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Private Sector Engagement

Climate and Forests 2030

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Background

The Climate and Land Use Alliance (CLUA), with the support of Meridian Institute, is exploring the integration of climate and land use with justice, equity, health, and economic recovery through Climate and Forests 2030: Resources for Funders. This focus is intended to inspire innovation and investment in integrated work on forests, rights, and sustainable land use and will inform a new strategic plan for CLUA for the period 2021 to 2030.

To inform the thinking, CLUA commissioned a series of "thought pieces" to provide diverse inputs into developing a more integrated approach for forests and land use. These are meant to stimulate discussion and debate and are not intended to reflect the views of CLUA, its member foundations, or Meridian Institute.

This paper covers how consumer goods and other supply chain-related companies can affect change relating to commodities which cause deforestation and conflict. The paper uses insights from palm oil, soya, coffee, and cocoa. All these commodities are causing deforestation; but importantly they can provide important insights in working with complex supply chains and smallholder farmers — both considered as crucial for future progress in tackling deforestation and the climate challenge of land use. The insights are applicable to all traded commodities and can form the basis for a Blue Sky Vision for 2030, to inform the CLUA 2030 visioning process.

The views expressed in this paper are those of the author. They have been informed by commentary and input by a range of experts.

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ADDITIONAL SOURCES

Hyperlinks have been provided to sources for ease of reference. Other useful sources include:

Chatham House: Deforestation and Governance – lessons from FLEGT and Certification

Food & Land Use Coalition: Current Trends and Better Futures Scenario

Forum for the Future: The Future of Sustainability

The Elephant: Climate Politics: The Grand Plan to Save Forests has Failed

1. Relevance of the Topic for Forests and Land Use

During the late 1800s, three companies came to dominate the chocolate confectionary business in the United Kingdom. Owned by Quaker families, they paid particular attention to the working conditions of their workforces. In the 1890s, one of them, Cadbury Brothers, built a model village for workers at their factory at Bournville. In 1886, Cadbury Brothers started importing cocoa from the island of São Tomé. The company became aware of slavery in the cocoa plantations in São Tomé in 1901, yet it was only in 1909 that the company announced a boycott of slave -grown cocoa from the island, convincing other manufacturers to do the same. Ghana became the new source of cocoa.

Today consumers have become accustomed to cheap mass-market chocolate; the Quaker approach to employee relations within companies has been replaced by a focus on shareholder returns. And there are still systemic problems of poverty in cocoa-producing areas in Ghana and other countries across the world.

The above story illustrates the long history of exploitation and lack of transparency in value chains. It also highlights the reality that modern-day concerns around equality and power imbalances within value chains are not a recent phenomenon.

Whilst not a recent phenomenon, these power imbalances have become more prominent as the challenges themselves have become systemic in nature. As companies have grown in size, the sheer scale of their operations — aligned with a commoditization of value chains — has accentuated the problems. The disconnect between consumer-focused brands and the farmers that produce the ingredients continues, and this leads to detrimental actions on the ground. In part due to the complexity of the challenges, achieving change on the ground is a slow process that competes with other priorities.

Nevertheless, the last twenty years have seen an increasing focus by companies on sourcing commodities in a more responsible way. This has been accompanied by more transparency — forcing companies to trace back to the producer and engage in activities to mitigate the impact of production. Ten years ago the focus of attention shifted dramatically to tackling deforestation. And yet, today deforestation rates still remain stubbornly high. Land use is now seen as a significant contributor to both climate change and biodiversity loss. Inequality continues to be entrenched along the value chain and within business models. Companies are still in the spotlight.

2. Current Status and Emerging Trends

This section discusses where we have come from and where we are today. It highlights the issues that can inform CLUA's visioning process; the complexity and interconnected nature of the topics; three major themes that are top of mind for companies today; the power imbalances along value chains; and the need for increased focus on smallholders and landscapes.

2.1 Market and Markets

Over 15 years ago, the World Wildlife Fund (WWF) pioneered a theory of change for "market transformation" that focused on the performance of a few large Western Fast Moving Consumer Goods (FMCG) companies. The theory was that by getting a critical mass of these companies to change their purchasing behavior, there would be a trickle-down effect, whereby value chain partners together with other smaller competitors would follow suit — and this would be replicated and standardized not just across the West, but across the world. "Market transformation" was highly influential, and turbo-charged the effort that had begun 10 years before that to improve transparency and improve sourcing practices through commodity certification.

