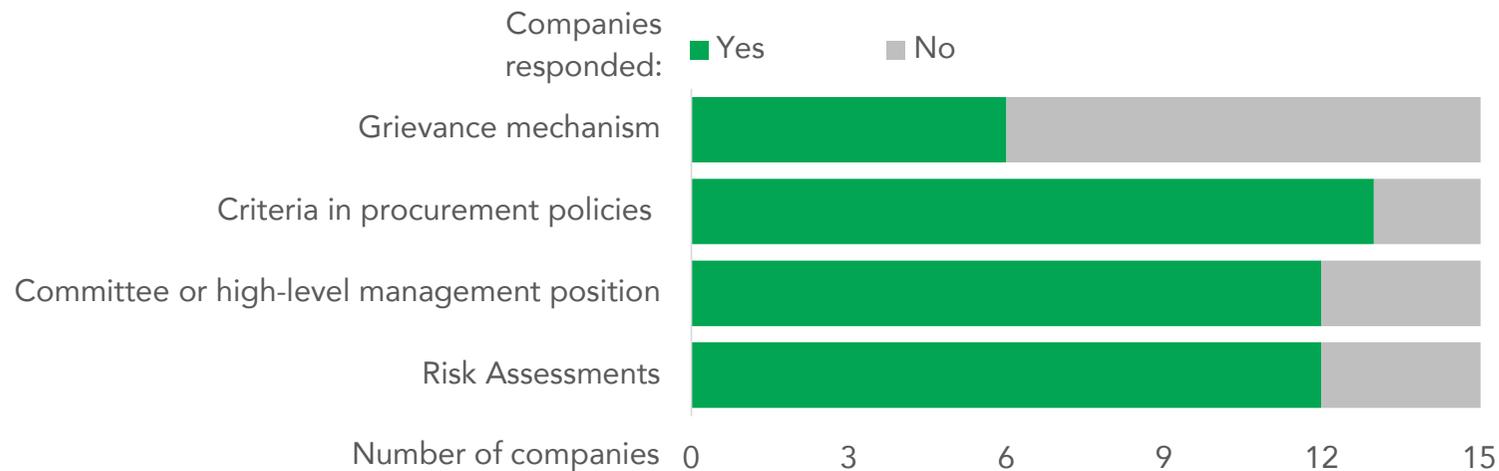
Successful implementation of commitments requires that commitments are well-integrated in a company's structure, policies, and practices and that the company systematically assesses where risks of ecosystem conversion and human rights violation exist in supply chains and how risks can be mitigated.

### **AFi Core Principle 4:**

Companies establish systems and processes that effectively promote and facilitate implementation of commitments.

### **The majority of the 15 companies that responded to the survey have taken some steps to implement their commitments.**

These companies indicate they conduct risk assessments related to deforestation and conversion of ecosystems and that they have a committee or a high-level management position that is formally focused on sustainability issues. They have also set criteria in their procurement policies to buy only materials compliant with company deforestation and conversion-free commitments, although it is important to note that not all companies have actually adopted (ambitious) commitments. Nine companies require suppliers to have commitments of their own (see the section on supplier

**Figure 6:** Forest risk assessment measures that companies have in place

## Tracing raw materials in supply chains

Tracing the materials in supply chains is crucial for identifying and eliminating ecosystem conversion but remains one of the main challenges in building ethical supply chains. Products like cocoa, soy, and palm oil derivatives are especially challenging because they often have long and complex supply chains with a large producer and smallholder base. Companies may purchase commodities or finished products from a wholesaler without knowing where and how the original crop was grown. In order to guarantee that no ecosystem was converted in the production of commodities and no human rights were violated, companies need to know what land the crop was actually grown on.

## **AFi Core Principle 5:**

Origins of materials in supply chains are known or controlled to a sufficient extent to ascertain that the production and processing units of origin comply with commitments, or to determine the extent and nature of issues that must be resolved.

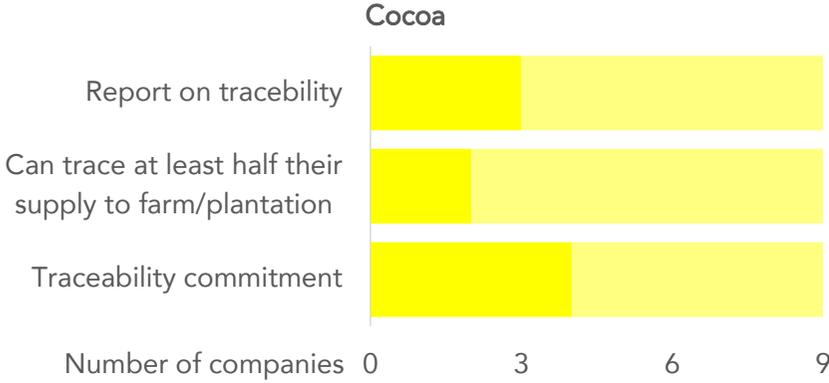
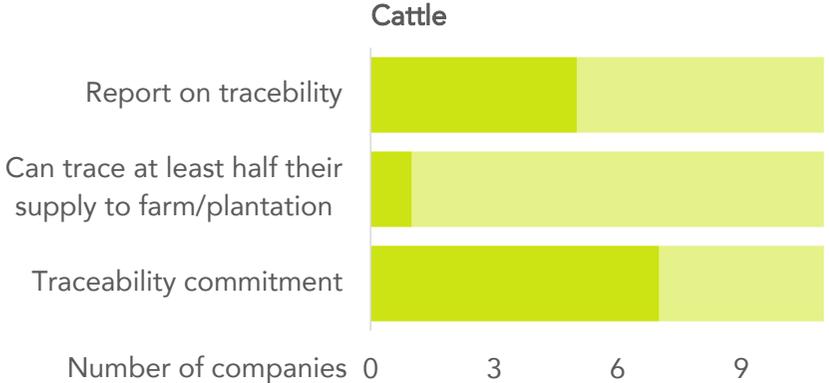
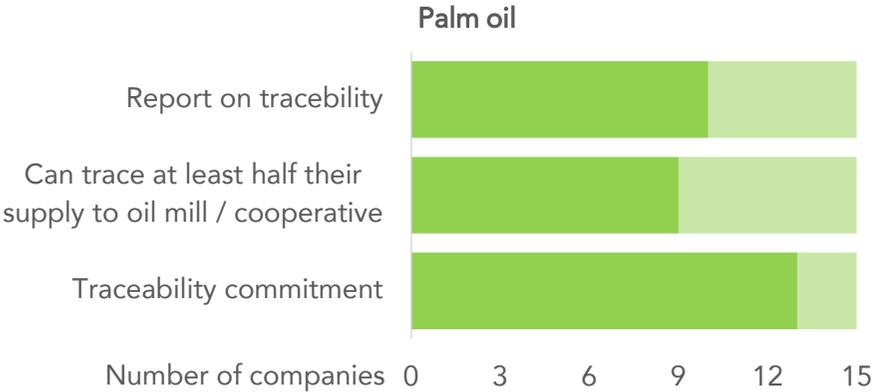
### **The majority of the respondent companies commit to ensuring traceable supply chains for at least one of the commodities they source.**

Most of the respondent companies indicated they have made a traceability commitment for palm oil. Of those, four companies (Beiersdorf, Henkel, Kaufland, Metro) commit to tracing their palm oil back to the plantation. Almost half of companies that source cattle, soy, and cocoa have made similar commitments. Somewhat higher levels of ambition exist for the cocoa supply chain, where some major retailers indicated a commitment to trace their cocoa supply to the plantation level. However, respondent companies did not always indicate by when they aim to achieve this traceability. Additionally, to where companies can trace or intend to trace commodities differs, from the farm where a commodity is grown, to the oil mill or even only the country-level. To ensure the origins of their products, most companies rely on intermediate suppliers who have effective control mechanisms in place. Other companies rely on third-party oversight and certification schemes and only a few companies actively trace materials back to the production or processing units of origin.

