



WWF

REPORT

INT

2016



Slow Road to Sustainability

The sourcing of soft commodities by
Consumer Goods Forum members

Report on progress

WWF is one of the world's largest and most experienced independent conservation organizations, with over 5 million supporters and a global network active in more than 100 countries.

WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable, and promoting the reduction of pollution and wasteful consumption.

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CONTENTS

EXECUTIVE SUMMARY	5
THE MARKET TRANSFORMATION OF SOFT COMMODITIES	14
RESEARCH ANALYSIS	25
1. The potential impact of CGF member companies on the market transformation of priority soft commodities	26
2. Quality and content of CGF member companies' sustainability reporting	31
3. CGF member companies and their commitment to sustainable sourcing	38
4. CGF companies' commitments to deforestation and water stewardship	47
5. Summary of companies' commitments by commodity	53
CONCLUSION	70
ANNEXES	72
Annex 1: CGF deforestation-free resolution	72
Annex 2A: Sustainability challenges related to the production of soft commodities	73
Annex 2B: Sustainability impacts of selected priority commodities	76
Annex 3: WWF Certification Assessment Tool	78
Annex 4: WWF company commodity sourcing benchmarking initiatives	79
Annex 5: Notes on methodology	80

ABBREVIATIONS

ASC	Aquaculture Stewardship Council
BCI	Better Cotton Initiative
BONSUCRO	Sustainability standard for sugar cane
CAT	WWF Certification Assessment Tool
CGF	Consumer Goods Forum
CmiA	Cotton made in Africa standard
CSR	corporate social responsibility
EPCI	WWF Environmental Paper Company Index
EU	European Union
FMCG	fast moving consumer goods
FSC	Forest Stewardship Council
GHG	greenhouse gas
GRI	Global Reporting Initiative
GRSB	Global Roundtable for Sustainable Beef
ISEAL ALLIANCE	International Social and Environmental Accreditation and Labelling Alliance
MSC	Marine Stewardship Council
NGO	Non-governmental organization
PEFC	Programme for the Endorsement of Forest Certification
POIG	Palm Oil Innovation Group
RSPO	Roundtable on Sustainable Palm Oil
RTRS	Round Table on Responsible Soy
SDGs	UN Sustainable Development Goals
UN	Organization of the United Nations

EXECUTIVE SUMMARY

Member companies of the Consumer Goods Forum should accelerate their commitments and actions if sustainability is to become the norm.

Introduction

In this report, WWF reviews the policies and performance of member companies of the Consumer Goods Forum (CGF) regarding the sustainability of their sourcing of key soft commodities – and finds much more needs to be done.

For sustainability to become the norm, the CGF member companies urgently need to map their supply chains, engage with their supply chains and industry sectors, commit publicly and unambiguously to credibly certified sourcing of their key commodities, and improve transparency by disclosing progress against their timebound sustainable sourcing plans.



THE CGF AND ITS MEMBER COMPANIES URGENTLY NEED TO COMMIT PUBLICLY AND UNAMBIGUOUSLY TO SOURCE KEY COMMODITIES WHICH HAVE BEEN CERTIFIED ACCORDING TO CREDIBLE STANDARDS

Soft commodities – derived from forestry, farming and fisheries – are vital for feeding, clothing, and helping to fuel the world. However, their inefficient and unsustainable production can significantly harm communities and key ecosystems. Common impacts include biodiversity loss, deforestation, environmental degradation, watershed disruption, climate change and social conflict.

Demand for soft commodities is booming, driven by the world's increasing population, growing purchasing power (especially in emerging economies), urbanization, changing dietary preferences and demand for biofuels, among other factors. We'll need to grow more food in the next 40 years than we have in the past 8,000 combined to feed the global population – in other words, 70 per cent more food by 2050, according to UN estimates.¹ To meet this demand – and avoid devastating levels of deforestation and forest degradation, overfishing, overexploitation of other natural resources, water scarcity and hazardous climate change² – we must find a more sustainable way to extract and produce soft commodities.

WWF has prioritized making 14 soft commodities more sustainable (see figure 1). They play key roles in meeting humanity's growing demands for food, fibre and fuel – but at the same time can have ruinous impacts on communities and are major drivers of biodiversity and vital ecosystem loss around the world. To achieve sustainability on Earth, it's critical that all stakeholders – including companies, governments, communities, non-governmental organizations (NGOs) and consumers – align in recognizing the impacts of commodity production and find ways to balance production with maintaining essential forests, land, water and ecosystem services.

This comes with many challenges. These include a lack of awareness of the issues among some stakeholders; trade flows shifting toward markets that are less sensitive to sustainability; governments failing to prioritize sustainable production in policy-making – and even in some cases exerting pressure against sustainable production; and a scarcity of research quantifying the compelling business case.

Major producers and buyers of commodities have a vital role to play in shifting production to be more sustainable, together with other stakeholders.

Figure 1



About this report

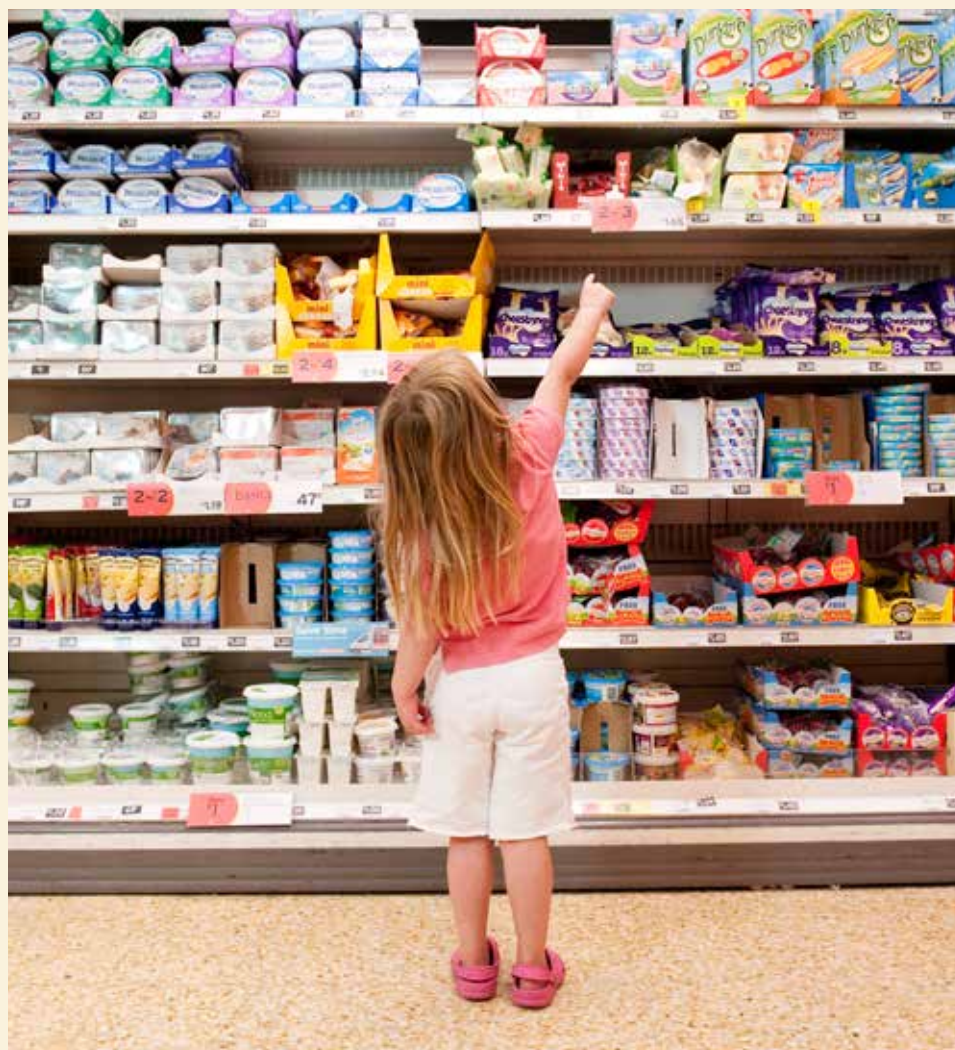
In this report, WWF has reviewed the policies and performance to date of member companies of the CGF to gain an overview of major brand manufacturers and retailers' status when it comes to the sustainability of their sourcing of priority commodities. The CGF is an influential business platform with more than 400 member companies from 70 countries, including 256 brand manufacturers and retailers with annual revenues in excess of US\$3.5 trillion. Collectively, they represent a meaningful sample ideal for in-depth analysis because of their number, size and diversity.

The CGF's efforts on soft commodities

The CGF's work focuses on four pillars, one of which is Environmental and Social Sustainability. For this pillar, the priorities are for companies to act together to position the industry as a leader in sustainability, including protecting against climate change, reducing food waste, improving food safety and promoting compliance with good working and environmental practices.

Regarding soft commodities, the CGF has up until now prioritized working on those associated with deforestation, especially palm oil, soy and pulp and paper. These commodities collectively are material for the largest number of CGF members.

The CGF member companies could have a significant impact on the transformation to more sustainable global supply chains of soft commodities due to their leverage. WWF estimates that CGF member companies purchase on average 17 per cent of the global production of the priority soft commodities, ranging from 7 per cent of global pulp production to 35 per cent of global dairy production (see figure 2). Many of the CGF member companies are also considered leaders in their industry and have the ability to influence their peers.

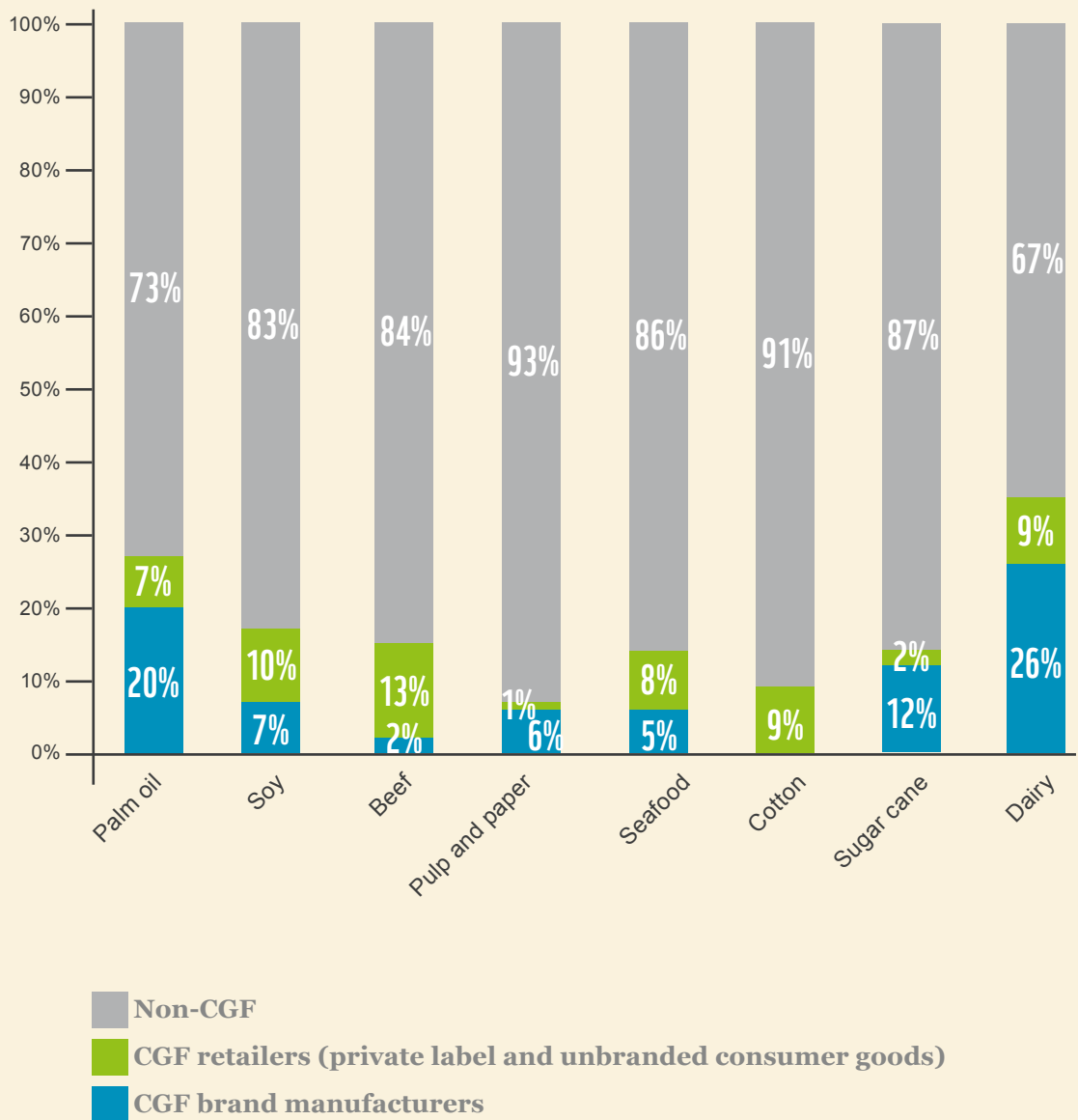


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We all depend on soft commodities for food, fibre and fuel.

Figure 2

Estimated percentage of global production of priority commodities purchased by CGF member companies



CGF member companies should do more

The CGF Board has been addressing the sustainability of the soft commodities associated with deforestation for several years. For example, in 2010 the Board passed a resolution pledging to mobilize resources within their members' businesses to help achieve zero net deforestation by 2020 (see details in [annex 1](#)).

There is a widespread perception that most CGF companies have already taken steps to source commodities sustainably. This is partly a result of the high profile zero



**THE MAJORITY
OF CGF MEMBERS
HAVEN'T YET
COMMITTED TO
SUSTAINABLE
SOURCING IN
THEIR SUPPLY CHAIN
NOR TAKEN ANY
RELATED ACTIONS**

deforestation resolution, and partly to do with highly publicized individual actions of several leading CGF member companies. Indeed, some CGF member companies – notably those that are members of the CGF Sustainability Committee – have demonstrated strong leadership, endorsing the resolution of the CGF Board and making individual commitments and action plans, for example to take deforestation out of their supply chains, to contribute to responsible water stewardship or to source 100 per cent sustainable seafood. Some of these actions are highlighted as best practices later in the report.

However, comprehensive analysis undertaken between 1 March and 15 April 2016 of the most recent annual reports, sustainability reports and websites of the 256 brand manufacturer and retailer members of the CGF highlights that **progress so far is too slow and the majority of CGF members haven't yet committed to sustainable sourcing in their supply chain nor taken any related actions.**

Disappointingly, WWF's analysis found that:

- **Only 42 per cent of CGF brand manufacturer and retailer members publish a sustainability report or include this information in their annual report. A further 28 per cent do not include information about their sustainability practices in a formal report, but do communicate it on their website (where the information is rarely independently verified).**
- **Just 46 per cent report specifically on their soft commodity sourcing policy or strategy.**
- **Only 36 per cent of the CGF member brand manufacturers and retailers have made their own “deforestation-free” commitments. Just 20 per cent have quantified and timebound actions plans for achieving these deforestation-free commitments.**
- **A weighted average of just 22 per cent of relevant companies endorse credible certification standards recommended by WWF for the commodities which are material for their businesses. By commodity, this figure varies from 3 per cent to 71 per cent.**
- **A weighted average of just 14 per cent of relevant companies have made quantified and timebound commitments to source according to the credible standards recommended by WWF. By commodity this varies from 0 per cent to 28 per cent.**
- **Just 22 frontrunner companies (9 per cent of those analysed) have made quantified and timebound commitments to source all or the majority of the commodities that are material for their business according to credible certification standards recommended by WWF. They are detailed in figure 3.**

Figure 3

The 22 frontrunner companies

22
256

JUST 22 OUT OF 256 COMPANIES HAVE MADE QUANTIFIED AND TIMEBOUND COMMITMENTS FOR ALL OR THE MAJORITY OF THE COMMODITIES THAT ARE MATERIAL FOR THEIR BUSINESSES

Grupo Bimbo	General Mills	Marks & Spencer	SCA
The Coca-Cola Company	Johnson & Johnson	Migros-Genossenschafts-Bund	Sofidel
Colgate Palmolive	S.C. Johnson	Nike Stores	Unilever
COOP (Switzerland)	Kao Corporation	PepsiCo	Waitrose
Danone	Kimberly-Clark	Procter & Gamble	
Ferrero	L'Oréal	Royal Ahold	

- However, the sourcing policies of some of these companies are imprecise, for example they include commitments to a range of standards with varying degrees of credibility for some commodities. Thus they may lack the degree of transparency that stakeholders require.
- Of the 22 frontrunner companies, 12 are members of the CGF Sustainability Committee.
- Out of this group, only 14 companies report that their progress is on track versus earlier commitments.
- The percentage of the total estimated volume CGF companies have purchased that is currently certified, and the volume committed by 2020, is summarized in figure 4 below. 2020 volume certification commitments range from an average of less than 4 per cent for soy to 53 per cent for palm oil.

Major producers and buyers of commodities have a vital role to play in shifting commodity production to be more sustainable, together with other stakeholders.

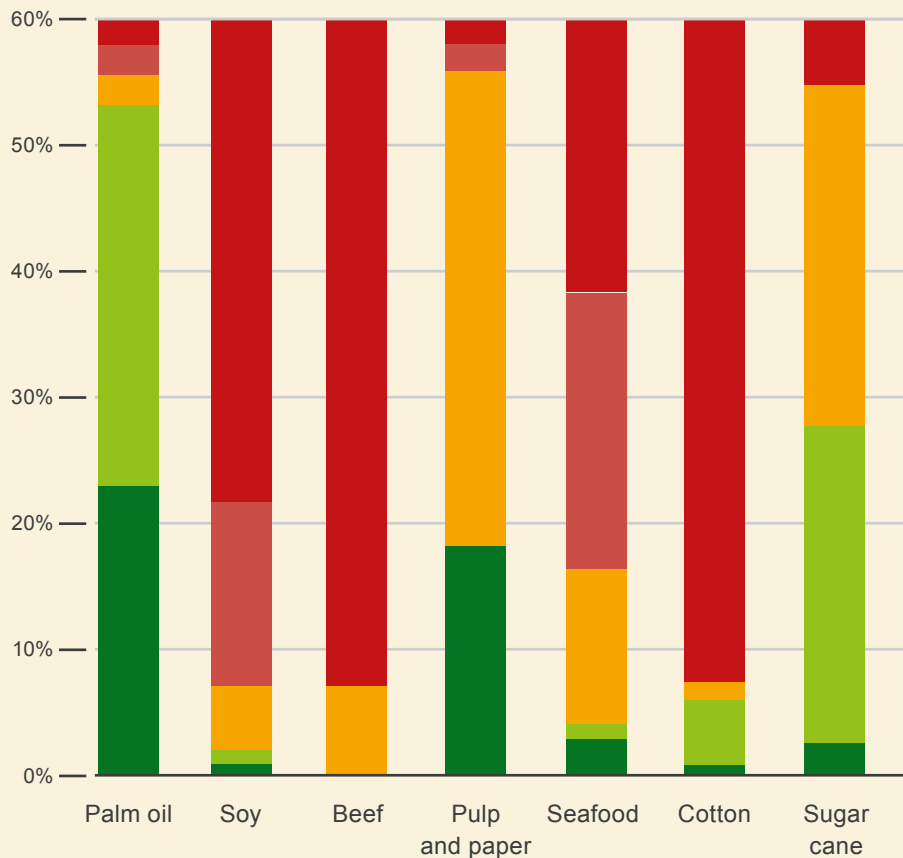


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Figure 4

CGF members' commodity commitments as a percentage of total volumes purchased


**ONLY A HANDFUL
 OF CGF MEMBER
 COMPANIES
 COMMUNICATE
 THEIR INVOLVEMENT
 IN ACTIVITIES
 WHICH ARE
 COMPLEMENTARY
 TO CERTIFICATION**



- **No mention of sustainability**
- **Some sustainability interventions**
- **Member of recognized standard**
- **Committed 2020**
- **Committed now**

- Only a handful of CGF member companies communicate their involvement in activities which are complementary to certification, such as:
 - Mapping their supply chains to gain transparency of part or all of their suppliers;
 - Engaging their supply chains, for example by supporting smallholders to improve production practices;

- Mobilizing their industry sectors to address systemic issues in production, for example child labour and gender equality, via platforms or support programmes;
- Advocating for higher production standards and working with governments in the jurisdictions where they source commodities to influence policies that incentivize the production of sustainable commodities and eliminate undesirable practices. Jurisdictional approaches are gaining traction and have the potential to address underlying issues of governance, legality and livelihoods at larger spatial scales, but do require direct engagement from leading companies.

Recommendations for CGF Board and member companies

As a group, CGF member companies have the power to contribute to and encourage significant steps forward in the sourcing of sustainable commodities. WWF calls on the organization to take action now.

WWF recommends the CGF Board to urgently:

- Pass a resolution to encourage its member companies to publish annual sustainability information covering all material inputs and impacts, using the Global Reporting Initiative (GRI) standards as guidance.
- Strive to broaden company participation in the activities of its Sustainability Pillar, which are at the moment driven by relatively few leading CGF companies, particularly members of the Sustainability Committee.



WWF recommends all brand manufacturers and retailers, including those which are members of the CGF, to urgently:

- Map their supply chains to understand the sources of their inputs, ultimately tracing back to point of origin. Knowing the source of soft commodities is fundamental to driving subsequent strategies and actions.
- Commit publicly to source by 2020 at the latest only credibly certified commodities for 100 per cent of their volume requirements, prioritizing those commodities which are material for their businesses. For some commodities, supply in the right volumes may not be available at present in all geographies. In these situations, companies should highlight the challenges and collaborate with other stakeholders so that supply issues are resolved as soon as possible. Companies' commitments and action plans should be specific in order to be transparent and not leave the door open to less credible options by the use of vague language.
- Publish quantified, timebound action plans detailing how they will achieve the actions they have committed to.

AS A GROUP, CGF MEMBER COMPANIES HAVE THE POWER TO CONTRIBUTE TO SIGNIFICANT STEPS FORWARD IN THE SOURCING OF SUSTAINABLE COMMODITIES

- Report to all stakeholders at least annually on performance against the plans, verified externally.
- Engage with their supply chains and industry sectors in a collaborative and pre-competitive way to drive change faster and on a bigger scale. Companies that have not yet joined industry platforms such as the CGF are urged to do so to amplify their impact.
- Engage with policy-makers in cross-commodity policy initiatives to advocate for the elimination of unsustainable practices and explore partnerships to advance land use planning and sustainable production at landscape and jurisdictional scales.



Palm oil is one of the 14 soft commodities WWF is prioritizing making more sustainable.

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THE MARKET TRANSFORMATION OF SOFT COMMODITIES: INTRODUCTION

To address sustainability challenges, global soft commodity production needs to rapidly shift away from current inefficient and unsustainable practices. One of WWF’s priorities is to improve the way that critical commodities are produced, purchased and used.

Key commodities to make more sustainable

WWF has identified 14 priority soft commodities with key roles in meeting humanity’s growing demands – but which at the same time generate some of the largest and most irreversible impacts on key ecosystems around the world. These commodities also affect the livelihoods and food supplies of millions of people, including many of the poorest on the planet. They are the key drivers of biodiversity loss and of the conversion and/or degradation of priority ecosystems, including forests. They also drive depletion of our oceans and the unsustainable exploitation and pollution of the world’s freshwater and coastal areas (see more details in [annex 2](#)).

Figure 5 shows the priority commodities grouped according to the main environmental impacts they are associated with: land conversion, deforestation, overfishing, and the unsustainable use of freshwater.

WWF’s mission on soft commodities

WWF’s mission is to stop the degradation of our planet’s natural environment and to build a future where human needs are met in harmony with nature. Our priorities include reducing the footprint of humanity on the natural world by promoting the sustainable use of renewable natural resources and challenging wasteful consumption and pollution. These efforts are fully aligned with the UN’s Sustainable Development Goals (SDGs), including SDG 12 – “Sustainable production and consumption”, the objectives of which include achieving the sustainable management and efficient use of natural resources by 2030 partly by encouraging companies, especially large and transnational companies, to adopt sustainable practices.

