



Doubling Down on Deforestation

***How the Big Three Asset Managers Enable
Consumer Goods Companies to Destroy the World's Forests***

- September 2020 -



Doubling Down on Deforestation

How the Big Three Asset Managers Enable Consumer Goods Companies to Destroy the World's Forests

Authors: Jeff Conant and Gaurav Madan
Financial research: Ward Warmerdam (Profundo)

Thanks to:

Ligia Baracat, Moira Birss, Shona Hawkes, Hana Heineken, Francesco Martone, Paul Rissman, Marília Monteiro Silva, Gabriel Thoumi, Danielle Van Oijen for their insights and editorial contributions. Particular thanks to Proxy Insight for providing voting data and to Krystyna Springer, Vaidehee Sachdev and Beau O'Sullivan at ShareAction for assisting with the analysis of the Big Three's voting records.

This work is licensed under a [Creative Commons Attribution 4.0 International License \(CC BY-NC-SA\)](https://creativecommons.org/licenses/by-nc-sa/4.0/)





© Ullet Ifansasti/Greenpeace

Executive Summary

In 2010, the Consumer Goods Forum (CGF), a consortium of the world's largest retail companies, made a big promise. The CGF, which includes globally recognized brands such as Procter & Gamble, Kroger, Mondelez, and Unilever, committed to achieving zero-net deforestation in its members' supply chains by 2020. The commitment highlighted the need for "specific, time-bound, and cost-effective action plans for the different challenges in sourcing commodities like palm oil, soya, beef, paper and board in a sustainable fashion."ⁱ Attention from the CGF has driven action by some companies and helped shine a spotlight on the global deforestation crisis, but it has not come close to achieving its goals or solving the problem. **Unfortunately, at the end of 2020, CGF companies will have failed to**

meet their deadline, as deforestation driven by industrial agricultural commodities has continued at an alarming pace.ⁱⁱ

From 2014 to 2019, global tree cover loss increased by a disturbing 43%.ⁱⁱⁱ An area of tree cover the size of the United Kingdom has been lost every year between 2014 and 2018.^{iv} Annual CO₂ emissions from tropical deforestation now equal the annual emissions from the European Union. In the words of the platform of the New York Declaration on Forests in its 2019 assessment of industry progress on deforestation, "Forestlands continue to be converted to other commercial land uses, indicating that the short-term profits of forest conversion still trump the long-term benefits of forest conservation and restoration in many land-use decisions."^v

Four commodities drive the majority of tropical deforestation



Palm oil



Soy



Cattle



Paper/pulp

CGF member companies bear a sizable share of the responsibility for this crisis, and they have been called to task by dozens of civil society groups.^{vi} But CGF member companies are not solely to blame. They are implicitly encouraged by weak legal and regulatory frameworks, subject to lax enforcement, and empowered by their financiers and shareholders to continue their destructive course. The failure of voluntary corporate initiatives to halt the global deforestation crisis reveals a need for greater regulation by governments and for a greater level of responsibility to be taken by the financial services industry.

Financial institutions can address deforestation in companies they own or finance in many ways: through direct engagement with companies, proxy voting, introducing criteria for loans and underwriting of debt and equity securities, or by excluding companies entirely from their lending and investment portfolios. Deforestation, and climate risk more broadly, are increasingly recognized by financial institutions as having direct materiality. Yet, the “Big Three” asset managers – BlackRock, Vanguard, and State Street – have no risk frameworks or explicit policies to measure, manage, and mitigate deforestation, native ecosystem conversion, and peatland destruction – or the associated risks of land grabbing and human rights violations.^{vii}

The lack of coherent policies is especially troubling given the fact that the Big Three have a total of \$698 billion in shareholdings and bonds in 121 CGF member companies, and \$12.1 billion more invested in agribusiness producers and traders directly driving deforestation.^{viii} Furthermore, since 2012, shortly after the CGF made its commitment to end deforestation in its supply chains, **the Big Three have voted against or abstained from all 16 shareholder resolutions calling for action on deforestation**, effectively taking a stance against industry change.

Put simply, as industrial agricultural production and unfettered consumption devastate the world’s forests, the largest asset managers in the United States have actively undermined efforts to halt deforestation by voting against measures to protect forests at virtually every opportunity they had and by failing to hold either consumer goods companies or forest-risk

producers accountable for ongoing deforestation and egregious human rights violations.

