Palm oil fruit, PT Adei plantation, Riau province, Sumatra, Indonesia (2014). Photo: Des Syafrizal/ Oxfam

PATHWAYS TO DEFORESTATION-FREE FOOD

Developing supply chains free of deforestation and exploitation in the food and beverage sector

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Over the last few years, several food and beverage companies have made commitments to tackle deforestation in their supply chains. While this is a significant step forward, these companies must now implement their promises. They must translate policies into practices and strengthen their efforts to protect the rights and livelihoods of the communities and indigenous peoples on the frontlines of defending the world's forests, to achieve real change.

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SUMMARY

Hidden in the food we buy every day, from chocolate to ice cream, are commodities like palm oil and soy that are driving deforestation across the world. From Indonesia to the Peruvian Amazon, vast swaths of carbon-rich forests are being cleared to produce these agricultural commodities, contributing to climate change and social conflict.

In addition to the devastating loss of forests, the rapid expansion of these commodities into new areas is exacting a high human cost. In many instances, local communities and indigenous peoples are being forced out of their ancestral lands, and are facing increasing levels of violence and intimidation.

The food and beverage sector has a clear role in creating change, facilitating more responsible and sustainable production that ensures the protection of people and forests. The industry is one of the biggest consumers of the key agricultural commodities that contribute to deforestation; it therefore exerts tremendous influence over how these commodities are produced.

The recent commitments by a growing number of companies—including some of the world's biggest food and beverage brands and traders—to eliminate deforestation from their supply chains are a significant step forward. However, in order for these commitments to translate into real change, companies need to put them into action. This paper analyses how the world's ten biggest food and beverage companies, which were challenged to improve their environmental and social policies as part of Oxfam's Behind the Brands campaign, and their key suppliers are implementing their commitments to eliminate deforestation from their supply chains. It analyses how these companies are addressing the impacts on human rights linked to deforestation in their agricultural supply chains, and the steps they are taking to translate policies into practice.

This paper finds that, while many food and beverage companies are making progress, key challenges remain. A glaring gap is that none of the analysed companies that have pledged to protect forests have policies to protect the human rights defenders who are on the frontlines of protecting the world's forests and natural resources, despite the worsening levels of violence they face in many countries. Further, none of the analysed companies have policies to ensure that small-scale farmers who produce these commodities can earn a living income or that workers are paid a living wage. The analysis also demonstrates that companies are lagging in implementing robust traceability, transparency and risk assessment processes to achieve their sourcing commitments. Notably, few of the companies assessed have traceability to origin (farm or plantation), conduct human rights risk/impact assessments as per the UN Guiding Principles on Business and Human Rights, or disclose the percentage of suppliers that are compliant with the company's supplier code or sourcing policy.

In order to achieve a deforestation-free food and beverage sector, companies need to:

Strengthen the rights and livelihoods of workers, small-scale farmers, local communities and indigenous peoples in agricultural supply chains linked to deforestation

Companies need to look beyond the focus on forest conservation and ensure that the rights of local communities are protected. In fact, the long-term effectiveness of

efforts to curb deforestation depends on being able to build socially inclusive models that strengthen people's rights and livelihoods. Companies must adopt and implement policies to protect human rights defenders against threats, violence and intimidation and ensure that measures to respect the land rights of local communities and indigenous peoples are enforced. They must also adopt policies and strategies that enable workers to earn living wages and small-scale farmers to boost their productivity and resilience and earn a living income.

Implement stronger operational processes to achieve supply chain commitments on eliminating deforestation and exploitation

Companies need to implement more robust risk assessment processes that include due diligence on human rights; improve the traceability and transparency of supply chains; deepen supplier engagement across both direct and indirect suppliers and link sourcing commitments to performance evaluation for procurement executives and other key decision makers.

Invest in and advocate for inclusive and resilient land use

Companies need to go beyond their own supply chains and invest in opportunities to facilitate transformation at a greater scale. This would require landscape-level initiatives that focus on resilient and inclusive land-use planning. They also need to publicly advocate for policies that emphasise the land rights of indigenous peoples and local communities as integral to meeting commitments on deforestation and climate change.

1 INTRODUCTION

The world's forests have been disappearing at an alarming pace, with emissions from deforestation and land use change accounting for 11 percent of the world's total greenhouse gas emissions.[1] Protecting the world's forests therefore needs to be a central part of the world's climate solution. Forests are vital to the lives and livelihoods of more than one billion people.[2] They also provide important ecosystem services—such as regulating water quality, precipitation and soil quality— that are vital to enhancing people's resilience and food security.[3]

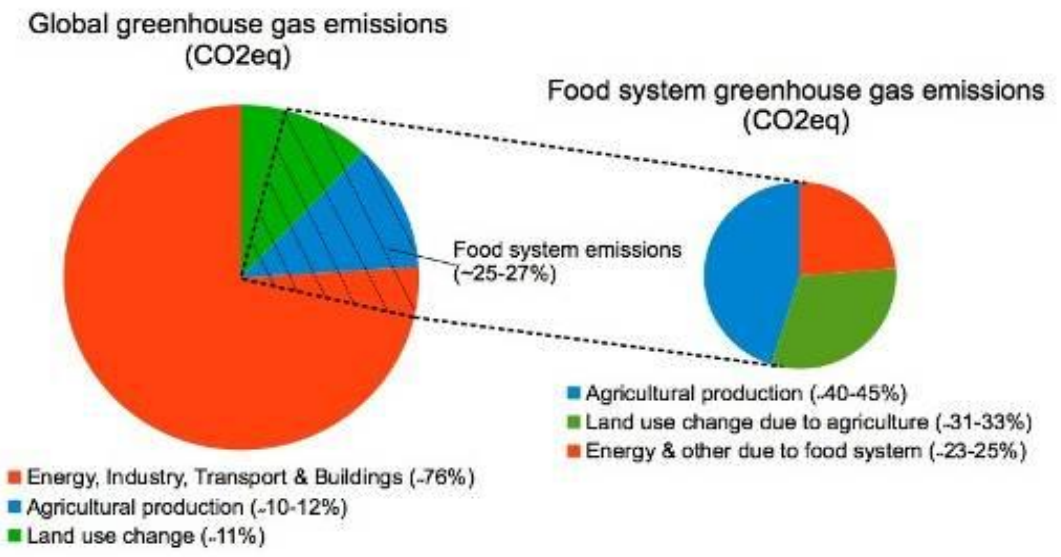
Box 1: How forests support climate mitigation, adaptation and food security

At the landmark 21st Conference of Parties in Paris (COP21), governments pledged to limit global temperature rise to 1.5ºC above pre-industrial levels, defining the long-term strategy to cut greenhouse gas emissions and avoid dangerous climate change. The world cannot meet this pledge without conserving tropical forests that store enormous amounts of carbon. Article 5 of the Paris Agreement explicitly recognizes the role of forests in climate mitigation, calling on parties to take action to conserve and enhance carbon sinks and reservoirs, including forests.[4] Terrestrial ecosystems play an important role in reducing the concentration of atmospheric carbon dioxide, removing over 4 gigatons of carbon from the atmosphere each year. Over two-thirds of this is due to tropical forests. Estimates suggest that, if deforestation were halted and damaged forests allowed to grow back, the combination of avoided emissions and additional carbon storage in forest vegetation would be equivalent to up to one-third of current global emissions from all sources.[5]

In many regions of the world, deforestation is also exacerbating the vulnerability of communities to the effects of climate change, such as flooding and desertification.[6] For example, the Intergovernmental Panel on Climate Change's fourth assessment report highlights how the soybean cropping boom that has exacerbated deforestation in Argentina, Bolivia, Brazil and Paraguay will enhance aridity/desertification in many of the already water-stressed regions of South America.[7]

In addition, forests and tree-based agricultural systems make essential contributions to food security and livelihoods through the provision of direct and indirect ecosystem services. The large-scale conversion of forests to agriculture and intensive mono-cropping presents significant challenges to conservation, agrobiodiversity and the continued supply of ecosystem goods and services critical for maintaining long-term food security.[8]

Figure 1: The food system's contribution to greenhouse gas emissions



Sources: IPCC (2013); Vermeulen et al. (2012); FAOStat

1.1 What do corporate commitments on deforestation-free, exploitation-free supply chains mean for the food and beverage sector?