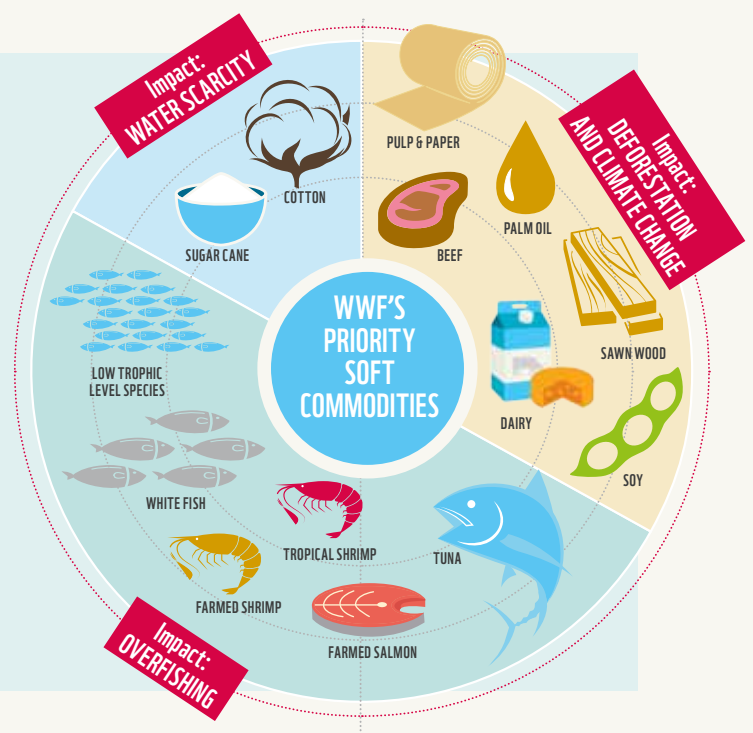


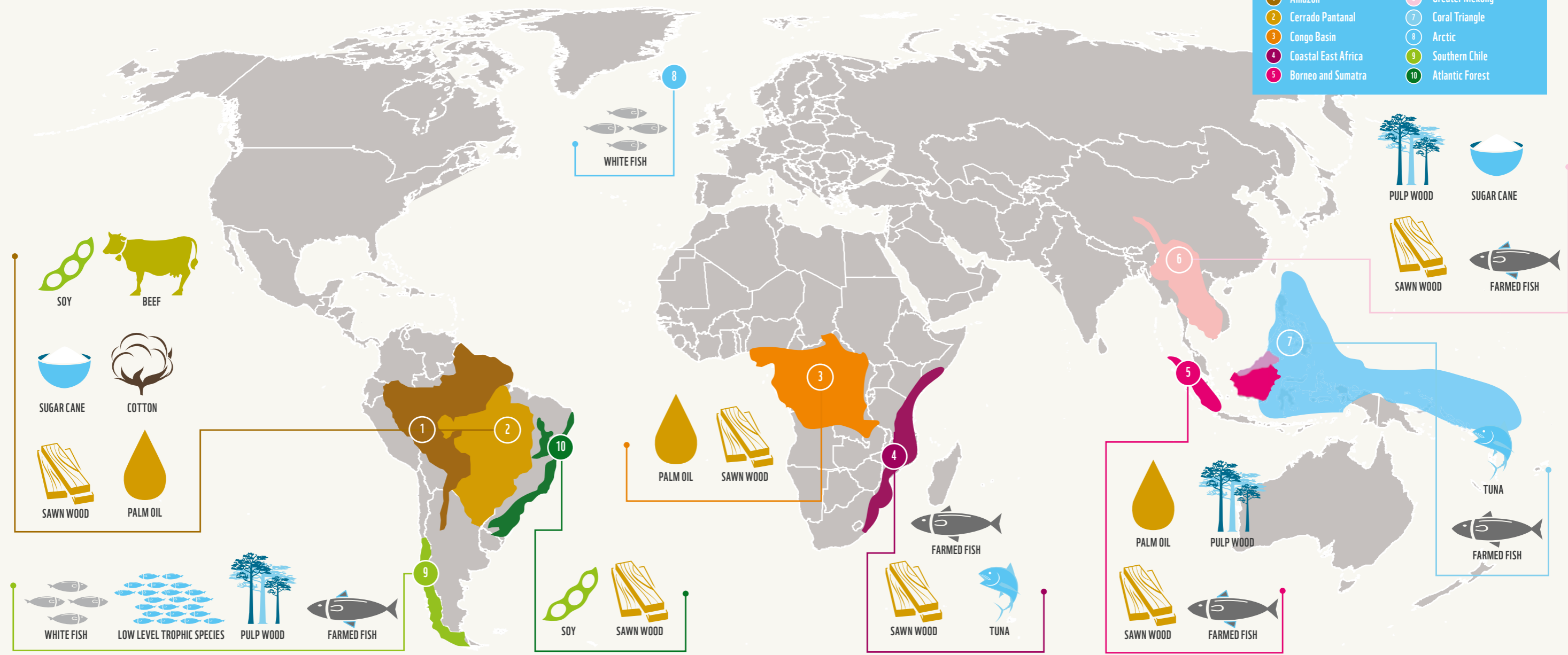
Figure 5

COMMODITIES AND CONSERVATION

Some of the key priority places for conservation that are affected by commodity production

COMMODITIES WITH THE BIGGEST IMPACT ON AREAS OF GLOBAL CONSERVATION PRIORITY		
SAWN WOOD	SOY	TUNA
PALM OIL	SUGAR CANE	TROPICAL SHRIMP
COTTON	BEEF	LOW LEVEL TROPIC SPECIES
DAIRY	FARMED SHRIMP	FARMED SALMON
PULP AND PAPER	WHITEFISH	

KEY	
1 Amazon	6 Greater Mekong
2 Cerrado Pantanal	7 Coral Triangle
3 Congo Basin	8 Arctic
4 Coastal East Africa	9 Southern Chile
5 Borneo and Sumatra	10 Atlantic Forest



Driving improvements: The role of leading companies

WWF estimates that approximately **500 companies, including many CGF member companies, control about 70 per cent of the global markets for these priority soft commodities.** These companies (traders, processors, manufacturers and retailers) represent the greatest leverage point along the supply chain.

With their size and position, they have the ability to influence production methods in the field.³ Companies also communicate directly with consumers and can educate them about the implications of their buying behaviour and increase their preference for sustainable products. If a critical mass of companies demands higher production standards, then commodity markets can be pushed to a tipping point where sustainability becomes the norm. The actions of individual companies can be amplified by working within industry platforms to achieve market-wide transformational change at the scale and pace that is needed.

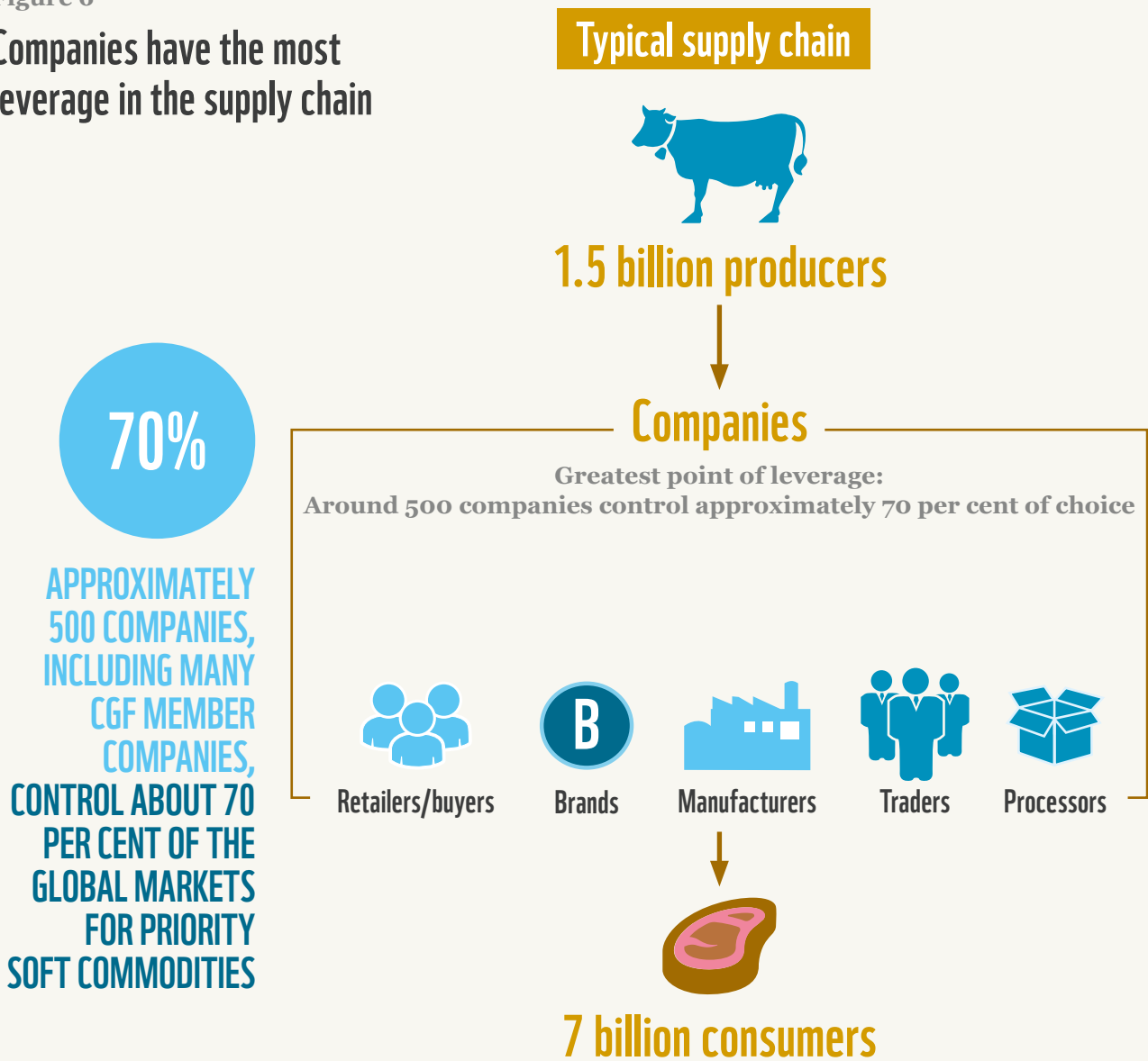


Orang-utans are under severe threat from palm oil expansion in Indonesia and Malaysia.

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Figure 6

Companies have the most leverage in the supply chain



Credibly certified commodities: What companies need to do

Sourcing credibly certified commodities and achieving supply chain traceability are essential first steps for a company aiming to implement a materially relevant and impactful sustainable sourcing strategy. However, the issues related to commodity supply chains are very complex and companies need to act in multiple other ways to address them. Necessary activities may vary by region, by commodity, by supply chain and by type of company. But all fast moving consumer goods (FMCG) companies' approaches should include engaging with suppliers, industry peers, policy-makers, consumers and other sectors of society on sustainability, to drive change at the necessary scale.

By engaging with their supply stakeholders, companies can ensure transparency of their supply chain for priority commodities. The use of supplier codes, due diligence processes and implementing internal sourcing guidelines can make an important contribution to a

company's overall sustainable sourcing strategy. **However, sourcing commodities which are certified according to credible standards is a core step in the process** (and in many cases, with certificates⁴ on offer, a readily available step).

Some companies have decided to set their own standards according to their own criteria and pay for external verification of their performance against these standards. Although a positive step, this is unlikely to lead to industry-wide transformation. It is important that industry players can collaborate and learn from each other, and for stakeholders to compare and judge company performance.

To achieve rapid and co-ordinated change at scale, and to avoid wasteful investment in new stakeholder platforms, standards and verification systems, it is essential that all stakeholders, including companies, adopt and build on existing credible standards and their systems for multi-stakeholder participation, auditing, chain of custody, control of claims and handling of grievances.

It is estimated that there are more than 500 certification standards and associated ecolabels with different stakeholders, focus areas and levels of credibility.⁵ For example, some simply ensure that production is in compliance with local laws, while others require adherence to the very best industry practices. WWF acknowledges that all certification standards have a role to play.



**SOURCING
COMMODITIES
WHICH ARE
CERTIFIED
ACCORDING
TO CREDIBLE
STANDARDS IS
A CORE STEP**

However, having analysed many leading standards, **WWF has identified recommended standards for key commodities.**^{6,7} Each of these recommended standards has been developed by bringing stakeholders together from along the supply chain to agree principles and set standards for better social, environmental and economic practices that are effective on a large scale. They are often leading mainstream sustainability standards, with the goal of driving entire industries toward better performance.

Standards recommended by WWF are generally members or adhere to key principles of the International Social and Environmental Accreditation and Labelling Alliance (ISEAL), which defines good practice for voluntary standards and improves their impact and effectiveness. ISEAL recently published a **report** on the role that standards can play to support landscape approaches and zero deforestation commitments.

All credible standards recommended by WWF:

- Focus on minimizing or eliminating significant negative social and environmental impacts, as well as creating positive social, environmental and economic outcomes;
- Provide transparency through meaningful multi-stakeholder participation in decision-making and public reporting on certification progress and outcomes;
- Require independent third party verification, certification and accreditation;
- Require truthful claims and transparency;
- Require commitment to continuous improvement.

For details of how WWF assesses standards, see [annex 3](#).

WWF and key industry stakeholders recommend the following certification schemes for the priority commodities as the leading mainstream certification standards. Each aims to drive entire industries toward better production:

Figure 7
Certification standards for priority commodities recommended by WWF

	Commodity	Certification scheme
	Palm oil	Roundtable on Sustainable Palm Oil (RSPO) (and RSPO NEXT* and Palm Oil Innovation Group Charter) 
	Soy	Round Table on Responsible Soy (RTRS) and ProTerra  
	Pulp and paper	Forest Stewardship Council (FSC) 
	Beef	Global Roundtable for Sustainable Beef (GRSB)** 
	Wild-caught fish	Marine Stewardship Council (MSC) 
	Aquaculture	Aquaculture Stewardship Council (ASC)  Aquaculture Stewardship Council
	Cotton	Better Cotton Initiative (BCI)***    
	Sugar cane	Bonsucro 

*RSPO NEXT plans to be available in the market by the end of 2016 **Global principles and criteria are agreed, to be implemented via regional/national roundtables ***WWF also recommends Organic, Fairtrade and CmiA, but considers that BCI is best suited to mainstream production

The Consumer Goods Forum and sourcing of credibly certified commodities



IN THE PAST DECADE OR SO, LEADING COMPANIES HAVE TAKEN THE INITIATIVE TO DRIVE THE SUSTAINABILITY AGENDA

In the past decade or so, leading companies have taken the initiative to drive the sustainability agenda.⁸ There are several leading industry organizations, some working together with governments, with a focus on driving sustainable business practices, including the UN Global Compact, the World Economic Forum, the World Council for Sustainable Business Development, the CGF and its partner organizations the Tropical Forest Alliance and the Banking Environment Initiative.

Sustainability is one of the four strategic pillars of the CGF. Its initial focus was on addressing climate change, which was considered a strategic threat to the economy and society in general, as well as to businesses because of warmer temperatures, increased frequency and severity of extreme weather events and reduced availability of natural resources.⁹ Against this backdrop, the CGF Board of Directors agreed on a work plan to address sustainability challenges impacting the consumer goods industry, including developing environmental stewardship in global supply chains.

In 2010, the Board passed a resolution pledging to mobilize resources within their members' businesses to help achieve zero net deforestation by 2020 (see annex 1). This was to be achieved by individual company initiatives, and also in part by working collectively in partnership with governments and NGOs. The resolution proposed that individual member companies develop specific, timebound and cost effective action plans for the sustainable sourcing of soy, palm oil, pulp and paper, and beef. The CGF has also published sourcing guidelines to help their members sustainably source palm oil, soy, paper, packaging and pulp. The guidelines recognize the importance of RSPO, RTRS and FSC certification, which all have safeguards – among other criteria – on forest clearing and degradation.

While sourcing credibly certified commodities should be a key component of a company's strategy to source commodities sustainably, **other action is also essential to tackle the structural issues underlying unsustainable production and ecosystem degradation.** Several frontrunner companies are already implementing complementary sustainability actions, which are detailed on the next page.

Supporting small-scale and independent producers

Smallholders still account for significant proportions of commodity production. Around 40 per cent of global palm oil is produced by smallholders, for example. Many smallholders lack funding and knowledge to implement best practices or achieve certification.¹⁰ Several frontrunner companies fund initiatives to train smallholders in improving their practices and ultimately to achieve certification. It is also important to ensure that suppliers themselves are fully engaged in supporting small producers within their own supply bases. Major brands should source only from suppliers who do so. Companies which source seafood have funded Fisheries Improvement Projects to close the gap between current practices and MSC-compatible practices. The subsequent productivity and quality increases lead to more resilient supply chains from which the companies also benefit.¹¹

Engaging in industry-wide initiatives

Some frontrunner companies support collaborative action to move their industry sector, for example by participating in national and international industry commodity alliances and coalitions, or taking an active role in commodity multi-stakeholder roundtables. Examples include companies in the Palm Oil Innovation Group and others in the development of RSPO NEXT. Both initiatives aim to develop a more comprehensive and robust standard for responsible and sustainable palm oil production.

Figure 8

Examples of how the higher standards of RSPO NEXT and the POIG Charter build on the RSPO standard



	RSPO	RSPO NEXT and POIG
Extensive planting on peat	To be avoided	No new development on peat
Hazardous chemicals including paraquat	Phase out	Paraquat banned
Plant only on low carbon stock land	Guidance	Required
Landscape-level high carbon stock assessments, planning and action	Best practice	Required
Assessing and mitigating social impacts (such as food security) of new developments	Voluntary	Required
Public reporting on GHG emissions from existing and new developments	Voluntary until end 2016	Required
Millers to work with independent smallholder suppliers to improve their practices and yields and help with their development	Suggested	Required

Both RSPO NEXT and the POIG Charter build upon the principles and criteria of the RSPO, and are designed to be an add-on to RSPO for companies which are already RSPO-certified — not an alternative. Producing palm oil that is RSPO-certified and RSPO NEXT and/or POIG-verified will effectively break the link between palm oil and unacceptable deforestation, greenhouse gas (GHG) emissions, land conflicts and human rights and labour violations.

Engaging policy-makers to advance governance, policy and land use planning

Achieving sustainability at scale means addressing underlying challenges such as weak governance and illegality. Companies increasingly have an important role to play in public-private partnerships to reform land use policy, clarify land rights and tenure, and build the capacity of governments to implement these policies. A range of jurisdictional approaches is emerging with these objectives (for example, the World Bank’s Carbon Fund and Initiative for Sustainable Landscapes), pairing companies’ technical capacities and purchasing power with climate finance to assist governments willing to take on these challenges and measure results at scale. WWF strongly encourages companies to explore opportunities like these to expand their influence beyond their immediate supply chain.

A few frontrunner companies have started to advocate and work toward the creation of regions or landscapes where they source from, in which the vast majority of producers follow better production practices (the so-called “jurisdictional approach”). In 2015 several CGF members announced their intention to implement jurisdictional forest, climate and agriculture approaches for some commodity sourcing. Under such an approach, they commit to prioritize the sourcing of commodities from areas where governments invest in sustainable agricultural production, forest protection and protection of livelihoods.¹²



Replanting of trees in Vietnam, after devastating deforestation.

© ELIZABETH KEMFWWF



Deforestation-free commitments: WWF's perspective

Preventing further forest loss is a critical aspect of sustainability. Failing to make substantial progress will mean huge and irreversible losses in biodiversity and ecosystem services, negative social impacts for the communities which depend on forests for food and for their livelihoods, and less prospect of reducing GHG emissions quickly enough to keep global temperature rises to 2°C or below. Soft commodity supply chains are complex, including those which are most associated with deforestation – palm oil, timber, pulp and paper, soy and beef. All stakeholders including governments, growers, traders, feed manufacturers, NGOs, brand manufacturers and retailers need to work collaboratively if deforestation is to be eliminated from supply chains.

In the past few years there have been several important commitments, including the resolution by the CGF, the Tropical Forest Alliance and the New York Declaration on Forests. Many of the world's largest companies, including brand manufacturers and retailers, as well as producers and traders, have also made individual deforestation-free commitments. Although these company commitments are a welcome first step, there is much ambiguity about what can be considered deforestation-free and how it can be verified, wide variation in the wording of the commitments and no clear consensus on what qualifies as deforestation-free sourcing. WWF urges all companies to recognize their responsibility to ensure that the commodities they

purchase do not contribute to deforestation. Committing to a deforestation-free supply chain is only a first step. To have real impact, such commitments then need to be translated into quantified, timebound action plans and progress against commitments and action plans reported publicly at least annually. Companies also need to ensure that no forest degradation will take place, as it often leads to “death by a thousand cuts”. Sustainability should be the end-goal of a company's sourcing policy.

In this regard a significant step toward deforestation-free supply chains can be achieved by sourcing only credibly certified commodities. Certification schemes such as RSPO, FSC and RTRS all have safeguards on forest clearing and degradation. While some of these still need to be strengthened, a commitment and associated actions to source such certified commodities is a credible way for a company to contribute to achieving zero deforestation in its supply chain.

It also avoids wasteful investment in new stakeholder platforms, standards and verification systems by building on existing credible standards and their systems for stakeholder participation, auditing, chain of custody, control of claims and handling of grievances. In addition, certified and labelled products help educate consumers about the sourcing practices behind the products they are buying.

Additional actions by companies to achieve deforestation-free supply chains will probably need to include:

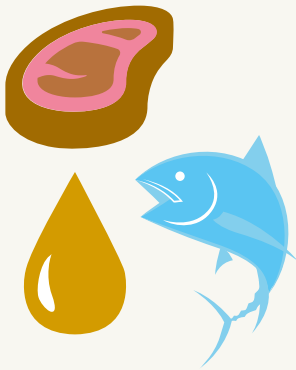
- Mapping their supply chains to gain transparency ultimately to farm and forest level to ensure full adherence to their deforestation-free policy as well as legal compliance; utilizing independent verification to ensure the policy is implemented and thereby strengthening its credibility;
- Supporting and extending collaborative initiatives like the Soy Moratorium in Brazil, in which multiple supply chain and government stakeholders work together to ensure that pledges to cut Amazonian deforestation out of soy supply chains originating in Brazil are enforced;
- Engaging with the governments of jurisdictions from where commodities are sourced to promote integrated landscape planning approaches and to initiate the restoration of degraded forests.

RESEARCH ANALYSIS

WWF's research found that most CGF member companies should be doing much more on sustainable sourcing.

Introduction

There is a widespread perception that most CGF companies have already taken steps to source commodities sustainably. This is partly a result of the high profile zero deforestation resolution, and partly to do with the highly publicized individual actions of several leading CGF member companies. Indeed, some CGF member companies – notably those that are members of the CGF Sustainability Committee – have demonstrated strong leadership, endorsing the resolution of the CGF Board and making individual commitments, for example to take deforestation out of their supply chains, to source sustainably produced commodities, to contribute to responsible water stewardship or to source 100 per cent sustainable seafood.



THERE IS A WIDESPREAD PERCEPTION THAT MOST CGF COMPANIES HAVE ALREADY TAKEN STEPS TO SOURCE COMMODITIES SUSTAINABLY

However, WWF's comprehensive analysis undertaken between 1 March and 15 April 2016 of the most recent annual reports, sustainability reports and websites of the 256 brand manufacturer and retailer members of the CGF highlights that progress so far is too slow and the majority of CGF members haven't yet committed to sustainable sourcing in their supply chain nor taken any related actions.

WWF's research examining CGF companies' performance on sustainable sourcing consists of four main elements:

1. An analysis of their potential impact;
2. An analysis of the quality of their sustainability reporting;
3. An analysis of their commitments to source more sustainable commodities;
4. An analysis of other specific sourcing policies addressing other dimensions of environmental impact.

To obtain an overview of CGF member companies' potential impact (section 1), commodity volume estimates and market shares were used as explicative factors. For an overview of the actual status of sustainability commitments (sections 2, 3, and 4), the annual reports, sustainability reports and corporate websites of the 256 brand manufacturers and retailers which are members of the CGF were reviewed during the period 1 March to 15 April 2016.

1. The potential impact of CGF member companies on the market transformation of priority soft commodities

The first stage of the analysis, examining the potential influence of CGF member companies, aimed to understand the role and leverage that CGF member companies have in priority commodity markets – and thus gain insight into the extent to which these companies can influence the markets.