One consequence of the "market transformation" work was that 10 years ago the Consumer Goods Forum (CGF) committed to "no net deforestation," a game-changing commitment that has subsequently seen over 250 companies introduce "no-deforestation" policies. We are now approaching the moment when a few companies from the CGF will be able to claim that their value chains are "deforestation free."

Yet the "market transformation" theory of change has not played out as planned. While a large number of companies have set no-deforestation policies, and indeed responsible sourcing policies, only a few have

invested accordingly to bring along value chain partners. Plenty of companies have neither embraced the vision nor changed, except to obfuscate their tracks.

In between these "leaders and laggards" are a broad spectrum of (generally smaller) companies that do not have the resources to drive effective delivery on the ground. In the past, certification was ideal. As the dominant option, it provided "cover" even as it was clear that the responsibility to clean up the value chain was effectively being "contracted out" to others. Now the option for these companies increasingly seems to be to boycott whole geographies or commodities as too problematic — and to make a virtue of that. This has unintended consequences of its own.

Further, work to build market change within China, India, and Brazil has been painfully slow, even though it began over 15 years ago. Work on other large significant markets such as Indonesia, Pakistan, and Bangladesh has not even begun. It's clear that the "Western" narratives increasingly do not work outside the West; yet we still cling to them globally.[1]

The latest Western narrative for palm oil involves so-called "stranded assets" — the idea that assets developed through deforestation will not have value as their owners will not be able to sell to Western markets. However, various Chain Reaction Research reports highlight that producers with stranded assets have adopted three approaches: first, to create ownership structures that are difficult to trace; second, to sell to markets where no questions are asked about the provenance of the material; and third, to sell into national biofuel markets.

These three approaches have been made easier by the strategies of the leading Western companies and campaigning organizations. Companies have streamlined their supply chains in the last decade, typically from several thousand to in some cases under 100 suppliers. The tactics of campaigning organizations are also forcing manufacturing and retail companies to stop using commodities such as palm oil, or to move out of certain geographies altogether. In these cases a short term campaign win makes future progress more difficult as leading companies lose their leverage.

The reality for those focused on market mechanisms is that "the market" is not "one market:" there are several, with more constantly emerging. Data on Indonesian palm oil production and exports show that almost all the increase in production in the last five years has been destined for national consumption. This will only increase as the mandated content of diesel blended with palm oil increases from 2020 onwards. The high proportion of Brazilian beef consumed domestically has long provided a limitation on using "the market" to leverage change on the ground. Populations in these countries want to preserve forests; but jobs, food, and energy are a higher priority. Their governments consider energy security and national sovereignty as paramount (more on this below).

Some see a growth in self-confidence amongst national brands who are learning best practices from foreign companies, and responding to some early signals from local consumers. This gives some hope that the next decade will see internally- (nationally-) generated positive progress in preserving forests. That self-confidence is also playing out for some in a desire to find their own way. The connections between business owners and politicians are often tight ones, leading to corporate actions that align more with national priorities than with Western narratives. What is clear is that any change in practices will need a bottom-up, society-led desire for change in producer countries.

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A special mention is needed for Africa. Drivers of land use change in Africa are multiple: the wide range of crops grown for local market consumption; the collapse of traditional funding for conservation-led land management; and above all inequality (even before forecast population growth). This highlights the importance of a locally-led strategy for land use across the continent. The corporate sector is likely to be crucial, and there are interesting learnings from the work of the cocoa industry in West Africa in

[1] *The differences between East and West are illustrated in the Edelman Trust Barometer and may form the basis for a different thinking and approach. See more here.*

conjunction with organizations like IDH that have provided an important role as interlocutors. But with local markets being big drivers, the presence of a range of crops, and issues such as poverty, land rights, erratic weather, and climate change, strategies will need to be based upon landscapes that are not just designed around traded commodities. They will also need to be built from the bottom up in a way that ensures natural resources can facilitate economic development and equality, without those same natural resources being destroyed.

2.2 Collaboration and Power Dynamics

The CGF commitment to "no net deforestation" promised a collaborative approach amongst the major global FMCG manufacturers and retailers, going beyond the CGF membership itself. Yet in the last 10 years that collaboration — and indeed, individual company implementation — has proven elusive. Only half of the Forest 500 companies in the Global Canopy analysis have set a commitment. Less than half of those companies report comprehensively on progress.

The CGF recently drew a line under their original 2020 commitment and announced a new initiative. They will "implement Forest Positive actions across their entire commodity operations" while at the same time concentrating on "key production landscapes" and the "enabling environment" with governments and stakeholders.