Around 70 percent of the world's deforestation is linked to the production of agricultural commodities that end up in the majority of the processed food products consumed worldwide via complex supply chains.[9] The four biggest drivers of deforestation are palm oil, soy, cattle and timber; these account for around $1.4 trillion in trade annually.[10] The production of other agricultural commodities such as cocoa, maize and cane sugar is also increasingly impacting forests.[11]

In the last few years, a growing number of companies have pledged to eliminate deforestation from their supply chains. As of March 2017, according to NGO Forest Trends,[12] some 447 companies had made 760 commitments to curb forest destruction in supply chains linked to palm, soy, timber and pulp, and cattle. This includes several companies across the food and beverage value chain—big brands, retailers, traders and growers.

Collectively, the food and beverage sector exerts enormous influence on how forest-risk commodities are produced. For instance, the palm oil consumed globally by just five of the top global food and beverage brands is almost twice the total amount of palm oil that the United States imports.[13] The major suppliers of these commodities to the sector are in many ways more influential, given the significant market concentration. For example, just three companies have over 70 percent of the market share of globally traded palm oil.[14] Similarly, a handful of agribusiness traders dominate the soy market, in terms of both trade and in providing financing, inputs and storage and processing infrastructure.[15]

Box 2: What does a 'zero deforestation' policy look like?

While companies' commitments on eliminating deforestation from their supply chains vary, in principle they should include the following overarching goals:[16]

- No deforestation, including no development of high-carbon stock forests or high-conservation-value areas;
- no burning;
- progressive reductions of greenhouse gas emissions on existing plantations;
- no development on peat, regardless of depth;
- implementing best management practices for existing plantations on peat;
- where feasible, explore options for peat restoration, by working with expert stakeholders and communities;
- no exploitation of people and local communities, by respecting and supporting the Universal Declaration of Human Rights;
- respecting the rights of all workers, including contract, temporary and migrant workers and workers of all gender, the elimination of discrimination and all forms of illegal, abusive, forced or child labor, the promotion of equal rights, the freedom of association and effective recognition of the right to collectively bargain, as per ILO Core Conventions;
- including smallholders into supply chains;
- respecting the rights of indigenous and local communities to give or withhold their free, prior and informed consent (FPIC); and
- resolving all complaints and conflicts through an open, transparent and consultative process.

Source: Greenpeace. (2016). *Example zero deforestation policy for companies*. www.greenpeace.org/international/Global/international/documents/forests/2016/Zero-Deforestation-Policy-Example.pdf

Companies' commitments to deforestation- and exploitation-free sourcing (also referred to as 'no deforestation, no peat, no exploitation' (NDPE) commitments) by the food and beverage sector mark an important step that could potentially break the destructive link between commodities, climate change and social conflict. However, it is still too early to tell whether these corporate commitments will catalyze real transformation in the way these commodities are produced. Companies need to focus on implementation to ensure policies are translated into meaningful action.

Oxfam has assessed whether food and beverage companies are translating their NDPE commitments into implementation plans, and how their practices can deliver real progress on the ground. The analysis includes the world's ten biggest food and beverage companies[17] profiled as part of Oxfam's *Behind the Brands* initiative[18] and three of their key suppliers of forest-risk commodities. Oxfam has identified trends in implementation across these companies; on the basis of these, recommendations are given. This paper highlights the need for socially inclusive models that not only address deforestation in commodity supply chains but also strengthen the rights and resilience of the local communities that are impacted by these supply chains.

2 DEFORESTATION AND EXPLOITATION IN AGRICULTURAL SUPPLY CHAINS

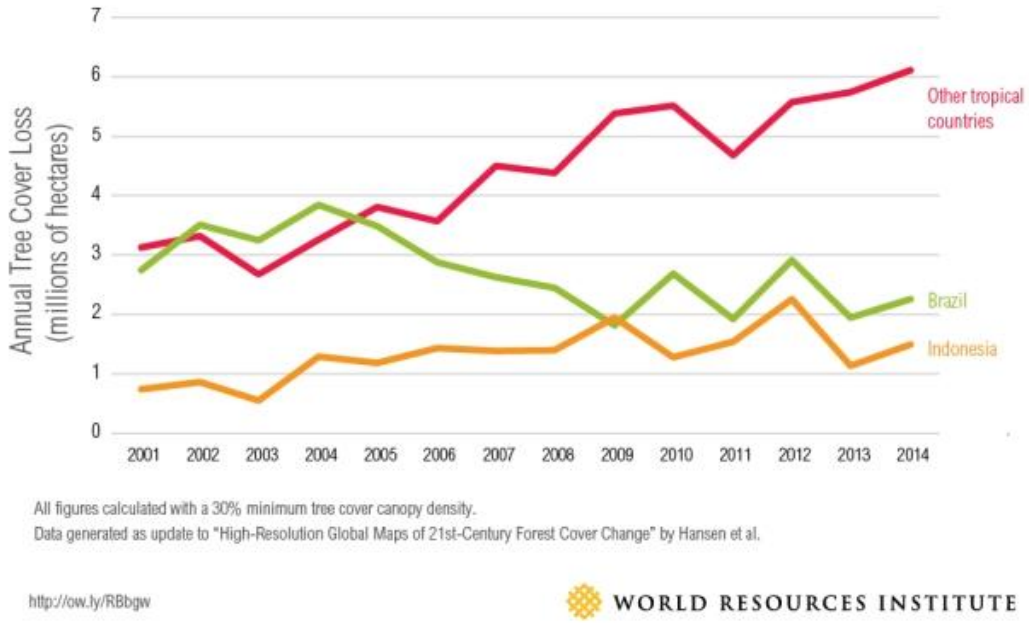
Commercial agriculture is by far the biggest driver of deforestation in tropical countries.[19] The scale of forest loss is staggering. Between 2000 and 2010, around 13m hectares of forest was lost or converted to agriculture. That is roughly equivalent to 68,000 football fields every day (or 50 fields per minute) over that period.[20]

2.1 Hot spots of commodity-driven deforestation

Global demand and trade in agricultural commodities such as palm oil and soy have expanded significantly in recent years.[21] While much of the commodity-driven deforestation has occurred in Brazil and Indonesia, where soy and palm oil production have traditionally been concentrated, new hotspots are emerging. Recent data illustrates that while rates of deforestation are declining or stabilizing in Brazil and Indonesia, they are on the rise in other tropical countries.[22]