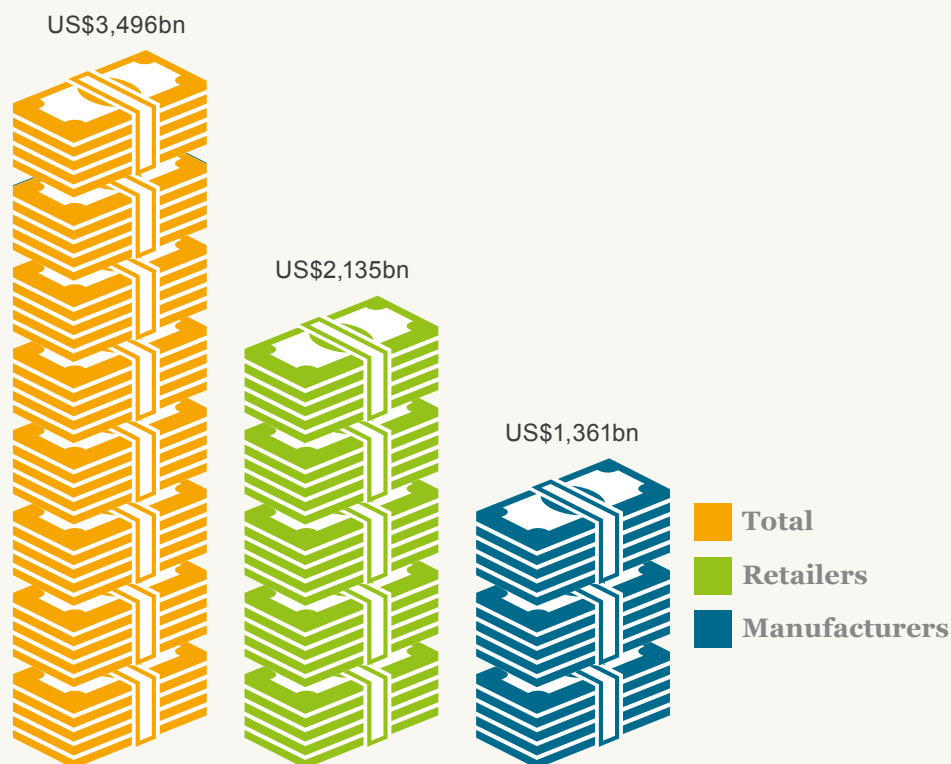
The analysis was carried out by estimating the volume shares of global production in these companies' supply chains. Few companies disclose the volumes of key commodities that they source, except in the case of palm oil where RSPO membership requires detailed disclosure. The methodology used for estimation of volumes and other variables is detailed in [annex 5](#).

1.1 CGF brand manufacturers and retailers – potential influence by commodity

The CGF has over 400 member companies in 70 countries, including 130 branded goods manufacturers and 126 retailers. **These 256 companies have a combined revenue in excess of US\$3.5 trillion¹³ (see figure 9). This means they have significant leverage to push for sustainable commodities in their supply chains.**

Figure 9

Estimated revenues of CGF manufacturers and retailers



“M&S can’t change the world of palm oil on its own. We use a fraction of the world’s supply. By teaming up with other big players in the industry through the Forum, we have additional leverage and can share best practice. Very simply, together we are stronger and can move faster to help create a more sustainable approach to production and consumption.”

Mike Barry, Director of Sustainable Business, Marks & Spencer

(Source: CGF website)

The potential leverage of CGF retailers and manufacturers differs significantly between different commodities.

Brand manufacturers can have significant leverage to push for change in the value chains of their branded products. As they do with requirements on product quality or safety, they can demand sustainable practices from their suppliers. Retailers typically have the highest leverage in the supply chains of their own private label products. However, for retailers, extending supplier requirements to all sourced brands is feasible – as a number of proactive companies are already demonstrating.

The most important commodities for both types of CGF members were determined by making the link between product categories and the different priority commodities, and further, by determining which product is most often produced/sold by whom (see figure 10).



Figure 10
Commodities most commonly used by retailers and manufacturers

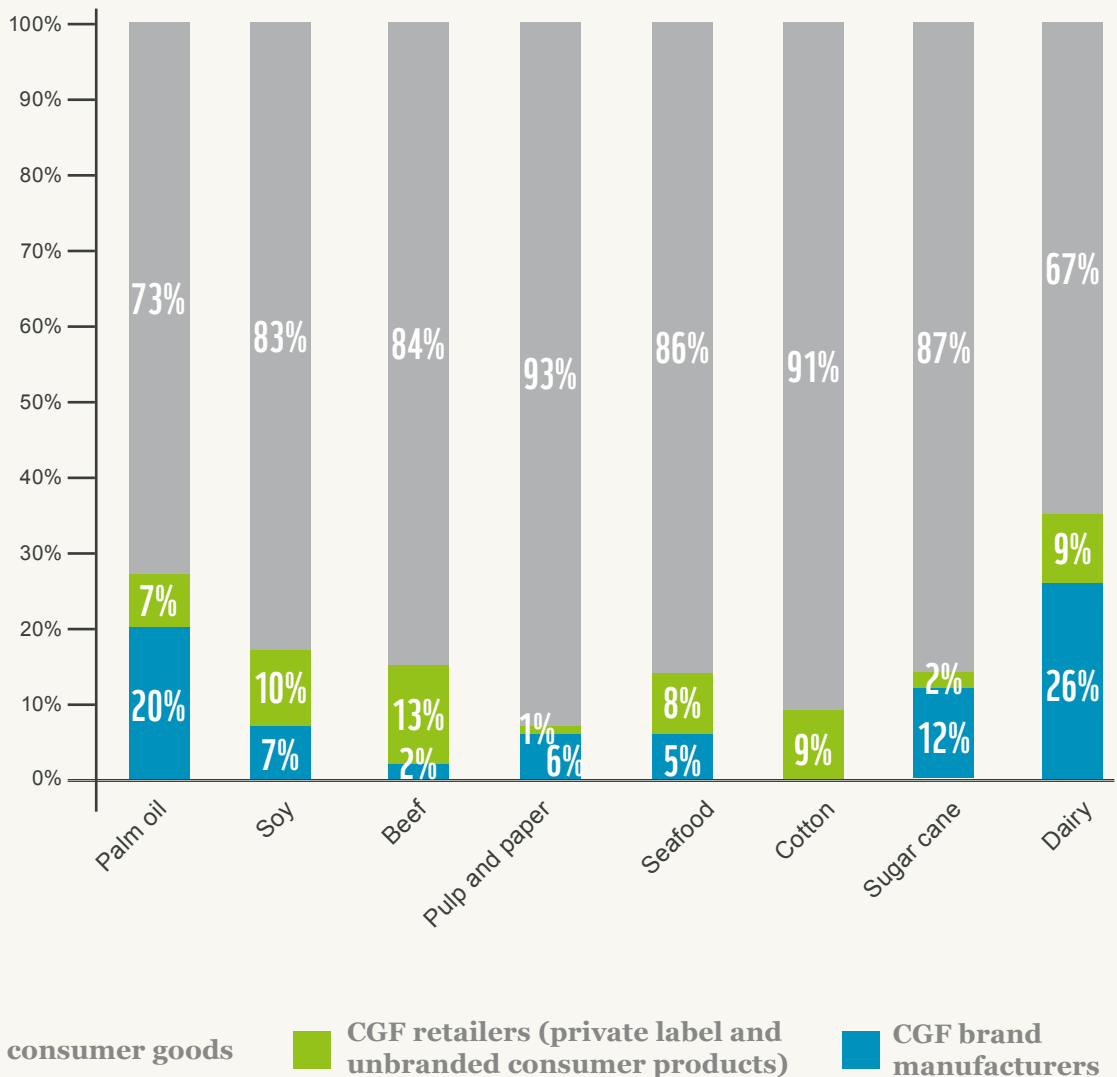
Palm oil, paper, pulp, sugar cane and dairy (and thus indirectly soy) are most commonly used in the products CGF manufacturers produce. Soy, beef, seafood¹⁴ and cotton are most commonly included in private label products from CGF retailers. So, it is in those commodity markets that manufacturers and retailers have the most leverage.

1.2 CGF member company commodity market shares

The percentage of each commodity’s global production that is purchased by CGF member companies was estimated by analysing their total revenue and the product portfolio mix of each company, and then aggregating that data. The estimated shares are illustrated in figure 11. See more detail on this estimation in [annex 5](#).

Figure 11

Estimated percentage of global production of priority commodities purchased by CGF member companies



The percentage of global production used in the brands produced by CGF member brand manufacturers, regardless of the channel in which they are sold, is shown in blue. The green area indicates the percentage of global production in CGF member retailers' own brands and unbranded products sold through CGF member retailers.

This demonstrates that **CGF companies are just one important stakeholder with influence on global commodity markets, and emphasizes the need for all stakeholders – including governments – to strive for more sustainable production of soft commodities.** Large proportions of commodities are consumed in the countries in which they are produced and are not traded globally. For example, between 20 per cent and 35 per cent of the palm oil produced in Indonesia is consumed there.^{15,16} Likewise, large proportions of the beef (80 per cent)¹⁷ produced in Brazil is consumed domestically. Furthermore, significant volumes are exported to countries where the demand for more sustainable commodities is not on the agenda, for example palm oil for India and soy for China.



**MANY OF THE
CGF MEMBERS
ARE LEADERS IN
THEIR INDUSTRY
AND CAN INFLUENCE
THEIR PEERS**

Nevertheless, the leadership role that companies can play is significant. CGF members' combined market share of the priority soft commodities is estimated to be 17 per cent on average, ranging from 7 per cent of global pulp production to 35 per cent of global dairy production.

WWF's research has illustrated that CGF member companies collectively have significant potential leverage in all commodities. In palm oil they use over one-quarter of global production, and in dairy 12 CGF member companies purchase almost one-third of global production, and thus also have a major indirect impact on soy because of the significant volumes used in the dairy sector as feed.¹⁸ Meanwhile in sugar cane, 14 CGF member companies buy almost 14 per cent of global production. In cotton, there are only seven CGF member retailers for which cotton is a material impact, but they represent almost 9 per cent of the market.¹⁹

Furthermore, in addition to the value of the commodities they purchase, many of the CGF member companies are considered leaders in their industry and have the ability to influence their peers.



Cotton is much in demand for clothing. It is also a water intensive crop that is grown in hot regions that often suffer from water scarcity.

© ASIM HAFEEZ/MWF-UK

2. Quality and content of CGF member companies' sustainability reporting

A primary indication of a company's quality of reporting on its sustainability policies and performance is the publication of sustainability information, including policies and strategies, timebound quantified commitments, action plans to achieve those commitments and progress against the commitments.

Disclosure of sustainability policies also helps investors and shareholders assess the environmental risks that companies face and gauge a company's relative understanding of its exposure to risks and opportunities in its supply chain. Therefore, the second stage of the analysis looked into the reporting practices of CGF member companies in terms of their comprehensiveness, detail and adherence to recognized reporting guidelines.

The regulation of compulsory sustainability reporting by governments has become the norm

As shown by the GRI's *Carrots and Sticks: Global trends in sustainability reporting regulation and policy* report 2016 edition,²⁰ policies establishing mandatory sustainability reporting for businesses have rapidly become the norm, at least throughout the world's biggest economies.



The GRI's report found that 64 of the 71 countries examined in 2016 had a form of sustainability reporting policy or guideline in place, with a substantial increase noted since the prior analysis in 2013. Of these reporting policies, as many as two-thirds are mandatory and over three-fifths cover reporting on specific environmental or social criteria. Although the growing number of reporting policies (six per country on average) can pose challenges for entities that are required to report, this trend comes alongside the international community's agreement on the SDGs, which should guide harmonization into the future.

As stated by the GRI: "Without reporting we cannot know what is being done or how close, or how far, we are from where the world needs to be." The SDGs, in fact, have engraved the need for sustainability reporting in Goal 12.6, encouraging companies to integrate sustainability information into their reporting cycles.

As an example, in the EU, sustainability reporting will become mandatory by law for publicly traded companies based in the EU with more than 500 employees. The deadline for EU member states to transpose the directive is December 2016.^{21, 22}

2.1 Proportion of companies reporting on sustainability

Analysis shows that only 42 per cent of the CGF members publish a sustainability report. Retailers perform slightly worse than manufacturers; only 37 per cent of the CGF retailers provide information about their sustainability policies versus 46 per cent of the CGF manufacturers (see figure 12). Some companies do not have a sustainability report, but do provide information on their corporate websites.

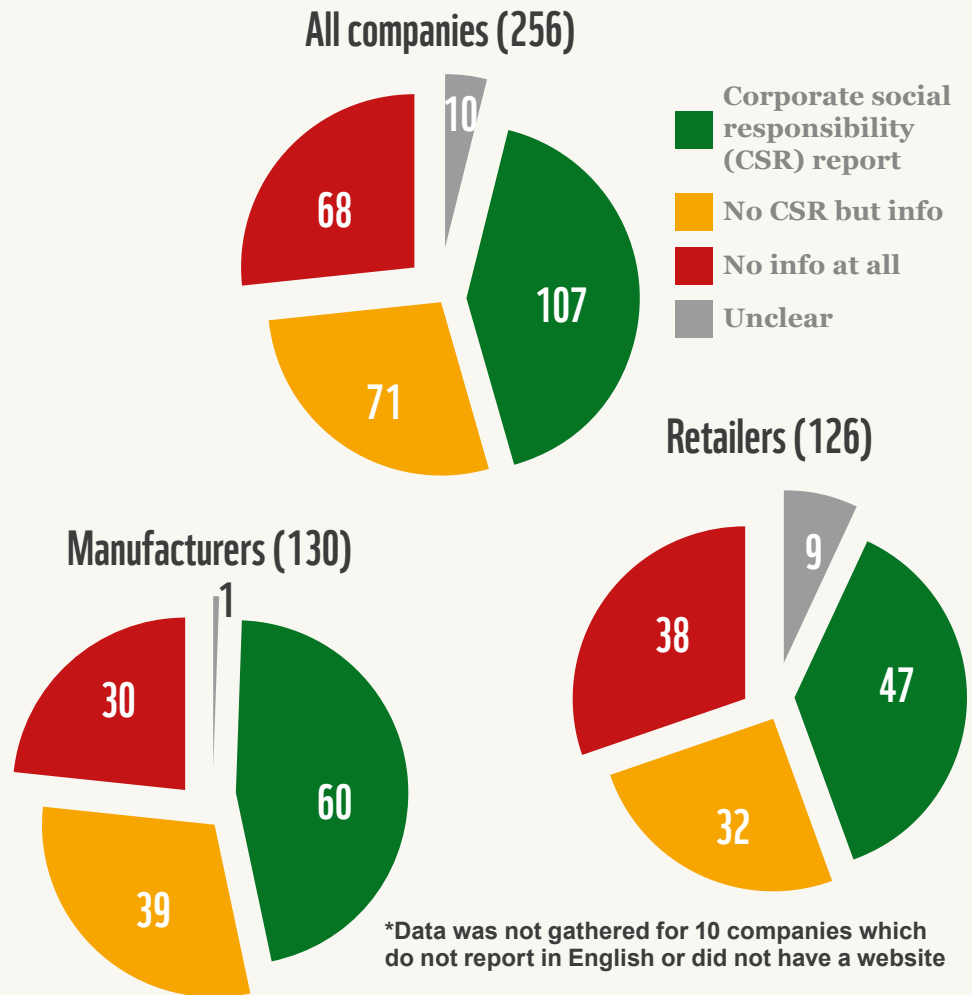
It's not a requirement to have external verification in some countries, including the US (unless reporting follows GRI guidelines). However WWF encourages companies to do so, to ensure a higher degree of credibility. Also, some companies only communicate in their national language. As CGF member companies are active internationally, it is important that their sustainability initiatives be communicated in English so they are transparent to all stakeholders.



ONLY 42 PER CENT OF THE CGF MEMBERS PUBLISH A SUSTAINABILITY REPORT

Figure 12

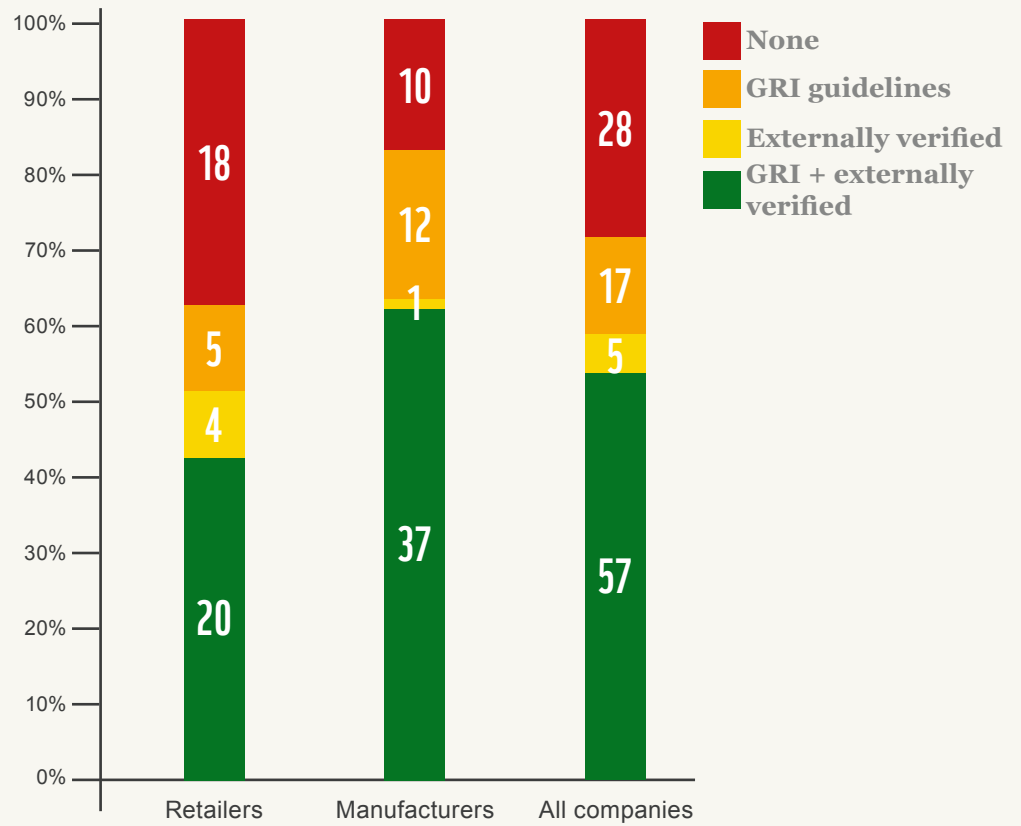
CGF manufacturers and retailers' sustainability reporting*



The GRI sustainability reporting guidelines offer principles of credible reporting for organizations, regardless of their size, sector or location. 74 per cent of the CGF companies that publish a sustainability report adhere to GRI reporting guidelines and/or employ independent verification. 53 per cent follow both GRI guidelines and are externally verified, 5 per cent are only externally verified and 16 per cent only follow GRI guidelines. Retailers perform worse than manufacturers: 62 per cent follow guidelines and/or make use of independent verification versus 83 per cent of manufacturers (see figure 13).

Figure 13

Quality of CGF manufacturers and retailers' sustainability reports



2.2 Sustainability reporting by region and size of company

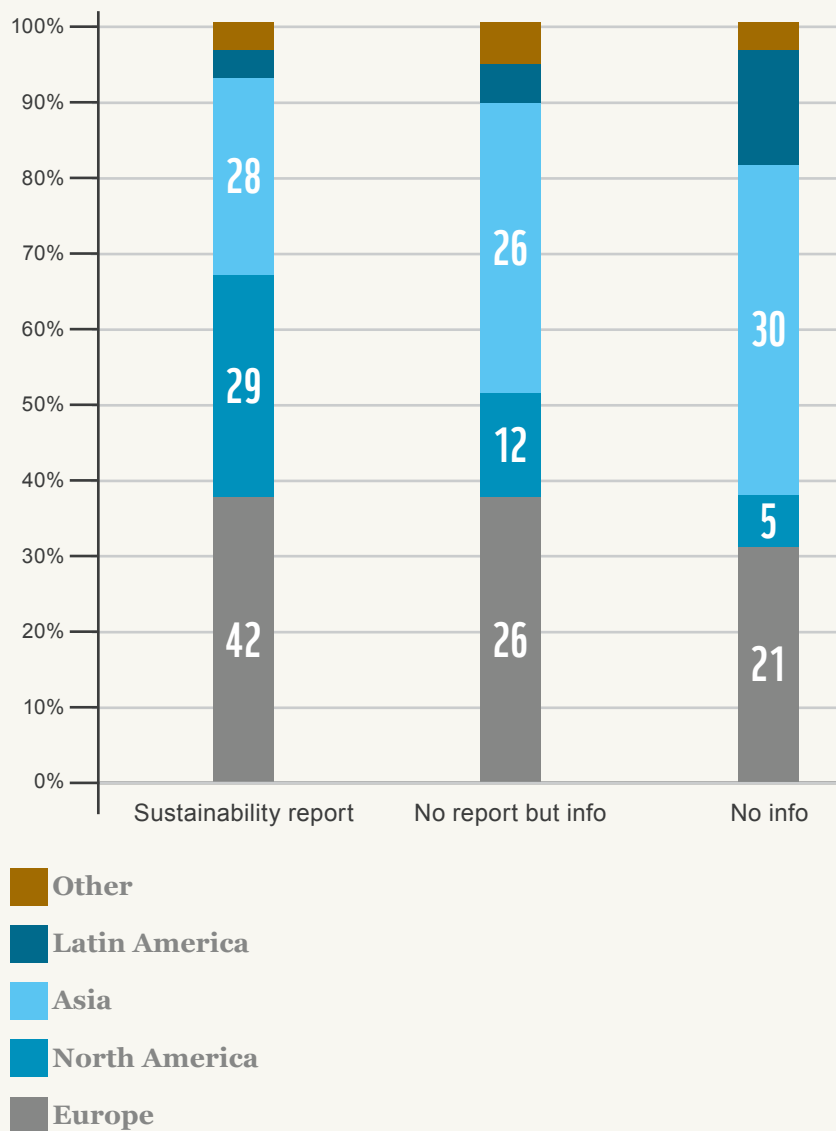
The majority of European and North American CGF member companies are reporting their sustainability policies (see figure 14). Companies in other regions are less inclined to provide information.



IN GENERAL, IT IS THE LARGEST COMPANIES THAT ARE REPORTING, AND MOST ARE DOING SO IN ACCORDANCE WITH INTERNATIONAL GUIDELINES

Figure 14

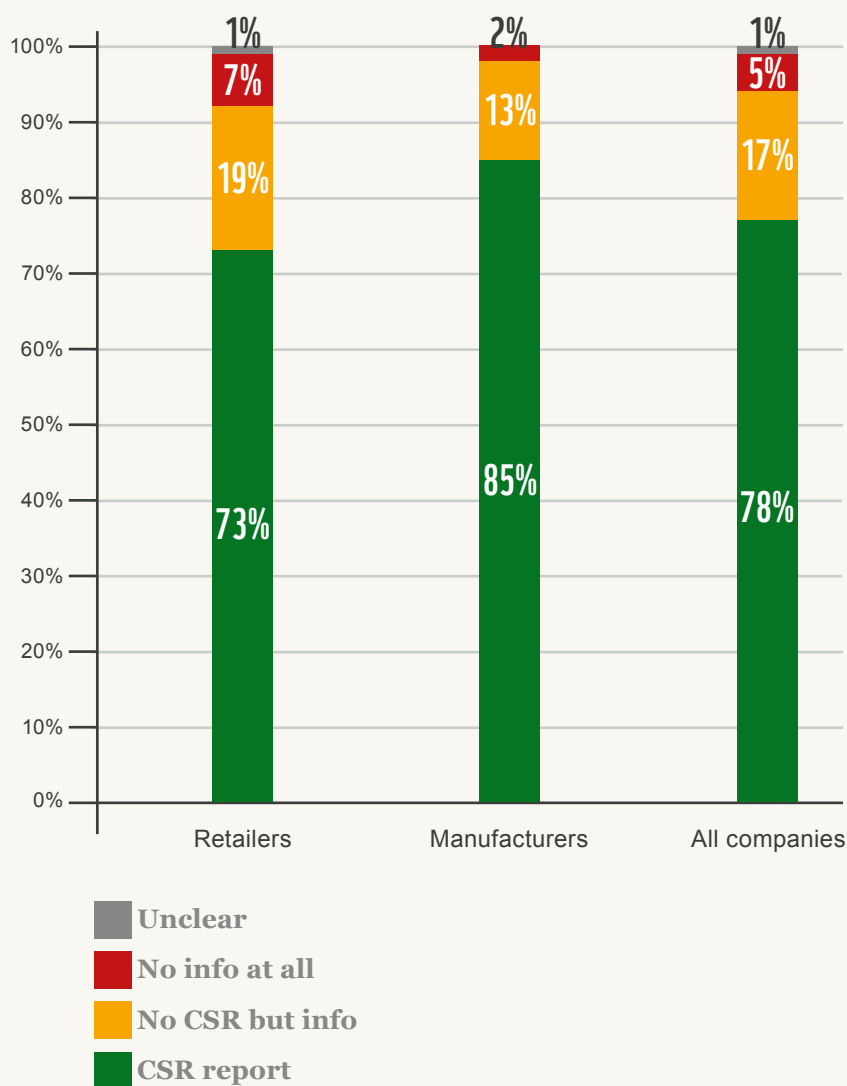
CGF members' sustainability reporting by region



In general, it is the largest companies that are reporting, and most are doing so in accordance with international guidelines. As illustrated in figure 15, the 42 per cent of the CGF members that have a sustainability report account for an estimated 78 per cent of the total revenue of CGF member companies. In the case of manufacturers this is 85 per cent, for retailers 73 per cent.