Although this approach clearly moves in the right direction, it does highlight some of the challenges of collaboration across a large platform like the CGF — not the least of which is getting a critical mass of actors to align. Just 17 of the 58 CGF board members have signed up. Of the 41 board members who did not sign the commitment, some presumably thought the initiative is going too far; others that it was not worth the effort. Many who did sign probably felt they had to. It also hints at the power dynamics along the value chain that are hindering progress on implementation.

Eight companies make up the bulk of soft commodity trading: Cargill, Bunge, Archer Daniels Midland, Louis Dreyfus Commodities, Wilmar, Olam, Noble Group, and COFCO. With an effective monopoly for some commodities, these traders have a certain power over the ability of manufacturers to act. Yet manufacturers exert their own power in the relationship as they have the brands and access to end markets (and therefore keep a lid on prices and market access). This plays out in a relationship of manufacturers telling suppliers what to do, rather than saying "This is the problem. How can we take shared responsibility? What can we do together?"

The CGF announcement illustrates this well. CGF companies will "ask" suppliers and traders to implement Forest Positive actions. Sitting down together to use the insights of traders — with their access to knowledge on the ground — currently still appears to be too risky for manufacturers and retailers, as this would surely change the balance of power. Yet treating those in the value chain as partners rather than adversaries in a game of power is a precondition for driving the next wave of sustainability along the value chain.

Power dynamics also play out further along the value chain, including between retailers and manufacturers (which for example helps drive food loss and waste) and all the way down to farmers — except that farmers seem to have no power to exert over the buyers of their crops.

2.3 What Relationship do Companies Want with Smallholders and Communities?

Barry Parkin of Mars is on the record questioning the legitimacy of the success of companies that are built upon the poverty of smallholder farmers. That is a good starting point for looking at the relationship between companies and farmers. Yet there is little mainstream discussion of this within large companies outside the sustainability functions.

Why is this so? It is wrapped up in the discourse on the future of capitalism. Academics such as Colin Mayer at the University of Oxford have highlighted the importance of purpose, and that private companies should not make profit at the expense of public losses. Yet that is the reality. The majority of smallholders supplying global markets in commodities that are causing deforestation from cocoa to coffee to palm oil are living below the poverty line. As recent research released through Meridian Institute's Supply Chain Sustainability Research Fund indicates, poverty in cocoa-growing

areas of West Africa is one of the underlying causes of deforestation and poor sustainability performance. Yet we do not have comprehensive approaches to address poverty; there are no substantive industry platforms, or workable roadmaps.

> *Treating those in the value chain as partners rather than adversaries in a game of power is a precondition for driving the next wave of sustainability along the value chain.*

Classical corporate farmer support programs focus on improving crop productivity.[2] While of course this is positive for farmers, it is self-serving in that it guarantees future supplies for companies. It also uses the false assumption that improving crop productivity spares more land for conservation. In actuality, in the absence of effective law enforcement, it makes farming more profitable and encourages more land conversion in an effort to increase incomes and living standards.[3]

Power imbalances determine revenue distribution along the value chain and increase risk for those with least power. Using market prices has become a way for companies to dodge corporate responsibility for ensuring a decent price and income for farmers. For example, the volatility of coffee prices impacts farmers, but not consumers. The price of a cup of coffee is remarkably stable. It does not have to be this way: changes in global oil prices are largely reflected in the prices paid by consumers at the pump.

It is no surprise, then, that living income is a key topic in certain quarters. The most progressive approach is the Farmer Income Lab, an initiative set up by Mars with support from Oxfam and that now includes Danone, ABInBev, and others. However, even that initiative is constrained by a system that starts with its most powerful players expecting a certainty of returns and their ability to deliver it. There are well-publicized calculations showing the value distribution along the value chain, and how changes to product price (that would guarantee a better income for farmers) have relatively low impact. It is left to niche initiatives such as Equal Profit to build a new value chain model.

Equal Profit makes the case for a different relationship with smallholders, and one that is fair for all actors along the value chain. It considers the farmer as an "enterprise;" the crop price paid is determined by farmer costs (which provide a living income) as well as a proportion of the total value chain profit. This effectively creates a "cost plus" model.

It's a good step forward, yet it still operates in a system where externalities are not included in the price of commodities. Unless we are able to pay for the true cost of food production, we will not be able to adequately remunerate farmers, encourage and invest in the better practices on the ground to reduce the externalities, and facilitate the large group of companies between the leaders and laggards to invest in their value chains.