Increasing land scarcity and more stringent regulations in the Brazilian Amazon and Indonesia are creating pressure to shift production of commodities that contribute to deforestation to other regions, such as sub-Saharan Africa and Latin America.[23] For instance, the expansion of palm oil, sugar and cocoa production in West Africa has resulted in an upward trend of deforestation and forest degradation.[24]

Figure 2: Tree cover loss increasing in tropical countries outside Brazil and Indonesia



New research shows that Latin America is one of the most vulnerable regions to deforestation from palm cultivation.[25] While Indonesia and Malaysia produce over 90 percent of globally traded palm oil, production for export is now increasing in several Latin American countries, as global demand continues to grow. In Guatemala and Peru, the land dedicated to the cultivation of oil palm quadrupled between 2003 and 2013, and the former is now the biggest exporter in the region.[26] Colombia, the largest producer of palm oil in the region, has seen significant growth in the area under production from 2001 to 2016.[27]

Similarly, soy producers are increasingly expanding beyond the Brazilian Amazon to neighbouring regions and countries. In Paraguay, lower land prices, weak environmental regulations and lower taxes have attracted soy producers to the eastern provinces; the Atlantic Forest has been permanently changed as a result. From there, soy rapidly expanded to the central provinces, occupying land already used for small-scale farming and livestock production.[28] The soy boom created a domino effect that led to cattle ranchers moving to the northern region of Chaco, where land is cheaper and regulation non-existent, resulting in massive deforestation. Between 2001 and 2014, almost 3.5m hectares of tropical dry forest in the Paraguayan Chaco—half the size of Ireland—was converted to pastures or agricultural plots as cattle ranching expanded into native forests.[29]

2.2 The human costs of commodity-driven deforestation

Beyond forest loss, the rapid expansion of forest-risk commodities often comes at a high cost to local communities and indigenous peoples. It has led to thousands of land conflicts in producer countries, with local communities and indigenous peoples often losing access to their lands. In the Paraguayan Chaco for instance, the Ayoreo indigenous peoples are being pushed out of their ancestral territories as cattle ranching expands.[30] In Indonesia, oil palm expansion has been driving large-scale land acquisitions and land conflicts at the expense of small-scale food producers and their families.[31] In 2014 alone, the NGO Sawit Watch identified 731 land conflicts related to oil palm expansion. Even when operations are certified as sustainable, land grabs occur and companies often fail to respect the customary rights of local communities and indigenous peoples, including their right to give or withhold consent to oil palm operations planned on their lands.[32]

Box 3: Land rights violations and oil palm in Indonesia and Peru

In 2011, PT Sandabi Indah Lestari (PT SIL), a palm oil supplier operating on the southwest coast of the Indonesian island of Sumatra, obtained an agricultural land concession to access 2,812 hectares in Bengkulu province. By acquiring the permit to use the concession, PT SIL also inherited a history of unresolved land disputes. This included an area of 1,000 hectares that the local government had reallocated from a concession for use by local residents. PT SIL barred community access to the land, rather than positively engaging the local community. The affected community encompasses multiple groups, including indigenous Batak, Serawai and Sunda people, along with more recently established Javanese migrants. Members of the community reported in interviews that the company bulldozed some residents' land holdings and intimidated community members.[33] PT SIL is a third-party supplier to Wilmar which has registered this as a grievance between PT SIL and local residents to which it is seeking resolution.[34]

A similar pattern of destruction is also emerging in Latin America. In Peru, companies in the Melka Group obtained control over large areas of forests for cocoa plantations in Tamshiyacu in the north-eastern Loreto region of Peru. The group has already removed 3,000 hectares of forest, including primary forest, to plant cocoa. The Melka Group also owns two oil palm plantations totalling around 11,000 hectares in Ucayali, a region covering the central portion of the Peruvian Amazon. From 2012, the ancestral lands of the Shipibo indigenous community of Santa Clara de Uchunya in the Ucayali region began to be acquired by Plantaciones de Pucallpa SAC, another Melka Group company. The community was unaware of this process until they discovered bulldozers operating on their lands in 2014. The Melka Group contests the rights of the Shipibo community to the land because they hold no formal land titles. Judicial proceedings are currently underway to ascertain these rights. Community resistance coupled with civil society pressure made the central government conduct a high-level investigation by the Ministry of Agriculture in August 2015. The next month, the Ministry of Agriculture ruled that the deforestation had been illegal, and ordered the immediate suspension of all operations. However, by this time, more than 5,000 hectares of mostly primary forest had been destroyed; the community claims this was part of their ancestral land.[35]

The social conflicts associated with the expanding production of agricultural commodities are reflective of the competition for finite natural resources: forests, water and land.[36] Many of these social conflicts are linked to inequitable, unclear and/or disputed tenure and access rights, and often occur where governance is weak.[37] The expansion of agricultural production is also exacerbating existing inequalities in access to and control over natural resources. Oxfam's research has documented how expanding production of commodities such as soy and oil palm, which are predominantly grown through large-scale monoculture, has led to extreme land concentration in Latin America and is in many cases displacing communities, undermining smallholder livelihoods and worsening local food security.[38]

These conflicts over the natural resources of forests have amplified threats to human rights defenders. Nearly half of the 281 human rights activists who lost their lives in 2016 were murdered for protecting land and environmental rights; human rights defenders in Latin America are most at risk.[39] While mining and oil are linked to the most cases of violence, large-scale agribusiness has also been linked to attacks against human rights defenders.[40] As demand for products like timber and palm oil grows, communities on the frontlines of defending their forests, rivers and lands are increasingly finding themselves at risk of violence and intimidation from powerful business and government interests seeking to control and exploit ever-scarcer land and natural resources. These incidents often occur where institutions are fragile and indigenous peoples and local communities are marginalized in access to land, land-use planning and decision making.[41]

Box 4: Human rights defenders at risk

Human rights defenders play a vital role in safeguarding the world's natural resources and combating climate change. In recent years, attacks and threats against environmental defenders have dramatically escalated. Indigenous people who have insecure land rights and are often geographically isolated and women are particularly vulnerable.[42]

The unchecked expansion of the agricultural frontier has been one of the drivers of intimidation and violence against human rights defenders. In the palm oil sector alone, there have been several reports of intimidation and violence against human rights defenders in Colombia, Honduras and Guatemala. In Colombia, reports by the government and human rights organizations have documented how palm oil company Poligrow occupied land grabbed from the Jiw and Sikuani indigenous groups. While the Colombian Land Restitution Unit ordered that the land be returned to those communities, the presence of armed groups has prevented the order being carried out, and two community members were killed; others continued to face intimidation and threats.[43] In Guatemala, community leaders demanding accountability for the contamination of a river in the northern municipality of Sayaxché allegedly caused by a massive spill of toxic effluent by another palm oil company, REPSA, were allegedly abducted and threatened by company workers.[44]

Given the alarming increase in threats and violence against human rights defenders, it is critical for businesses to heed the UN Special Rapporteur's call for businesses to adopt a zero-tolerance policy on attacks against human rights defenders.[45]

2.3 The way forward

In the past, business models for conserving forests and biodiversity have largely neglected the role and rights of people and communities, resulting in unintended negative consequences.[46] However, the long-term effectiveness of efforts to curb deforestation depends on being able to build socially inclusive business models that not only conserve forests but also strengthen the rights and livelihoods of local communities and indigenous peoples.

