

Notice Of Exempt Solicitation: (VOLUNTARY SUBMISSION)  
NAME OF REGISTRANT: Archer-Daniels-Midland (ADM)  
NAME OF PERSON RELYING ON EXEMPTION: Majority Action  
ADDRESS OF PERSON RELYING ON EXEMPTION: PO Box 4831, Silver Spring, MD 20914



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## **Archer-Daniels-Midland [NYSE:ADM]: Due to the Company’s Failure to Set A Net Zero by 2050 Target, Adopt and Implement an Ambitious No-Deforestation Commitment, and Ensure Compliance and Resolution through Robust Monitoring and Verification:**

- **Vote AGAINST CEO/Chair Juan Luciano (Item 1.f), and**
- **Vote AGAINST Lead Director Donald Felsing (Item 1.d)**

*The physical and financial risks posed by climate change to long-term investors are systemic, portfolio-wide, unhedgeable and undiversifiable. Therefore, the actions of companies that fail to align to limiting warming to 1.5°C pose risks to the financial system as a whole, and to investors’ entire portfolios, in addition to specific risks to those companies. See **Appendix A** for more information regarding Majority Action’s Proxy Voting for a 1.5°C World initiative and the transformation required in key industries.*

Archer Daniels Midland (ADM) is one of the world’s largest agribusiness traders, engaged in the processing, manufacturing and trading of agricultural commodities, including animal feed and biofuels. It is one of the major processors of soy in South America, and among the largest processors of soy in Brazil.<sup>1</sup> According to Trase Finance, ADM has the third-largest absolute deforestation risk for Brazilian soy,<sup>2</sup> just behind Bunge and Amaggi Louis Dreyfus.<sup>3</sup>

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<sup>1</sup> Forest 500 /Global Canopy, “Archer Daniels Midland Co” (company profile), <https://forest500.org/rankings/companies/archer-daniels-midland-co>

<sup>2</sup> Trase Finance, “Archer-daniels-midland Co - Overview,” <https://trase.finance/entities/3a0df9d8-f125-36a3-aa61-4be2fc4f63c7#overview>, accessed March 6, 2022

<sup>3</sup> Trase Finance, “Archer-daniels-midland Co - Deforestation Risk,” <https://trase.finance/entities/3a0df9d8-f125-36a3-aa61-4be2fc4f63c7#deforestation%20risk>, accessed March 6, 2022

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In addition to the range of benefits that forests offer, healthy forests are critical and necessary for achieving the Paris Agreement’s goal of limiting planetary warming to 1.5°C or well below 2.0°C above pre-industrial levels.<sup>4</sup> At the COP26 in 2021, over 100 world leaders agreed to collectively halt and reverse forest loss and land degradation by 2030,<sup>5</sup> and Principles for Responsible Investment’s (PRI’s) Required Policy Scenario to close the gap to 1.5°C calls for ending deforestation globally even earlier, by 2025.<sup>6</sup> Deforestation is also linked to human rights violations such as land-grabbing<sup>7</sup> as well as documented forced labor<sup>8</sup> in the resulting agricultural operations such as palm oil plantations and cattle farms.<sup>9</sup> Companies need to take urgent and meaningful action to eliminate deforestation and conversion of native vegetation from their supply chains, and lead the transition to lower-carbon agricultural production.

**Failure to set ambitious decarbonization targets in line with 1.5°C pathways, and align companies’ business plans and policy influence to those targets, is a failure of strategy and corporate governance, for which long-term investors should hold directors accountable. At companies where the production, processing, sale, and/or consumption of products linked to deforestation is central to their core business, and greenhouse gas (GHG) emissions reductions—particularly those related to land-use change – have profound strategic implications, the board chair, and lead independent director where the position exists, should be held accountable.**

## Net zero target setting

Net zero by 2050 commitment that covers all relevant emissions sources, including Scope 3 emissions embedded in purchased goods from land use and land-use change	X
Limited use of offsets, carbon credits, carbon removals and other unproven or uncommercialized negative carbon technologies to meet net zero commitment	X
Robust interim targets for 2030 that ensure the company is on track for net zero commitment	X