Companies also need to think beyond individual farmers and focus upon the communities that they are sourcing from. Landscape approaches and climate change will force this thinking. With 3.5°C of global heating appearing to be the most likely outcome for the future, companies need to build resilience into their sourcing programs. This will drive a move away from spot market purchases towards investments in value chains — not just in individual farmers but also farming communities. It will bring a much-needed longer term perspective.

The relationships of companies to smallholders and communities, and the role companies should play compared to local and national governments (and vice versa), are not clear yet and need to be defined. They are, however, the basis for mainstreaming equity and justice issues.

2.4 The New Drivers

Changing Corporate Priorities

Corporate priorities evolve. Currently, three broad topics are the focus for the corporate sector:

[2] There are a few that focus more on livelihoods, such as the SHARP program (which has now ended) and living income programs on tea and vanilla. There are also many initiatives and projects added onto the productivity programs, though they are generally just that: "add-ons."

[3] It is noted that land conversion is driven by a variety of factors. Land parcels may be large enough for a first generation, but when divided up for the second generation lead to the need for more land.

inequality,[4] climate change, and biodiversity. However, companies and collaborative platforms are emphasizing preparations for a step-change in actions on climate and biodiversity. As highlighted above there is little real activity on inequality.

This is not downplaying the importance of deforestation and land use. They are of course embedded within these three topics, but the important point is that future action on deforestation will be seen less as a primary objective and more as a consequence of strategies to tackle climate change, biodiversity, and inequality (if it happens on a serious scale). Civil society organizations advocating for change on climate and land use need to take this into account. To emphasize: this does not affect the "what," but rather the "context" and the "how."

The climate change targets consistent with the 1.5°C pathway and "net-zero" emissions by 2050 that have been adopted by a range of governments and companies have forced acceptance of the need for carbon storage activities, and particularly the idea of "nature-based solutions" for carbon offsetting and insetting. This will bring significant funding to initiatives to increase tree planting, peatland restoration, and soil carbon — all which will revolutionize the climate and land use agenda. Investment for avoided deforestation would be the gamechanger here, particularly if funding from energy companies and high-emitting sectors was accepted. It may even offer a way out for stranded assets.

However, there is considerable uncertainty regarding nature-based solutions, not the least because of a lack of consensus and consistency on standards and rules amongst NGOs and initiatives. Companies are already taking voluntary action ahead of any consensus. Energy companies in particular are desperate for CO_2 compensation as part of their climate strategies. Whether offsetting and insetting will be embraced as part of the solution for land use management or seen as window dressing for large companies will determine the speed and depth of uptake, versus alternatives such as industrial carbon capture and storage. It will determine the flows of funds towards improving land use.

Assuming that nature-based solutions progress, the next question is how to channel funding to where it is needed. Land-based companies will prefer insetting: i.e., investments in or adjacent to their value chains (which tend not to be in areas of high conservation value), while energy companies and high-emitting sectors could then be directed to support avoided deforestation and high conservation value areas. One of the major intellectual challenges for civil society leaders is therefore to achieve a consensus on what financing is acceptable where.

There is more certainty on biodiversity. The OP2B platform has brought together a significant group of companies committed to regenerative agriculture. A recent announcement by Walmart gives a major boost to this movement. While there is an ongoing discussion on terminology, there is consensus that regenerative agriculture involves the use of less chemicals and more emphasis on biological approaches to agriculture, better ecological connectivity, and healthy soils. There are concerns about the significance of how much regenerative agriculture will contribute to overall carbon storage, and how much priority should be given to it. These concerns miss the point that the interest of companies in regenerative agriculture is about addressing impacts on nature and concerns from consumers for more ingredients produced "close to nature." This in turn illustrates the interconnectedness of issues which do not lend themselves to siloed solutions and thinking.

> *Future action on deforestation will be seen less as a primary objective and more as a consequence of strategies to tackle climate change, biodiversity, and inequality.*

Asset Managers

The finance sector may bring two key innovations to drive sustainability. First is the use of Environmental, Social and Governance (ESG) not to question companies on their impact upon society or the environment, but to ask about the impact of a given sustainability topic upon the business. The Task Force for Climate related Financial Disclosure (TCFD) was the start of this movement. TCFD questions

[4] *"Inequality" is the most commonly used term by companies for the broad range of social and human rights issues, including* inter alia*: equality, equity, gender, human rights, justice, land rights, living income, poverty, race, and worker labor standards.*

management on the impact of climate change upon the company. This is forcing companies to develop a much deeper understanding of climate change and a more robust set of actions to be able to respond to the findings. Opportunity exists to take this same approach to biodiversity, deforestation, and land use. A TNFD (i.e., a Task Force for Nature related Financial Disclosure) process is already being created, which if it can get traction will create a powerful new urgency for corporate action on deforestation, biodiversity loss, and land use. Biodiversity is poorly understood by asset owners and asset managers, so a good starting point will be to obtain robust reporting on the risk that nature loss poses to a business.