### **Generally, palm oil is the commodity for which companies indicated the highest levels of traceability.**

Nine out of 15 companies indicated they can trace at least half of their palm oil to the oil mill or another subnational location. The level of traceability indicated by companies is the poorest for soy. Most companies did not give any indication about how far they can trace soy along the supply chain.

**Figure 7:** Traceability of commodities



**Box 1:** Traceability good practice example<sup>19</sup>

### **Henkel's work on traceability in the palm oil supply chain**

Henkel uses palm oil derivatives for the production of detergents and cosmetic products. To achieve their target of a deforestation-free palm oil supply chain by 2025, the company is working on improving the traceability of its sourced commodities. By 2025, Henkel wants to achieve full traceability to the plantation level. Currently, the company can trace 75% of its materials back to oil mills.

One of Henkel's initiatives to improve traceability is a satellite imaging pilot in collaboration with the company Orbital Insight. Through anonymized cell phone GPS data, their technology traces palm oil supplies from a mill to the plantations that are supplying it. The GPS data is combined with satellite imaging to spot plantations that expand through deforestation. The pilot project has so far assessed the supply of 15 palm oil mills in Indonesia and not found evidence of supply from deforested plantations.

This technological innovation aims to improve traceability in the most complicated part of the palm oil supply chain: when the palm fruit moves from a plantation to a mill.

## **Supplier engagement and commitment compliance**

### **AFi Core Principle 6:**

Companies manage their entire supply chain to proactively fulfill commitments, identify non-compliance, and resolve any such issues expeditiously and effectively.

## **Nine companies require their suppliers to have zero-deforestation commitments of their own, for at least one of their commodities.**

Given the complex supply chains through which retailers and manufacturers source high-risk commodities, they are often dependent on intermediate suppliers to realize their commitments. Companies should therefore engage with their suppliers, both to monitor compliance and to support suppliers in transitioning to deforestation-free sourcing.

For palm oil, a little over half of the respondent companies require their suppliers to have a commitment of their own, but for soy, cocoa, and cattle, only two to three companies have such a requirement. The majority of companies, however, do indicate that they offer support to their suppliers in achieving compliance with company requirements. Support and monitoring are notably lower for the sourcing of beef than for the other commodities.

## **All respondent companies have a long way to go to realize deforestation-free and conversion-free supply chains.**

Seven companies (ALDI Nord, ALDI Süd, Bahlsen, Edeka, LIDL, Netto, Tönnies), have a palm oil supply of which at least 25% is deforestation-free (these are mainly palm oil volumes certified under RSPO Segregated certification). Only one company each for soy and cocoa source at least 25% deforestation-free products (PHW-Gruppe and dm, respectively). However, where progress is reported, it is often not independently verified with the exception of certified volumes and monitoring of compliance through certification.

One way in which companies can improve compliance monitoring among suppliers is by maintaining a list of suppliers that are excluded or need to be assessed more carefully due to their involvement in deforestation, ecosystem conversion, or human rights violations. Currently, only four companies keep such a list for palm oil suppliers and no companies indicated they keep track of high-risk suppliers for other commodities.

## Box 2: Supplier Engagement good practice example

### **Beiersdorf and the Action for Sustainable Derivatives (ASD) initiative**

Beiersdorf sources around 28,000 tons of palm oil derivatives annually for the production of its cosmetics.<sup>20</sup> In 2019, Beiersdorf joined the Action for Sustainable Derivatives (ASD) initiative as a founding member. Within the framework of the ASD, the performance of direct and indirect suppliers was evaluated through the Sustainable Palm Oil Index. This annual, in-depth assessment informs action and engagement plans for the following year. Beiersdorf also publishes a list of the palm oil mills they source from. Beiersdorf can currently trace 90% of its palm oil supply to the oil mill level and has committed to full traceability to the plantation level by 2025.

## Using certification schemes to achieve commitments

Certification schemes can be useful tools to increase transparency along supply chains and standardize the quality of sourced commodities. Some of these schemes combine rules on deforestation and ecosystem conversion with human rights standards and aim to reward producers for reducing deforestation. The main certification schemes with zero-deforestation requirements are the Roundtable on Sustainable Palm Oil (RSPO), the Round Table on Responsible Soy (RTRS) and UTZ/Rainforest Alliance (RA) for cocoa. The RA certification program also included cattle until 2020 when it was omitted from the new standard's scope due lack of uptake by cattle and beef companies. Besides RA, there is no globally established certification standard for beef production that aims to eliminate deforestation (although there are roundtables that work on addressing illegal deforestation and conversion in beef supply chain and certification schemes exist for sustainable sourcing of beef and for animal welfare standards).

Different models can be used for certification: Identity Preserved, Segregated, Mass Balance, and Book-and-Claim (See Box 3). However, only the Identity Preserved and Segregated models ensure that all of the commodity sourced was

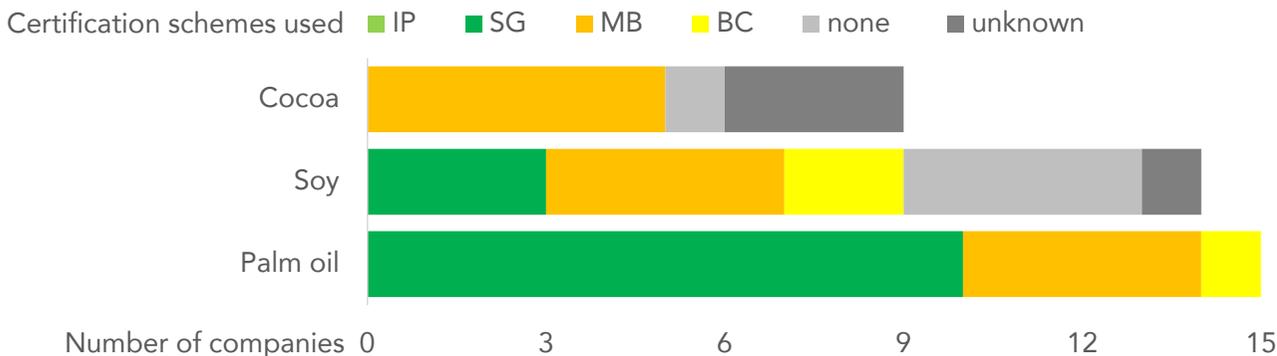
produced without deforestation. If companies use certification schemes to fulfill their deforestation and conversion free commitments, they must shift to these certification models.

**Almost all respondent companies use sustainability certification for palm oil, soy, and cocoa supply chains, but none of them use Identity Preserved certification as their main model for any commodity. For palm oil, the majority of the companies use Segregated certification and some companies use the Segregated model for soy as well.**

All companies surveyed use RSPO certification for palm oil and all except one use UTZ/RA certification for cocoa. Two-thirds of companies sourcing soy use the RTRS certification scheme.

The majority of companies use Segregated certification model for palm oil. Thirteen (out of 15) companies indicated that over 75% of their palm oil supply is certified, with eight companies indicating that over half of their supply is certified using the Segregated model. Only Identity Preserved and Segregated models can ensure purchased raw materials are sourced from plantations and farms not associated with deforestation and hence guarantee deforestation-free supply chains. Figure 8 shows the certification models used by companies for different commodities.

**Figure 8:** Certification models used by companies per commodities



### Box 3: Certification models

**Identity Preserved (IP):** the commodity is traced from an identifiable, deforestation-free source along the supply chain to the ultimate buyer.

**Segregated (SP):** the commodity supply from multiple deforestation-free sources is combined and not fully traceable to individual growers, but still kept separate from sources that are not deforestation-free.