Any effective approach for curbing deforestation and climate change should clarify and secure community land rights. A growing body of evidence suggests that recognizing indigenous and community land rights has a major impact on mitigating climate change and addressing deforestation, and could be one of the most effective solutions for reducing deforestation.[47]

Box 5: Why securing indigenous and community land rights is key to tackling deforestation and climate change

Up to 2.5 billion people depend on indigenous and community lands which make up over 50 percent of the land on the planet; they legally own just one-fifth.[48] However, where they have secure tenure, communities and indigenous peoples are often the most capable custodians of the planet's natural capital. Studies show that community-run forests suffer less deforestation and store more carbon than other forests (e.g., state-protected forests). For example, in the Brazilian Amazon the deforestation rate is 11 times lower in indigenous peoples' and community forests; in the Guatemalan Petén, it is 20 times lower; and in the Mexican Yucatan, it is 350 times lower.[49]

Indigenous peoples and local communities manage at least 54.5bn tonnes of carbon, which constitutes 24 percent of the total carbon stored above ground, in the world's tropical forests. If this carbon were to be released, it would be more than 250 times the amount of carbon dioxide emitted by global air travel in 2015. One-tenth of the carbon stored in tropical forests is in community forests that lack formal, legal recognition, making it more likely those communities lose their lands and increasing the risk of deforestation.[50]

To efficiently reduce emissions from deforestation and forest degradation, and enhance local livelihoods, the private sector should engage with governments and the international community to support efforts to secure collective land rights. Securing collective land rights needs to also be prioritized in strategies to achieve emission reductions under the Nationally Determined Contributions (NDCs) of countries with extensive forest cover.

Small-scale farmers need to be an integral part of the solution to commodity-driven deforestation. While a range of companies have made commitments to tackle deforestation for oil palm, and more recently cocoa,[51] small-scale farmers are largely overlooked in sustainability initiatives and discussions about deforestation. Smallholders hold more than 40 percent of the land planted with oil palm and are now responsible for a significant share of fruit supply in mainstream oil palm supply chains, and this share is growing.[52] Smallholders are responsible for close to 90 percent of cocoa production.[53]

Low yields and a lack of secure access to land often create pressure for deforesting for more farmland.[54] However, with appropriate investments in access to credit, inputs and technologies, productivity can be increased while minimizing environmental impacts and enhancing ecosystem services.[55] However, technical programmes that help smallholders to adopt sustainable agricultural practices to boost productivity and yields are not enough. There is a need to address the structural barriers as well—these include access to secure land and markets, collective bargaining, and transparent and fair contracts—to ensure that small-scale famers receive a fair share of the value their products generate further along the chain.

At its core, socially inclusive models for tackling deforestation entail land-use policy and governance frameworks that recognize the multiple ecological, social and economic values of forest ecosystems and ensure that local communities (particularly women, who are often excluded), are able to participate in decision-making processes. This requires driving change through collaboration among multiple stakeholders to ensure that conservation outcomes are linked to equitable access to natural resources, secure land tenure and resilient livelihoods for rural communities.

3 EMERGING TRENDS IN THE FOOD AND BEVERAGE SECTOR: FROM COMMITMENTS TO ACTION

The companies analysed in this paper include the 10 *Behind the Brands* companies—Associated British Foods (ABF), Danone, Coca-Cola, General Mills, Kellogg, Mars, Mondelēz, PepsiCo, Nestlé and Unilever—and three of their key suppliers of forest-risk commodities: ADM, Cargill and Wilmar. The commodities for which this paper analysed relevant policies include the four main drivers of commodity-driven deforestation—palm oil, soy, timber and cattle—and where relevant sugar, cocoa and maize.

The analysis was based on publicly available data[56] such as the Carbon Disclosure Project (CDP)'s *Forest Information Request* reports, companies' annual sustainability reports and other policies, and statements relevant to their deforestation commitments and responsible sourcing practices.

The framework included a range of questions across two key areas:

- Whether and how companies are addressing human rights risks and social impacts in their deforestation policies and plans; and
- Whether companies are putting in place appropriate operational-level plans to meet their commitments on achieving sourcing free from deforestation and exploitation.

Box 6: Key questions guiding the analytical framework

1. What is the scope of the company's deforestation-related commitments and policies? Is a commitment to protect human rights included as part of its deforestation policy?
2. Does the company address salient human rights risks that are prevalent in agricultural supply chains for forest-risk commodities? Specifically, does the company have policies and practices that address land rights, workers' rights and rights of human rights defenders?
3. Does the company support efforts to strengthen the rights and livelihoods of local communities and contribute to positive socio-economic outcomes in agricultural supply chains linked to deforestation? Specifically, does the company have policies and practices to strengthen smallholder farmers, female farmers and socially inclusive land-use planning?
4. Does the company have operational strategies and plans for implementing its commitments on deforestation and exploitation-free sourcing? Specifically, does it have policies and practices related to: supply chain transparency and traceability; risk and impact assessments; supplier monitoring and engagement; grievance mechanisms; and governance and accountability?

All the food and beverage companies and key suppliers analysed for this paper are taking important steps towards implementing their goal of deforestation- and exploitation-free supply chains. However, the depth and details of each company's commitments and actions differ significantly. The analysis below captures the key trends across the 10 Behind the Brands companies and three traders.

3.1 Scope of the commitments

All but one of the companies had a specific policy or commitment to eliminate deforestation from their supply chains. Many of the companies are signatories to the New York Declaration of Forests, which includes a goal to '*support and help meet the private-sector goal of eliminating deforestation from the production of agricultural commodities such as palm oil, soy, paper, and beef products by no later than 2020*'.[57]