Secondly, there is a growing body of work on the valuation of externalities — in other words, allowing a monetary valuation to be placed upon the societal impacts of a company's operations. The food sector has particularly been in the spotlight, and this has led to a variety of reports and calculations on the true cost of food. Typically these show that for every US$1 spent by consumers on food, there are US$1 of externalities—costs that relate to planetary impacts (climate, soil, biodiversity) and public health. The Global Alliance for the Future of Food (supported by some foundations that also support CLUA) is active in this area, as are the Food and Land Use (FOLU) Coalition, World Business Council for Sustainable Development (WBCSD), and an academic consortium led by the University of Oxford.

Some companies are also well advanced, including Olam and Nestlé, allowing them to better understand true valuation creation and contribution to society (see previous comments on purpose and the role of companies). Some financial institutions (e.g., Schroders, UBS, TruCost) are using this methodology to understand corporate valuations, risk, and resilience.

There is a long way to go: there is as yet no consensus on a single approach, but impact valuation is a starting point for a movement to account for externalities, in order to reduce them. Ultimately governments will need to mandate different accounting standards and either introduce legislation or the taxation of externalities. There is, however, movement: the new EU non-financial reporting legislation heads in this direction.

Consumer Demand

Consumer demand has been a key part of the theory of change of organizations working to tackle deforestation in the last decade. In a well-argued recent article, Anna Triponel and Anna Turrell concluded that "there are inherent limitations to the role that consumers can play to level the playing field for sustainable business practice." In a second article, they saw consumer-facing companies themselves as having "an instrumental role to play in seeking to leverage the consumer-led movement to level the playing field for sustainable business."

Exactly how this will happen may be linked to a subtly -changing use of sustainability within marketing. For some time, companies have used sustainability activities in short-term campaigns to sell a product. More recently companies are using sustainability as a core element of the DNA of the brand. Sustainability is becoming an aspirational attribute which is introducing a "brand purpose" around doing good. This explains the interest in moving from a focus on no-deforestation to a focus on forest restoration: [5] the former is not something that a brand can be built around, whereas the latter is.

This elevates the importance of the marketing department in driving sustainability in the decade ahead.

2.5 Reassessing Roles

As the previous sections have highlighted, a theory of change for deforestation is now no longer clear or simple. "Systems thinking" is a current buzz phrase, which at its core does try to help people understand the interconnectedness of issues and navigate their complexities and potential entry points. To do so effectively, information needs to flow across silos: collaboration is crucial; as is a clear understanding by different stakeholders of their different roles and willingness to act.

In any discussion of stakeholders, it is important that governments are not considered as a "stakeholder." They are the government. Governments need to be brought back into a more central role as ultimately only they can make the permanent changes needed to drive a more sustainable approach to land use, be that at the national (legislative) level or at the local

[5] Restoration has been discussed and promoted for over 20 years, though is only now coming into corporate thinking. It links to the aforementioned focus upon climate and biodiversity.

(landscape) level. We do need to recognize, however, that they often need help. And not just institutionally; governments are made up of elected officials and political cycles.

A more central role for local and national governments implies a less central role for companies — and companies need to create the space for governments. This also requires accepting that governments need to consider a wider context that comes with potential conflicts and trade-offs. Single issue engagement does not help governments balance competing needs.

Companies, academia, consumers, investors, and civil society are stakeholders; and they have different roles to play. So what are the current trends that will influence their likely future roles?

For the leading companies, getting to "deforestation-free" may be the moment they wish to move on to their next challenge. But it also may not signal the end of their efforts, as their credibility now depends upon the actions of others. Palm oil and soya will always be problematic in the eyes of consumers as long as there is a steady stream of bad news stories about them. Companies therefore need to play their part in a system-wide change, not just focus upon their own value chains. The time is right for proposing this. Big companies thrive in a regulated environment and are comfortable with compliance-based approaches. They are now realizing that they need to develop advocacy-led programs to deliver upon their operational strategies.

Big companies thrive in a regulated environment and are comfortable with compliance-based approaches. They are now realizing that they need to develop advocacy-led programs to deliver upon their operational strategies.

Persistent civil activation and mass mobilization of consumers will still be needed, but it is companies that are likely to be the critical influencers of policy in the future. The question is then: will they become the new campaigners?