**Mass Balance (MB):** deforestation-free and non-deforestation-free sources are mixed, but a record is kept of what share of the supply is deforestation-free. Buyers can then claim deforestation-free certification for the share of certified commodity that is deforestation-free.

**Book-and-Claim (BC):** the production of a commodity is not monitored. Instead, manufactures and retailers buy credits from certified growers to compensate for deforestation along their own supply chain.

## Landscape and sectoral engagement

Participation in multi-stakeholder sustainability initiatives that aim to address deforestation, ecosystem conversion, human rights, and other sustainability issues in supply chains allows companies to collaborate with their peers and civil society to identify effective solutions to creating sustainable supply chains and to use their combined resources and knowledge to take action at scale. This also allows for sharing knowledge and lessons learned. For example, companies who have already begun to tackle these issues can share important lessons learned and provide guidance for other companies.

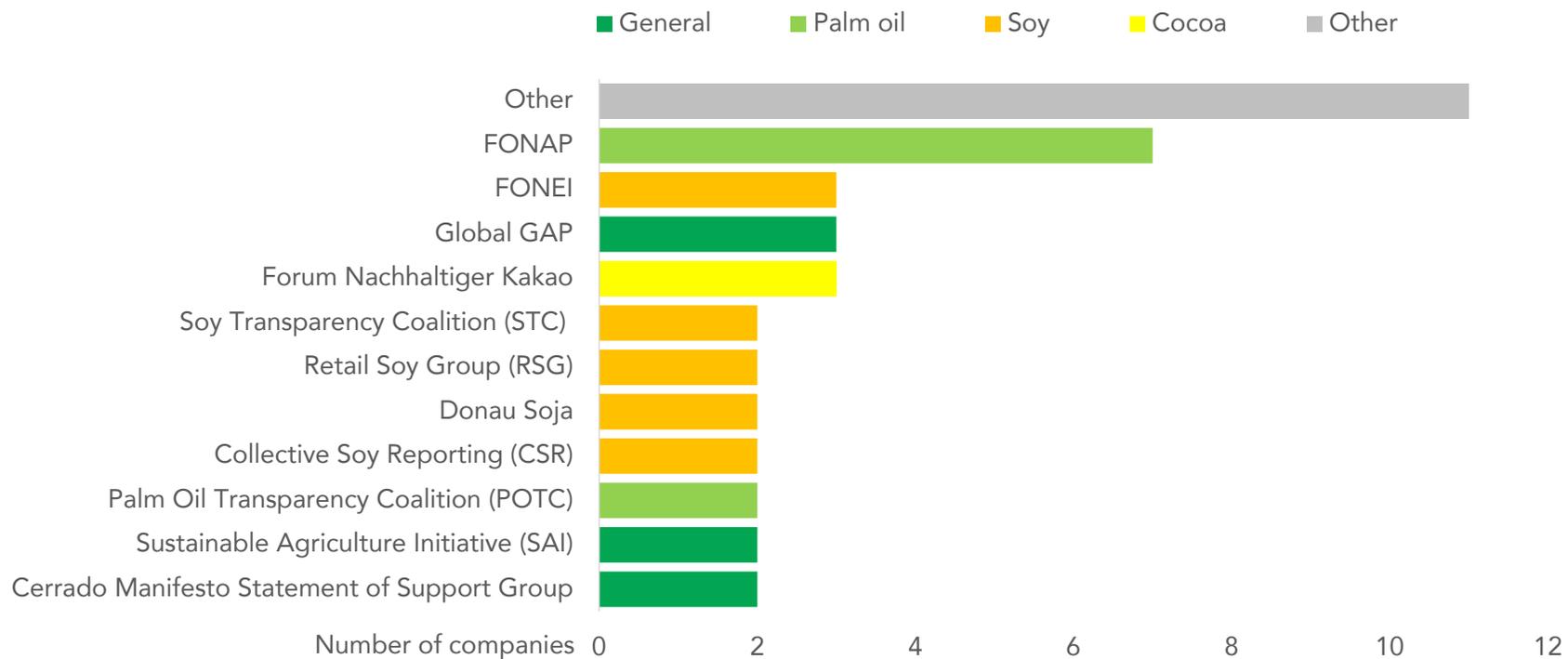
### AFi Core Principle 10:

Companies conduct their business and use their influence in an ethical and transparent manner to help protect the environment and respect human rights. Companies contribute to sector, landscape, and jurisdictional initiatives to foster collaboration towards addressing key social and environmental challenges.

## Thirteen of the respondent companies participate in at least one action-oriented sustainable commodity platform.

In total, the companies listed almost 50 different platforms of which they were a part. Most commonly mentioned were the Forum Nachhaltiges Palmöl (FONAP), Forum Nachhaltigere Eiweißfuttermittel (FONEI), the Global GAP (a trademark for good agricultural practices), and the Forum Nachhaltiger Kakao.

**Figure 9:** Action-oriented sustainability platforms that companies are part of



Companies have significant influence within their supply chains. Companies that own land or have a large procurement footprint in a certain landscape should especially take responsibility for preventing ecosystem conversion and adverse human rights impacts on these lands. But companies that operate further down the supply chain, such as manufacturers and retailers, also have a responsibility to work toward conversion-free and ethical supply chains. Companies should “use their influence and work with peers sourcing from the same area, third-party certifiers, governments, and other stakeholders to implement collaborative efforts to strengthen governance and promote wider compliance and implementation of improved practices.”<sup>c</sup>

**Box 4:** Example of an action-oriented sustainability platform<sup>21</sup>

### **Forum Nachhaltiges Palmöl (FONAP)**

The Forum Nachhaltiges Palmöl (FONAP) is a collaboration of 51 companies, NGOs, and ministries. The goal of the Forum is to increase the share of sustainable palm oil on the German, Swiss, and Austrian markets and to improve existing standards and certification. Members of the FONAP commit to using 100% sustainably produced palm oil and palm kernel oil in their products, through the use of certification. They also strive for full traceability through dialogue with suppliers. FONAP also encourages its partners to certify their palm oil supply under the SG model.

### **The majority of respondent companies have their own projects in place to engage with smallholders or protect ecosystems.**

Apart from industry-wide collaboration, companies have made efforts to directly engage with their suppliers and to support producers and smallholders that grow risk commodities. Thirteen companies indicated they actively support smallholder producers to enable participation in ethical supply chains and to achieve compliance with company

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<sup>c</sup> See AFi Principles

smallholder producers to enable participation in ethical supply chains and to achieve compliance with company commitments. ALDI Nord and ALDI Süd, for example, recently completed a four-year project with smallholders in Côte d'Ivoire. Led by a development partner, the project focused on improving smallholder farmers' knowledge of Best Environmental Practices and the preservation of forests with High Conservation Value.<sup>22</sup>

Eleven companies indicated they actively support protecting and restoring forests and/or carbon/biodiversity rich ecosystems, through investments or other mechanisms. BASF SE, for example, funds the Mata Viva initiative in Brazil. Close to one of the company's production sites, the initiative is working to preserve native vegetation and wildlife and to conserve soil, water quality and carbon sinks.<sup>23</sup> Four companies indicated they actively support landscape- or jurisdictional-level projects and programs.

Companies can further exert their influence by integrating these projects into their supply chains, rather than organizing them in parallel to their usual operations. By sourcing from sustainable smallholder initiatives, companies can stimulate the market for ethical, conversion-free commodities. Six companies already source from places where they support programs or are planning to do so. ALDI Nord and Lidl, for example, have their own chocolate brands, for which they source from sustainable smallholder projects.