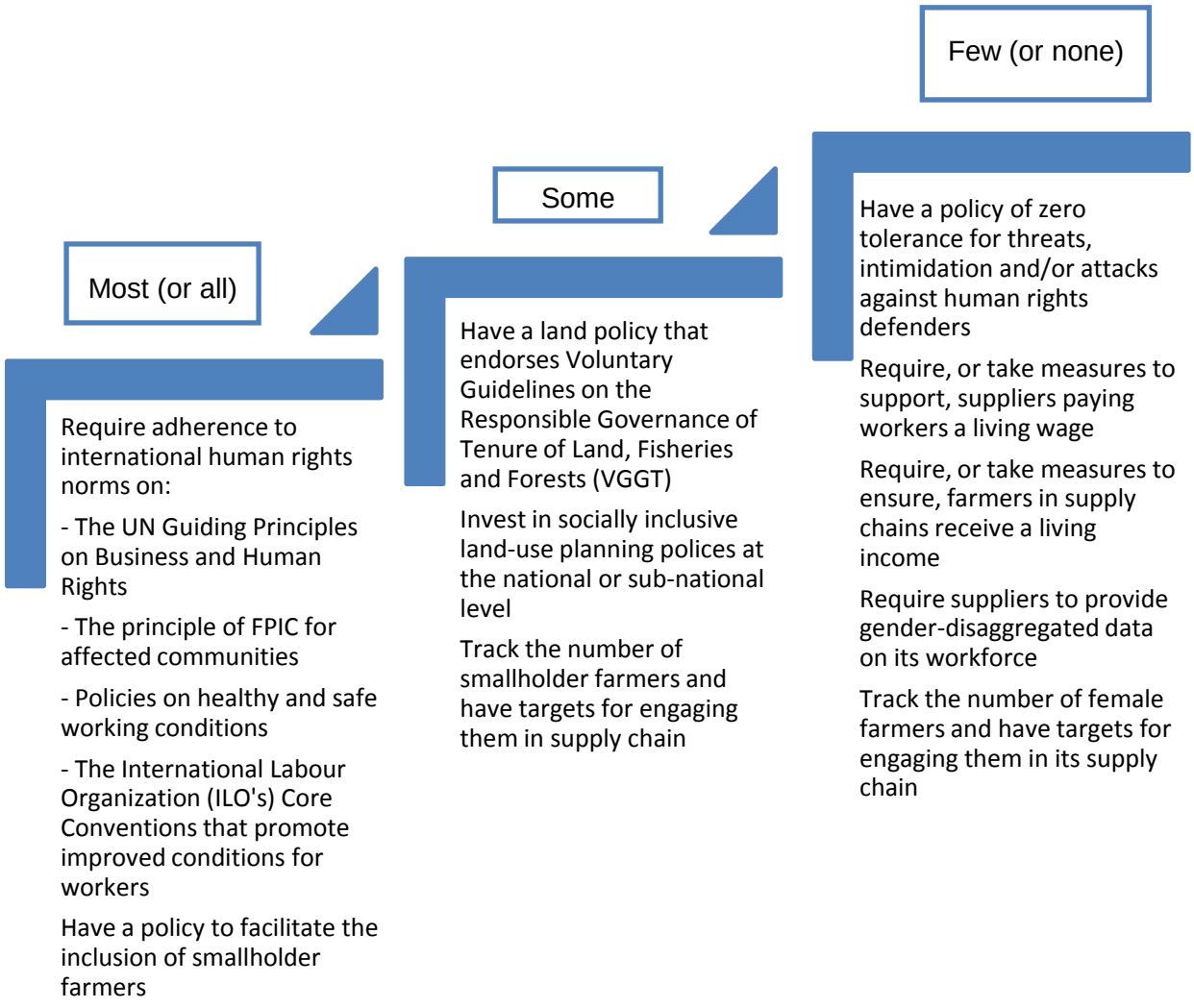
Nine of the ten consumer brands are also members of the Consumer Goods Forum (CGF), which plays an important role in driving the uptake of the deforestation commitments across the sector.[58] Most have implementation plans with specific milestones for palm oil; however, few have time-bound commitments and implementation plans for the other forest-risk commodities (i.e. soy, timber and cattle).

3.2 Do the commitments address the human rights and social impacts of supply chains linked to deforestation?

All of the companies analysed have in place a company-wide commitment to human rights; most also require adherence to international human rights norms such as the UN Guiding Principles (UNGP) on Business and Human Rights. However, the extent to which companies address the human rights risks that are widely prevalent in agricultural supply chains varies as does the extent to which they invest in practices to ensure positive social impacts. Figure 3 summarizes the policies that most, some, or only a few companies have adopted to address the human rights risks and social impacts in their agricultural supply chains linked to deforestation.

Note that commitments and policies are categorized as being held by 'most' companies if eight or more were reporting it, 'some' if between four and seven were, and 'few' if three or fewer were.

Figure 3: Extent to which companies are addressing human rights risks and ensuring positive social impacts



Source: Oxfam analysis 2017.

3.2.1 Land rights

A large portion of the world's forests are collectively governed or managed under communal land tenure systems, yet indigenous peoples' and communities' land rights are often not formally recognized by governments or respected by companies.[59] To ensure respect for land rights, companies must demonstrate zero tolerance for land grabs and commit to respecting all communities' land rights—including customary and usage rights.[60]

A critical safeguard to ensure companies do this is adherence to the principle of FPIC when buying, leasing or developing new land. Another important step is for companies to endorse the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests (VGGT).[61] The VGGT, adopted in 2012, reflect a global consensus on principles of and standards for governments, international organizations, communities and private sector entities addressing or responding to tenure risk. The VGGT can help companies investing in or operating land-based businesses act according to the highest international standards in areas with weak land and forest governance.

All of the analysed companies require suppliers to adhere to the principle of FPIC, even though the implementation of the principle remains challenging. However, only some have a land policy that endorses the VGGT: Nestlé, Unilever, PepsiCo, Coca-Cola, Cargill and Wilmar.

3.2.2 Workers' rights

Several recent reports have demonstrated that exploitative labour practices are common in agricultural supply chains linked to deforestation.[62] Encouragingly, all the companies had policies requiring suppliers to adhere to the International Labour Organization (ILO) core conventions of:

- Freedom of association and the effective recognition of the right to collective bargaining;
- elimination of all forms of forced or compulsory labour;
- abolition of child labour; and
- elimination of discrimination in respect of employment and occupation.

All companies also require adherence by suppliers to policies on healthy and safe working conditions.

That said, the extent to which such policies are actually implemented depends on a range of other factors, including the extent to which these companies have robust human rights due diligence practices. None of the companies has sourcing requirements to ensure that workers in their supply chains are paid living wages. Unilever has made some progress towards a living wage in its own operations, as documented in an Oxfam study in Vietnam[63] and Unilever's Framework for Fair Compensation.[64] It also has a limited commitment to a living wage in its supply chain, based on its Responsible Sourcing Policy.[65]

None of the companies require suppliers to provide gender-disaggregated data on workforces. This information is critical in sectors such as oil palm and soy, in which women are often part of the temporary workforce and face discrimination in wages and benefits and working conditions.

3.2.3 Human rights defenders

A glaring policy gap across all the companies analysed is that none have policies to protect human rights defenders, nor require their suppliers to put in place policies of zero threats, intimidation or attacks against human rights defenders and local communities.

Box 7: Defending the defenders

In many countries where agribusiness companies are investing, the rights of community activists are under attack because of their work to defend the rights of their communities—the right to forests and natural resources, to their land and water, their livelihood and their way of life. From violent crackdowns on protests and criminalization of speech, to arbitrary arrests and assaults or, in some cases, murder of human rights defenders, as well as restrictions on activities of civil society organizations, such attacks seek to delegitimize the voice and interests of communities. [66]

Companies that have committed to deforestation- and exploitation-free supply chains need to urgently address the risks to human rights defenders by adopting and implementing policies of zero tolerance on threats, intimidation and/or attacks on human rights defenders, and require their suppliers to do so as well.

This requires recognizing the legitimate voice and valid interests represented by these defenders and their communities. Companies need to have human rights due diligence processes in place to engage with communities and identify where potential conflicts might develop. In addition, when the basic rights of people or their communities are violated, companies must use their leverage and all the tools at their disposal to support accountability and redress. This requires companies to publicly advocate for safe spaces for civil society, particularly in contexts in which either state or non-state actors have in practice restricted civil society voices.[67]

3.2.4 Smallholder farmers

Most of the companies analysed had an explicit goal of supporting smallholders and small-scale farmers, in particular in palm oil supply chains. Mars, Mondelēz, Nestlé, Unilever and Cargill also had commitments to end deforestation in their cocoa supply chains. They also had investments in programmes that support smallholder producers through training, access to inputs and technologies.