<sup>4</sup> Climate, Land, Ambition and Rights Alliance (CLARA), “Climate Action in the Land Sector,” [https://www.boell.de/sites/default/files/clara\\_action\\_in\\_the\\_land\\_sector\\_final.pdf](https://www.boell.de/sites/default/files/clara_action_in_the_land_sector_final.pdf) accessed March 5, 2022

<sup>5</sup> <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>

<sup>6</sup> Principles for Responsible Investment (PRI), “The Inevitable Policy Response 2021: Forecast Policy Scenario and 1.5C Required Policy Scenario,” October 17, 2021. [https://www.unpri.org/inevitable-policy-response/the-inevitable-policy-response-2021-forecast-policy-scenario-and-15c-required-policy-scenario/8726\\_article](https://www.unpri.org/inevitable-policy-response/the-inevitable-policy-response-2021-forecast-policy-scenario-and-15c-required-policy-scenario/8726_article), p.12.

<sup>7</sup> Both ENDS and Forest Peoples Programme, “Ensuring Respect for Human Rights in the Context of Economic Diplomacy,” March 12, 2018. [https://www.ohchr.org/Documents/Issues/Business/2018Survey/Bothe\\_ends\\_and\\_forest\\_people\\_programme.pdf](https://www.ohchr.org/Documents/Issues/Business/2018Survey/Bothe_ends_and_forest_people_programme.pdf)

<sup>8</sup> Brown, et al. “Modern slavery, environmental degradation and climate change: Fisheries, field, forests and factories,” *Nature and Space*. November 2019. <https://journals.sagepub.com/doi/full/10.1177/2514848619887156>

<sup>9</sup> Verite, “Reports on Forestry” (website), <https://www.verite.org/resources/verite-reports-on-forestry/>, accessed 6 March 2022

ADM does not have a net zero commitment. It has set targets to reduce its scopes 1 and 2 GHG emissions by 25% in absolute terms by 2035, from a 2019 baseline,<sup>10</sup> and in 2021 it updated this target to include scope 3 reductions.<sup>11</sup> Further, the company does not appear to have identified how it will specifically address emissions from land-use change associated with its products.<sup>12</sup>

## Adoption and Implementation of a No-Deforestation Commitment

Company has adopted and is implementing a no-deforestation policy that is comprehensive, covering all geographies and commodities, and that is implemented immediately rather than at some future time.	~
The policy and associated implementation plans have cut-off dates after which deforestation signals non-compliance with the policy.	X

ADM's no-deforestation policy – “Policy to Protect Forests, Biodiversity and Communities” – is global in scope,<sup>13</sup> but its target date of 2030 lags behind expectations and standards of immediate implementation.<sup>14</sup> Language in its policy covering conversion of vegetation, which is of material importance relating to land converted to soybean agriculture, lacks firm commitments or deadlines.<sup>15</sup>

According to Rainforest Foundation Norway, ADM does not have ambitious cut-off dates harmonized to sector-wide recommendations,<sup>16</sup> and World Wildlife Fund's scorecard notes the absence of cut-off dates in particular biomes.<sup>17</sup>

As recently as November 2021 – just days after the COP26 – ADM and other large agribusiness firms were found to be lobbying to weaken EU laws banning food imports linked to deforestation.<sup>18</sup>

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<sup>10</sup> ADM, “Sustainability” (website), <https://www.admis.com/sustainability/>, accessed April 11, 2022

<sup>11</sup> ADM, “ADM Sets Scope 3 Emissions Reductions Targets” <https://www.adm.com/en-us/news/adm-stories/adm-sets-scope-3-emissions-reduction-target/>, accessed March 11, 2022

<sup>12</sup> ADM, “Corporate Sustainability Report 2020,” October 2021, [https://assets.adm.com/Sustainability/2020-Corporate-Sustainability-Report\\_210521\\_121113.pdf](https://assets.adm.com/Sustainability/2020-Corporate-Sustainability-Report_210521_121113.pdf) p. 29

<sup>13</sup> ADM, “Policy to Protect Forests, Biodiversity and Communities,” [https://assets.adm.com/Sustainability/ADM-No-Deforestation-Policy\\_210323\\_141338.pdf](https://assets.adm.com/Sustainability/ADM-No-Deforestation-Policy_210323_141338.pdf)