The emerging trends suggest that they might. NGOs are no longer the exclusive leaders or guides for companies on policy advocacy. Larger companies have their own resources and skills. Tesco has a "head of campaigns." Other companies such as Unilever act in the same way even if they do not use the same terminology.

We Mean Business, Business for Nature, One Planet Business for Biodiversity (OP2B), World Economic Forum (WEF), and WBCSD are all competing to help companies in the policy space on climate, land use, and biodiversity. However, while there is some excellent leadership in these platforms, this area is still in its infancy; many companies are present only to watch and learn.

We have also seen the rise of citizen activism and unexpected coalitions. Twenty years ago those unexpected coalitions were companies and NGOs. Today it is companies and celebrities. When Yao Ming, a Chinese basketball player, spoke out against shark fin soup, the Chinese government was quick to enact a ban. Recently in the UK, Marcus Rashford (a 23-year-old footballer) campaigned on child poverty and school meals, causing a government U-Turn on funding. He then followed up by bringing together major companies and a food waste charity to address the issue.

There will continue to be a key role for local interlocutors, and a need for groups of companies to come together to bring a leadership voice at the right moment to support them, as the CGF did in Mato Grosso, Brazil and the cocoa industry is doing in West Africa. Once again collaboration will be key, and will involve building alliances not just of food companies, but (for example) financial institutions and technology companies.

NGOs and academia, in their respective ways, need to focus on their roles: innovation, providing the science and evidence base, and calling the challenge. New value chain approaches are now being shaped by new ideas: jurisdictional approaches, science-based targets, equality, justice, and living income. But these are just ideas. We need the evidence on what works, and how best to do it. Companies can facilitate this innovation by providing the opportunity for rapid prototype testing and sharing. They can also bring urgency and action as a catalyzers, supporters, and facilitators.

Asset managers, meanwhile, need to be brought more centrally into the debate. Understanding their

mindset, the relationship they have with corporate boards, and their appetite to engage on challenging topics will be crucial.

2.6 Other Considerations

Farmers and Sourcing Areas

Throughout this paper, reference has been made to landscapes and jurisdictional approaches. Despite a wealth of initiatives (e.g., IDH, EcoAgriculture Partners) these have yet to reach their full potential. They are still not central to corporate thinking, which is based more upon value chains and a more linear understanding of the boundaries of corporate responsibility. This is more than an issue of nomenclature. Companies do focus upon "sourcing areas," and while there are good examples of long-term development, most procurement is based upon a short-term transactional approach.

The reality is that landscape approaches are conceptually too diffuse for companies to understand. Turning this around will require them to better understand that landscapes are important for effective climate and nature management, while jurisdictions bring coherence to local government engagement. Yet as the Supply Chain Sustainability Research Fund findings highlighted, farmers largely know what is important for effective land management. For too long their contributions have been undervalued. Landscapes provide a route to rectifying that.

Technology

Smart phones, AI, machine learning, and satellite datasets have together brought some important advances in the last few years. As an example, Enveritas has used these technologies and after only a few years of operation is now the largest verifier of coffee farmer sustainability practices (by a factor of eight more than the major four certification bodies combined). They have cut fraud in the auditing process dramatically.

Application of such technologies can drive a new wave of transparency and help avoid the leakage that is inherent in current approaches to verification on the ground. Yet, there are two barriers to this taking off: 1) incumbent certification service providers who are resistant to change, and 2) the users of certification services who face having to report a major reset of their progress.

At a less controversial level, technology can drive payment systems and access to finance, permitting direct connections to farmers. The response to Covid -19 has seen an accelerated roll-out of mobile phone solutions to communicate with farmers and intermediaries in the value chain. We can expect lower transaction costs, improved transparency, and facilitated data collection to monitor progress and impact.

While there is an opportunity to bring big tech and big tech companies to the table, we should not be blinded by technology itself. There is a proliferation of agritech platforms — and they have little capability to talk to each other. Enveritas has managed to make its breakthrough by merging "high tech" with "high touch" on the ground to not only get to the truth of sustainability issues, but to keep the human connection. The benefits of technology need to flow to the farmers and consumers, not just to the companies using it.

Time Horizon

Time horizons are a well-known barrier to progress when it comes to tackling grand challenges. Companies report quarterly, while the valuation models of investors take (at best) a three- to five-year view. Politicians have a three- to five-year electoral cycle, but are still advised to make big changes in the first 100 days.