Some of the companies, including Kellogg, Nestlé and Unilever, track the number of smallholder farmers in their supply chains and/or have targets for engaging smallholder farmers. None of the companies have policies to ensure that small-scale farmers in their supply chains can earn a living income or commitments to offer transparent, stable and fair sourcing relationships to small-scale producers in relation to price, volume, quality, delivery, payment schedules and volatility related to climate change. Unilever's supplier guidance provides recommendations on how suppliers should set fair prices.[68]

Box 8: Redefining the role of small-scale farmers

Small-scale farmers, many of whom are women, produce more than 80 percent of the food we eat.[69] Food and beverage companies that rely on small-scale farmers have a unique opportunity and responsibility to support such farmers to build resilience while transitioning towards sustainable agricultural practices. However, companies need to go beyond just providing technical assistance; they need to commit to strategies that transfer a greater share of the value created in supply chains to small-scale farmers so that they can earn a living income.

Oxfam uses the Global Living Wage Coalition's 2016 definition of a 'living income': the income available to a small-scale producer and her or his family in a particular place, based on the work executed in a standard work week, sufficient to afford a decent standard of living for the small-scale producer and her or his family. Elements of a decent standard of living include food, water, housing, education, healthcare, transport, clothing and other essential needs including provision for unexpected events.

Ultimately, to survive and thrive, small-scale farmers need to be able to earn enough from what they produce to earn a living income. Companies should pay particular attention to supporting small-scale women farmers. This should include scaling up their own sustainable practices or investing in access to credit, technologies and training to encourage women to adopt new, innovative and resilience-enhancing measures. Recruiting women into supply chains, promoting secure land rights and providing opportunities for them to participate meaningfully in decision making bodies will increase their chances of success as farmers.[70]

3.2.5 Female farmers

Women make up about 43 percent of the agricultural workforce, yet one fact is strikingly consistent: women have less access than men to agricultural assets, inputs, credit and services, and decision making opportunities. They are typically invisible due to a lack of gender-disaggregated data or policies to track where women are working, or are mostly operating in the informal sector as unpaid or family workers. They face the challenge of working a full day and being responsible for household and care work. Women farmers are more likely to be left out of cooperatives or smallholder groups because they lack land titles and/or their husbands traditionally represent families.[71]

The companies analysed had broad policies to support female farmers. Some of the companies, including Mars, Mondelēz, Nestlé, and Cargill, had specific programmes to support female farmers in cocoa supply chains. As of 2017, only a few of the companies are tracking the number of female farmers in their supply chains. For example, Kellogg assessed in 2015 how its supply chain could improve their productivity and livelihoods. As part of this assessment, Kellogg also identified the parts of its supply chain with the highest prevalence of women. It produced estimates of smallholder (approximately 65,000) and female participation in its supply chains. The company identified the risks and opportunities for smallholder farmers and women across ten of its key agricultural commodities.

However, none of the companies had specific policies looking at gender-differentiated needs, uses and knowledge in the context of forest-risk commodities.

3.2.6 Land-use planning

Closely related to land rights is the need to support inclusive land-use planning polices at the national and/or sub-national level. Land-use policies that combine environmental benefits with livelihoods and social benefits provide opportunities to embed corporate sustainability goals into broader national and sub-national policies and facilitate systemic shifts towards equitable and sustainable natural resource management. While these approaches are relatively new, some of the companies analysed—including Unilever, Nestlé, Mondelēz, Danone and Cargill—have committed to supporting landscape approaches. For example, at COP21, Unilever and Marks & Spencer announced that they would take a 'jurisdictional' approach to sourcing, preferentially buying from areas that have forest and climate policies that address deforestation and livelihood issues comprehensively.[72]

Box 9: Investing in sustainable and resilient landscapes

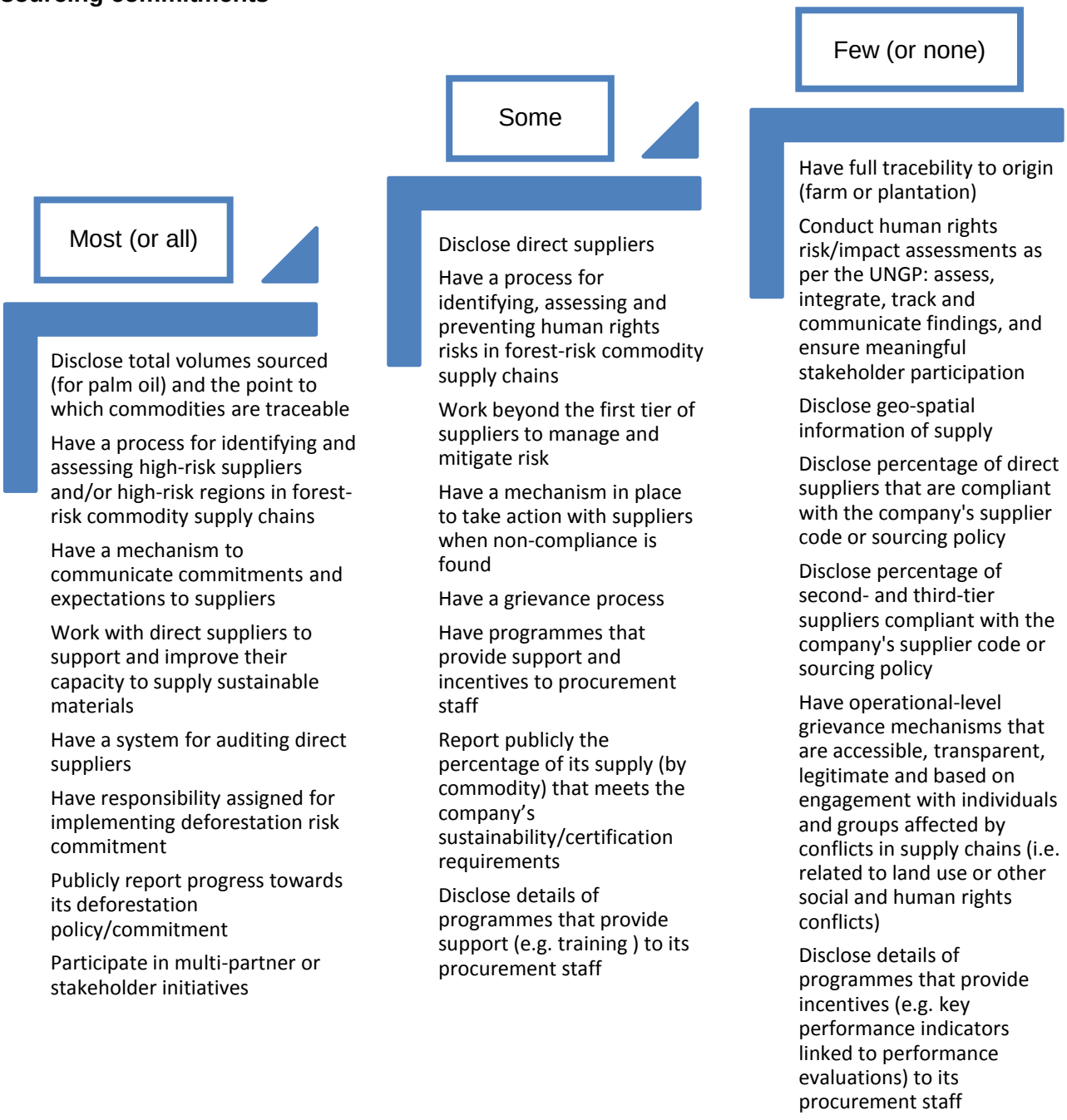
Integrated landscape management approaches (also referred to as 'jurisdictional' or 'place-based multi-stakeholder' approaches) refer to long-term collaborations among different groups of land managers and stakeholders to achieve multiple objectives required from socio-ecological landscapes.[73] Landscape partnerships are emerging as important ways for companies to meet their supply chain commitments. They could offer a collaborative platform for land-use planning and decision making, bringing together local communities with the private sector, governments and civil society organizations. If designed in ways that ensure that local land users—especially small-scale farmers, indigenous people and women—are actively involved in planning and decision making, it offers the potential to holistically address risks related to climate change, livelihoods and social conflicts over access to and control over natural resources.[74]

Landscape approaches also have important implications for resilience. Designed well, they can enhance ecosystem functions that improve livelihoods and enhance long-term resilience of agro-ecosystems.[75]

3.3 Do companies have operational plans and strategies to deliver their commitments?

The companies analysed in this paper are all taking important steps to embed sustainable practices into the management of their supply chains, but there are several areas in which they need to go further. Figure 4 summarizes which actions most, some, or only a few companies are taking to implement their commitments on responsible sourcing of forest-risk commodities.