<sup>14</sup> World Wildlife Fund, *Soy Traders Scorecard*, 2021, <https://soyscorecard.panda.org/traders/> and “ADM” (profile) <https://soyscorecard.panda.org/traders/scores/summary/full-report/79874>, accessed March 24, 2022

<sup>15</sup> ADM, “Policy to Protect Forests, Biodiversity and Communities,”

<sup>16</sup> Rainforest Foundation Norway, *the State of the Soy Industry*, February 2022, [https://d5i6is0eze552.cloudfront.net/documents/TheStateOfTheSoyIndustry\\_0222-L.pdf?mtime=20220323113017](https://d5i6is0eze552.cloudfront.net/documents/TheStateOfTheSoyIndustry_0222-L.pdf?mtime=20220323113017) p. 10

<sup>17</sup> World Wildlife Fund, *Soy Traders Scorecard*, 2021, <https://soyscorecard.panda.org/traders/> and “ADM” (profile) <https://soyscorecard.panda.org/traders/scores/summary/full-report/79874>, accessed March 24, 2022

<sup>18</sup> Neslen, Arthur, “Agribusiness Giants to Thwart EU Deforestation Plan After COP26 Pledge,” *the Guardian*, March 4, 2022, <https://www.theguardian.com/environment/2022/mar/04/agribusiness-giants-tried-to-thwart-eu-deforestation-plan-after-cop26-pledge>

## Traceability, Monitoring, and Verification

<p>The company should be implementing a monitoring system and UNDP-aligned grievance mechanisms and procedures governing the company’s response to non-compliant suppliers, including thresholds for contract cancellations and steps to remediate deforestation and human rights abuses in their direct and indirect supply chains</p>	
<p>The company should be independently verifying the volumes of its suppliers that are deforestation- and conversion-free (DCF), and disclosing the results</p>	
<p>The company should report publicly on grievances filed and resulting actions taken.</p>	

ADM discloses that less than 100% of its soy volumes has been verified to be free of deforestation and conversion.<sup>19</sup> The company notes that its “DCF (Deforestation + Conversion Free) footprint” in Brazil was 97% in 2020, however, it has mapped (and thus is monitoring) only its direct suppliers, and does not yet report on how it is verifying that its indirectly sourced volumes of soy (over half of its total volumes in some geographies)<sup>20</sup> is free of deforestation and conversion. The company could be exposed to deforestation and land clearance through both the mapped but unverified sourcing as well as the larger volumes of indirectly sourced soy; Rainforest Foundation Norway calculates that this indirectly sourced soy that is not verified to be free of deforestation and conversion could be up to 37.9% of ADM’s Brazilian soy.<sup>21</sup>

ADM does have a public, transparent grievance mechanism and log that describes the company’s engagement.<sup>22</sup> However, ADM needs to ensure that its monitoring and verification program is detecting potential non-compliance; the company does not report on results of its internal monitoring for non-compliance.<sup>23</sup>

**Conclusion: ADM has failed to set a net zero target or make significant progress towards implementing its No Deforestation Policy. Therefore, we recommend that shareholders vote AGAINST CEO and Chair Juan Luciano (Item 1.f) and Lead Director Donald Felsing (Item 1.d) at the company’s annual meeting on May 5, 2022.**

<sup>19</sup> ADM, *H2 2021 Soy Progress Report*, <https://assets.adm.com/Sustainability/2021-Reports/ADM-H2-2021-Soy-Progress-Report.pdf>, p. 9

<sup>20</sup> ADM, *H2 2021 Soy Progress Report*, p.9

<sup>21</sup> Rainforest Foundation Norway, ‘State of the Soy Supply Chain,’ p. 12

<sup>22</sup> ADM, ‘Corporate Sustainability Report 2020,’ p. 22; Rainforest Foundation Norway, ‘State of the Soy Supply Chain,’ p.14

<sup>23</sup> Rainforest Foundation Norway, ‘State of the Soy Supply Chain.’ p. 16

# Appendix A: Proxy Voting for a 1.5°C World

**The world is currently on track to reach disastrous levels of warming, driving massive harm and threatening the lives and livelihoods of millions.** Corporate leaders in the industries responsible for this crisis have failed to take up the leadership required to change course.