## Implementing human rights commitments

### **AFi Core Principle 9:**

Where companies have not fulfilled their commitments, or where they have caused or contributed to adverse human rights or environmental impacts, they provide for or cooperate in the remediation of any associated harms. An effective grievance mechanism is in place to facilitate access to remedy.

## **Around half of the respondent companies have made a good effort at implementing their commitment to human rights protection.**

These companies publicly report on their human rights risks and how they address the human rights impacts of their operations and their entire supply chain, while a quarter only report on their own operations and direct suppliers and another quarter do not report at all.

Twelve out of the 15 companies indicated they assess the risks of violations of human rights, including the rights of IPLCs, in their operations and supply chains. Ten companies indicate they have a system to guard against providing financing or other support to suppliers involved in adverse human rights impacts. Following the AFi Principles, companies should conduct due diligence to assess their operations and supply-base for risks and challenges related to workers' rights, including those associated with migrant labor, vulnerable workers, and child labor. They should also engage regularly and directly with all levels of workers, as well as labor organizations, unions, and other worker advocates.

Twelve of the respondent companies commit to providing effective grievance mechanisms that are accessible to all rights-holders and stakeholders to raise concerns and complaints about possible human rights violations along supply chains. Eleven of these companies have already implemented a grievance mechanism. It is a good development that some of the largest German retailers and manufactures have actively implemented policies to achieve their human rights commitments. At the same time, however, it is worrisome that some of the companies have made commitments but are not taking all of the required steps to actively ensure human rights protection along their supply chain.

From January 1, 2023 on, all German companies with 3000 employees or more are required by law to conduct due diligence to ensure respect for human rights in their global supply chains, including supply chains for palm oil, soy, cocoa and cattle. This is incorporated in the law on corporate due diligence in supply chains that the German Bundestag adopted in March 2021.<sup>24</sup>

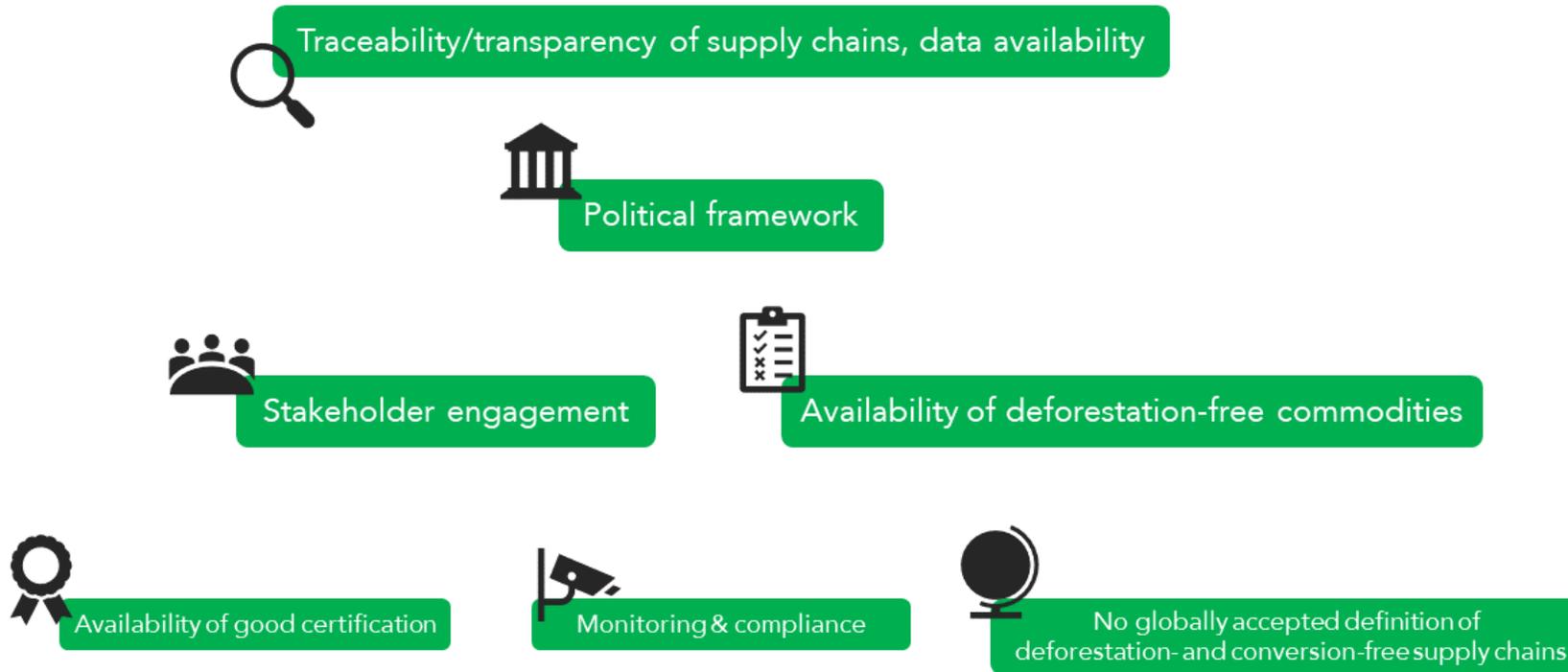
## 4.3 Challenges and opportunities identified by companies

**Companies identified traceability, political frameworks, and the unavailability of sufficient volumes of deforestation-free raw materials in some supply chains as some of the main challenges in making their supply chains deforestation- and conversion-free.**

We asked companies to identify what they saw as the biggest challenges in moving towards conversion-free supply chains. Half of the companies mentioned that traceability and data availability within their supply chain was a big challenge. Retailers and manufacturers especially often buy their finished products or raw materials from middlemen and do not have direct control over how raw materials are grown. One company highlighted that this was especially challenging when sourcing derivatives of palm oil and soy. These derivatives have an even longer supply chain, making it difficult to (re)trace where the original crop was grown and whether it can be linked to ecosystem conversion. Traceability is a key hurdle in making supply chains deforestation-free.

Several companies mentioned that they generally struggle with a lack of availability of sustainable commodities and would like to see improved certification schemes and standards. Cooperation with stakeholders is seen as an important but challenging step for companies in improving traceability and availability of deforestation-free commodities. Additionally, companies saw a need for increased public awareness as well as cooperation and data sharing between companies.

**Figure 10:** Challenges identified by companies



**The recently proposed European Union regulation to address deforestation could alleviate some of the challenges of the respondent companies, especially as half of the respondent companies publicly support binding regulation at the EU level.**

Companies mentioned that the lack of a political framework to create a level playing field in the sectors is a challenge. There was a clear show of support for regulation to solve deforestation and other sustainability issues. In fact, the majority of the respondent companies consider an (international) legal framework to address deforestation as key for them to accelerate their efforts.

In November 2021, the European Commission adopted a legislative proposal to mitigate EU-driven deforestation.<sup>25</sup> Under the proposed legislation, soy, beef, palm oil, wood, cocoa, and coffee can only be imported if they are deforestation-free and accompanied by a due diligence statement from the importing company. Companies would need to gather information on commodities, suppliers, and the exact location of the land where the commodity was produced. Based on this information and a set of risk indicators (such as country-level risks of deforestation and corruption), companies would need to ensure that the commodities they place on the EU market are deforestation-free.

Although the adoption of this regulation would be a big step towards eliminating commodity-driven deforestation, it still leaves some important gaps. A key drawback of this proposed legislation is the limited scope of the definition used for 'deforestation-free.' The proposal specifies a cut-off date of 31 December 2020 for deforestation, meaning any commodity coming from lands deforested before this date will still be allowed onto the EU market.

Most importantly, it does not include preventing the conversion of other ecosystems, such as grasslands and wetlands. This poses a risk of spillover effects, with agricultural lands shifting from deforested areas to converted wetlands, grasslands, or other ecosystems. Secondly, the regulation insufficiently addresses the rights of IPLCs and the need for Free, Prior and Informed Consent.

