Traders Benchmarking Methodology

This benchmarking is intended to provide global investors with guidance and relevant data for evaluating the forest risk policies and progress of the major commodity traders in the agricultural products industries. This analysis can also help food companies understand where their suppliers rank in leadership in meeting their no-deforestation commitments, which is critically important to their bottom lines.

COMMODITY TRADERS
Commodity traders are a small set of companies within the global food system – they are the powerful middle players between the people who source the world’s food and the consumer-facing brands that people recognize on their shelves, like Kellogg, Nestlé, PepsiCo, and Unilever. These companies have a unique market position and concentration that gives them significant power over how commodities are produced. With that power comes influence over how and where key commodity crops are grown – like soy and palm.

According to Oxfam International, Archer Daniels Midland (ADM), Barry Callebaut, Bunge, Cargill, Louis Dreyfus Company, Olam International, and Wilmar International together generate over $290bn in revenue each year. However, the agribusiness industry and this consolidated group of companies have largely slipped by unnoticed by the media and general public as a key set of supply chain actors on core sustainability issues. As hundreds of companies have set timebound public targets to meet no-deforestation commitments by the end of 2020, these companies need to enforce better no-deforestation and responsible sourcing commitments necessary to meet those ambitious goals.

METHODOLOGY
These dozen+ companies were selected as they are among the largest commodity traders operating globally and that source forest-risk commodities such as soybeans and palm oil. Through exposure analysis, all of these companies have clear sourcing footprints to geographic hotspots that have been experiencing rapid deforestation rates over the last decade.

Scores for the indicators were calculated based on publicly available disclosures including mandatory financial statements, responses to CDP forest and climate information requests, online media, and corporate annual and sustainability reports. These indicators were selected because when disclosed, they provide deep insights into both corporate progress and impact. All data was collected with a timestamp as of December 2019. For more information, visit Ceres’ Out on A Limb report and The Accountability Framework’s new guidance resources.
STRENGTH OF POLICY
The two KPIs related to the strength of a company's no-deforestation policy provide investors and downstream companies with assurance that the company has a commodity-specific policy in place that is timebound in urgency. This is critical as all of these agricultural products companies have considerable exposure to material risk related to deforestation as part of their business – and as best practice should have these two KPIs in place.

- Commodity-specific policy: Does the company have a commodity-specific deforestation policy that clearly outlines its approach to achieving a deforestation-free supply chain? Addressing deforestation is very complex with different location- and commodity-specific drivers. This complexity highlights the need for commodity-specific language to clarify expectations. Some companies include comprehensive standards for individual commodities in a single deforestation policy while other companies have individual policies for each high-risk commodity they source.

- Time-bound commitment: Does the policy outline a time-bound, quantifiable, commitment to achieve a deforestation-free commodity supply chain? In the current environment, companies that do not outline a time-bound commitment face significant reputational risk. Commitments to a deforestation-free supply chain should be linked to a timeframe that is achievable, yet creates a practical sense of urgency that aligns with recognized global expectations.

DISCLOSURE OF PROGRESS
Meaningful, quantitative disclosure on company progress on no-deforestation commitments is essential for investors to assess a company's improvements over time and to compare their achievements to their competitors. The two KPIs related to disclosure of progress focus on a company's own purchases and those of their extended supply chain.

- What annual percentage of the commodity produced or purchased is in compliance with no-deforestation principles? This metric helps investors and other stakeholders understand the progress companies are making in reducing their own purchases of deforestation-linked commodities.

- What annual percentage of the suppliers of the commodity is in compliance with no-deforestation principles? This metric provides insights into the progress made by the company's suppliers in eliminating deforestation across their entire operations and supply chain.

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