**“Climate risk” is systemic, escalating and irreversible - and corporate boards urgently need to take responsibility for averting and mitigating this risk.**

The UN Intergovernmental Panel on Climate Change (IPCC) in 2018 made clear that in order to have at least a 50% chance of limiting warming to 1.5°C and avoiding the most catastrophic effects of the climate crisis, we must bring global, economy-wide carbon emissions down to net zero by 2050 at the latest.<sup>24</sup> According to the International Energy Agency (IEA), in order to achieve net zero emissions globally by 2050, the electricity sector must reach net zero emissions in OECD countries no later than 2035 and there can be no investment in new fossil fuel production.<sup>25</sup> The IPCC also recognizes that reducing rates of deforestation and forest degradation represents one of the most effective and robust options for climate change mitigation.<sup>26</sup>

This means that corporate directors must ensure that companies set ambitious decarbonization targets in line with 1.5°C pathways, and align companies’ business plans, capital expenditures, and policy influence to those targets. Despite the escalating climate crisis, systemically important U.S. companies continue to invest in the expansion and continued use of fossil fuels, further accelerating global warming.<sup>27</sup>

**The physical and financial risks posed by climate change to long-term investors are systemic, portfolio-wide, unhedgeable and undiversifiable.** Therefore, the actions of companies that directly or indirectly impact climate outcomes pose risks to the financial system as a whole and to investors’ entire portfolios. In order to manage this systemic portfolio risk, investors must move beyond disclosure and company-specific climate risk management frameworks and focus on holding accountable the relatively small number of large companies whose actions are a significant driver of climate change.

When directors fail to transform corporate business practices in line with 1.5°C pathways, responsible investors must use their most powerful tool – their proxy voting power – to vote against directors.

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<sup>24</sup> IPCC, *Special Report on Global Warming of 1.5°C.*, 2018, [https://www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15\\_Full\\_Report\\_Low\\_Res.pdf](https://www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15_Full_Report_Low_Res.pdf), pp. v, 5, 7-10, 95-97 and 116

<sup>25</sup> International Energy Agency (IEA), *Net Zero by 2050: A Roadmap for the Global Energy Sector*, May 2021. <https://www.iea.org/reports/net-zero-by-2050>, Slide 8.

<sup>26</sup> IPCC, *Special Report on Climate Change and Land, Summary for Policy Makers*, January 2020, [https://www.ipcc.ch/site/assets/uploads/sites/4/2020/02/SPM\\_Updated-Jan20.pdf](https://www.ipcc.ch/site/assets/uploads/sites/4/2020/02/SPM_Updated-Jan20.pdf), pp 23-24 and 26.

<sup>27</sup> Climate Action 100+: Net-Zero Company Benchmark Company Assessments <https://www.climateaction100.org/progress/net-zero-company-benchmark/>

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**Bold and unprecedented action by investors is a prerequisite to averting further global economic and financial catastrophe. While past shareholder efforts at standard setting, disclosure and engagement have laid important groundwork, company commitments won thus far have been far too incremental, far too hard fought, and collectively insufficient to the scale of the crisis.**

**Business-as-usual proxy voting will not suffice to address the seriousness of the crisis at hand.** We urge investors to vote against directors at companies failing to implement plans consistent with limiting global warming to 1.5°C.

## Key Sectors Are Critical to Curbing the Climate Crisis

The electric power, finance, transportation, and oil and gas sectors are key drivers of the production and consumption of fossil fuels and must all make dramatic transformations to curb the worst of catastrophic climate change and protect long-term investors. Similarly, companies driving deforestation – including companies that source key deforestation-linked agricultural commodities, driving market demand for one of the greatest threats to the world’s forests – must adopt comprehensive climate policies and end deforestation.

Substantial votes against board members at these companies could help encourage ambitious target-setting, realign business and investment plans to the goals of the Paris Agreement, and hold companies accountable for lobbying and policy influence practices that obstruct climate action.

While each industry and company will need to chart its own path in pursuing decarbonization consistent with limiting warming to 1.5°C, setting a target to reach net zero emissions by no later than 2050 is a critical first step. In the absence of such a target, investors can have no confidence that the company will be able to transform its business consistent with limiting warming to 1.5°C.