Figure 4: Extent to which companies have operational plans to implement sourcing commitments



Source: Oxfam analysis 2017.

As in Figure 3, actions are categorized as being undertaken by ‘most’ companies if eight or more were reporting it, ‘some’ if between four and seven were, and ‘few’ if three or fewer were.

3.3.1 Supply chain transparency and traceability

The supply chains of forest-risk commodities are complex and opaque. However, knowing (traceability) and showing (transparency) where these commodities originate are critical to implementing deforestation- and exploitation-free sourcing commitments. All but one of the companies analysed discloses the volume of palm oil sourced; most also disclose the volumes of other priority forest-based commodities.

Most companies have made progress on the traceability to mill (for palm oil) and forest (for timber), although traceability to originating plantation continues to lag. Traceability is also lagging for other commodities like soy and cattle. For example, in soy, only Unilever and ADM have significant levels of traceability to farm, while Nestlé has a significant level of traceability to mill.[76]

For palm oil, a growing number of companies have started disclosing their top suppliers. For instance, as part of their annual palm oil progress reports, General Mills, Kellogg, Mars and Unilever disclose their top suppliers. However, none of the ten brands report on the locations and mills from which they source or the percentage of suppliers that are verified as being compliant with its sourcing policy or code.

Not surprisingly, the three suppliers analysed provide more granular information than the brands with respect to traceability, direct suppliers, and sourcing origins. Wilmar provides a substantial level of detail publicly, including maps, GPS coordinates and the proportion of smallholder farms. Cargill also discloses publicly the proportion of palm oil products traceable to both mill and plantation, by country. In addition, Cargill discloses the proportion of suppliers by country that have an NDPE policy. ADM discloses a complete list of mills by country for its global palm oil supply chain and assesses whether its suppliers have NDPE policies in place.

3.3.2 Risk/impact assessments

All the companies analysed have processes in place for identifying and assessing high-risk suppliers and/or high-risk regions in their supply chains. However, the process and robustness of their risk assessment processes vary considerably. For instance, while some companies rely on risk ratings from third parties (e.g. risk advisory businesses), a growing number—including Mars, Unilever, Cargill, Wilmar and Mondelēz—are beginning to use real-time satellite data through the open source Global Forest Watch Commodities[77] system to assess deforestation risks in their supply chains. For example, its PALM (Prioritizing, Areas, Landscapes and Mills) risk tool conducts an automatic analysis of satellite imagery and other spatial data within 50km of each mill to determine the threat to forests nearby. It also rates the risk of each mill based on past behaviour and proximity to forests, carbon-rich peat soils, fires and protected areas. These indicators are used to create a single overall mill risk score, which helps a company to prioritize supply chain interventions. However, few companies disclose findings from risk assessments. A notable example is Wilmar, which reports the number of risk assessments it has commissioned, as well as the criteria used and summaries of any corrective action plans that emerge.

Many of these companies also have mechanisms for identifying human rights risks in these supply chains; however, only Nestlé and Unilever have begun implementing human rights due diligence processes in accordance with the UNGP on business and human rights.[78] Human rights due diligence processes designed in accordance with the UNGP should lead companies to:

- assess actual and potential human rights impacts;
- integrate and act on findings;
- track responses; and
- communicate how impacts are addressed.

In addition, in order for these mechanisms to be truly effective, they need to involve the meaningful participation of local stakeholders and affected communities.

Box 10: Designing and implementing robust human rights impact assessments

When corporations engage in large-scale ventures—such as the extractive industries or agriculture—in or near local communities, residents already struggling to survive often find their lives profoundly disrupted. Such projects can violate a spectrum of human rights, such as the rights to a safe and healthy environment, a dignified livelihood, health, land and water. While only a part of the human rights due diligence process, human right impact assessments (HRIAs) represent a key first step. A number of HRIA tools have been developed by industry bodies and companies, but they are all top-down tools managed by the companies, focused largely on corporate risk, and are weak on transparency, accountability and stakeholder engagement. They are not designed as participatory processes to empower communities as rights holders.

HRIAs that incorporate community voice offer opportunities for communities to be at the table. For example, Nestlé commissioned the Fair Labour Association to assess Nestlé's cocoa supply chain in the Ivory Coast, focusing on labour risks. Multiple stakeholders were consulted, and more than 80 farms visited.[79] In 2016, Wilmar commissioned Business for Social Responsibility (BSR) to conduct an assessment focusing on labour risks in two of its mills and plantations, which included interviews with several workers.[80]

While community-based HRIAs are a valuable tool, Oxfam encourages companies to go further. Oxfam promotes the use of community-led approaches, so that those who are most directly affected can intervene to enhance positive effects, avoid or mitigate negative impacts, and contribute to the fulfilment of their human rights.

3.3.3 Supplier monitoring and engagement

The supply chains of forest-risk commodities extend from upstream producers through mills or aggregators to processors or traders, and eventually to downstream brands and retailers. Transformation across these various levels is important to ensure change. All the analysed companies actively communicate their expectations on deforestation- and exploitation-free sourcing to their suppliers, often through a code of conduct or related responsible sourcing guidelines. In some cases, these expectations are embedded in supplier contracts as legally enforceable provisions (e.g. on child labour and worker safety).

They also have systems in place for auditing direct suppliers. A number of the food and beverage manufacturers use Sedex to coordinate third-party audits. Sedex is a central database into which information from supplier scorecards is collected,

allowing buyers to analyse and compare their performance. Many also collaborate with external organizations such as The Forest Trust and Proforest, to assess their suppliers.

Moreover, all the companies analysed have mechanisms in place to take action when they find non-compliance. However, only some have a transparent process outlining what happens if a supplier fails to meet the company's policies, e.g. explicitly stating that they will exclude non-compliant suppliers, or addressing sustainability gaps for smallholder suppliers. For example, Mondelēz proactively excludes suppliers that do not meet its palm oil sourcing guidelines. Nestlé's policy states that suppliers receive a report from the audit firm highlighting opportunities for improvements and requirements for compliance. If a supplier does not improve practices within an agreed period, they are removed from the supply chain and new partnerships are established.

All the companies have mechanisms to engage suppliers, although there is significant variability in how closely companies work with direct suppliers to improve their capacity to supply sustainable materials. The mechanisms used include:

- supplier improvement plans;
- encouraging certification;
- developing or distributing supply chain mapping tools;
- facilitating data collection in a central database; and
- other financial and technical support.