Figure 15

CGF manufacturers and retailers' sustainability reporting related to percentage of total CGF revenue



2.3 Subjects covered in CGF member companies' sustainability reporting

Most sustainability reporting and commitments of CGF member companies are related to one or more of the following areas:

- Energy efficiency
- Waste reduction
- Water efficiency

These impacts are mostly within the companies' own operations and so can be addressed more easily without the need to engage with suppliers for example. They also contribute directly to lowering input costs and therefore improved operating profit, in addition to the environmental benefits, and so represent immediate priorities to improve financial performance.

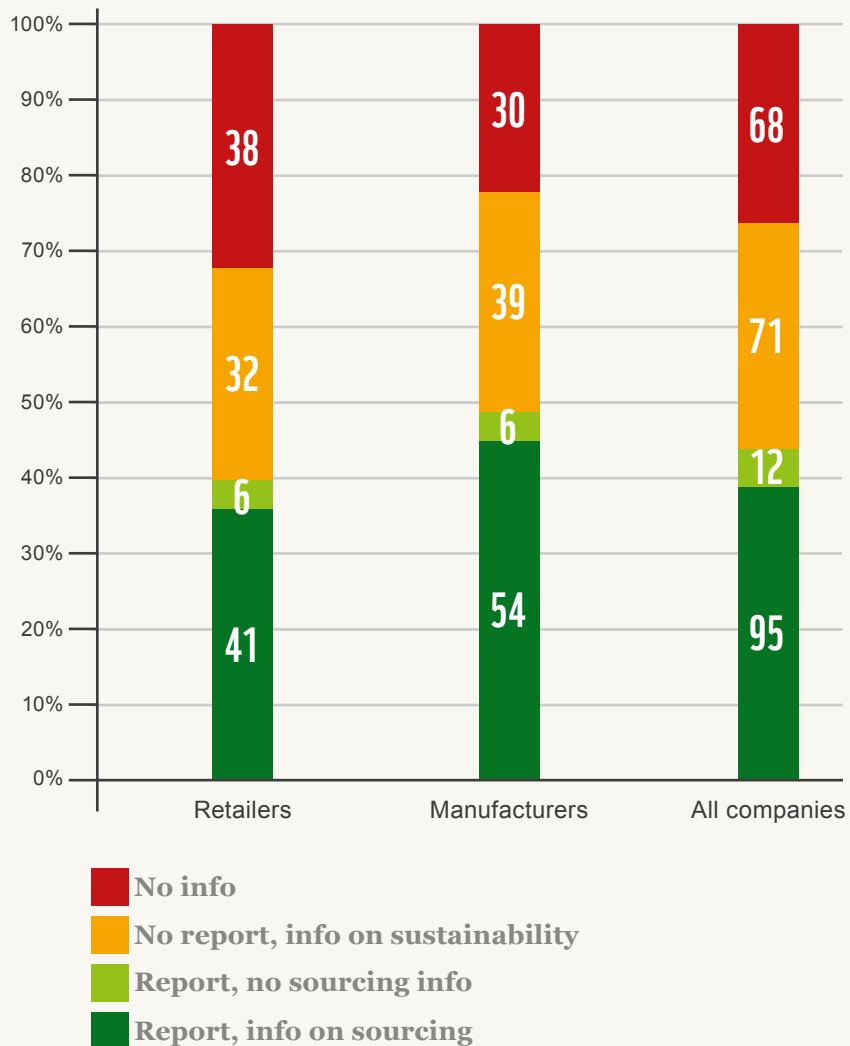


**OF THE
178 COMPANIES
THAT REPORT
INFORMATION
ABOUT THEIR
SUSTAINABILITY
POLICIES,
32% DO
NOT DISCLOSE
DETAILS OF
THEIR SOURCING
POLICIES**

Of the 178 companies that report information about their sustainability policies, 32 per cent do not disclose details of their sourcing policies, for example by providing reference to specific commodities sourced or policies to do so sustainably (see figure 16). The number of companies that do not disclose any information on their sourcing practices is equally split between retailers and manufacturers, and the majority are from Asia and Latin America.

Figure 16

CGF manufacturers and retailers' sustainability reporting



**ACT
NOW**

Quality of reporting: Companies should do more










WWF urges CGF companies to recognize the importance of quality reporting, including covering sourcing policies, to increase transparency and accountability in commodity value chains.

- 58 per cent of CGF companies need to step up and publish sustainability reports. This is especially the case for small- and medium-sized companies from Latin America. All sustainability reporting should follow internationally recognized guidelines and be verified externally.
- 54 per cent of the CGF companies need to start disclosing information on their sourcing policies and they should do so in their sustainability report, especially Asian companies.

46 per cent of the CGF companies report on sourcing. 86 per cent of those companies do so through their sustainability report. Figure 17 below shows the situation by commodity.

Figure 17

Percentage of CGF member companies reporting on sourcing per commodity

	Commodity	% reporting	% with CSR report*
	Palm oil	45%	39% (88%)
	Soy	42%	36% (85%)
	Beef	40%	33% (82%)
	Pulp and paper	67%	57% (84%)
	Seafood	41%	35% (87%)
	Aquaculture	41%	35% (87%)
	Cotton	86%	86% (100%)
	Sugar cane	93%	93% (100%)
	Dairy	67%	58% (88%)
	Weighted averages	46%	40% (86%)

*The first figure is a % of total; Figure in brackets is as % of those reporting on sourcing

3. CGF member companies and their commitment to sustainable sourcing

As detailed earlier WWF believes that **committing to source sustainably produced soft commodities is a fundamental step to making sustainability the norm.**

The first stage of the analysis examining product portfolios identified which commodities are material for each CGF member company. In this third phase, companies have been scored on their commitments to sustainable sourcing for those commodities according to the following categories:

- None – no information on sustainable sourcing;
- Good intentions – some sort of information on sustainable sourcing, or a contribution to it through for example training programmes for smallholder farmers;
- Standards organization support – member of the WWF-recommended roundtable standards scheme or recognition/favouring/endorsement of a WWF-recommended standard;
- Commitment – commitment to sourcing commodities to WWF-recommended standards;
- Commitment (quantified and timebound) – quantified and timebound commitment to sourcing commodities to WWF-recommended standards.

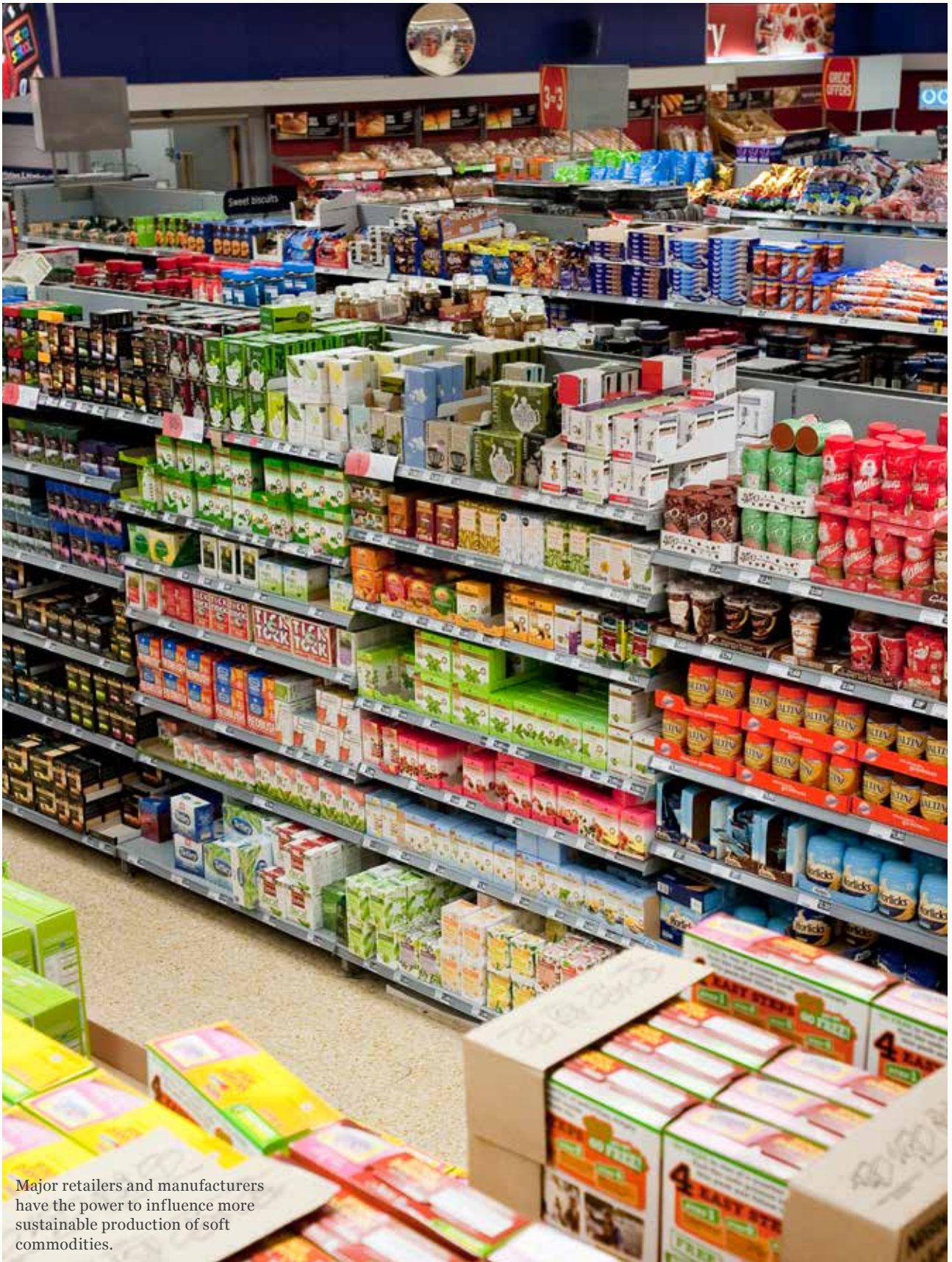
BEST PRACTICE: Unilever



In the “Sustainable Living” section on its website, Unilever describes its “strategy for sustainable business”. Reports on progress are included. For each sustainability challenge, the company provides a section called “Target & Performance”, which contains its perspective on the challenge, one or more (quantified) commitments, and the company’s performance against those commitments. In addition to this, Unilever provides a more detailed document that outlines the company’s past and future actions on each building block of its sustainability plan.

3.1 CGF members’ commitment to WWF-recommended standards

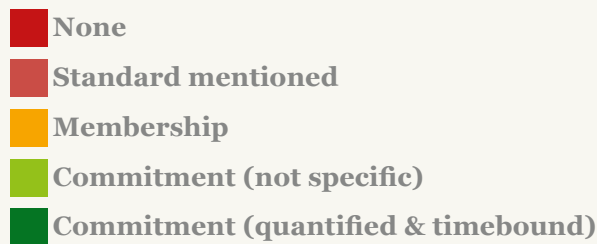
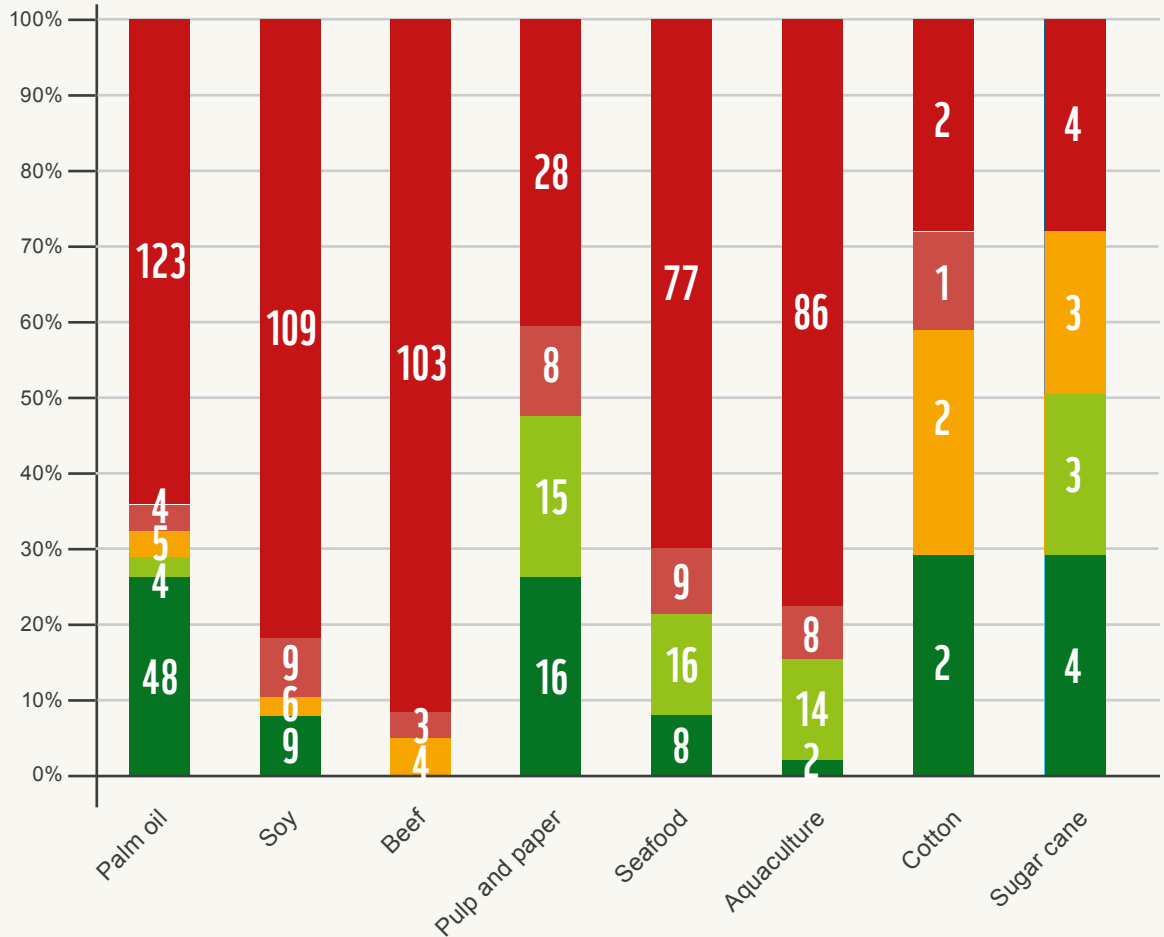
CGF member commitments to WWF-recommended standards are summarized in figure 18. **The proportion of companies communicating quantified and timebound commitments to source commodities produced according to WWF-recommended standards is extremely low across all commodities.**



Major retailers and manufacturers have the power to influence more sustainable production of soft commodities.

Figure 18

CGF members' commitments to recommended standards



BEST PRACTICE: Royal Ahold











Royal Ahold is committed to ensuring that 100 per cent of critical commodities (palm oil, soy, etc.) that it uses for its private label products are certified by WWF-recommended standards.

As summarized in figure 19, of the commodities which are material for the companies, a weighted average of just 22 per cent are covered by at least a general intention to source according to credible standards. By commodity this varies from 3 per cent to 71 per cent. Meanwhile, a weighted average of just 14 per cent are covered by quantified timebound commitments to source commodities produced sustainably. By commodity this varies from 2 per cent to 28.5 per cent.

Figure 19

Overview of CGF member companies' commitments to WWF-recommended standards and roundtables

	Commodity	Standard	Relevant companies	Endorsing companies	%	Timebound commitment	%
	Palm oil	RSPO	184	57	31%	48	26%
	Soy	RTRS	130	12	9.2%	9	7%
	Beef	GRSB	110	4	3.6%	n.a.	
	Pulp and paper	FSC	67	16	46%	16	24%
	Seafood	MSC	110	24	22%	8	7%
	Aquaculture	ASC	110	16	14%	2	2%
	Cotton	BCI	7	4	57%	2	28.5%
	Sugar cane	Bonsucro	14	10	71%	4	28.5%
Weighted averages					22%		14%




AN AVERAGE OF
JUST 14% ARE
COVERED BY
QUANTIFIED
TIMEBOUND
COMMITMENTS
TO SOURCE
CREDIBLY CERTIFIED
COMMODITIES

All of the companies that have communicated a quantified and timebound commitment do so for 100 per cent of their anticipated volume requirements by 2020 for palm oil, aquaculture and sugar cane (see figure 20). For cotton, one company (of the three committed companies) commits to 70 per cent BCI cotton by 2020. For soy, one company commits to 40 per cent (by 2016), while four retailers are committed to cover the soy embedded in the meat products that they sell. In seafood, one company commits to 80 per cent MSC-certified and two retailers have commitments related to specific species.²³

Figure 20

CGF members with quantified and timebound commitments by commodity

	Commodity	% of companies with quantified and timebound commitment	By when	% of companies committed to 100%
	Palm oil	26%	2020	100%
	Soy	7%	2020	57%
	Beef	No standard		
	Pulp and paper	24%	2020	80%
	Seafood	7%	2020	62%
	Aquaculture	2%	2020	100%
	Cotton	28.5%	2020	50%
	Sugar cane	28.5%	2020	100%

3.2 CGF members' commitments by company type and by region

Figure 21 illustrates commitments by retailer and manufacturer. **80 per cent of retailers do not refer to the sourcing of their commodity purchases, for manufacturers the figure is 52 per cent.**

Figure 21

CGF members' commitments to WWF-recommended standards or roundtables by company type



80% OF RETAILERS DO NOT REFER TO THE SOURCING OF THEIR COMMODITY PURCHASES

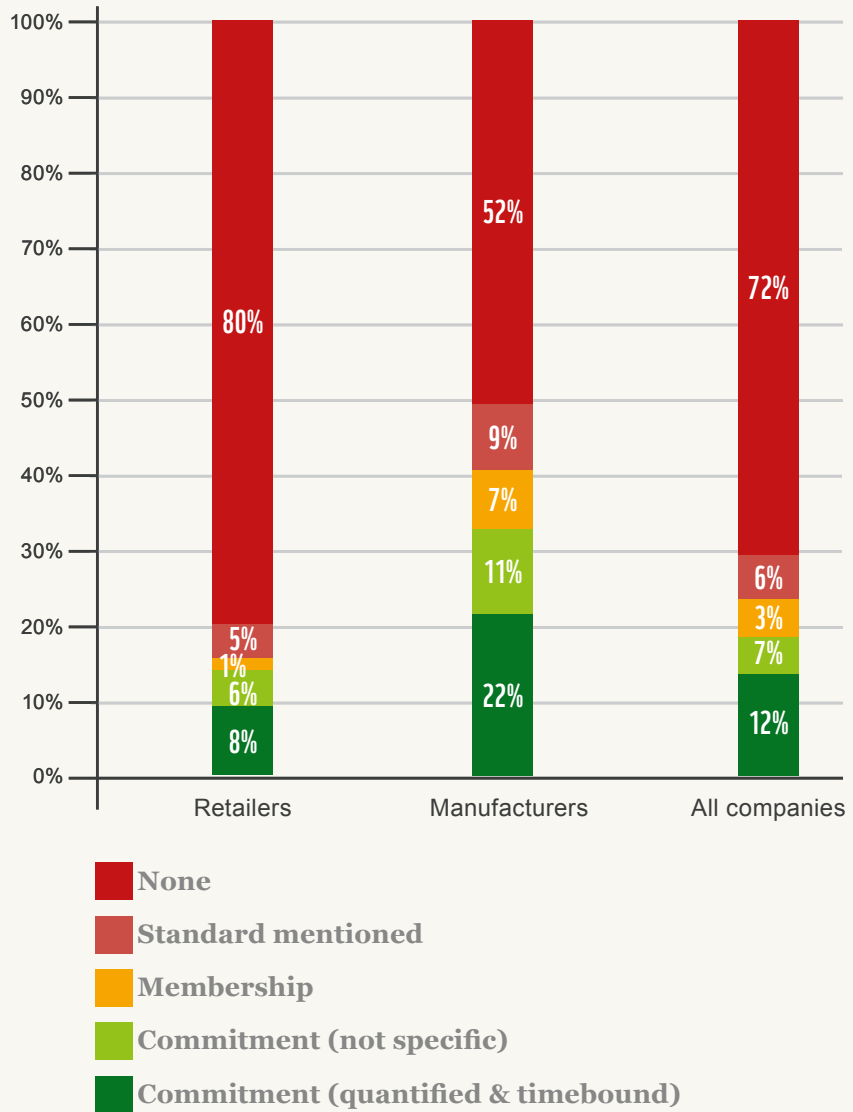
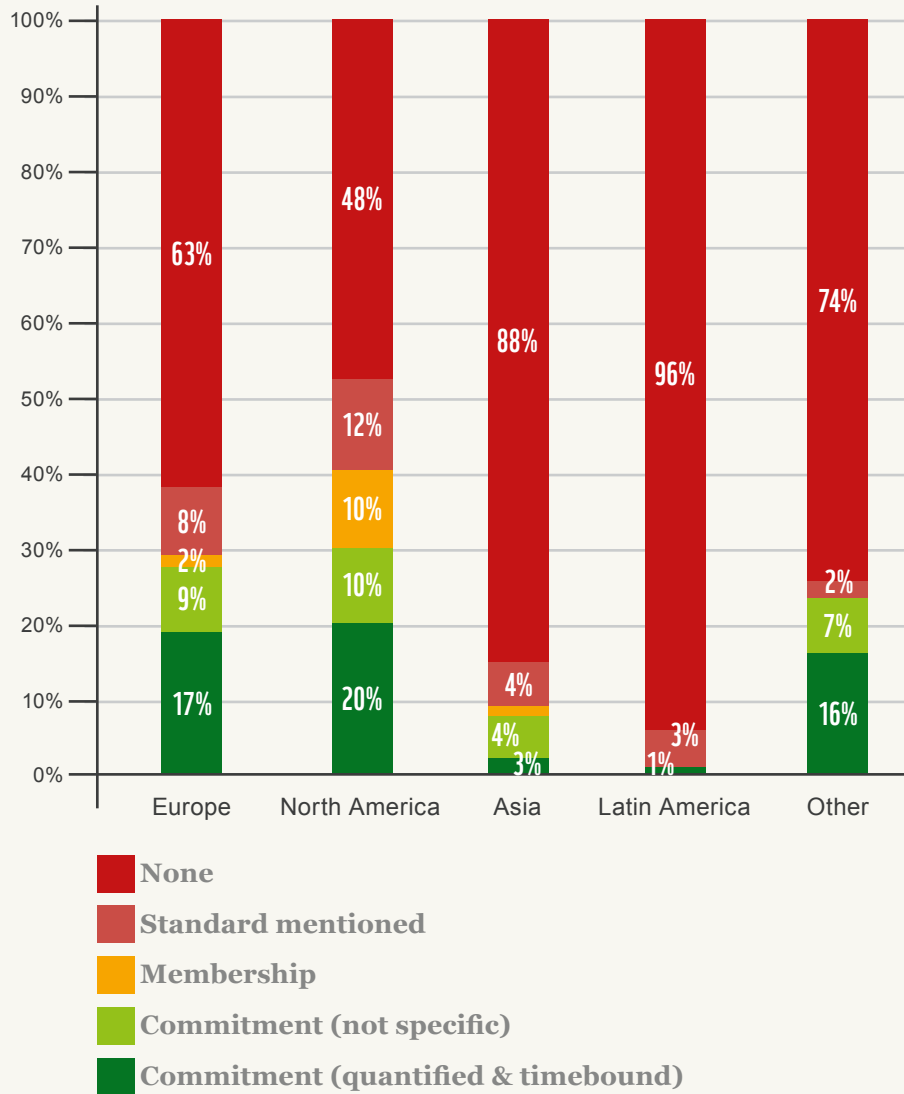


Figure 22

CGF members' commitments to WWF-recommended standards or roundtables by region



EUROPEAN AND NORTH AMERICAN COMPANIES HAVE MORE COMMITMENTS TO WWF-RECOMMENDED STANDARDS THAN COMPANIES IN THE REST OF THE WORLD



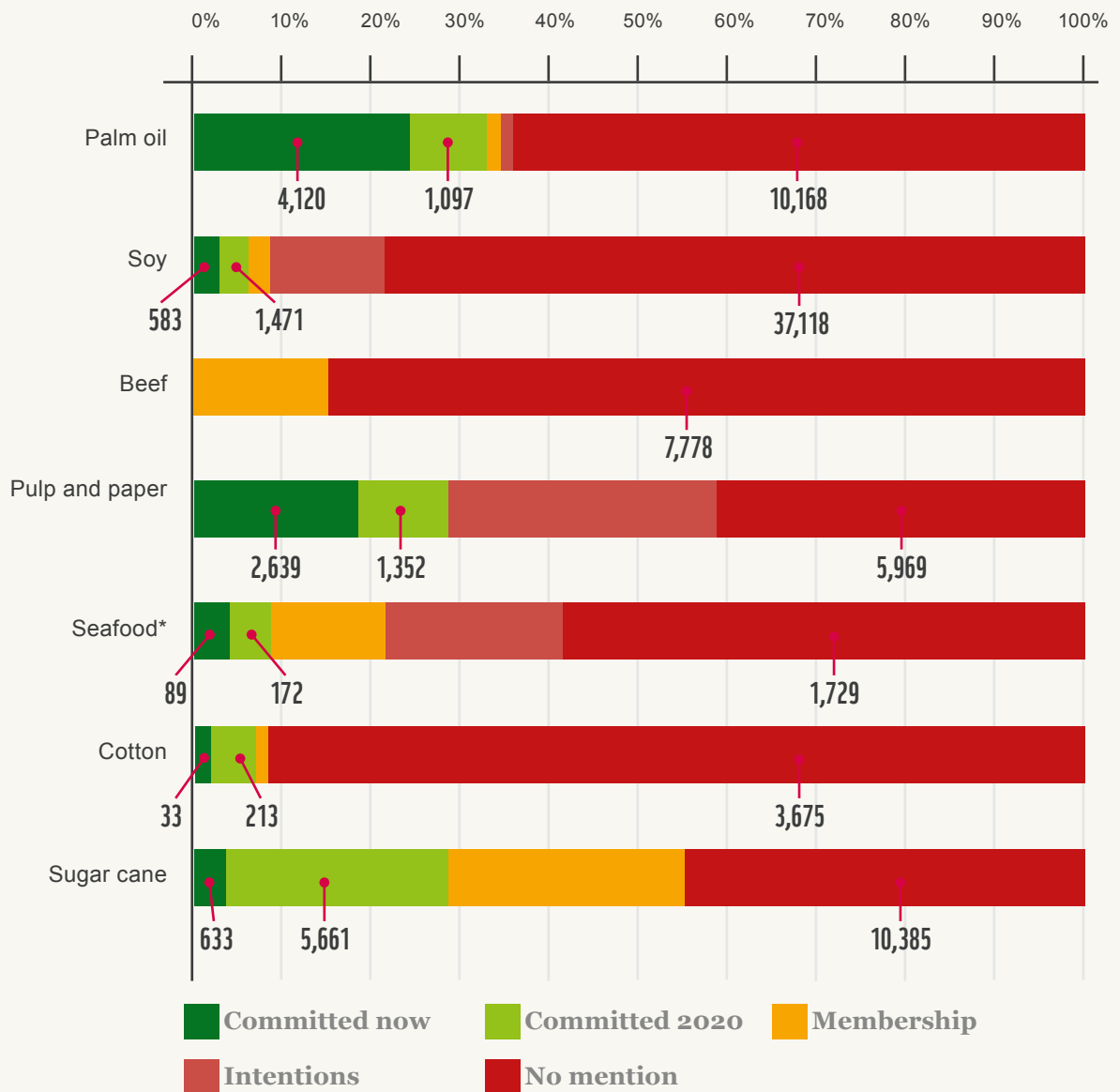
In figure 22 it can be seen that European and North American companies have more commitments to WWF-recommended standards than companies in the rest of the world.