## Voting Guide: Companies Driving Deforestation

In addition to the range of benefits that forests offer, healthy forests are critical and necessary for achieving the Paris Agreement’s goal of limiting planetary warming to 1.5°C or well below 2.0°C above pre-industrial levels.<sup>28</sup> All four IPCC emissions reductions pathways consistent with limiting warming to 1.5°C assume a halt in deforestation and significant forest restoration, with no further deforestation occurring from 2030 onwards.<sup>29</sup> At the COP26, over 100 world leaders agreed to collectively halt and reverse forest loss and land degradation by 2030<sup>30</sup>, and PRI’s Required Policy Scenario to close the gap to 1.5°C calls for ending deforestation globally even earlier, by 2025.<sup>31</sup> Annual net emissions caused by deforestation for conversion to agriculture and tree plantations in tropical countries alone averaged 2.6 gigatonnes of CO<sub>2</sub> between 2010 and 2014<sup>32</sup> – the equivalent of the combined total emissions of Japan, Germany and the UK.<sup>33</sup> Deforestation is not only responsible for direct emissions but eliminates the ability of forests and land to store more carbon in the future. Deforestation is also linked to human rights violations such as land-grabbing<sup>34</sup> as well as documented forced labor<sup>35</sup> in the resulting agricultural operations such as palm oil plantations and cattle farms.<sup>36</sup>

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<sup>28</sup> Climate, Land, Ambition and Rights Alliance (CLARA), “Climate Action in the Land Sector,” [https://www.boell.de/sites/default/files/clara\\_action\\_in\\_the\\_land\\_sector\\_final.pdf](https://www.boell.de/sites/default/files/clara_action_in_the_land_sector_final.pdf) accessed March 5, 2022

<sup>29</sup> IPCC, ‘Special Report: Global Warming of 1.5°C’, Chapter 4.

<sup>30</sup> Glasgow Leaders’ Declaration on Forests and Land Use, November 2, 2021, <https://ukcop26.org/glasgow-leaders-declaration-on-forests-and-land-use/>

<sup>31</sup> Principles for Responsible Investment (PRI), “The Inevitable Policy Response 2021: Forecast Policy Scenario and 1.5C Required Policy Scenario,” October 17, 2021, <https://www.unpri.org/inevitable-policy-response/the-inevitable-policy-response-2021-forecast-policy-scenario-and-15c-required-policy-scenario/8726.article>, p.12

<sup>32</sup> Pendrill, et al. “Agricultural and Forestry Trade Drives Large Share of Tropical Deforestation Emissions,” *Global Environmental Change*, May 2019, <https://www.sciencedirect.com/science/article/pii/S0959378018314365>

<sup>33</sup> Greenpeace International, *Countdown to Extinction*, September 2019. [https://www.greenpeace.org/static/planet4-international-stateless/2019/09/98db6c73-gp\\_cte\\_report\\_lowres.pdf](https://www.greenpeace.org/static/planet4-international-stateless/2019/09/98db6c73-gp_cte_report_lowres.pdf), p. 15

<sup>34</sup> Both ENDS and the Forest Peoples Programme, “Ensuring Respect for Human Rights in the Context of Economic Diplomacy,” March 12, 2018, [https://www.ohchr.org/Documents/Issues/Business/2018Survey/Bothe\\_ends\\_and\\_forest\\_people\\_programme.pdf](https://www.ohchr.org/Documents/Issues/Business/2018Survey/Bothe_ends_and_forest_people_programme.pdf)

<sup>35</sup> Brown, et al. “Modern slavery, environmental degradation and climate change: Fisheries, field, forests and factories,” *Nature and Space*. November 2019, <https://journals.sagepub.com/doi/full/10.1177/2514848619887156>

<sup>36</sup> Verite, “Reports on Forestry” (website), <https://www.verite.org/resources/verite-reports-on-forestry/>, accessed March 6 2022