However, only some of the companies are engaging substantively beyond the first tier of suppliers, even if they have visibility into their supply chain. Relatedly, only a few companies are tracking and disclosing whether their indirect suppliers (e.g. second or third tier) are compliant with the company's supplier code or sourcing policy. While downstream companies, including brands and retailers, are more distant from the mills/aggregators and producers, and some may only source relatively small volumes, it is important that they work closely across their supply chain to ensure their policies are applied consistently. For example, Unilever works closely with its first-tier soy suppliers to engage second-tier suppliers in producing roadmaps for sourcing soy oil/beans compatible with its soy sourcing guidelines.

Traders which are closer to the supply base of their producers need to engage more closely with their sub-suppliers. For example, Wilmar has a process to monitor and verify policy compliance throughout its supply chain. This includes conducting mill assessments based on the 'mill prioritization process'[81] combined with a regional 'Aggregator/Refinery Transformation' approach[82] to address issues across a set of mills and plantations within a region.

3.3.4 Grievance mechanisms

Most of the analysed companies have a mechanism (e.g. a hotline) for stakeholders to raise grievances. However, it is unclear whether they also have mechanisms that are effective at an operational level in remedying problems for affected stakeholders. Companies should establish legitimate, accessible and transparent complaint and grievance mechanisms; at a minimum consistent with the guidelines outlined in the UNGP for business and human rights.

The best examples also include transparent reporting of grievances, as well as progress on how they are being addressed. For example, traders like Wilmar and Cargill have publicly available grievance procedures and progress updates for their palm oil supply chains.

3.3.5 Governance and accountability

Publicly reporting on progress and assigning accountability is critical to ensure that a company and its suppliers deliver their targets and plans. All the companies analysed report publicly on progress, with some specifically reporting the percentage of supply that meets the company's sustainability or certification requirements. In addition, all have senior executives responsible for implementing deforestation commitments.

Eliminating deforestation requires both internal collaboration and significant external collaboration. This includes joint projects with suppliers and working with civil society organizations, governments and other stakeholders to address issues that cut across sectors and markets. All the companies analysed are engaging with other key stakeholders to support implementation of the company's deforestation-free and exploitation-free commitments. Most of the companies analysed are part of the CGF and the Tropical Forest Alliance.

Information is lacking about the steps that the companies are taking to ensure that sourcing staff understand their sustainability requirements. This would allow buyers to be clear in their messaging during 'tenders' for new business, as well as in existing supplier reviews. Some of the companies share publicly that they offer support and incentives to their procurement staff. For example, Mars offers a buyers' 'toolkit' that explains the role of the Responsible Sourcing team and the tools available to help buyers make the best possible sourcing decisions.

Only a few companies report on how they embed incentives in their executives' performance plans based on their team or the company achieving sustainable sourcing commitments. For example, Nestlé's Creating Shared Value issues (covering economic, environmental and social criteria) are included in the company's business plans. Senior executives are assessed against the business plans. That said, none of the companies disclose details about these programmes and incentives, nor report on the effectiveness of programmes in ensuring that social and environmental sustainability criteria are heavily weighted in procurement decisions.

4 CONCLUSIONS AND RECOMMENDATIONS

The deforestation- and exploitation-free supply chain commitments adopted by a broad range of private sector actors have set the stage for amplifying global efforts to tackle deforestation and ensure that carbon-rich forests and ecosystems are preserved, and the rights and livelihoods of communities are strengthened.

The food and beverage industry, which is responsible for driving much of the production and trade in commodities that contribute to deforestation, has a vital role in achieving this goal. To their credit, several companies in this sector have demonstrated leadership by being early adopters of such commitments. The companies analysed in this paper have all begun putting in place policies to implement their commitments—they recognize the human rights risks associated with commodities that contribute to deforestation, they are communicating their expectations to suppliers, they are reporting on progress and they are partnering with external stakeholders to drive sector transformation. Some of the companies have gone further by investing in smallholder farmers, landscape approaches and making their supply chains more transparent. Nonetheless, food and beverage companies need to continue accelerating the process of eliminating deforestation and exploitation from their supply chains.

Based on the analysis in this paper, Oxfam calls on companies in the food and beverage sector to:

Strengthen the rights and livelihoods of workers, small-scale farmers, local communities and indigenous peoples in agricultural supply chains linked to deforestation.

- Adopt and implement policies to protect human rights defenders against threats, violence and intimidation. Recognize the legitimate voice and valid interests represented by these defenders and their communities, publicly require immediate cessation of such threats, dedicate resources to prevent future threats faced by environmental and human rights defenders and support processes for independent investigation and redress.
- Adopt and implement policies to ensure workers are paid living wages.
- Adopt and implement time-bound targets and strategies that increase the productivity and resilience of farmers, including women farmers, particularly ensuring that they receive a living income.
- Implement practical measures to ensure respect for the land rights—including customary, traditional and informal rights—of indigenous peoples and local communities potentially impacted by the operations of a company, supplier or business partner.

Implement stronger operational processes to achieve supply chain commitments on deforestation- and exploitation-free sourcing.

- Develop more robust risk assessment processes that include human rights due diligence based on the UN Guiding Principles on Business and Human Rights.

These should include steps to assess, integrate, track and communicate human rights risks and impacts. They should be complemented by meaningful engagement with local stakeholders and communities.

- Improve supply chain traceability and transparency by ensuring traceability to known origins for all forest-risk commodities and disclosing supply chain information on mills, refineries and geospatial information on plantations—and require suppliers to do the same. In addition, disclose the percentage of suppliers compliant with deforestation- and exploitation-free sourcing commitments.
- Integrate sustainability criteria into procurement decisions through explicit objectives (e.g. KPIs) that are set in consultation with senior leadership. This should entail linking the achievement of sourcing commitments to performance evaluations for procurement executives and other key decision makers.

Invest in and advocate for inclusive and resilient land use.

- Invest in opportunities beyond pure risk mitigation, and facilitate transformation at scale by engaging in landscape-level initiatives that combine social, environmental and economic outcomes through inclusive and resilient land-use planning.
- Publicly advocate for policies that emphasize the rights and resilience of local communities. This includes advocacy with governments to strengthen recognition of the land rights of indigenous people and local communities in the context of meeting nationally determined contributions for greenhouse gases (GHG) emission reductions, and advocacy with industry peers to ensure that commitments to eliminate deforestation reflect the importance of human rights and social impacts.

While the food and beverage sector has a clear role in addressing deforestation and the associated human rights issues in supply chains, Oxfam recognizes that lasting change will require other actors, especially governments, to commit to creating a systemic shift towards more sustainable and equitable land use and agricultural production models. Governments play a crucial role in ensuring that civil and human rights are protected and natural resources are managed sustainably. To that end, companies should work with civil society, and use their relationships with governments and peers to help raise the bar across the board.

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Cover: Palm oil company, PT Adei, a subsidiary of Malaysian giant Kuala Lumpur Kepong (KLK), was prosecuted by the Indonesian government for setting fire to forests and peatland to make way for plantations in Riau province, on the island of Sumatra. Deforestation and land-use change practices are widespread across the country and release large amounts of carbon emissions into the atmosphere contributing to climate change. PT Adei is also accused by local people and NGOs of forcing local farmers from their land with little compensation, and polluting the river, vital to the food security and income of the communities where the company works.

For further information on the issues raised in this paper please email advocacy@oxfaminternational.org

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