3.3 CGF members' current and committed certified volumes

In figures 23 and 24 CGF member commitments are shown according to the volumes they source. For example, if a company states it sources 70 per cent certified RSPO today and will source 100 per cent by 2020, then 70 per cent of the total sourcing volume is included as “committed today”, the remaining 30 per cent falls under “committed 2020”.

Figure 23

CGF members' cross-commodity commitments related to volume (in thousand tonnes)









*WWF priority species only

For palm oil, the actual committed volumes are submitted to the RSPO. The percentage of commitments for palm oil is calculated by relating the actual committed volumes to the estimated total volume of palm oil sourced by CGF members. For all the other commodities such data is not collected, and volumes have been estimated based on companies' total revenues and product portfolios.

Commitments are highest for RSPO palm oil (33 per cent) and FSC pulp and paper (29 per cent), and lowest for RTRS soy and BCI cotton (just 4 per cent and 6 per cent respectively).

Figure 24

Percentage of CGF members' volume which is certified according to WWF-recommended standards

	Commodity	% of CGF members committed	% of total volume certified 2015	% of total volume certified by 2020	Total
	Palm oil	26%	26%	7%	33%
	Soy	7%	1%	3%	4%
	Pulp and paper	24%	19%	10%	29%
	Seafood	7%	3%	6%	9%
	Cotton	28.5%	1%	5%	6%
	Sugar cane	28.5%	3%	25%	28%
	Weighted averages		8%	9%	17%

BEST PRACTICE: RSPO reporting requirements



RSPO members submit Annual Communication of Progress (ACOP) reports to demonstrate their progress toward 100 per cent RSPO-certified sustainable palm oil. These reports are mandatory for Ordinary members, and are submitted each year. In 2014, 68 per cent of RSPO members complied with this requirement.

In 2015, the consequences of non-reporting became clear when companies that did not submit an ACOP to the RSPO for three consecutive years had their membership terminated immediately. Organizations that failed to report for two consecutive years had 30 days to comply before their certificates and trademarks were revoked.^{24,25}

Companies should make stronger commitments

- A quantified and timebound commitment is essential for companies that want to commit to credibly certified sourcing. WWF encourages the 86 per cent of the CGF member companies that have not done so to commit urgently to source 100 per cent of all priority soft commodities according to WWF-recommended certification standards by no later than 2020.
- On palm oil, WWF urges companies to commit to sourcing physically certified palm oil. Palm oil volumes can be certified through certificates as well as physically certified.^{26,27} The availability of book & claim in palm oil means that sourcing 100 per cent certified palm oil is feasible now. The target for 2020 should therefore be to source 100 per cent physically certified palm oil.
- Most CGF retailers need to step up; 80 per cent need to commit urgently to sourcing 100 per cent of their soft commodities sustainably no later than 2020. Retailers have especially significant influence in the progress of sustainable sourcing of soy, beef, seafood and aquaculture. By committing to sustainable sourcing practices they are also sending a message to manufacturers which supply them that sustainability of sourcing is an important topic, and those manufacturers should also commit to source sustainably. 48 per cent of CGF manufacturers also still have to commit to sourcing 100 per cent sustainably by 2020.

4. CGF companies' commitments to deforestation and water stewardship

Several of WWF's 14 priority commodities are linked to two key impacts: deforestation (palm oil, soy, beef, timber and pulp and paper) and water scarcity and pollution (cotton and sugar cane). The use of water in some food and beverage products also impacts freshwater. **By sourcing these commodities sustainably, companies can have a significant impact on these two serious and devastating issues.**

The fourth stage of the analysis looks into CGF member companies' sourcing policies on deforestation and water stewardship.

4.1 Deforestation

In 2010, the CGF Board passed a resolution to mobilize resources within its members' businesses to help achieve zero net deforestation by 2020. The resolution proposed that member companies develop specific, timebound and cost effective action plans for the sourcing of palm oil, soy, beef, and pulp and paper.

The research highlights that **only 74 (36 per cent) of the CGF companies have made individual commitments to combat deforestation (see figure 25)**. Only 20 per cent have quantified and timebound commitments related to a WWF-recommended standard for soy, beef, pulp and paper, or palm oil (see figure 26). These companies account for 55 per cent of the CGF volume for these commodities, so principally larger companies have quantified and timebound deforestation-free commitments.

Just 28 per cent of CGF manufacturers have committed to source any of the commodities associated with deforestation according to WWF-recommended standards.

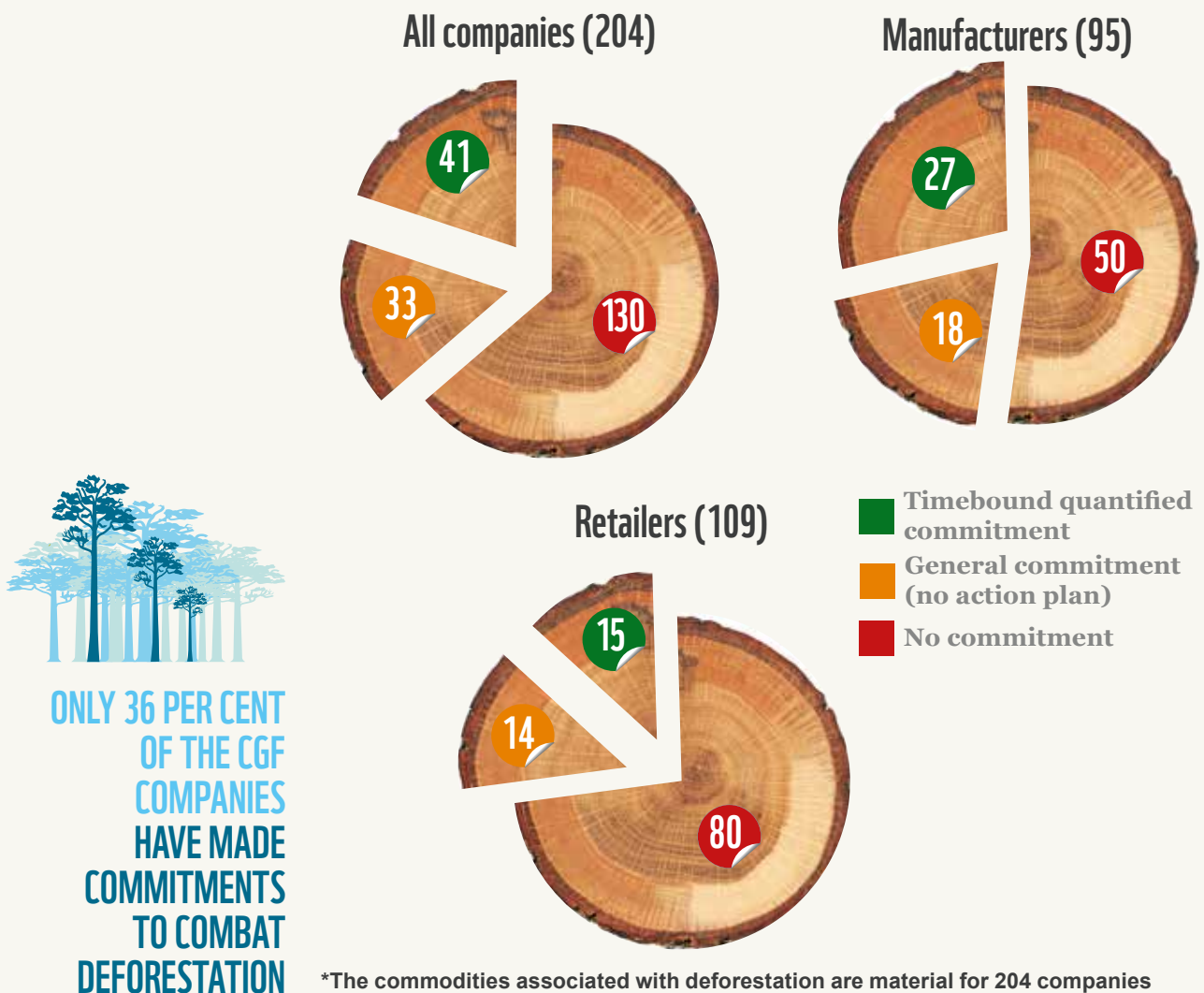
BEST PRACTICE: Unilever



Unilever has committed to achieving zero net deforestation associated with four of its key commodities – palm oil, soy, paper and board, and beef – no later than 2020. To achieve its goal, the company has committed to use only palm oil that is RSPO-certified from physical supply chains and traceable by 2020. On paper and board, Unilever has committed to use only FSC-certified or recycled paper by 2020. Finally, with regard to soy, Unilever is the first company to issue a 100 per cent RTRS-certified commitment for all the soy it sources directly from Latin America.

Figure 25

CGF members with a deforestation-free commitment in #*



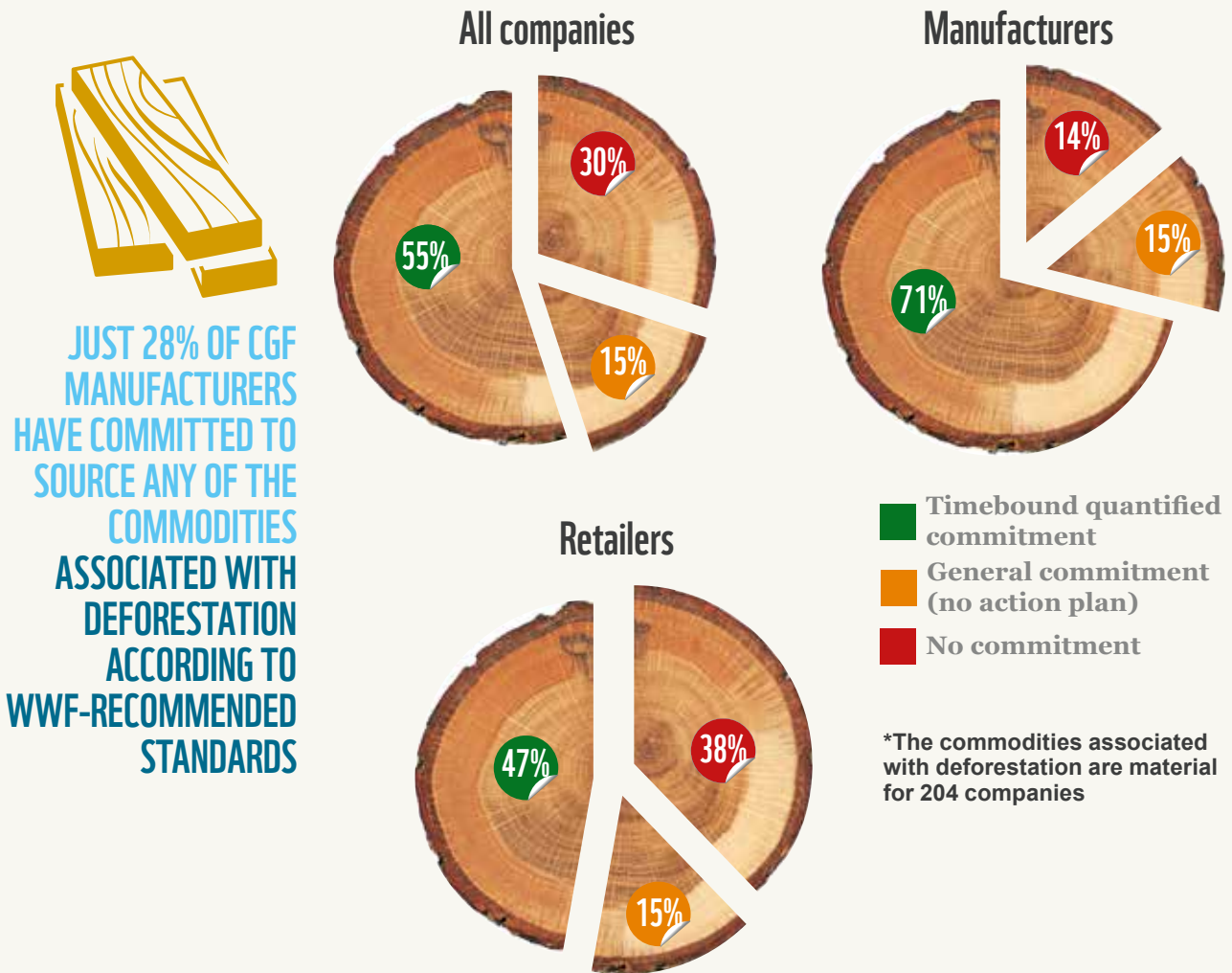


The world's huge demand for timber and paper products has led in some places to increasingly unsustainable forest management.

© VLADIMIR FILONOV/WVF

Figure 26

Percentage share of CGF members' volume of commodities associated with deforestation covered by commitments*



4.2 Water scarcity and pollution

All companies use water in their production processes, but 31 companies were analysed because of their intensive use of water. These include beverages, apparel and some food products manufacturers. Of these companies, 81 per cent commit to addressing water scarcity and pollution.

Water stewardship is about companies understanding the risks they face from water scarcity and pollution, and taking action to help ensure water is managed sustainably as a shared, public resource. Stewardship goes beyond being an efficient user of water. It requires companies to collaborate with governments, communities, other businesses, NGOs and others to protect shared freshwater resources. Companies have a vital role in advocating, supporting and promoting better water basin governance for the benefit of people and nature.



**ALL COMPANIES
USE WATER IN
THEIR PRODUCTION
PROCESSES, BUT 31
COMPANIES WERE
ANALYSED
BECAUSE OF THEIR
INTENSIVE USE
OF WATER**

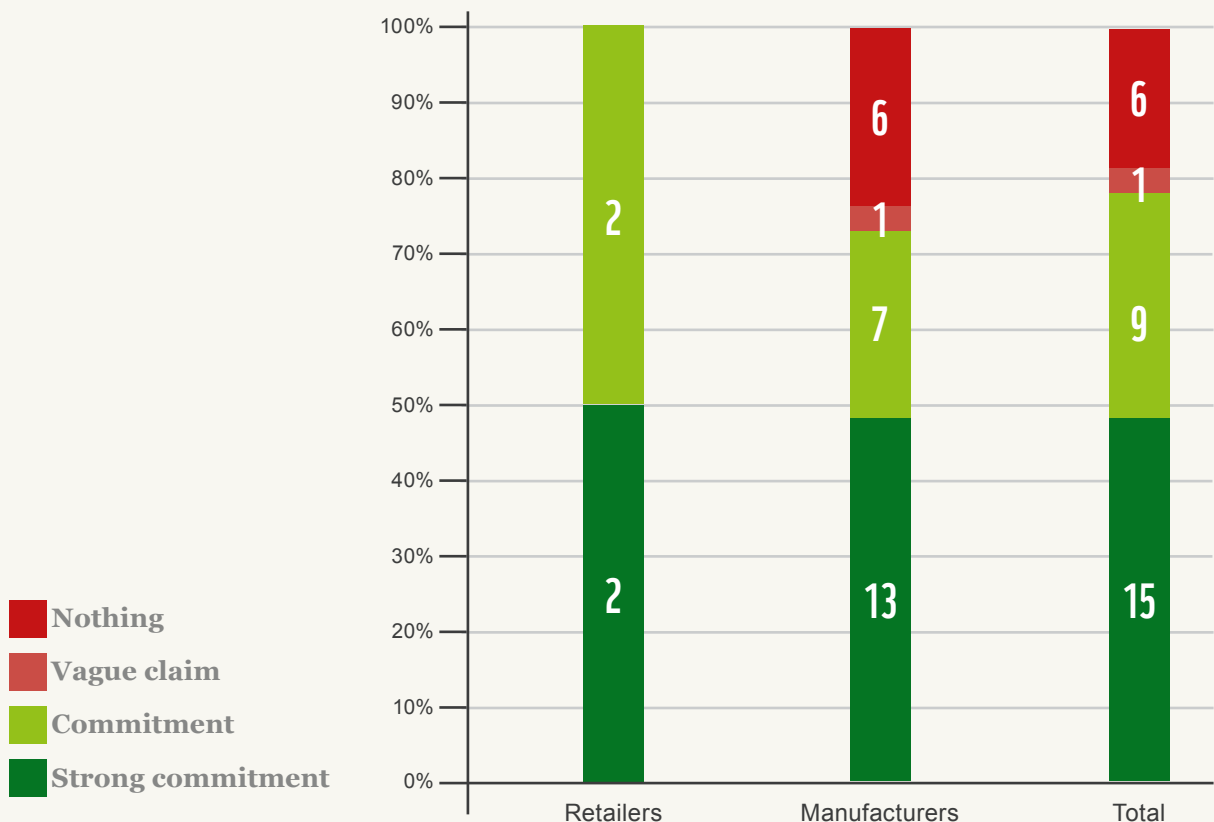
The companies make three types of claims:

- General claim – mentioning water stewardship in their sustainability reporting;
- Commitment to water stewardship – commitment to calculate company’s water footprint or implement mitigation measures, or both;
- Strong commitment to water stewardship – besides committing to calculate company’s water footprint and implement mitigation measures, the company commits to expand water stewardship to include the whole supply chain.

Of the 25 companies with a commitment, 3 per cent commit to a general claim, 29 per cent have a commitment to water stewardship and 48 per cent have a strong commitment encompassing the whole supply chain (see figure 27). All companies that committed to water stewardship across their supply chain have referred to this in their sustainability reports.

Figure 27

CGF members with a water stewardship commitment





**DEFORESTATION AND
WATER SCARCITY
ARE TWO MAJOR
SUSTAINABILITY
CHALLENGES THAT
CGF MEMBERS
HAVE A SIGNIFICANT
IMPACT ON**

Companies need to tackle deforestation and water scarcity

**ACT
NOW**

Deforestation, and water scarcity and pollution, are two major sustainability challenges that CGF members have a significant impact on. CGF companies should have specific commitments to tackle these challenges in their sourcing policies.

WWF urges:

- 80 per cent of CGF members to follow their peers and commit to remove deforestation and, whenever possible, all conversion of natural ecosystems, from their supply chains to help achieve a world with zero net deforestation.
- CGF companies to look beyond water usage in their own company to include the rest of the supply chain – especially the 12 per cent of CGF members whose supply chains have most impact on freshwater. Each company should map its water footprint, and commit to an action plan to address unsustainable situations (see waterriskfilter.panda.org). Reducing water inputs is crucial, as is identifying which water-stressed river basins are vital for supply chains and taking actions to mitigate the risks in these river basins.

BEST PRACTICE: Colgate Palmolive



Colgate Palmolive calculated its total water footprint, including:

- Water used by suppliers to produce the raw materials it purchases;
- Water used by its own facilities to manufacture its products and water used in its products;
- Water associated with the consumer use and disposal of its products.

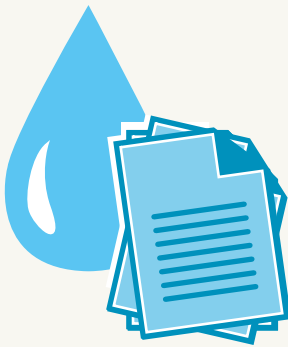
From 2014, the company began requesting all “Tier I” suppliers to participate in the CDP Water Supply Chain Survey to better understand the risks and opportunities associated with water scarcity and other water-related issues.

The company subsequently committed to promote water conservation awareness among at least 2 billion consumers by 2015 and all of its global consumers by 2020. It will do this with reminders on packaging, oral health education and handwashing awareness programmes, and digital and in-store engagement.

5. Summary of companies' commitments by commodity



PALM OIL



OF THE 184 COMPANIES FOR WHICH PALM OIL IS MATERIAL, ONLY 21 REPORT EFFORTS TO ENSURE FULL TRACEABILITY OF THEIR PALM OIL SUPPLY CHAINS

Of the standards recommended by WWF for the priority commodities, RSPO is by far the most commonly endorsed by CGF members. At present an estimated 16 per cent of the volume is certified through Green Palm certificates and 8 per cent is physically certified. Many companies intend to switch to physically certified palm oil by 2020.

Of the 184 companies for which palm oil is material, 21 report efforts to ensure full traceability of their palm oil supply chain with activities that are complementary to RSPO certification. Adoption and commitments of manufacturers are twice as high as those of retailers, with Europe and North America doing better than Latin America and Asia. Two per cent have committed to support/favour initiatives that aim to build upon and improve current RSPO certification standards (such as membership of the Palm Oil Innovation Group (POIG)²⁶), and 4 per cent say they support the training of smallholders in good agricultural practices as a means of helping them to achieve certification (see figure 30).

Actions companies should take on palm oil

ACT NOW

WWF urges:

- All companies to source certified sustainable palm oil (CSPO) for 100 per cent of their requirements immediately, and target 100 per cent physical CSPO by 2020. In the markets where the availability of CSPO is greater, this timing should be brought forward;
- Brand manufacturers to take the lead to work with supply chain partners on physical RSPO, and work with jurisdictional approaches to ban deforestation from entire palm oil supply chains.