3. Areas of Uncertainty and Risk

There are some macro trends that add levels of uncertainty and risk to the insights provided in the second section of this paper. The speed of evolution and reach of these trends are currently difficult to predict but they will influence the future role of business. They are:

- **The flow of investment to nature-based solutions for insetting and offsetting.** The speed of uptake of this strongly depends on the construction of the architecture. Experience (FLEGT, REDD+) suggests that construction and implementation of international frameworks can be a 10-year journey. This is clearly too long to wait if we are to maintain progress with the 1.5°C pathway. It will be important to ensure that

pragmatism and agility receive more emphasis than perfection in defining the set of guidance, rules, and legislation needed.

- **Consumer trends, especially on ingredients that will impact demand for commodities linked to deforestation.** For example, these include plant-based proteins and the type of animal protein (especially feedlot versus grass-fed) that will be consumed in the future.
- **Geopolitics, and especially increasing nationalism in producer countries.** For example, national energy policy and national security is leading to palm oil being used for energy. The trick will be to understand how geopolitics can be used as an opportunity. For example, deforestation does not help producer countries project soft power.
- **Different geopolitics playing out in a Europe striving to drive social and environmental leadership globally.** The European Union (EU) Parliament has recently requested that the European Commission introduce legislation to stop EU-driven deforestation. This may drive progress, though at the same time may reinforce the "many markets" pathways described in the second section of this paper.
- **Accounting for externalities.** This is a building block that needs nurturing. Its significance is still to be realized.

The way different organizations operate also introduces a set of risks. NGOs are comfortable setting decade-long strategies and executing them; whereas corporate procurement, manufacturing, and marketing teams do not follow such well-defined paths. Corporate procurement functions involved in commodity sourcing are especially agile and responsive to change. They operate on a much shorter timescale, often with monthly changes in strategies responding to *inter alia* currency exchange rates, weather events, and consumer trends. This makes a listing of uncertainties and risks a slightly academic exercise; one can say that there will be some, and that companies will respond accordingly — and quickly, as witnessed by corporate reactions to Covid-19. The risk is therefore for other stakeholders — particularly NGOs, academics, and foundations that they are left working on last year's issues, strategies, and log frames.

A second operational consideration is that climate and land use is a complex system, with all the inter-connectedness of issues described in this paper. While complicated topics lend themselves to linear log frame thinking, complexity requires a different approach. There is a growing body of research on complexity and systems thinking, which recognizes the best course is to accept that the context continually changes and brings with it new risks and opportunities. Managing for complexity involves constantly evaluating the situation, predicting the risks and unintended consequences, learning from those insights, and adjusting accordingly. Companies are good at that. NGOs and academia? Less so.

4. Intersection with Equity and Justice Issues

A separate paper in this series will provide a comprehensive overview of topics of equity and justice. Nevertheless, the limited discussion in Section 2 of this paper makes it clear that companies can no longer gloss over them. Stakeholders that interact with companies also need to ensure that equity and justice take a far more central and prominent role when designing approaches to land use. Oxfam made a start in 2013 with its Behind the Brands campaign targeting manufacturers. It has since moved on to retailers, traders, and shareholders; yet as the campaign moves on, so does attention on the topic. Until environmental and conservation NGOs also embed equity and justice into their approach, there is unlikely to be the consistent attention placed upon companies.

And attention is needed, as is action, to change value distribution along value chains. This will involve collectively redefining "fairness" beyond the neoliberal narrative that "the market" determines prices. Allowing the corporate world to hide behind anti-trust[7] or shareholder value maximization is not acceptable anymore.

An added layer involves questions about power dynamics along value chains. As argued in Section 2, companies have a long way to go. Despite

[7] *There are ways to address anti-trust issues if companies really want to affect change.*

recognition by some people within companies that poverty and inequality are key topics to address, there is no major platform or effort to help drive the topics in the same way as there is for climate or (latterly) biodiversity.

> *Sustainability has been sold on the idea that it hits a sweet spot where everyone wins. It's now clear that is rarely the case.*

Many of the initiatives developed over the last decade on no-deforestation and land use were designed by/for larger operations and corporate value chains. We have struggled to make them work for smallholder farmers. Yet deforestation, inequality, and climate are topics intimately connected with smallholders. This is not to blame them. Farmers are dependent upon the land and know the importance of soil, water, and forests; yet their hierarchy of needs and perspectives are different. We need to bring the voice of local farmers, local communities, and indeed even local consumers in determining a vision and priorities for land use at a national level. Elevating these voices is one of the major challenges for the next decade. Clearly the design of platforms for this topic can't be left to companies and a few Western NGOs.