The regulation will have a significant impact on the sourcing of palm oil, soy, cocoa, and cattle. German companies need to increase their efforts to fulfill and go beyond the set requirements, to ensure that their supply chains are in compliance with the EU regulation and, more importantly, to address the risks that their business operations pose to biodiversity, carbon stocks, and human rights. Half of the companies indicated they publicly support binding regulation at the EU level.

# Recommendations

05

## 5 Recommendations

Although companies are increasingly aware of the actions they must take to ensure ethical supply chains, there is a long way to go. Some large German retailers and manufacturers have made commitments to eliminate deforestation and ecosystem conversion from their supply chains and to protect human rights. Many of the companies that responded to our survey have adopted good practices, such as relying on certification schemes and investing in projects supporting smallholders. Still, there are ample opportunities for increased oversight, support, and collaboration.

To achieve ethical supply chains, companies can:

### **1. Comply with and go beyond the new EU regulation banning the import of commodities linked to deforestation**

When the EU's regulation is adopted, German companies will have to guarantee that any palm oil, soy, cocoa, or cattle products they place on the European market are deforestation-free. As the regulation does not address all risks connected to these commodities (most notably the conversion of ecosystems other than forests), companies will need to go beyond complying with the regulation to help end deforestation and conversion of other ecosystems.

### **2. Adopt a commitment to eliminate deforestation and the conversion of other natural ecosystems from the company's supply chain.**

More than half of the companies surveyed did not have a commitment to eliminate all deforestation from their supply chains and only four companies have a commitment in place that also includes preventing the conversion of other ecosystems. Companies should adopt ambitious commitments that are wide in scope and that apply to all company operations, suppliers, and sourced commodities, as well as all the regions from which a company sources products. Target years and cut-off dates should be specified to facilitate monitoring and to provide clear signals to suppliers.

### **3. Collaborate with other actors to improve traceability of sourced commodities.**

Origins of materials in supply chains should be known or controlled to a sufficient extent to ascertain that the production and processing units of origin comply with commitments, or to determine the extent and nature of issues that must be resolved. Currently, traceability is one of the biggest self-identified challenges for companies. Companies can engage with other actors, including their suppliers, civil society, and commodity traceability technology platforms, to identify and document all their suppliers downstream until they can determine that their raw materials are in compliance with company commitments. Moreover, companies should transparently and publicly report on the traceability of their supply chains and have these reports independently verified.

### **4. Manage the entire supply chain to proactively fulfil commitments, identify non-compliance and resolve any such issues expeditiously and effectively.**

Engagement with suppliers has two sides: monitoring and assistance. Firstly, companies need to monitor whether suppliers comply with rules and commitments on deforestation. Important steps forward that few companies have taken are to require suppliers to have conversion-free commitments of their own, as well as to keep a list of suppliers that are excluded or need to be assessed due to their involvement in deforestation, ecosystem conversion, or human rights violations. Secondly, in collaboration with civil society, governments, and other actors, companies can provide assistance to suppliers and especially to smallholders to help them improve their livelihoods and to achieve conversion-free production. Particularly, in the cocoa sector in West Africa, where the majority of farmers live below the poverty line, companies can support programs on the ground that comprehensively address all needs of farmers to help them achieve a living income. Some good practice examples exist for smallholder and landscape projects both in the cocoa and palm oil sectors. These should be expanded and replicated to cover even more farmers and suppliers. Companies can make this type of engagement a core part of their supply chain management. On both monitoring and assistance, companies should publicly report on their progress and have reports be independently verified.

## **5. Rely on Identity Preserved or Segregated certification models.**

Certification schemes can increase traceability in supply chains and help companies work towards their supply chain goals. These schemes are widely used by companies and many companies who responded to our survey rely on high-quality certification schemes, such as RSPO, RTRS and UTZ/RA. However, none of the companies use Identity Preserved certification as their main certification model and companies rarely use Segregated certification, especially in the soy and cocoa supply chains. SG and IP are the only models that ensure that the supply of a commodity was sourced directly from deforestation-free production.

## **6. Ensure that, prior to any activity that may affect Indigenous peoples' and local communities' rights, land, resources, territories, livelihoods, and food security, their Free, Prior and Informed consent (FPIC) is secured.**

While companies commonly have a general commitment to protect human rights along the supply chain, it rarely includes specific provisions on FPIC. Companies should commit to respecting the rights of IPLCs in the sourcing of commodities. Downstream companies such as retailers and manufacturers may not be in direct contact with local communities in the producer countries. They can nonetheless ensure their suppliers upstream in the producer countries obtain FPIC by requiring them to have mechanisms in place and to provide evidence of FPIC for any activity that might affect these communities.

## **7. Provide for or cooperate in the remediation of any adverse human rights or environmental impacts and provide effective grievance mechanisms to facilitate access to remedy.**

The majority of companies surveyed currently do not have a process or mechanism to engage with stakeholders to address grievances related to deforestation and conversion. Grievance or complaint mechanisms exist slightly more often for reporting human rights violations, but mechanisms should explicitly include reports on deforestation and

ecosystem conversion. Grievance mechanisms should adhere to the Effectiveness Criteria of the UN Guiding Principles on Business and Human Rights. Companies should assess the effectiveness of existing state and non-state grievance mechanisms and facilitate access to these as necessary. Companies should also ensure that any outstanding grievances are fully resolved or that responsibility is transferred before selling or purchasing any land.

# Annex 1: Survey Questions and Scoring System

06

## 6 Survey questions

This questionnaire is designed to provide an assessment of a company's policies and practices for achieving deforestation and conversion-free supply chains based on the Core Principles of the Accountability Framework. The questionnaire assesses the largest companies based in Germany that source palm oil, soy, cocoa and beef from one or more producers or suppliers.

### Company Information

At the outset of the assessment, it is helpful to specify the role and position of a company in the industry and the scope of any existing company commitments or policies. While companies are encouraged to adopt a company-wide policy, they may have different commitments and policies for different commodities. Hence, in this part of the questionnaire, the company is asked to provide information about their operations and supply chains including commodities they source and their volumes and sales value.

#### QUESTION

What supply chain segments is the company active in?

#### ANSWER POSSIBILITIES

Choose from:

- Trading of raw materials
  - Processing
  - Manufacturing
  - Retail
-

## QUESTION

What sectors is the company mainly active in?

## ANSWER POSSIBILITIES

Choose maximum four sectors from:

- Accessories and luggage
- Agricultural commodities
- Animal feed
- Apparel and footwear
- Biofuel
- Cosmetics and personal care
- Dairy
- Fast food
- Food retail
- Packaged food
- Drugstores
- Others (specify)

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What are the company's annual gross sales (in EUR)?

*Open answer*

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Annual volumes (tons) of each commodity that the company uses (purchases or sells) in their supply chains:

*Open answer for each category:*

Palm oil and derivatives:

Soybean and derivatives:

Cattle products (beef, leather and pet food):

Cocoa:

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## Commitments related to deforestation and conversion

This section assesses the scope and ambition of company policies to address deforestation and conversion of other ecosystems, and company mechanisms to implement these policies.

## 1. Commitment scope and ambition

The questions below reflect Core Principle 1 (Protection of forests and other natural ecosystems) and Core Principle 3 (Commitment specifications) of the Accountability Framework.