Despite these known risks, global deforestation has increased 43% since 2014,<sup>37</sup> primarily driven by demand for agricultural commodities<sup>38</sup> such as soybeans and palm oil.<sup>39</sup> It is estimated that since 2015, 10 million hectares of forest have been lost annually, an area the size of Iceland.<sup>40</sup> Agriculture, forestry and other land use are responsible for nearly a quarter of global GHG emissions,<sup>41</sup> and emissions from the food system are responsible for a third of anthropogenic GHG emissions,<sup>42</sup> with the largest contributions from agriculture and land use change, and so to align with the goals of the Paris Agreement, land-based emissions must be reduced by 85% by 2050 compared to a business as usual scenario.<sup>43</sup>

Responsibility for these transformative changes lies with the agribusiness traders that produce and sell these commodities, and the consumer-facing brands that purchase them to make products such as food and beverages, personal care products, clothing, and packaging. Major traders and consumer goods companies alike have acknowledged this responsibility for years, but sectoral voluntary pledges have still failed to slow deforestation. Examples of these sectoral pledges include the New York Declaration on Forests (a 2014 voluntary pledge to end forest loss by 2020)<sup>44</sup> and the Consumer Goods Forum's (CGF's) commitment to end deforestation by 2020, a deadline which has been extended by the CGF.<sup>45</sup> Companies need to take urgent and meaningful action to eliminate deforestation from their supply chains, and lead the transition to lower-carbon agricultural production.

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<sup>37</sup> DaSilva, Gabriel, "Deforestation Surges Despite Global Pledge to Cut it In Half," *Ecosystem Marketplace*, September 13, 2019, <https://www.ecosystemmarketplace.com/articles/deforestation-surges-43-percent-despite-global-pledge-to-cut-it-in-half/>

<sup>38</sup> Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), "Summary for Policymakers of the IPBES Global Assessment Report on Biodiversity and Ecosystem Services," 2019. [https://ipbes.net/sites/default/files/inline/files/ipbes\\_global\\_assessment\\_report\\_summary\\_for\\_policymakers.pdf](https://ipbes.net/sites/default/files/inline/files/ipbes_global_assessment_report_summary_for_policymakers.pdf)

<sup>39</sup> Rainforest Action Network, *Keep Forests Standing: Evaluating the Brands and Banks Driving Deforestation and Human Rights Abuses*, 2021 [https://www.ran.org/wp-content/uploads/2021/04/RAN\\_KFS\\_Scorecard\\_vENG.pdf](https://www.ran.org/wp-content/uploads/2021/04/RAN_KFS_Scorecard_vENG.pdf) p. 2.

<sup>40</sup> Food and Agriculture Organization of the United Nations, "Global Forest Resources Assessment 2020: Key Findings," <https://www.fao.org/3/CA8753EN/CA8753EN.pdf> p. 4

<sup>41</sup> IPCC, IPCC, "Special Report: Global Warming of 1.5°C", Chapter 11, [https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc\\_wg3\\_ar5\\_chapter11.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter11.pdf)

<sup>42</sup> Bajželj, B., et al. "Importance of food-demand management for climate mitigation." *Nature Clim Change*, August 21, 2014, <https://www.nature.com/articles/nclimate2353>

<sup>43</sup> Ceres and PRI, *Global Sector Strategies: Recommended Investor Expectations for Food and Beverage*, August 2021, <https://www.climateaction100.org/wp-content/uploads/2021/08/Global-Sector-Strategies-Food-and-Beverage-Ceres-PRI-August-2021.pdf> p. 5

<sup>44</sup> Climate Focus, "New York Declaration on Forests Progress Assessment," <https://www.climatefocus.com/projects/new-york-declaration-forests-nydf-progress-assessment>, accessed March 6, 2022

<sup>45</sup> Askew, Katy, "Food Giants Launch New Deforestation Pledge After Missing 2020 Objective," *Food Navigator*, September 2020, <https://www.foodnavigator.com/Article/2020/09/24/Food-giants-launch-new-deforestation-pledge-after-missing-2020-objectives-Our-approach-was-not-agile-enough>

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## KEY DATA SOURCES

- Climate Action 100+, Disclosure Indicators 1-4<sup>46</sup>
- Climate Action 100+ and PRI, Global Sector Strategies: Recommended Investor Expectations for Food and Beverage<sup>47</sup>
- Science-Based Targets Initiative:<sup>48</sup> Companies list<sup>49</sup> and Sector Guidance<sup>50</sup>
- CDP (formerly Carbon Disclosure Project),<sup>51</sup> search company survey responses (companies can submit a climate questionnaire and a forests questionnaire).
- Global Canopy/Forest 500,<sup>52</sup> company rankings

## Net Zero Target Setting

Companies whose business models are linked to deforestation and the global agriculture trade need to adopt comprehensive net zero by 2050 commitments. Such commitments should include absolute reductions in upstream scope 3 emissions—emissions generated by land use and land-use change—as the emissions for many of these companies are concentrated upstream, as opposed to downstream processing and manufacturing activities.