There is even a broader issue at stake. Sustainability has been sold on the idea that it hits a sweet spot where everyone wins. It's now clear that is rarely the case. Indeed, John Elkington has now recalled his triple bottom line as an idea — a recognition that actually there are trade-offs across "people, planet, profit." Nestlé pushed back the date it is aiming to be deforestation-free, because of the need to be inclusive of smallholders and avoid creating livelihood issues. This type of decision needs to be seen as positive.

If we are to face the inevitable trade-offs, then we do at least need to bring some convergence on how we think about people and environment: for example, how human rights due diligence and environmental due diligence might come together (at the moment they don't). We need to create a more consistent framework that acknowledges inter-connections and different perspectives, and permits a comparative assessment of action being taken across these areas.

5. Constructing a Blue Sky Vision for 2030

The last two years have seen a proliferation of reports and visions that either directly discuss or have consequences for the land use sector. The IPCC 1.5° report, FOLU, Global Alliance for the Future of Food, EAT Lancet, and the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) have all brought to the fore the role of agriculture in climate change, nutrition and human health, and biodiversity loss. A fairly consistent view has emerged of what needs to change in the next decade, which provides a solid base for a CLUA vision for 2030 — except that the reports do not fully address the topic of inequality.

The corporate perspectives highlighted in this report provide further insights for CLUA on how consumer goods and other supply chain-related companies can affect change relating to commodities which cause deforestation and conflict. To tease out some of the key points, these include:

- Elevating the importance of reducing inequality and eliminating poverty amongst smallholder farmers and within farming communities as a precursor to biodiversity conservation and addressing climate change.
- A shift away from focusing on individual value chains and individual farmers, to focusing on sourcing areas/landscapes/jurisdictions and the communities in those landscapes.
- Corporate climate and biodiversity targets that lead to a shift in companies' focus towards forest and landscape restoration, soil health/soil carbon, and ecological integrity.
- A need to reset the power dynamics and value distribution along the value chain.
- Active corporate advocacy campaigns to promote system-wide change, the valuation of externalities, and the imposition of costs on damaging practices (e.g., carbon taxes).
- Companies and asset managers providing robust reporting on the risk that inequality, nature loss, and climate change pose to business and asset values. This is needed as a precursor for strengthening strategies to address these risks.

The above topics are all at different stages of development. Achieving maturity on all of these, such that they make a positive and material impact upon climate and land use, appears doable by 2030 (although the power dynamics will be a tough one to address and will depend upon efforts to reinvent capitalism). Achieving all of this will require (in no particular order):

- Land use sector companies committing to the **1.5°C climate pathway**; forthcoming **science-based targets** for nature; and clear, transparent **communication** of corporate roadmaps.
- A value distribution model along value chains that adequately **compensates farmers** and allows them a decent life and ability to be effective stewards of the land.
- A true balance (with acceptance of trade-offs) of social and environmental outcomes. This will require all stakeholder groups to rationalize and accept that there are winners and losers in meeting these outcomes.
- Greater **transparency** along value chains, with more use of technology and less reliance upon certification and credits.
- New **thought leaders** and new active (and proactive) "unusual" **coalitions** of companies and others.
- Shared responsibility: a **pre-competitive collaborative, open, and inclusive value chain** of farmers, traders, manufacturers, and retailers that collectively seek to solve problems by being transparent and sharing risks.
- Bringing **market and public policy** better together, to ensure that governments set the right frameworks, legislation, and regulations, as well as fiscal and other incentives.
- Stronger government capacities and competency.
- **Marketing** departments using sustainability to build purpose rather than greenwashing sales.
- Asset managers using interest in **ESG** to drive actions on the ground and push thinking on and **pricing of externalities.**
- A workable architecture by 2021 or 2022 for the use of **nature-based solutions** and funding for **insetting and offsetting** (including avoided deforestation), with revisions every five years.
- For foundations, academia, and civil society seeking to influence companies: less focus on results chains and the development of models, tools, and guidance (i.e., process). Rather, more focus on **systems thinking, experimentation, experience, mentoring, and trial and error** (i.e., impact).
- **Differential approaches** to working with the corporate sector according to the type of company (leaders, laggards, and the mass of smaller ones) and geography (i.e., "markets" not "market").
- Giving **farmers** a bigger voice, a bigger say, and more power.

CLIMATE AND FORESTS 2030: RESOURCES FOR FUNDERS

AUGUST 2021

Thought Piece: Private Sector Engagement

Duncan Pollard