QUESTIONS	ANSWER POSSIBILITIES
1 Does the company have a public commitment to no-conversion and/or no-deforestation production and/or sourcing? What is this commitment?	<input type="checkbox"/> Eliminate illegal deforestation and conversion <input type="checkbox"/> Zero-net deforestation <input type="checkbox"/> Zero deforestation/deforestation-free/zero gross deforestation commitment only (defined as no loss of natural forests anywhere; not including conversion of other natural ecosystems) <input type="checkbox"/> Zero conversion/conversion-free/zero gross conversion (no conversion of natural ecosystems anywhere) <input type="checkbox"/> Others (please, specify) <input type="checkbox"/> No specific forest-related commitment
2 How does the company define deforestation <sup>1</sup> and conversion <sup>2</sup> ?	<i>Open answer</i>
3 Do commitments apply to all of the company's <sup>3</sup> business operations, all subsidiaries, all divisions and import markets?	<input type="checkbox"/> Yes <input type="checkbox"/> No, only some (please specify)
4 Do commitments apply to all types of commodities sourced/traded?	<input type="checkbox"/> Yes <input type="checkbox"/> No, only some (please specify which out of palm oil, soy, cattle and cocoa)

<sup>1</sup> AFi defines **Deforestation** as conversion (whether legal or illegal) of natural forests to agriculture, tree plantations, livestock production, or other land uses, as well as severe or sustained degradation. To demonstrate full alignment, the company's definition of deforestation should: a) be clear, specific, and substantively the same as the AFi definition; b) include both legal and illegal deforestation; c) include conversion to tree plantations [in the case of pulp or timber supply chains]; d) include severe and sustained degradation as a form of deforestation; and e) be clear that the definition refers to no *gross* deforestation [i.e., it should not mention "net" deforestation, nor provide for offsetting of new deforestation through restoration, compensation, or other means].

<sup>2</sup> AFi defines **Conversion** as change of a natural ecosystem to another land use or severe degradation that results in profound change in the ecosystem's species composition, structure, or function. To demonstrate full alignment, the company's definition of conversion should: a) be clear, specific, and substantively the same as the AFi definition; b) include both legal and illegal conversion; c) include severe and sustained degradation as a form of conversion; and d) be clear that the definition refers to no *gross* conversion [i.e., it should not mention "net" conversion, nor provide for offsetting of new conversion through restoration, compensation, or other means].

<sup>3</sup> AFi defines **Company** as an enterprise, firm, or other organisational or legal entity involved in the production, provision, trade, or sale of goods and services (including financial services).

QUESTIONS		ANSWER POSSIBILITIES
5	Do commitments apply to all regions and biomes (e.g., <i>South America with Amazon, Cerrado, Southeast Asia, Congo basin</i> ) company sources from?	<input type="checkbox"/> Yes <input type="checkbox"/> No, only some (please specify)
6	Do commitments apply to all direct and indirect suppliers?	<input type="checkbox"/> Yes <input type="checkbox"/> No, only some (please specify)
7	Does the commitment specify a cut-off date <sup>4</sup> ?	<input type="checkbox"/> Yes (please state the cut-off dates): <input type="checkbox"/> No
8	Does the commitment specify a time-bound target <sup>5</sup> ?	<input type="checkbox"/> Yes (please state the target date): <input type="checkbox"/> No
9	Does the commitment specify interim milestones?	<input type="checkbox"/> Yes (please state the interim milestones): <input type="checkbox"/> No

## 2. Commitment implementation and reporting

This section of questionnaire is designed to assess the extent to which companies implement, monitor, and report on their commitments related to deforestation and conversion-free supply chains. Accountability Framework's Core Principles 4: Company systems and processes to drive effective implementation, 5: Supply chain assessment and traceability, 6: Managing for supply chain compliance, 10: Collaboration for landscape and sectoral sustainability, 11: Monitoring and Verificatio

<sup>4</sup> AFi defines **Cut-off date** as the date after which deforestation or conversion renders the production unit non-compliant with no-deforestation or no-conversion requirements.

<sup>5</sup> AFi defines **Time-bound target** as a date by which a company (or other commitment- or policy-issuing entity) intends to have fully implemented its commitment or policy.

## 2.1. Forest risk assessment

QUESTIONS		ANSWER POSSIBILITIES			
10	Does the company have a committee or a high-level management position that is formally focused on deforestation and conversion-related issues?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<i>Please provide detailed information</i>	
11	Does the company conduct risk assessments related to deforestation and conversion of ecosystems?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<i>Please provide detailed information</i>	
12	Does the company have criteria in their procurement policies to buy only materials compliant with company deforestation and conversion-free commitments?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<i>Please provide detailed information</i>	
13	Does the company have a process or mechanism to engage with stakeholders to address grievances related to deforestation and conversion?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<i>Please provide detailed information</i>	

## 2.2. Supply chain traceability

Please answer the questions for each commodity that the company sources

QUESTIONS	ANSWER POSSIBILITIES				
	PALM OIL	SOY	COCOA	BEEF	
14	Has the company made a commitment to trace its raw materials?	<input type="checkbox"/> Yes <input type="checkbox"/> No			

QUESTIONS		ANSWER POSSIBILITIES			
		PALM OIL	SOY	COCOA	BEEF
15	To what level of traceability does the company commit?	<input type="checkbox"/> Country of origin <input type="checkbox"/> Sub-national origin (e.g., state or municipality) <input type="checkbox"/> Farm/plantation <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> Country of origin <input type="checkbox"/> Sub-national origin (e.g., state or municipality) <input type="checkbox"/> Farm/plantation <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> Country of origin <input type="checkbox"/> Sub-national origin (e.g., state or municipality) <input type="checkbox"/> Farm/plantation <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> Country of origin <input type="checkbox"/> Sub-national origin (e.g., state or municipality) <input type="checkbox"/> Farm/plantation <input type="checkbox"/> Other (please specify)
16	What is the target year to achieve full traceability?	<input type="checkbox"/> By 2021 <input type="checkbox"/> By 2022 <input type="checkbox"/> By 2025 <input type="checkbox"/> By 2030 <input type="checkbox"/> By 2035 or later	<input type="checkbox"/> By 2021 <input type="checkbox"/> By 2022 <input type="checkbox"/> By 2025 <input type="checkbox"/> By 2030 <input type="checkbox"/> By 2035 or later	<input type="checkbox"/> By 2021 <input type="checkbox"/> By 2022 <input type="checkbox"/> By 2025 <input type="checkbox"/> By 2030 <input type="checkbox"/> By 2035 or later	<input type="checkbox"/> By 2021 <input type="checkbox"/> By 2022 <input type="checkbox"/> By 2025 <input type="checkbox"/> By 2030 <input type="checkbox"/> By 2035 or later
17	What traceability method does the company use?	<input type="checkbox"/> Tracing materials back to the production or processing units of origin <input type="checkbox"/> Tracing materials back to an intermediate supplier who have effective control mechanisms in place <input type="checkbox"/> Using identity preserved certification scheme to trace commodities <input type="checkbox"/> Tracing materials to jurisdictions or landscapes that have shown to be low risk <input type="checkbox"/> There is no traceability method being used	<input type="checkbox"/> Tracing materials back to the production or processing units of origin <input type="checkbox"/> Tracing materials back to an intermediate supplier who have effective control mechanisms in place <input type="checkbox"/> Using identity preserved certification scheme to trace commodities <input type="checkbox"/> Tracing materials to jurisdictions or landscapes that have shown to be low risk <input type="checkbox"/> There is no traceability method being used	<input type="checkbox"/> Tracing materials back to the production or processing units of origin <input type="checkbox"/> Tracing materials back to an intermediate supplier who have effective control mechanisms in place <input type="checkbox"/> Using identity preserved certification scheme to trace commodities <input type="checkbox"/> Tracing materials to jurisdictions or landscapes that have shown to be low risk <input type="checkbox"/> There is no traceability method being used	<input type="checkbox"/> Tracing materials back to the production or processing units of origin <input type="checkbox"/> Tracing materials back to an intermediate supplier who have effective control mechanisms in place <input type="checkbox"/> Using identity preserved certification scheme to trace commodities <input type="checkbox"/> Tracing materials to jurisdictions or landscapes that have shown to be low risk <input type="checkbox"/> There is no traceability method being used