### Key Data Sources:

- Climate Action 100+, Disclosure Indicators 1-4<sup>53</sup>
- Climate Action 100+ and PRI, Global Sector Strategies: Recommended Investor Expectations for Food and Beverage<sup>54</sup>
- Science-Based Targets Initiative<sup>55</sup>, Companies list<sup>56</sup> and Sector Guidance<sup>57</sup>
- CDP (formerly Carbon Disclosure Project), search company survey responses<sup>58</sup> (companies can submit a climate questionnaire and a forests questionnaire).
- Global Canopy/Forest 500, company rankings<sup>59</sup>

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46 <https://www.climateaction100.org/whos-involved/companies/>

47 <https://www.climateaction100.org/approach/global-sector-strategies/food-and-beverage/>

48 <https://sciencebasedtargets.org>

49 <https://sciencebasedtargets.org/companies-taking-action>

50 <https://sciencebasedtargets.org/sectors>

51 <https://www.cdp.net/en/responses?queries%5Bname%5D=&utf8=%E2%9C%93>

52 <https://forest500.org>

53 <https://www.climateaction100.org/whos-involved/companies/>

54 <https://www.climateaction100.org/approach/global-sector-strategies/food-and-beverage/>

55 <https://sciencebasedtargets.org/>

56 <https://sciencebasedtargets.org/companies-taking-action>

57 <https://sciencebasedtargets.org/sectors>

58 <https://www.cdp.net/en/responses?queries%5Bname%5D=&utf8=%E2%9C%93>

59 <https://forest500.org/>

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## No-Deforestation Policy and Implementation

Any company whose business model is associated with deforestation must adopt and implement a no-deforestation policy that covers all geographies and commodities.<sup>60</sup> The policy and associated implementation plans must have cut-off dates after which deforestation signals non-compliance with the policy.<sup>61</sup> Given past failures of voluntary pledges, implementation of this policy should occur immediately and include independent verification of full compliance for all forest-risk commodities.

### Key Data Sources:

- Global Canopy/Forest 500, company rankings<sup>62</sup>
- Rainforest Action Network, Keep Forests Standing (2021), report<sup>63</sup> and methodology<sup>64</sup>
- TraseFinance, company profiles<sup>65</sup>
- Company websites and sustainability ‘dashboards’

## Traceability, Monitoring and Verification

Traders should be implementing a monitoring system and UNDP-aligned grievance mechanisms and procedures governing the company’s response to non-compliant suppliers, including thresholds for contract cancellations and steps to remediate deforestation and human rights abuses in their direct and indirect supply chains (all upstream producers of the commodities).<sup>66</sup>

To monitor and report on supplier compliance with deforestation-free policies and practices, agribusiness traders need to be able to trace all of their supply base to the farm level, including all direct and indirect suppliers.<sup>67]</sup><sup>68</sup> A prerequisite for a comprehensive deforestation monitoring system is geospatial information of their suppliers, including accurate boundaries (GPS polygons) of farms and/or supply sheds (sourcing radius of collection or aggregate points such as crushers or silos).<sup>69</sup> With this information, agribusiness traders should monitor these areas for instances of real-time deforestation or conversion, and disclose the methodology as well as results of this monitoring, including specific actions taken to resolve non-compliance, and percentage of volumes that have been independently verified to be free of deforestation and conversion.