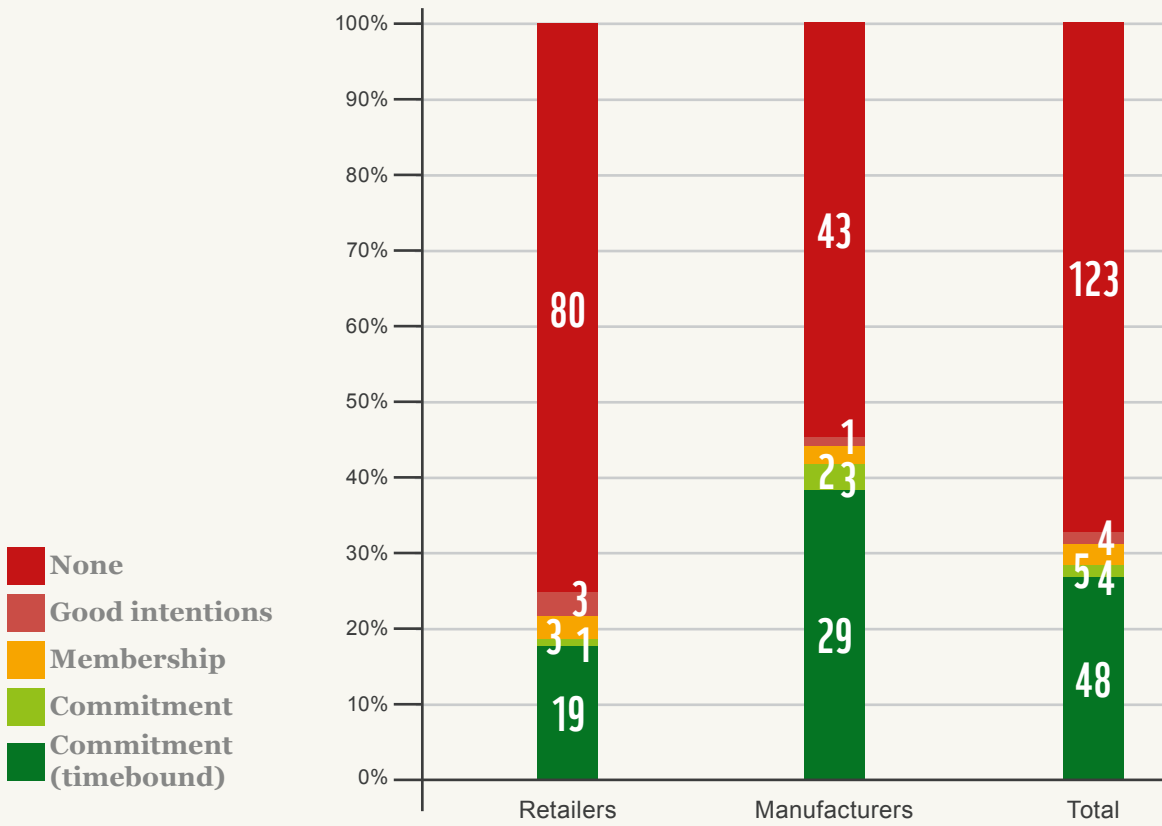
BEST PRACTICE: Ferrero



Soon after becoming a member of the RSPO, in 2005, Ferrero made significant efforts to increase the share of sustainable, segregated palm oil it purchased. At the end of 2014, on track with its commitment, the company achieved 100 per cent of supplies from physically segregated RSPO palm oil. Ferrero is currently dedicated to achieving 100 per cent traceability to the plantation level.

Figure 28

CGF members' palm oil commitments



Worldwide demand for palm oil is expected to continue growing, risking tropical forests which are home to critically endangered species.

© WFP-MALAYSIA/MAZDI ABD GHANI

Figure 29

CGF members' palm oil commitments by region

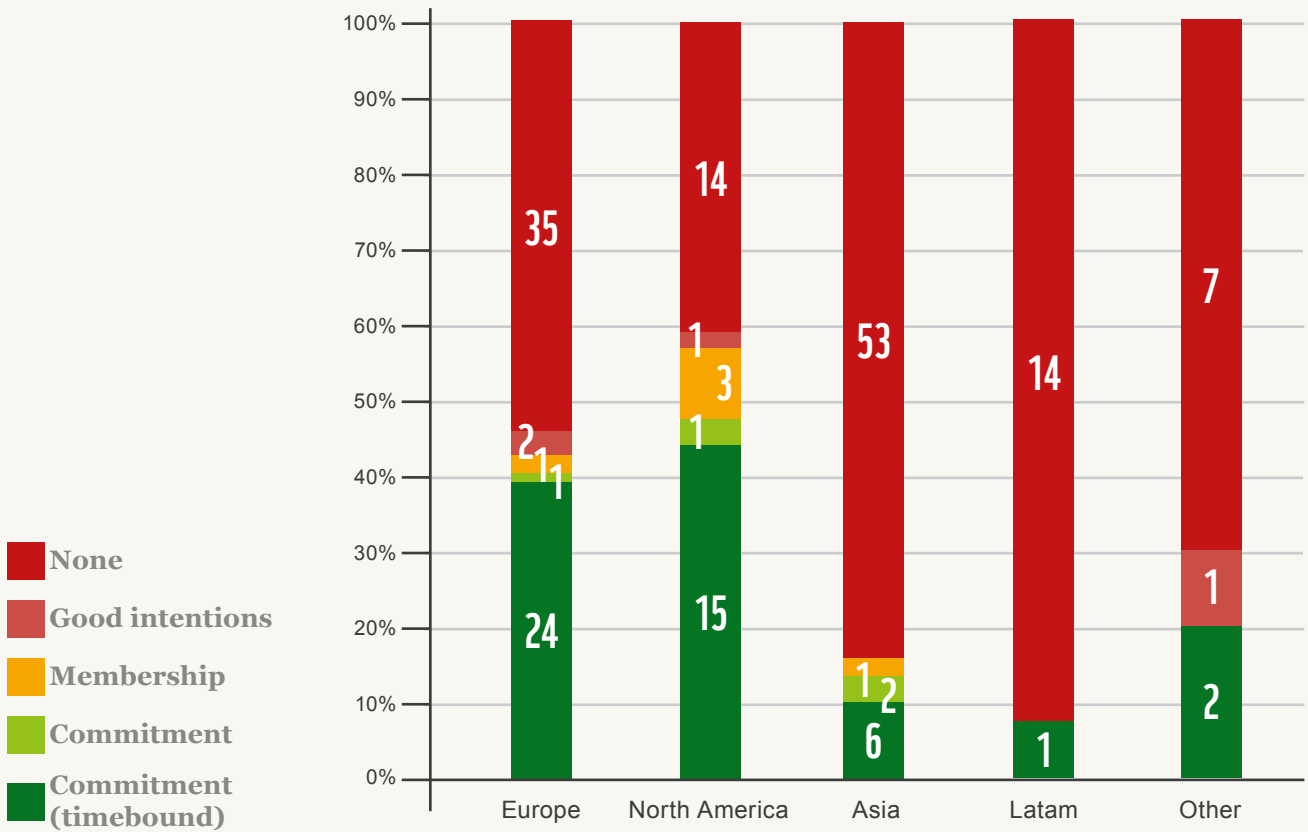
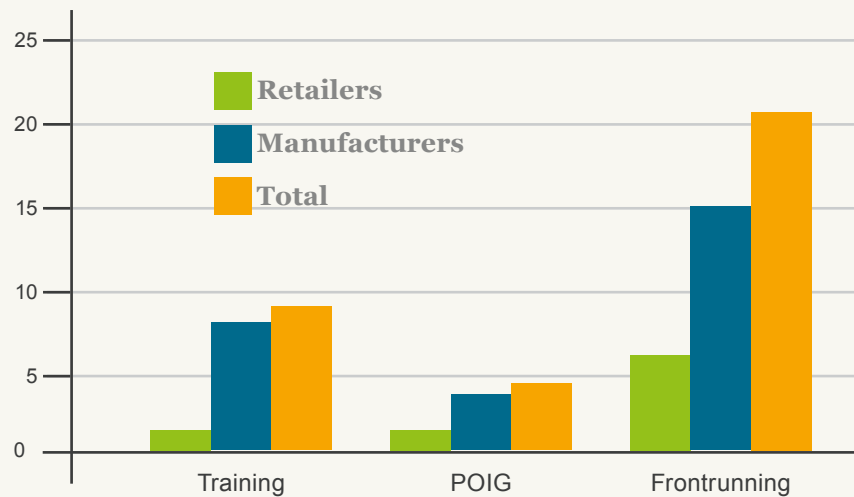


Figure 30

CGF members committed to activities that are complementary to certification





Actions companies should take on pulp and paper

WWF urges companies to:

- Commit to use only legal and non-controversial sources (according to the FSC definition);
- Commit to source an increasing proportion of FSC and/or recycled material;
- Report at least annually on their sourcing of actual FSC-controlled wood, FSC-certified and recycled fibre;
- Make available third party verification for the balance not covered by the previous point.

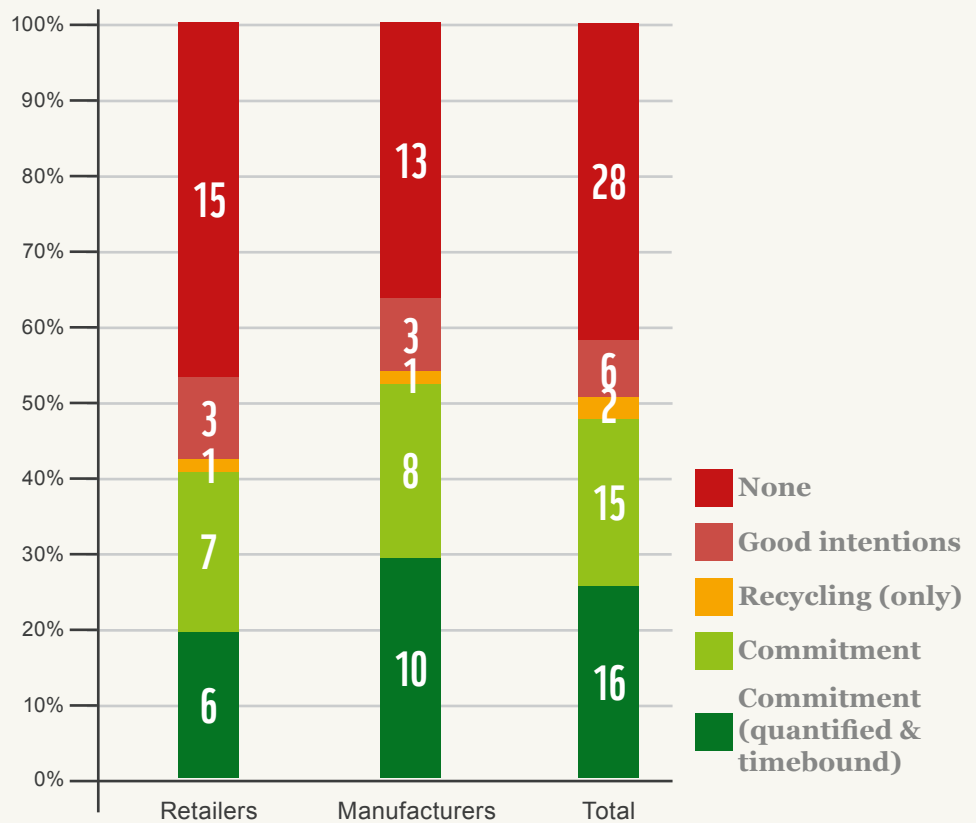


PULP AND PAPER

Pulp and paper are material for 67 CGF companies, but few have quantified timebound commitments to source more sustainable virgin or recycled pulp and paper. Nonetheless, FSC is the second most adopted WWF-recommended standard after RSPO. Companies' certification commitments generally refer to multiple standards, while WWF considers FSC to be the most credible (see annex 3 on the CAT tool).

Figure 31

CGF members' pulp and paper commitments



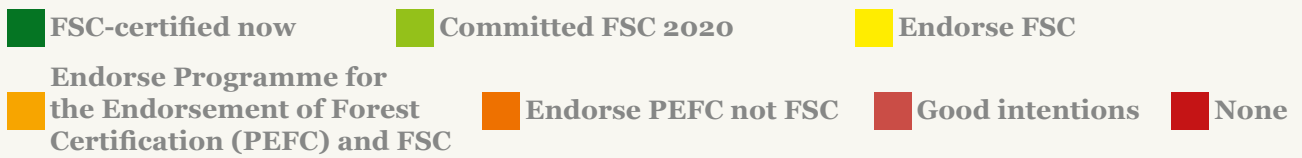
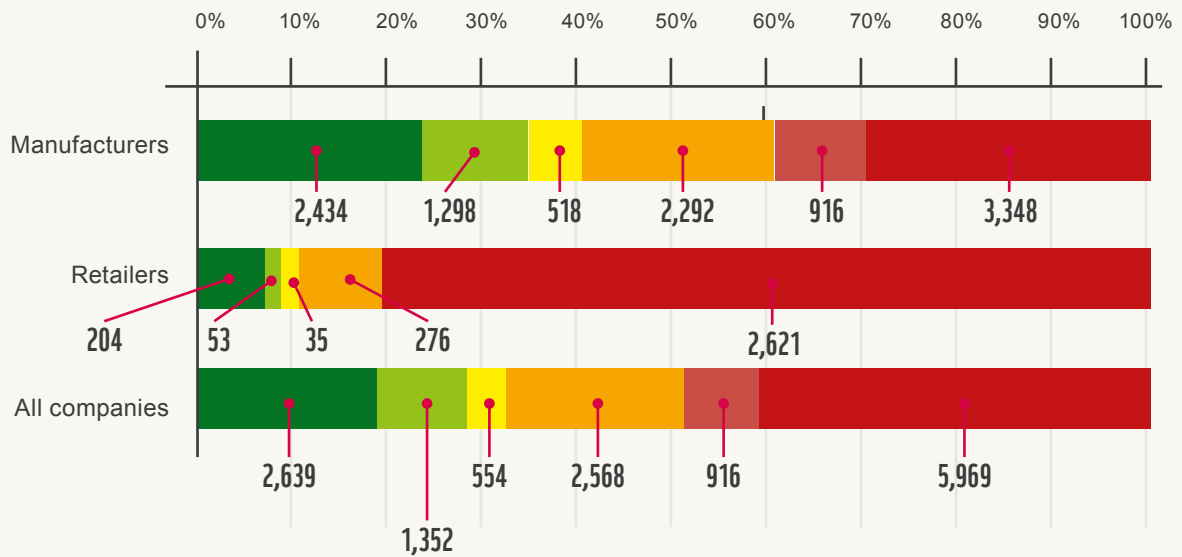
BEST PRACTICE: Kimberly-Clark



Kimberly-Clark currently sources 100 per cent of its wood fibre from third party certified suppliers. It has a strong preference for FSC certification. Over 97 per cent of Kimberly-Clark towel and tissue stock keeping units are FSC-certified. Scott and Kleenex brands carry the FSC label.

Figure 32

CGF members' pulp and paper commitments (in thousand tonnes)



WWF recommends companies use forest products certified by the FSC.

© JURGEN FREUND/WWF



SOY

11%

11% OF THE CGF COMPANIES ARE CONSIDERED FRONTRUNNERS AS THEY ARE MAKING EFFORTS TO PUSH FOR MORE SUSTAINABLE SOY IN THEIR SUPPLY CHAIN

11 per cent of the CGF companies are considered frontrunners as they are making efforts to push for more sustainable soy in their supply chain – retailers by asking their meat suppliers to exclusively use certified soy for their animal feed, and manufacturers by covering their indirect soy sourcing through purchasing RTRS credits. Four per cent have committed to alternative or complementary initiatives to RTRS, such as ProTerra certification²⁹ and support for the Soy Moratorium.³⁰ Four per cent have dedicated training programmes, for example, to teach smallholders good agricultural practices (see figure 35).

The RTRS market share is far below other WWF-recognized standards, with only European and North American companies having made commitments. Retailers (6 per cent) and manufacturers (9 per cent) both have few quantified and timebound commitments on soy. Just 1 per cent of the total volume sourced by CGF members is currently certified.

Actions companies should take on soy

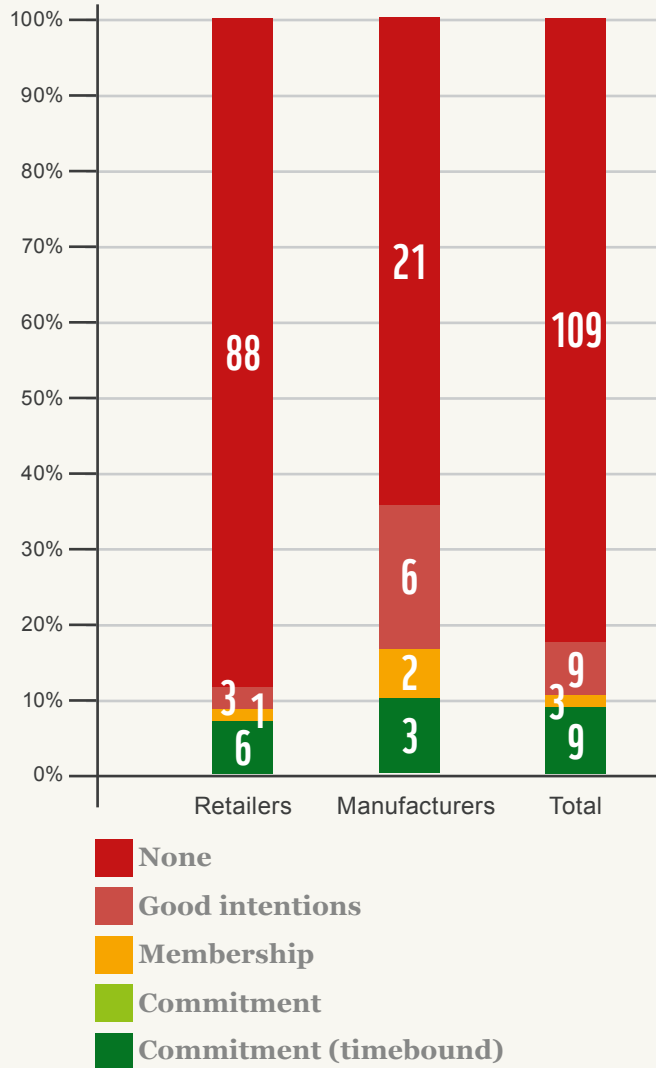
ACT NOW

WWF urges:

- All companies to commit to 100 per cent responsible, and deforestation- and conversion-free direct and indirect soy by 2020, and use RTRS- or ProTerra-certified as a significant step toward this;
- Companies to take the lead to accelerate uptake of RTRS or ProTerra and work with supply chain partners to meet these standards and continuously improve beyond those standards;
- Companies to collectively demand that traders set up systems on the ground to exclude deforestation/conversion from their entire supply chains.

Figure 33

CGF members' soy commitments



BEST PRACTICE: Royal Ahold

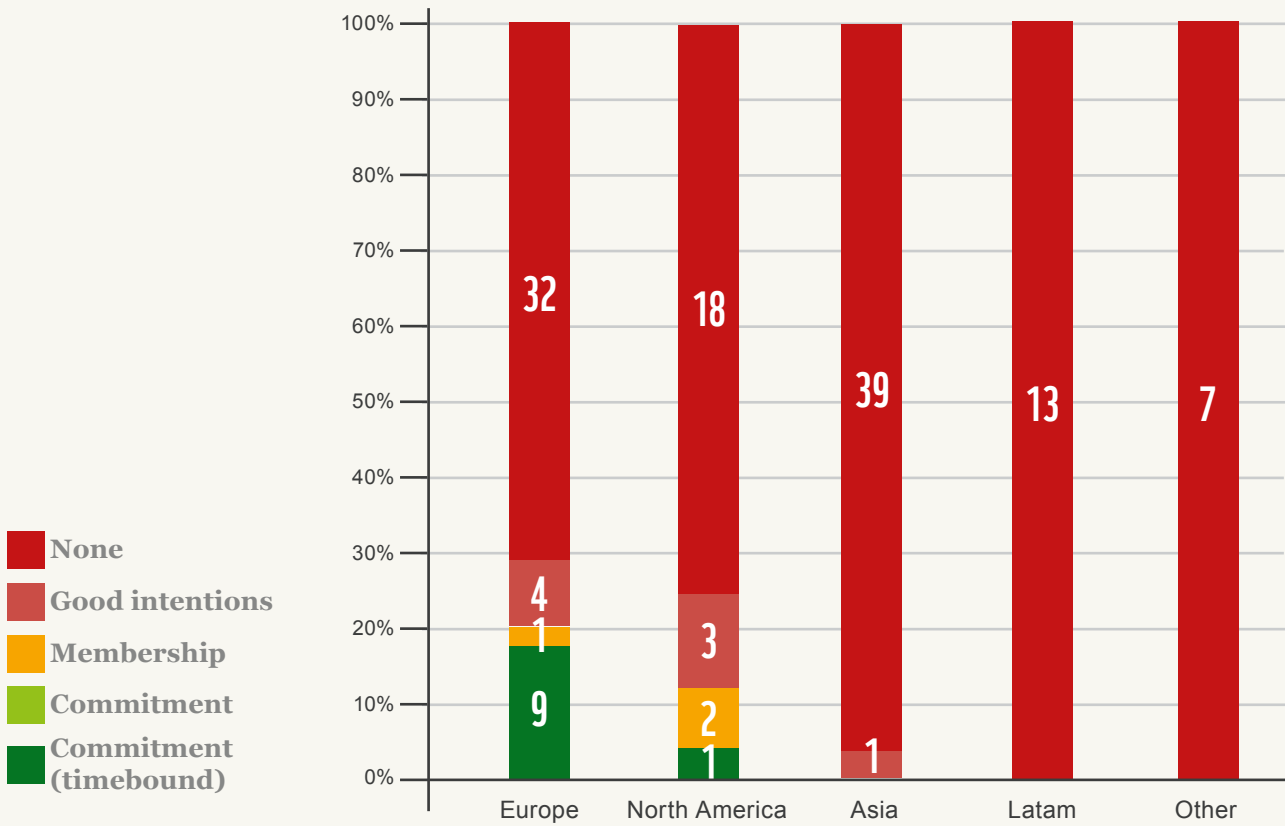


Retailers rarely consider soy as relevant within their sourcing policies, since they do not source this commodity directly.

Royal Ahold has determined the amount of soy embedded in the products that the company sources for its Dutch retail chain Albert Heijn, and has asked its Dutch suppliers of animal products to either purchase through the RTRS or offset their annual volumes by purchasing RTRS credits. Albert Heijn has already achieved its target of 100 per cent in 2015 (for Europe).