QUESTIONS	ANSWER POSSIBILITIES			
	PALM OIL	SOY	COCOA	BEEF
18 Does the company publicly report on traceability of its commodity supply chains?	<input type="checkbox"/> Yes <input type="checkbox"/> No			
19 What percentage of each commodity in the company's supply chain is traceable to? a) Country of origin b) Sub-national origin (e.g., state or municipality)? c) Farm/plantation	a) in %: b) in %: c) in %			
20 Is the company's progress reporting of traceability independently verified?	<input type="checkbox"/> Yes <input type="checkbox"/> No			

### 2.3. Commitment compliance and supplier engagement

Please answer the questions for each commodity that the company sources

QUESTIONS	ANSWERS			
	PALM OIL	SOY	COCOA	BEEF
21 Does the company require that suppliers have commitments to zero deforestation and conversion?	<input type="checkbox"/> Yes <input type="checkbox"/> No			
22 Does the company monitor and assess supplier compliance with company's commitments?	<input type="checkbox"/> Yes <input type="checkbox"/> No			

QUESTIONS	ANSWERS			
	PALM OIL	SOY	COCOA	BEEF
23 Does the company have a list of suppliers that are excluded or need to be assessed more carefully due to their involvement in deforestation/conversion?	<input type="checkbox"/> Yes <input type="checkbox"/> No			
24 Does the company offer support to its suppliers to help them achieve compliance with these commitments (e.g., to improve transparency, traceability, time-bound action plans)?	<input type="checkbox"/> Yes <input type="checkbox"/> No			
25 What percentage of each commodity volume in the company's operations or supply chain is compliant with zero conversion and zero deforestation commitments?	<i>Open answer (%)</i>	<i>Open answer (%)</i>	<i>Open answer (%)</i>	<i>Open answer (%)</i>
26 How is the above compliance assessed and calculated?	<i>Open answer</i>	<i>Open answer</i>	<i>Open answer</i>	<i>Open answer</i>
27 Is the company's progress reporting independently verified?	<input type="checkbox"/> Yes <input type="checkbox"/> No			

## 2.4. Certification

Please answer the questions for each commodity that the company sources

QUESTIONS	ANSWERS			
	PALM OIL	SOY	COCOA	BEEF
28 Which certification schemes (e.g., RSPO, RTRS, RFA) does the company use?	<i>Open answer</i>	<i>Open answer</i>	<i>Open answer</i>	<i>Open answer</i>

QUESTIONS		ANSWERS			
		PALM OIL	SOY	COCOA	BEEF
29	Which certification models does the company use?	<input type="checkbox"/> Identity preserved <input type="checkbox"/> Segregated <input type="checkbox"/> Mass balance <input type="checkbox"/> Book and claim	<input type="checkbox"/> Identity preserved <input type="checkbox"/> Segregated <input type="checkbox"/> Mass balance <input type="checkbox"/> Book and claim	<input type="checkbox"/> Identity preserved <input type="checkbox"/> Segregated <input type="checkbox"/> Mass balance <input type="checkbox"/> Book and claim	<input type="checkbox"/> Identity preserved <input type="checkbox"/> Segregated <input type="checkbox"/> Mass balance <input type="checkbox"/> Book and claim
30	If the company has its own compliance mechanisms/certification scheme? What scheme is this, is it 3 <sup>rd</sup> party verified and is it made publicly available?	<input type="checkbox"/> Yes (please elaborate): <input type="checkbox"/> No			
31	What is total volume (tons) of commodity certified and how much (%) is this of total commodity company uses ever year?	<i>Total:</i> <i>Percentage:</i>	<i>Total:</i> <i>Percentage:</i>	<i>Total:</i> <i>Percentage:</i>	<i>Total:</i> <i>Percentage:</i>
32	How much (%) of certified volumes is certified under? a) Identity preserved b) Segregated c) Mass balance d) Book and claim	a) in %: b) in %: c) in % d) in %	a) in %: b) in %: c) in % d) in %	a) in %: b) in %: c) in % d) in %	a) in %: b) in %: c) in % d) in %

## 2.5. Landscape and sectoral engagement activities

QUESTIONS	ANSWERS (YES/NO)
33 Is the company a member of action-oriented sustainable commodity platforms?	<input type="checkbox"/> Yes, please state which ones <input type="checkbox"/> No, please state reasons

QUESTIONS		ANSWERS (YES/NO)	
34	Does the company actively support smallholder producers to enable their participation in ethical supply chains and to achieve compliance with company commitments?	<input type="checkbox"/> Yes please state what type of support is provided? <ul style="list-style-type: none"> <li><input type="radio"/> Technical support such as trainings on good agricultural practices in partnership with civil society organisations (CSOs)</li> <li><input type="radio"/> Financial support such as micro-loans to purchase farm inputs</li> <li><input type="radio"/> Support in partnership with CSOs to build farmer organization to prepare them to join certification schemes</li> <li><input type="radio"/> Other support, (please, specify)</li> </ul>	<input type="checkbox"/> No
35	Does the company actively support (e.g., through investments) protecting and restoring forests and or carbon/biodiversity rich ecosystems?	<input type="checkbox"/> Yes, please state in which country and/or jurisdiction	<input type="checkbox"/> No, please state reasons
36	Does the company actively support (e.g., through partnerships) landscape/jurisdiction projects and programs?	<input type="checkbox"/> Yes, please state in which country and/or jurisdiction and which programs	<input type="checkbox"/> No
37	Does the company already source or is planning to source from places where the company supports programs?	<input type="checkbox"/> Yes, How much of the company's share of this commodity comes from these places?	<input type="checkbox"/> No

## Commitments related to human rights

### 1. Commitment scope and ambition

Please answer the questions for each commodity that the company sources

QUESTIONS	ANSWERS			
	PALM OIL	SOY	COCOA	BEEF
38 Does the company have a public commitment to respect internationally recognized human rights (including workers, indigenous peoples and local communities)?	<input type="checkbox"/> Yes <input type="checkbox"/> No, please state why	<input type="checkbox"/> Yes <input type="checkbox"/> No, please state why	<input type="checkbox"/> Yes <input type="checkbox"/> No, please state why	<input type="checkbox"/> Yes <input type="checkbox"/> No, please state why

QUESTIONS		ANSWERS			
		PALM OIL	SOY	COCOA	BEEF
39	Do commitments apply to company's <sup>6</sup> all business operations, all subsidiaries, all divisions and import markets?	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which operations, divisions and markets they apply to	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which operations, divisions and markets they apply to	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which operations, divisions and markets they apply to	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which operations, divisions and markets they apply to
40	Do commitments apply to all types of commodities sourced/traded?	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which commodities/supply chains they apply to out of palm oil, soy, cocoa, and beef	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which commodities/supply chains they apply to out of palm oil, soy, cocoa, and beef	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which commodities/supply chains they apply to out of palm oil, soy, cocoa, and beef	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which commodities/supply chains they apply to out of palm oil, soy, cocoa, and beef
41	Do commitments apply to all regions and biomes (e.g., <i>South America with Amazon, Cerrado, Southeast Asia, Congo basin</i> ) company sources from?	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which regions	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which regions	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which regions	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which regions
42	Do commitments apply to all direct and indirect suppliers?	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which suppliers	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which suppliers	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which suppliers	<input type="checkbox"/> Yes <input type="checkbox"/> No, please specify which suppliers
43	Does the company commit to, or have a supplier policy that requires suppliers to secure the Free, Prior and Informed Consent (FPIC) of potentially affected indigenous peoples and/or local communities prior to acquiring new interests in land or resources and prior to new developments or expansions?	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why

<sup>6</sup> AFi defines **Company** as an enterprise, firm, or other organisational or legal entity involved in the production, provision, trade, or sale of goods and services (including financial services).