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<sup>60</sup> Rainforest Action Network, *Keep Forests Standing: Methodology for the Evaluation of Performance of Brands profiled in the Keep Forest Standing Campaign*, April 2021 <https://www.ran.org/wp-content/uploads/2021/04/FINAL-KFS-Scorecard-Methodology.pdf> pp. 6-7

<sup>61</sup> Ceres, *The Investor Guide to Deforestation and Climate Change*, June 2020, <https://www.ceres.org/sites/default/files/reports/2020-06/Ceres%20Investor%20Guide%20FINAL%20June%202020.pdf> p. 13

<sup>62</sup> <https://forest500.org/>

<sup>63</sup> [https://www.ran.org/wp-content/uploads/2021/04/RAN\\_KFS\\_Scorecard\\_vENG.pdf](https://www.ran.org/wp-content/uploads/2021/04/RAN_KFS_Scorecard_vENG.pdf)

<sup>64</sup> <https://www.ran.org/wp-content/uploads/2021/04/FINAL-KFS-Scorecard-Methodology.pdf>

<sup>65</sup> <https://trase.finance/>

<sup>66</sup> Rainforest Action Network, “*Keep Forests Standing: Methodology...*” p. 11

<sup>67</sup> Rainforest Foundation Norway, *the State of the Soy Industry*, February 2022, [https://d5i6is0eze552.cloudfront.net/documents/TheStateOfTheSoyIndustry\\_0222-1.pdf?mtime=20220323113017](https://d5i6is0eze552.cloudfront.net/documents/TheStateOfTheSoyIndustry_0222-1.pdf?mtime=20220323113017) pp. 10-12

<sup>68</sup> UNPRI, “Investor expectations on deforestation in soybean supply chains,” <https://www.unpri.org/download?ac=10610>, accessed March 18, 2022

<sup>69</sup> Rainforest Foundation Norway, *the State of the Soy Industry*, February 2022, [https://d5i6is0eze552.cloudfront.net/documents/TheStateOfTheSoyIndustry\\_0222-1.pdf?mtime=20220323113017](https://d5i6is0eze552.cloudfront.net/documents/TheStateOfTheSoyIndustry_0222-1.pdf?mtime=20220323113017) p. 11

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## Key Data Sources:

- Rainforest Foundation Norway, *The State of the Soy Industry*<sup>70</sup>
- Carbon Disclosure Project (CDP), search company survey responses ( companies can submit a climate questionnaire and a forests questionnaire)<sup>71</sup>
- Global Canopy/Forest 500, company rankings<sup>72</sup>
- TraseFinance, company profiles<sup>73</sup>
- Company websites and sustainability ‘dashboards’

## Summary table

TARGET SETTING	1.1	Net zero by 2050 commitment that covers all relevant emissions sources, including Scope 3 emissions embedded in purchased goods from land use and land-use change
	1.2	Limited use of offsets, carbon credits, carbon removals and other unproven or uncommercialized negative carbon technologies to meet net zero commitment
	1.3	Robust interim targets for 2030 that ensure the company is on track for net zero commitment
NO-DEFORESTATION COMMITMENT	2.1	Company has adopted and is implementing a no-deforestation policy that is comprehensive, covering all geographies and commodities, and that is implemented immediately rather than at some future time.
	2.2	The policy and associated implementation plans have cut-off dates after which deforestation signals non-compliance with the policy.
TRACEABILITY, MONITORING AND VERIFICATION	3.1	The company should be implementing a monitoring system and UNDP-aligned grievance mechanisms and procedures governing the company’s response to non-compliant suppliers, including thresholds for contract cancellations and steps to remediate deforestation and human rights abuses in their direct and indirect supply chains
	3.2	The company should be independently verifying the volumes of its suppliers that are deforestation- and conversion-free (DCF), and disclosing the results
		The company should report publicly on grievances filed and resulting actions taken.

<sup>70</sup> Rainforest Foundation Norway, *the State of the Soy Industry*, February 2022, [https://d5i6is0eze552.cloudfront.net/documents/TheStateOfTheSoyIndustry\\_0222-1.pdf?mtime=20220323113017](https://d5i6is0eze552.cloudfront.net/documents/TheStateOfTheSoyIndustry_0222-1.pdf?mtime=20220323113017)

<sup>71</sup> <https://www.cdp.net/en/responses?queries%5Bname%5D=&utf8=%E2%9C%93>

<sup>72</sup> <https://forest500.org/>

<sup>73</sup> <https://trase.finance/>