Figure 34

CGF members' soy commitments by region



© ALF RIBEIRO/SHUTTERSTOCK.COM

Figure 35

CGF members committed to activities that are complementary to certification

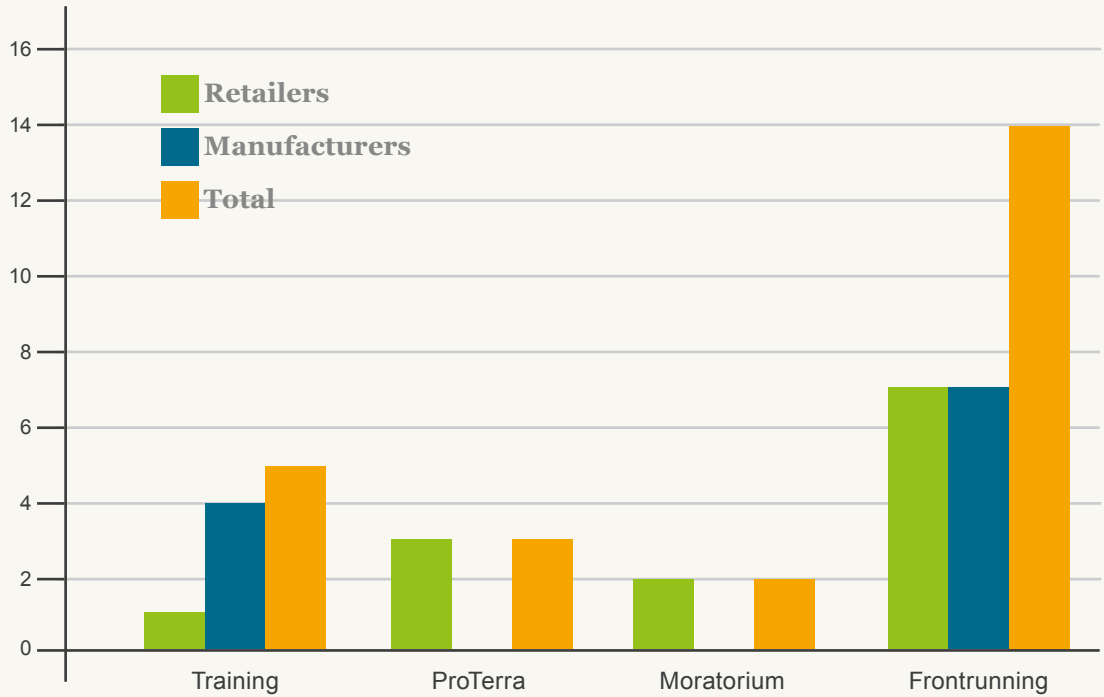
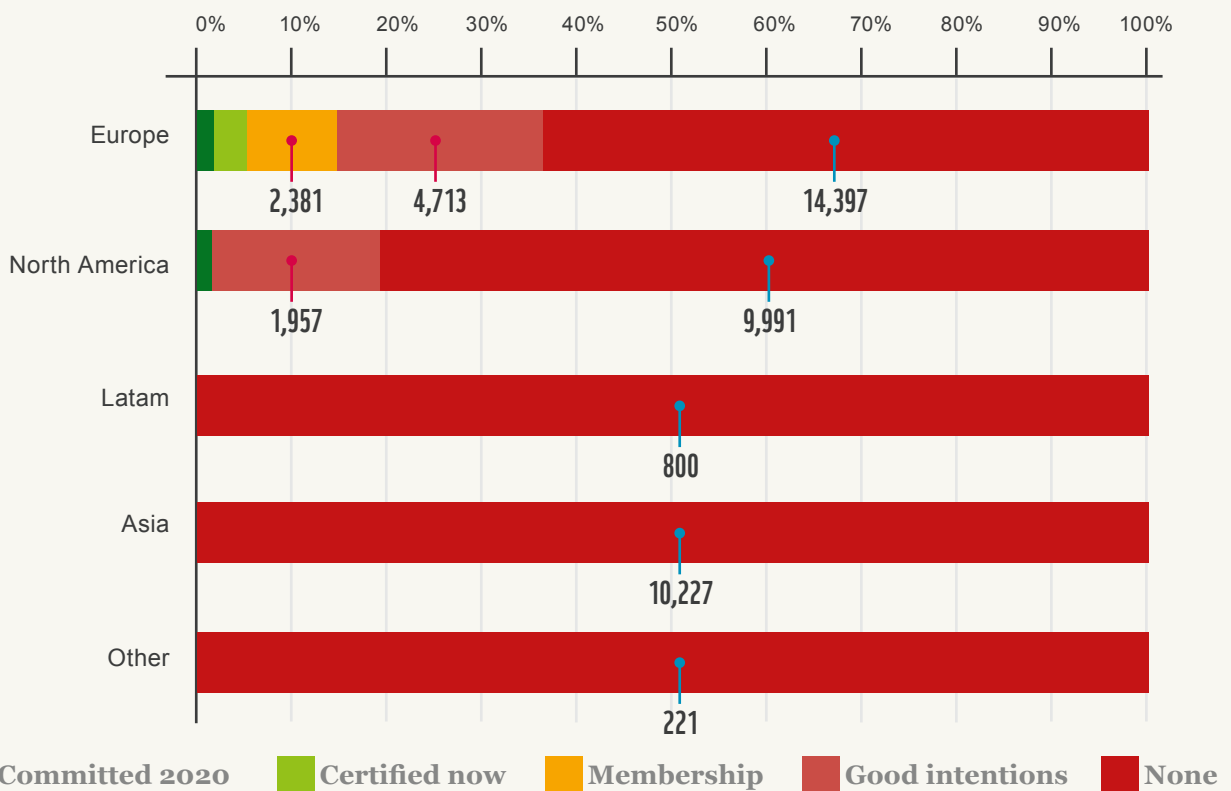


Figure 36

CGF members' volume (in thousand tonnes) sourced related to soy certification and region





BEST PRACTICE: Mars

Jurisdictional approaches, for example the decision to source a certain commodity only from countries or regions where strong environmental policies are in place, can play an important role in avoiding commodity-linked deforestation.

Mars has committed to ensuring by 2018 that 100 per cent of Brazilian beef purchases will be from suppliers who are in compliance with the Brazil Forest Code and who are able to demonstrate that, when beef is coming from the Amazon Biome, it is not associated with primary forest clearance.

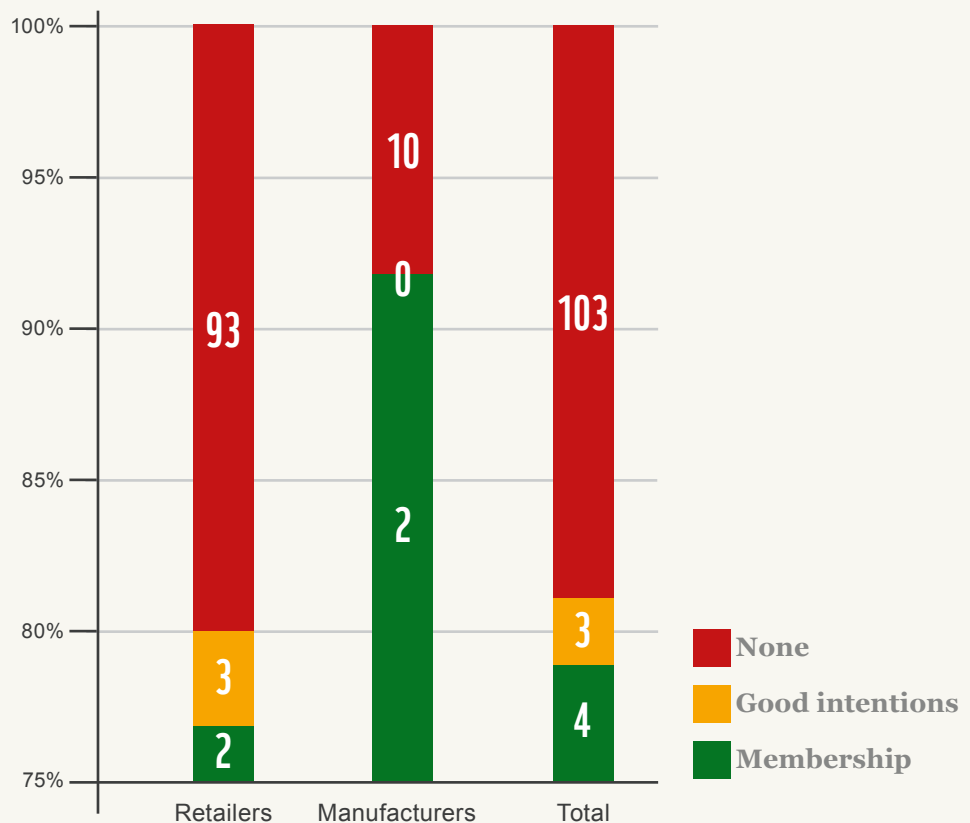


BEEF

Beef is materially relevant to 110 CGF companies, but very few (just seven) are members of the GRSB, and they are mostly from North America. Five GRSB member retailers represent almost 20 per cent of sourcing volume.

Figure 37

CGF members' beef commitments



Actions companies should take on beef

WWF urges:

- All companies to become members of the GRSB;
- Companies to publicly commit to improving the sustainability of their beef supply chain;
- Retailers to take the lead to accelerate the credibility of the GRSB and work with supply chain partners to grow membership and push for a higher standard.

**ACT
NOW**

ACT
NOW

Actions companies should take on seafood and aquaculture

WWF asks companies to:

- Publicly commit to purchase sustainably produced seafood (both wild-caught and aquaculture);
- Improve supply chain transparency and stop purchasing endangered species and products from unsustainable fisheries and farms;

Work with supply chain partners to:

- Accelerate the purchasing of MSC-/ASC-certified products;
- Support Fisheries Improvement Projects/ Aquaculture Improvement Projects to move toward MSC/ ASC certification including provisions for ethical use of labour;
- Support the development of ASC standards for various species.



SEAFOOD AND AQUACULTURE

Seafood and aquaculture are materially relevant to 110 CGF companies. Both the MSC and ASC are moderately-supported WWF-recommended standards, mostly committed to by North American and European companies. At present around 3 per cent of the CGF members' volume is certified, while another 6 per cent is committed to be certified by 2020.

BEST PRACTICE: FIPs and AIPs...



Some companies directly support or engage with suppliers through Fishery Improvement Projects (FIPs) or Aquaculture Improvement Projects (AIPs). These programmes support fisheries to advance toward MSC and ASC certification respectively. FIPs and AIPs are of particular value to small- to medium-scale fisheries, particularly those in developing countries.

...and Sainsbury's

Sainsbury's launched its first MSC-certified fish in 2000, and the range has continued to expand, including the first MSC-certified tuna sandwich in 2014 and MSC-certified cod in its cafés in 2015. Sainsbury's commitment extends to farmed fish, and in 2013 it launched the world's first ASC-certified River Cobbler.

BEST PRACTICE: Global Salmon Initiative (GSI)



The GSI is a pre-competitive initiative by 14 global farmed salmon producers in five countries representing approximately 50 per cent of the global farmed salmon industry. It is focused on providing a highly sustainable source of protein while minimizing environmental footprint and continuing to improve the social contribution of the industry. Its principles are sustainability, transparency and cooperation. The GSI has three focus areas:

Biosecurity - for example, decreasing sea lice levels through sharing management best practices;

Feed - obtaining sustainable sources of feed;

Standards - GSI members have committed to achieve 100 per cent ASC certification by 2020. By April 2016, more than 70 salmon farms were already certified.

Figure 38

CGF members' seafood commitments



Figure 39

CGF members' aquaculture commitments

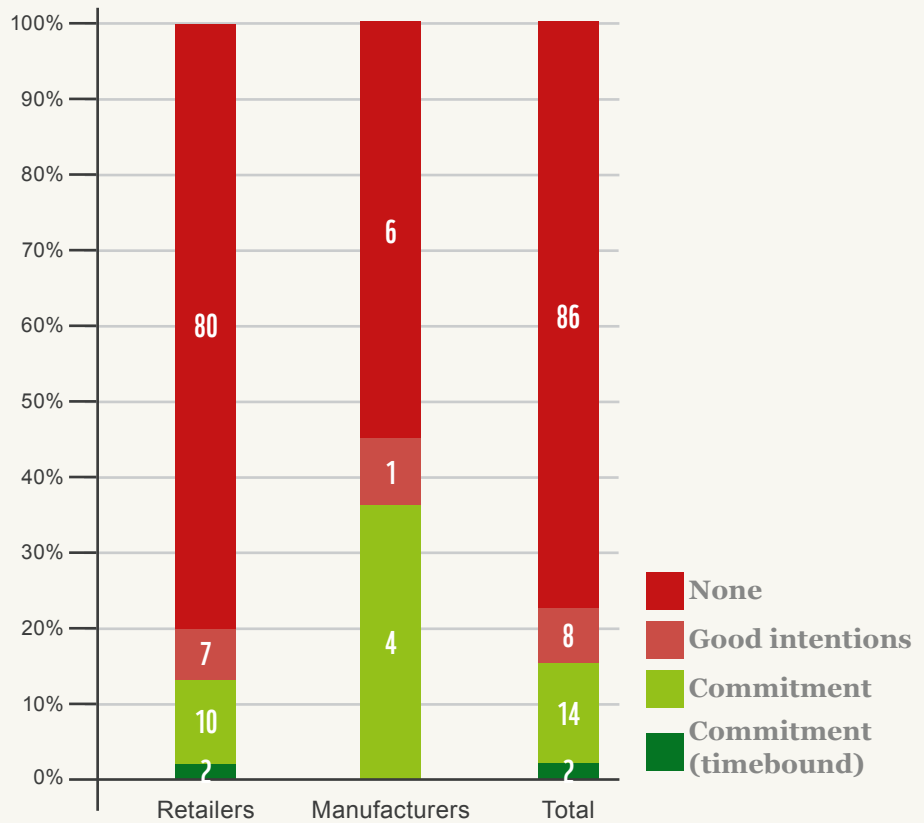


Figure 40

CGF members' volume (in thousand tonnes) sourced related to seafood and aquaculture certification*

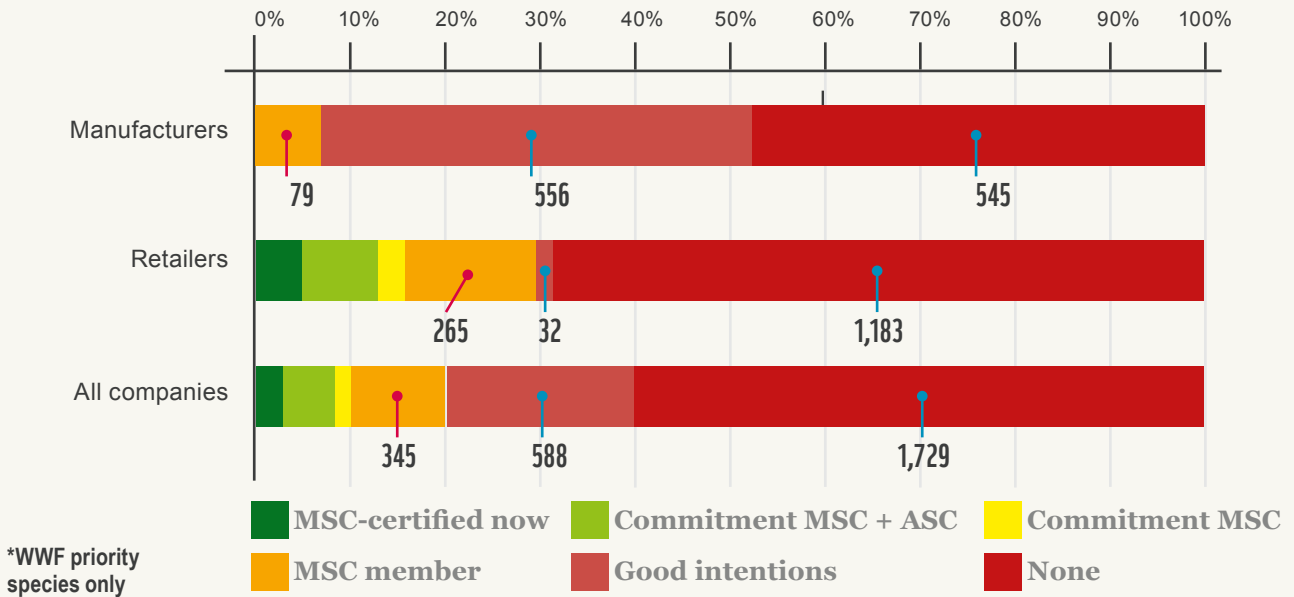
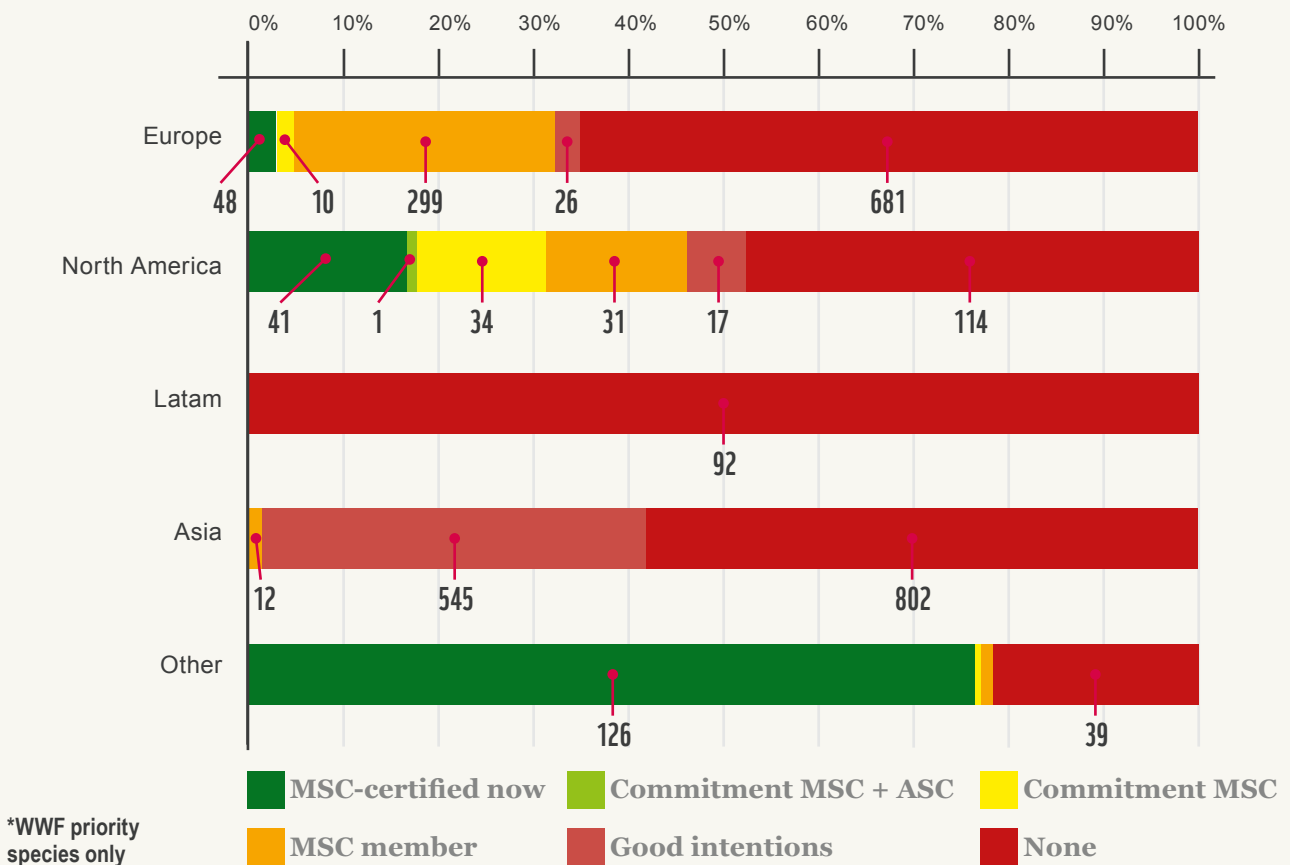


Figure 41

CGF members' volume (in thousand tonnes) sourced related to seafood and aquaculture certification by region*





SUGAR CANE



BEST PRACTICE: Unilever

Unilever has been delivering Good Agricultural Practice training to enhance sustainable production, and support farmers to achieve Bonsucro certification.

Sugar cane is materially relevant to 14 CGF companies. Of those, 67 per cent have made commitments, and 17 per cent have made a quantified and timebound commitment – all of them manufacturers. 85 per cent of North American companies support Bonsucro, 50 per cent with a quantified and timebound commitment. 3 per cent of members' volume is currently certified, while 25 per cent more is committed by 2020.

**ACT
NOW**

Actions companies should take on sugar cane

WWF urges:

- All companies to commit to 100 per cent Bonsucro-certified sugar by 2020;
- Soft drinks and confectionery producers to work with supply chain partners on continuous improvement of the Bonsucro standard.

As one of the world's thirstiest crops, sugar cane has a significant impact on many environmentally sensitive regions, like the Mekong Delta and the Atlantic Forest.



© BRENT STIRTONGETTY IMAGES



COTTON

Cotton is materially relevant to seven CGF companies. Only European retailers have made commitments to sustainable cotton, and for 20 per cent of their volume (5 per cent of total CGF volume). One CGF manufacturer is a member of the BCI.



BEST PRACTICE

Working with suppliers to increase the volume of sustainable cotton in products, supporting farmers to improve practices (for example through the BCI growth and investment fund), and creating systems to enable collection and recycling of cotton fibre into new products can all be considered best practices for cotton.

Marks & Spencer has a target to use 70 per cent more sustainable cotton by 2020, and reached the 30 per cent threshold in 2015.

- None
- Good intentions
- Membership
- Commitment
- Commitment (quantified & timebound)

ACT NOW

Actions companies should take on cotton

WWF urges:

- All companies to commit to using 100 per cent more sustainable cotton (BCI, organic, CmiA, Fairtrade, recycled) by 2020.

Figure 42

CGF members' cotton commitments

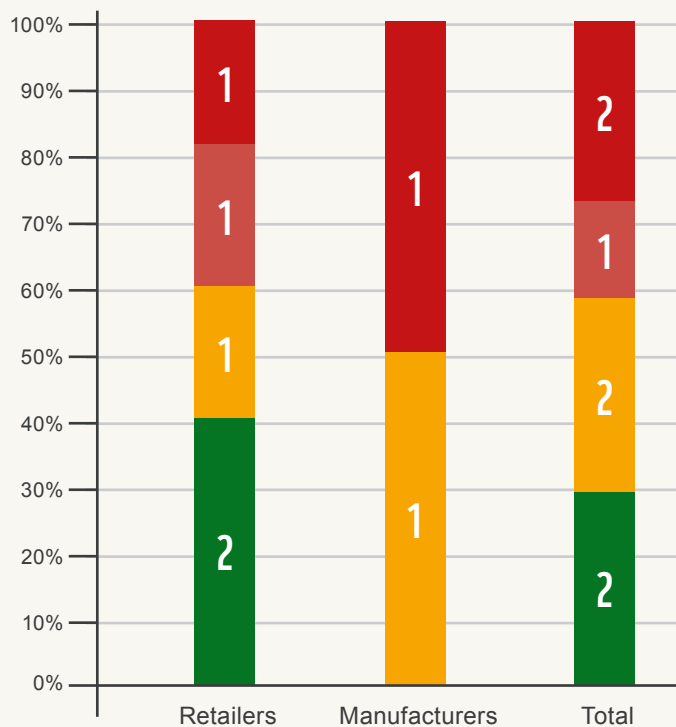
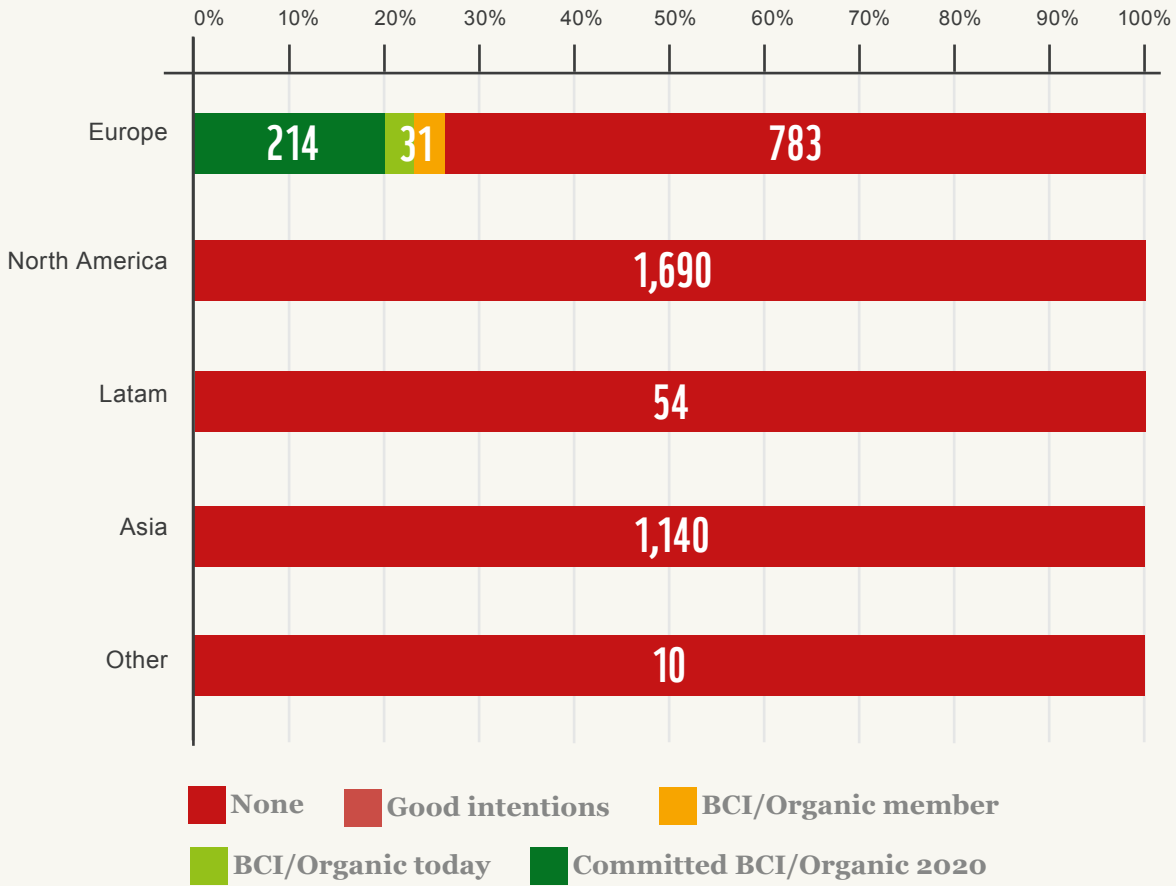


Figure 43

CGF members' volume (in thousand tonnes) sourced related to cotton certification



© MAJRI RAUTKARI/WF

On average it takes about 8,000 litres of water to produce 1kg of cotton lint.



Dairy

Dairy is materially relevant to 12 CGF members. Currently WWF does not recommend any global standard for dairy. In view of the considerable environmental impacts of dairy production, WWF encourages companies to engage the dairy industry to develop a standard for sustainable dairy production through a credible multi-stakeholder platform.

**ACT
NOW**

Actions companies should take on dairy

WWF urges:

- All relevant companies to set clear goals, targets and commitments regarding deforestation- and conversion-free sustainable dairy sourcing;
- CGF members to encourage their dairy suppliers to use science-based sustainability tools that are developed by credible multi-stakeholder platforms, and/or participate in these platforms to build out and promote these tools that support farmers to continuously improve their sustainability performance;
- CGF members to encourage their dairy suppliers to use certified RTRS soy, ProTerra soy, and/or RSPO palm oil as feed for dairy production.