QUESTIONS	ANSWERS			
	PALM OIL	SOY	COCOA	BEEF
44 Does the company commit to providing effective grievance mechanisms that are accessible to all rights-holders and stakeholders?	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why

## 2. Commitment implementation

Please answer the questions for each commodity that the company sources

QUESTIONS	ANSWERS			
	PALM OIL	SOY	COCOA	BEEF
45 Does the company assess risk of violations of human rights including rights of IPLC in its operations and supply chains?	<input type="checkbox"/> Yes, for direct suppliers <input type="checkbox"/> Yes, for direct and indirect suppliers <input type="checkbox"/> No, please explain why not	<input type="checkbox"/> Yes, for direct suppliers <input type="checkbox"/> Yes, for direct and indirect suppliers <input type="checkbox"/> No, please explain why not	<input type="checkbox"/> Yes, for direct suppliers <input type="checkbox"/> Yes, for direct and indirect suppliers <input type="checkbox"/> No, please explain why not	<input type="checkbox"/> Yes, for direct suppliers <input type="checkbox"/> Yes, for direct and indirect suppliers <input type="checkbox"/> No, please explain why not
46 Does the company have a system to guard against providing financing or other support to suppliers involved in adverse human rights impacts?	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why not	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why not	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why not	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why not
47 Is there a company grievance mechanism in place to receive complaints and remedy adverse human rights impacts linked to company operations and/or supply chains?	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why not	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why not	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why not	<input type="checkbox"/> Yes <input type="checkbox"/> No, please explain why not

QUESTIONS	ANSWERS			
	PALM OIL	SOY	COCOA	BEEF
48 Has the company remedied adverse human rights impacts linked to company operations and/or supply chains in the last five years?	<i>Open answer</i>	<i>Open answer</i>	<i>Open answer</i>	<i>Open answer</i>
49 Does the company publicly report on their human rights risks and how they address the human rights impacts of their operations and their entire supply chain?	<input type="checkbox"/> Yes, on company's own operations and direct suppliers <input type="checkbox"/> Yes, on entire supply chain <input type="checkbox"/> No, please explain why not	<input type="checkbox"/> Yes, on company's own operations and direct suppliers <input type="checkbox"/> Yes, on entire supply chain <input type="checkbox"/> No, please explain why not	<input type="checkbox"/> Yes, on company's own operations and direct suppliers <input type="checkbox"/> Yes, on entire supply chain <input type="checkbox"/> No, please explain why not	<input type="checkbox"/> Yes, on company's own operations and direct suppliers <input type="checkbox"/> Yes, on entire supply chain <input type="checkbox"/> No, please explain why not

## Additional Questions

QUESTIONS	ANSWERS
50 Where do you see the biggest challenges to establish deforestation- and conversion-free supply chains in your company?	<i>Open answer</i>
51 What do you need to accelerate your efforts successfully?	<i>Open answer</i>
52 Does the company publicly support binding regulation on EU level?	<i>Open answer</i>
53 What do you desire from the German / EU government with regard to delete deforestation and conversion from agricultural supply chains?	<i>Open answer</i>

## Approach to scoring company performance

We analyzed company performance using a scoring system developed by the WWF team based on the 12 Core Principles of the AFi for companies to set, implement, and monitor effective commitments to eliminate deforestation and ecosystem conversion from supply chains and to protect human rights.

Companies' answers, supplemented by publicly available information, were translated into scores for each question. The maximum points available for each question ranged between 0,5 and 3. Points were added together within each question category (such as Deforestation Commitments, Forest Risk Assessment, Traceability, etc.) and a percentage score was computed. The total score is the average of all category scores, with all categories weighing equally. For categories that were scored per commodity, the average of all commodity scores was taken before computing the total score. Human rights commitment and implementation were initially scored per commodity, but since differences between commodities were negligible, only the averages are shown. The below tables illustrate an example of scoring for a hypothetical company:

CATEGORY	MAX. AVAILABLE POINTS	AVERAGE POINTS SCORED
Deforestation commitments	10,5	3,7
Forest risk assessment	4	2,8
Traceability	9,5	3,0
Commitment compliance and supplier engagement	7	2,5
Certification	10	3,0
Landscape and sectoral engagement	8	4,0
Human rights commitments	9	6,8
Human rights implementation	6	4,0
<b>TOTAL</b>	<b>63</b>	<b>31,5</b>

## Category: Deforestation Commitments

QUESTION	SCORING RULES	SCORES ALLOCATED
1. Does the company have a public commitment to no-conversion and/or no-deforestation production and/or sourcing?	0,5 point for 'Zero-net deforestation' 1 point for 'Zero deforestation (not including other ecosystems)' 2 points for 'Zero conversion (all ecosystems)' 0 points for 'No illegal deforestation' or for another or no commitment	1 point Because commitment to zero deforestation, not including other ecosystems.
Do commitments apply to company's all business operations, all subsidiaries, all divisions and import markets?	1 point if all business operations 0,5 point if only some 0 points if unclear	1 point Because applies to all business operations
Do commitments apply to all types of commodities sourced/traded?	2 points if all commodities Otherwise share of the points equal to share of relevant commodities (palm oil, soy, cocoa, beef)	1 point Because commitment applies only to palm oil and the company sources both palm oil and soy (half of commodities is covered, half of points)
Do commitments apply to all regions and biomes (e.g., South America with Amazon, Cerrado, Southeast Asia, Congo basin) company sources from?	1 point if all regions and biomes 0,5 point if only some 0 points if unclear	1 point Because applies to all regions and biomes
Do commitments apply to all direct and indirect suppliers?	1 point if all suppliers 0,5 point if only direct suppliers or only select suppliers 0 points if unclear	1 point Because applies to all suppliers
Does the commitment specify a cut-off date?	1 point if cut-off date is specified 0 points if not	1 point Cut-off date in accordance with the RSPO definition
Does the commitment specify a time-bound target?	2 points if by 2025 1 point if by 2030 0,5 points if by 2035 or later 0 points if no target date	2 points Target date is 2025

Does the commitment specify interim milestones?	0,5 points if interim milestones are specified	0 points No interim milestones specified
<b>TOTAL</b>		<b>8 points (76%)</b>

Scores for all categories for this company are as follows:

CATEGORY	SCORE
<b>Deforestation commitments</b>	<b>76%</b>
<b>Forest risk assessment</b>	<b>25%</b>
Traceability (palm oil)	63%
Traceability (soy)	0%
<b>Traceability (average)</b>	<b>32%</b>
Compliance & supplier engagement (palm oil)	43%
Compliance & supplier engagement (soy)	0%
<b>Compliance &amp; supplier engagement (average)</b>	<b>22%</b>
Certification (palm oil)	50%
Certification (soy)	0%
<b>Certification (average)</b>	<b>25%</b>
<b>Landscape &amp; Sectoral engagement</b>	<b>50%</b>
<b>Human rights commitments</b>	<b>78%</b>
<b>Human rights implementation</b>	<b>40%</b>

The **TOTAL SCORE** for this company was then computed as the average of the category scores (in bold in the table above), which came to: **43%**

The scoring system is aligned with WWF's Soy Scorecard and Palm Oil Scorecard. However, the focus of the scores in each of these assessments is slightly different and therefore companies might perform somewhat better in one scoring system than in another. For example, the Palm Oil Scorecard gives more weight to the use of certification when awarding points, while the Soy Scorecard grants few points for certification. The scoring system used here also covers four different commodities instead of focusing on one. These different focus areas make that the scores and ranking can differ between Scorecards.

Endnotes

07

## 7 Endnotes

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