BEST PRACTICE: General Mills and Unilever



General Mills and Unilever have set commitments to sustainably source 100 per cent of their dairy by 2020. These companies are actively participating, engaging and providing leadership in relevant multi-stakeholder platforms such as Field to Market, to develop and pilot tools for farmers to improve their sustainability performances related to feed and milk production.

WWF urges all relevant companies to set clear goals, targets and commitments regarding sustainable dairy sourcing.



© WWF/RICHARD STONEHOUSE

CONCLUSION

CGF companies should accelerate the sourcing of more sustainable soft commodities.



THERE IS A WIDESPREAD PERCEPTION THAT CGF COMPANIES HAVE ALREADY TAKEN STEPS TO SOURCE COMMODITIES SUSTAINABLY. HOWEVER, THIS IS FAR FROM REALITY

From palm oil to soy, farmed shrimp to sugar cane, the demand for soft commodities is rapidly increasing as the Earth's population grows and becomes wealthier. Soft commodities are vital for everyday life, but inefficient and unsustainable production and expansion can have devastating impacts on crucial ecosystems, people and species. Biodiversity loss, deforestation, environmental degradation, watershed disruption, climate change and social issues are just some of the consequences of unsustainable practices.

To meet future demand while avoiding negative environmental and social impacts, all stakeholders (including governments, companies, financial institutions, communities and civil society) must be involved in the shift to more sustainable supply chains. More sustainable ways to produce soft commodities are available, for example certification standards developed through multi-stakeholder dialogue. However they have yet to become the norm.

Companies that buy and use soft commodities in their products – including brand manufacturers and retailers – have a vital role to play. CGF member companies purchase on average 17 per cent of the global volumes of the 14 soft commodities that WWF has prioritized making more sustainable. These companies have significant leverage to impact the transformation to more sustainable global supply chains.

WWF's analysis of the sourcing policies, commitments and performance of the 256 brand manufacturer and retailer members of the CGF found that a majority have not yet even committed to more sustainable sourcing of the 14 priority commodities. Additionally not even half report annually on sustainability topics, even though regulatory pressure to do so is growing throughout the world's leading economies.

The analysis found that:

- Just 46 per cent of the analysed companies report specifically on their soft commodity sourcing policy.
- Only 36 per cent have made their own “deforestation-free” commitments.
- Just 22 companies have made quantified and timebound commitments to source all or the majority of the commodities that are material for their business according to credible certification standards recommended by WWF.
- However, the sourcing policies of some of these companies are imprecise, and lack the degree of transparency required by stakeholders.

As a group, CGF member companies have the power to contribute to and make significant steps forward in the sourcing of sustainable commodities. WWF calls on the companies to take action now.

WWF urges the CGF Board to:



- Pass a resolution to encourage its member companies to publish annual sustainability information covering all material inputs and impacts, using the GRI standards as guidance.
- Strive to broaden company participation in the activities of its Sustainability Pillar, which are at the moment driven by relatively few leading CGF companies, particularly members of the Sustainability Committee.

WWF recommends all brand manufacturers and retailers, including those which are members of the CGF, to:

- Map their supply chains to understand the sources of their inputs, ultimately tracing back to point of origin. Knowing the source of soft commodities is fundamental to driving subsequent strategies and actions.
- Commit publicly to source by 2020 only credibly certified commodities for 100 per cent of their volume requirements, prioritizing those commodities which are material for their business. For some commodities, supply in the right volumes may not be available at present in all geographies. In these situations, companies should collaborate with the other stakeholders so that supply issues are resolved as soon as possible. Companies' commitments and action plans should be specific in order to be transparent and not leave the door open to less credible options by the use of vague language.
- Publish quantified, timebound action plans detailing how they will achieve their commitments.
- Report to all stakeholders at least annually on performance against the plans, verified externally.
- Engage with their supply chains and industry sectors in a collaborative and pre-competitive way to drive change faster and on a bigger scale. Companies that have not yet joined industry platforms such as the CGF are urged to do so to amplify their impact.
- Engage with policy-makers in cross-commodity policy initiatives to advocate for the elimination of unsustainable practices and explore partnerships to advance land use planning and sustainable production at landscape and jurisdictional scales.

As a group, CGF member companies have the power to contribute to and encourage a great shift forward in the sourcing of sustainable commodities. WWF calls on members – and the organization – to step up and take action urgently.

AS A GROUP, CGF MEMBER COMPANIES HAVE THE POWER TO CONTRIBUTE TO AND ENCOURAGE SIGNIFICANT STEPS FORWARD IN THE SOURCING OF SUSTAINABLE COMMODITIES. WWF CALLS ON ORGANIZATIONS TO TAKE ACTION NOW

ANNEX 1. CGF DEFORESTATION-FREE RESOLUTION³¹



CGF Deforestation Resolution

In November 2010, the CGF Board of Directors agreed a resolution on deforestation, with the aim of achieving zero net deforestation by 2020. The resolution is of voluntary character, but authoritative (non-binding in a legal sense). It is voted upon by our Board on behalf of its members.

“As the Board of the Consumer Goods Forum, we pledge to mobilize resources within our respective businesses to help achieve zero net deforestation by 2020.

We will achieve this both by individual company initiatives and by working collectively in partnership with governments and NGOs.

Together we will develop specific, timebound and cost effective action plans for the different challenges in sourcing commodities like palm oil, soya, beef, paper and board in a sustainable fashion.

We will also work with other stakeholders – NGOs, development banks, governments etc. – to create funding mechanisms and other practical schemes that will incentivize and assist forested countries to conserve their natural

assets and enable them to achieve the goal of zero net deforestation, whilst at the same time meeting their goals for economic development.

DELIVERING ON THE RESOLUTION

Our members will deliver against the Deforestation Resolution by working toward excluding deforestation from their supply chains. They will provide a market for commodities that are sourced as to reduce tropical deforestation.

Our members will work with their suppliers to develop tropical deforestation-free sources for the commodities which they are purchasing.

Our members will ensure compliance with legislation and regulations that support conservation of tropical forests.

We will work together with key influencers of the supply chain, including commodity businesses, governments and the finance sector.

We will promote awareness of sustainability issues in markets where this is now low.”

ANNEX 2.A. SUSTAINABILITY CHALLENGES RELATED TO THE PRODUCTION OF SOFT COMMODITIES

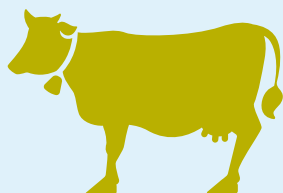
Deforestation and forest degradation

Agriculture will continue to be a major source of pressure on biodiversity.³² Approximately 80 per cent of deforestation worldwide is driven by food and fibre agricultural production.³³ An estimated 80 per cent of the agricultural expansion that has taken place in tropical areas has occurred because of the conversion of primary or secondary forests.³⁴ Commercial agriculture has also had a predominant role in the conversion of forests and other high biodiversity ecosystems in Latin America, Asia and

Africa.³⁵ The business-as-usual scenario will result in the loss of further significant proportions of mature forests around the world by 2030, for example 68 per cent, 26 per cent and 24 per cent of the mature forests in South Asia, China and Africa respectively and about 20 per cent in Eastern Europe, Australia and New Zealand.³⁶ The most critical indirect drivers include economic growth based on the export of primary commodities (grown in former natural areas); and an increasing demand for wood products³⁷. Other indirect drivers include weak forest sector governance in many countries, lack of cross-sectoral co-ordination and illegal activity (related to weak enforcement).



Increasing land area for livestock

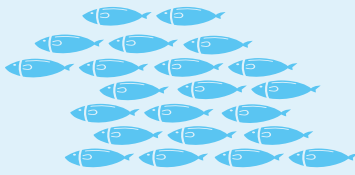


If we take into account the land area occupied by crops that are destined for use as animal feed, the total land area devoted to raising animals is 3.73 billion hectares, 75 per cent of the world's agricultural land.³⁸ Cattle ranching has been the major driver of land conversion in some key biodiversity areas, being responsible, for example, for up to 80 per cent of conversion in the Amazon rainforest.³⁹

GHGs intensifying climate change



Between 12 and 20 per cent of global GHG emissions come from agriculture, forestry and other land uses.⁴⁰ This is explained to a great extent by the fact that 56 per cent of non-CO₂ GHG emissions, such as methane, are generated by agriculture. Climate change has already been attributed responsibility for the reduction of crop yields in certain parts of the world. Agricultural commodity prices will become more volatile, rendering rural populations – where the world's poverty levels are highest – more vulnerable.



Overfishing

More than 85 per cent of the world's fisheries have been pushed to or beyond their biological limits and are in need of strict management plans to restore them. Several important commercial fish populations (such as Atlantic Bluefin tuna) have declined to the point where their survival as a species is threatened.⁴¹ At present capture fisheries yield 110–130 million tonnes of seafood annually. Of this, 70 million tonnes are directly consumed by humans, 30 million tonnes are discarded and 30 million tonnes converted to fishmeal.⁴²



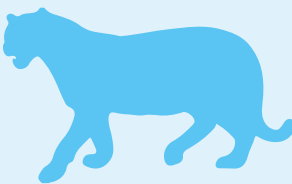
Unsustainable aquaculture

Salmon, shrimp and trout aquaculture alone account for almost 50 per cent of all fishmeal used in aquaculture, but provide less than 10 per cent of the production volumes.⁴³ The world has seen a seven-fold increase in the volume of farmed fish produced between 1980 and 2000. Aquaculture already provides the majority of the fish people eat, but large volumes of wild-caught fish meal are needed to feed farmed fish.⁴⁴



Excessive freshwater consumption

About 70 per cent of global water withdrawals are devoted to irrigation.⁴⁵ Approximately 2.5 billion people already live in water-stressed or water-scarce conditions across the globe, and projections depict an ever more challenging scenario in the near future, with the use of water for agriculture expected to double by 2050.⁴⁶



Biodiversity

According to the Living Planet Index, biodiversity declined by 52 per cent between 1970 and 2010. In highly biodiverse regions, such as Latin America, figures are even higher, beyond 70 per cent. Certain species groups, such as those that inhabit freshwater areas, have experienced biodiversity declines of 76 per cent⁴⁷ in Europe. More than 80 per cent of all endangered bird and mammal species are threatened by unsustainable land use and agricultural expansion. Unsustainable agricultural intensification in Europe is a leading driver of the decline of nearly 50 per cent in farmland birds during the past three decades.⁴⁸



Soy expansion has mainly taken place in South America, where soy grew from 17 million hectares in 1990 to 46 million hectares in 2010.

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ANNEX 2.B. SUSTAINABILITY IMPACTS OF SELECTED PRIORITY COMMODITIES

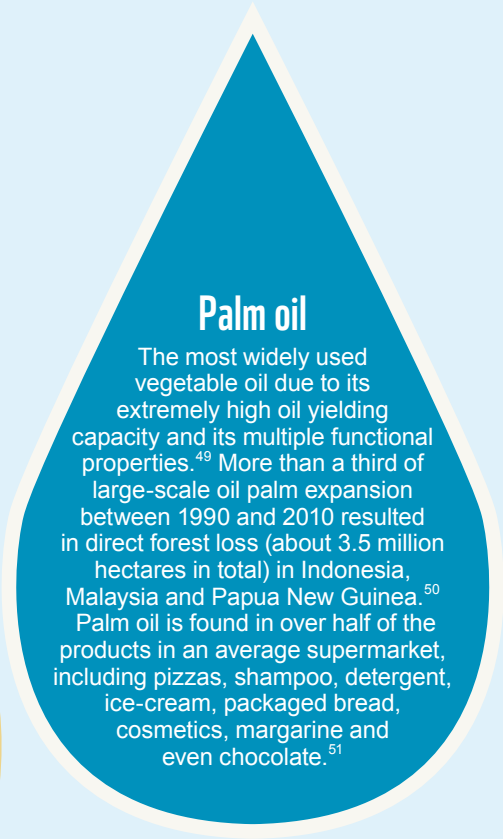
Pulp and paper

40 per cent of the annual industrial wood harvest is processed to make paper and paperboard. Pulpwood plantations and mills, if not well established, threaten the remaining natural forests in Sumatra, Borneo, and the Russian Far East. Pulp and paper is found in product packaging, office supplies, and personal care products.⁵²



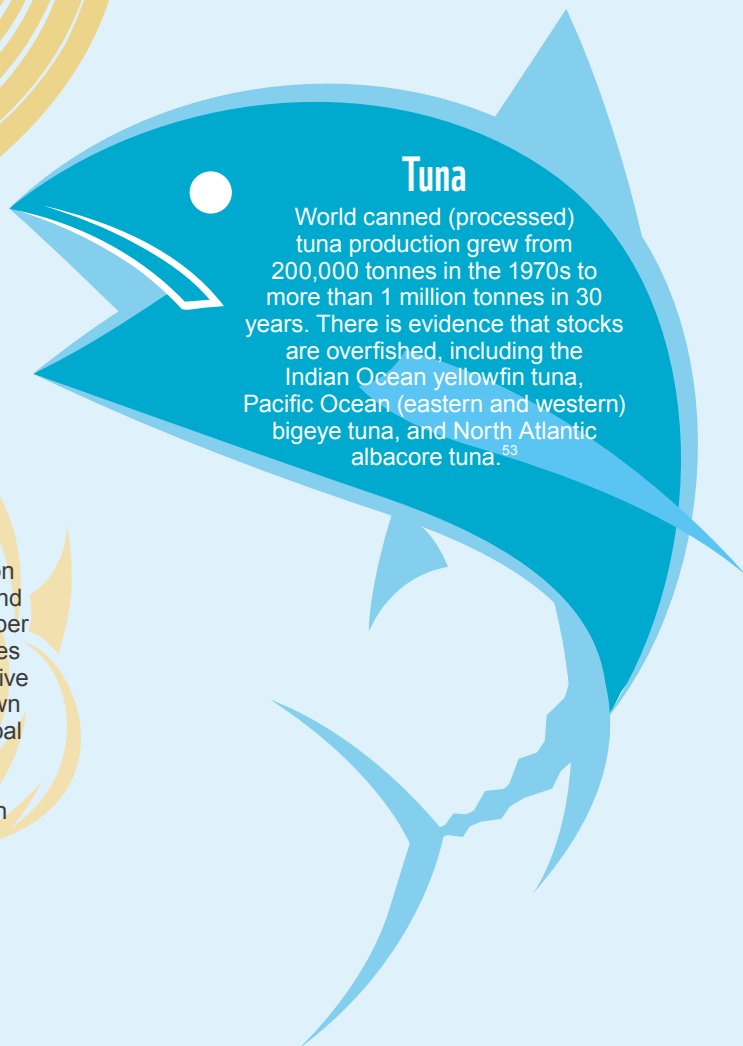
Palm oil

The most widely used vegetable oil due to its extremely high oil yielding capacity and its multiple functional properties.⁴⁹ More than a third of large-scale oil palm expansion between 1990 and 2010 resulted in direct forest loss (about 3.5 million hectares in total) in Indonesia, Malaysia and Papua New Guinea.⁵⁰ Palm oil is found in over half of the products in an average supermarket, including pizzas, shampoo, detergent, ice-cream, packaged bread, cosmetics, margarine and even chocolate.⁵¹



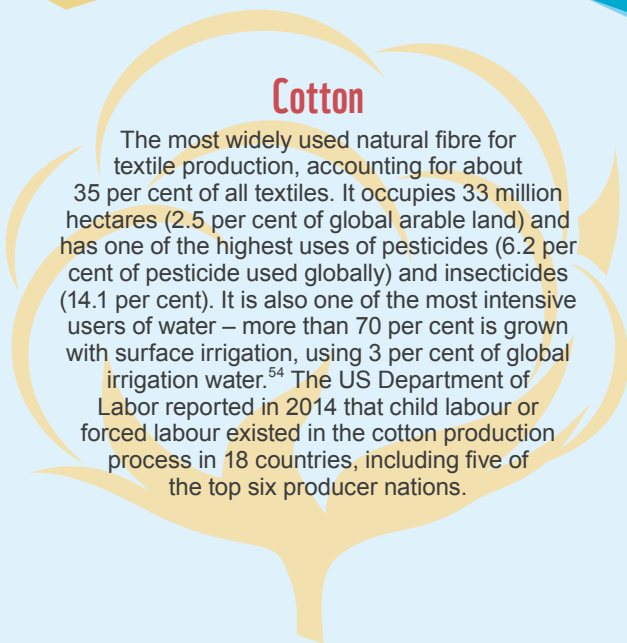
Tuna

World canned (processed) tuna production grew from 200,000 tonnes in the 1970s to more than 1 million tonnes in 30 years. There is evidence that stocks are overfished, including the Indian Ocean yellowfin tuna, Pacific Ocean (eastern and western) bigeye tuna, and North Atlantic albacore tuna.⁵³



Cotton

The most widely used natural fibre for textile production, accounting for about 35 per cent of all textiles. It occupies 33 million hectares (2.5 per cent of global arable land) and has one of the highest uses of pesticides (6.2 per cent of pesticide used globally) and insecticides (14.1 per cent). It is also one of the most intensive users of water – more than 70 per cent is grown with surface irrigation, using 3 per cent of global irrigation water.⁵⁴ The US Department of Labor reported in 2014 that child labour or forced labour existed in the cotton production process in 18 countries, including five of the top six producer nations.



Soy

Between 2000 and 2012, production grew from 74 million hectares to over 111 million hectares.⁵⁵ Expansion has mainly taken place in South America, where soy grew from 17 million hectares in 1990 to 46 million hectares in 2010, mainly on land converted from natural ecosystems.⁵⁶ Between 2000 and 2014, 293 million hectares of land in the Brazilian Cerrado were converted from natural vegetation in order to grow annual crops – mostly soy.⁵⁷ 75 per cent of global soy production is utilized in animal feed. Between 1967 and 2007, global pork production rose by 294 per cent, egg production by 353 per cent and poultry meat by 711 per cent, resulting in the huge expansion of soybean production.⁵⁸

Sugar cane

Cultivated on 23 million hectares of global arable land. Due to high rates of runoff and erosion it has severe consequences for marine and freshwater environments in environmentally sensitive regions, including the Mekong Delta, the Atlantic Forest and the Great Barrier Reef. Sugar cane is used in many products, especially soft drinks and chocolate.⁵⁹



Sawn wood is one of WWF's 14 key commodities to make more sustainable. WWF recommends that companies use FSC-certified wood.

ANNEX 3. WWF CERTIFICATION ASSESSMENT TOOL



**FOR TERRESTRIAL
COMMODITIES
(AGRICULTURE AND
FORESTRY), THE
CAT EVALUATES
THE STRENGTHS
OF CERTIFICATION
STANDARDS**

WWF has developed the Certification Assessment Tool (CAT) to identify which standards can best achieve positive social and environmental impact at scale. For terrestrial commodities (agriculture and forestry), the CAT evaluates the strengths of a certification scheme's standard according to the following criteria:

- Legality, tenure, land use rights
- Community relations
- Workers' rights
- Water and soil
- Biodiversity
- Pollution, waste and GHG emissions
- Planning and communication
- Forestry – other good practices

It also evaluates the strengths of the rules and procedures that regulate how the standard is implemented, assessed and governed according to the following criteria:

- Mission and governance
- Setting standards
- Certification and transparency
- Accreditation
- Chain of custody

CAT assessments give a good overview of each scheme's strengths and weaknesses, and these results are evaluated together with technical experts to judge the certification schemes. Credible standards require continuous improvement and the CAT results are also used to help identify ways to strengthen standards.

For more information please visit: http://wwf.panda.org/wwf_news/?228430/WWF-Certification-Assessment-Tool-CAT

ANNEX 4. WWF COMPANY COMMODITY SOURCING BENCHMARKING INITIATIVES

WWF regularly monitors and reports on company progress toward sustainable sourcing. This enables companies to benchmark their performance against their peers, highlights areas for improvement and creates a “race to the top”. It also allows other stakeholders to compare and judge a company’s actions and make investment and buying decisions accordingly. See below for information about some recent examples.

PALM OIL SCORECARD

SUMMARY

The Palm Oil Buyers Scorecards measure how responsibly major retailers and manufacturers are sourcing and using palm oil. The Scorecards look at company performance in four key areas: being an active member of the RSPO; making a public commitment to the RSPO; disclosing how much palm oil they use; and showing how much of the palm oil they use is RSPO or is supporting sustainable production.

wwf.panda.org/what_we_do/foot-print/agriculture/palm_oil/solutions/responsible_purchasing/



COTTON BAROMETER

SUMMARY

Pesticide Action Network UK (PAN UK), Solidaridad, and WWF commissioned Rank a Brand to research the major cotton-using companies on their policies, actual uptake, and traceability of sustainable cotton. The research presents a scorecard comparing the performance of these companies in order to create a transparent overview of the sustainability of the sourcing of companies purchasing cotton.

wwf.panda.org/wwf_news/?269811/Top-brands-failing-on-cotton-sustainability



SOY SCORECARD

SUMMARY

The Soy Report Cards assess a range of companies from the European context to see where they stand on responsible soy use. As the vast majority of all soy grown (approximately 75 per cent) is fed to the animals we eat, the report looks specifically at the use of soy in animal feed and products.

soyscorecard.panda.org/



ENVIRONMENTAL PAPER INDEX

SUMMARY

The EPCI 2015 discloses the ecological footprint of 85 million tonnes of pulp and paper, representing 15 per cent of the world’s paper and board and 15 per cent of the world’s pulp production. The EPCI is a tool for companies who are striving for continual improvement of their environmental performance for pulp and paper production and want to be recognized publicly for their leadership in transparency. 80 of the world’s most important and strategically relevant pulp and paper manufacturers have disclosed their ecological footprint in the EPCI 2015.

epci.panda.org



ANNEX 5. NOTES ON METHODOLOGY

Methodology to estimate the influence of CGF members on priority soft commodity markets

- 1) The global priority commodity volumes, taken from public sources, were allocated to eight key consumer goods categories in which these commodities are used: soft drinks, packaged food, meat, seafood, dairy, home and personal care, other grocery and apparel.^{60,61,62,63,64,65,66,67,68,69,70,71,72,73,74} Estimation of the global market size for each of these eight consumer goods categories was made by combining public sources.^{75,76,77,78,79,80,81,82,83,84,85,86,87}
- 2) The average volume per commodity per US\$ of retail value was calculated in specific consumer goods categories based on the outcome of the first step.
- 3) The global market for each of the eight consumer goods categories was allocated between regions (Europe, North America and rest of world). Within each of these regions, the volumes were split between channels (modern trade versus traditional trade) and within each channel between branded products, retailer private label and unbranded products.^{88,89,90,91,92,93,94,95,96,97,98,99}
- 4) The average volume per commodity per US\$ of retail value in each consumer goods category per region was calculated and split between branded products,¹⁰⁰ retailer private label, and unbranded products. This calculation was made based on the outcome of steps two and three.
- 5) Usage per commodity per CGF company was estimated based on the outcome of step four and the available information in the annual report of each company on revenues and consumer goods categories in which they are active. For retailers, average consumer baskets per region were used to make this estimation.^{101,102,103}
- 6) The volume per commodity per company was aggregated to provide an estimate of the combined volume and share of global commodity production of CGF member companies.

CGF member company commodity market shares

It is widely agreed upon that the larger the volume of a specific commodity a company purchases, the larger the influence a company may have up the supply chain (starting with manufacturers, on to intermediaries, on to processors and ultimately producers). This nexus was used as a proxy indicator for a company's potential influence over

a commodity supply chain and/or market. Commodity volumes sourced for each consumer goods category are known, also the global market size per consumer goods category. Based on that, the average volume per commodity per US\$ of revenue in a specific consumer goods category was calculated. Combining these average volumes per US\$ of revenue with public information on revenue split per company across consumer goods categories, the volumes of each commodity were estimated for each CGF member company. These estimated sourcing volumes of all CGF companies together indicate the CGF influence on commodity markets (figure 11).



Children in a Chiquitanan village: soy expansion does not always lead to improved living standards for local people.

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THE IMPORTANCE OF SUSTAINABILITY

BIOCAPACITY

It takes 1.5 years for the Earth to regenerate the renewable resources that people use, and absorb the CO₂ waste they produce in that same year.

BIODIVERSITY

Biodiversity, ecosystems and ecosystem services – our natural capital – must be preserved as the foundation of well-being for all.



BETTER CHOICES

Living within ecological boundaries requires a global consumption and production pattern in balance with the Earth's biocapacity.

EQUITABLE SHARING

Equitable resource governance is essential to shrink and share our resource use.

	<p>Why we are here To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature. panda.org</p>
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