The CGF commitment has failed not only because CGF companies were not ambitious enough or because governments have failed to adopt and enforce adequate regulatory frameworks, but also because powerful investors have consistently undermined meaningful action by agribusinesses and the consumer goods sector writ large. This report examines the ways in which the Big Three have “doubled down on deforestation” through five primary failures:

- **Lack of policies to manage and mitigate the deforestation crisis.**
- **Failure to vote their shares to stem deforestation and related human rights abuses.**
- **Failure to hold companies accountable to reduce Scope 3 emissions.**
- **Failure to engage with companies to shift their practices.**
- **Broader failure of passive investment to address environmental, social, and governance issues.**

Finally, this report offers recommendations for urgent actions the Big Three can and must take to uphold their responsibility, not only to their beneficiaries, but to our planetary survival.



Key Findings by the Numbers

43%

The amount by which global deforestation has increased since 2014, largely driven by agricultural commodities used in everyday consumer goods.

\$5.2 billion

The estimated economic loss to Indonesia from forest fires in 2019.

900,000

The number of hectares of Amazon rainforest illegally burned in 2019.

4

The number of land and environmental defenders killed each week worldwide.

\$698 billion

The total value of bonds and shares owned by BlackRock, Vanguard, and State Street in Consumer Goods Forum (CGF) companies (as of Q1 2020). Respectively, Vanguard has \$291 billion, BlackRock has \$250 billion, and State Street has \$157 billion invested in CGF companies.

67

The number of CGF companies in which BlackRock, Vanguard, and State Street rank among the top-three shareholders. (BlackRock is a top three shareholder in 55 CGF companies, Vanguard is a top-three shareholder in 48 CGF companies, and State Street is a top-three shareholder in 17 CGF companies.)

100%

The frequency with which the Big Three voted against or abstained from voting on deforestation resolutions at consumer goods and agribusiness companies during the period since the CGF committed to ending deforestation in global supply chains.

25

The number of agribusiness producers, traders, and processors known to be engaged in ongoing deforestation and land rights violations from which CGF companies continue to source.

15

The number of agribusiness producers, traders, and processors known to be engaged in ongoing deforestation and land rights violations that also receive investments from the Big Three.

\$10.6 billion

The total value of bonds and shares owned by BlackRock, Vanguard, and State Street in the publicly listed deforestation-risk producers, traders, and processors that continue to supply CGF companies (as of Q1 2020).^{ix}

0

The number of formal policies the Big Three have addressing deforestation and land rights risks.



© Ulet Ifansasti/Greenpeace

Background: Sacrificing forests for burgers, bath soaps, and body butter

In countries around the tropics that are home to the world's remaining rainforests, powerful companies continue to perpetuate business practices predicated on deforestation, land grabbing, and human rights violations.

In 2010, the Consumer Goods Forum (CGF), a consortium of the world's largest retail companies, made a big promise. The CGF, which includes globally recognized brands such as Procter & Gamble, Kroger, Mondelez, and Unilever, committed to achieve zero-net deforestation in its members' supply chains by 2020. The commitment highlighted the need for "specific, time-bound and cost-effective action plans for the different challenges in sourcing commodities like palm oil, soya, beef, paper and board in a sustainable fashion."^x Attention from the CGF has driven action by some companies and helped shine a spotlight on the global deforestation crisis, but it has not come close to achieving its goals or solving the problem. **Unfortunately, at the end of 2020, CGF companies will have failed to meet their deadline, as deforestation driven by these industries has continued at an alarming pace.**^{xi}

From 2014 to 2019, global tree cover loss increased by a disturbing 43%.^{xii} As acknowledged by the platform of the New York Declaration on Forests, another voluntary mechanism to stem

deforestation (which many CGF companies also signed), "Forestlands continue to be converted to other commercial land uses, indicating that the short-term profits of forest conversion still trump the long-term benefits of forest conservation and restoration in many land-use decisions."^{xiii} An assessment conducted by the New York Declaration on Forests found that annual CO₂ emissions from tropical deforestation are now equal to the total greenhouse gas emissions from the European Union. On average, an area of forest cover the size of the United Kingdom was lost every year between 2014 and 2018.^{xiv}

Deforestation and degradation of large swaths of land – largely driven by the industrial production of soft commodities such as palm oil, soy, cattle, and pulp and paper – is the second largest contributor to the climate crisis.^{xv} These industries are also routinely involved in gross human rights abuses, land grabbing, and the destruction of critical wildlife habitat. A 2020 study found that four land and environmental defenders were killed every week of the previous year, with agribusiness the second deadliest sector.^{xvi} Protracted land conflicts and violations of communities' land rights routinely plague industrial agricultural operations linked to the production of palm oil, soy, cattle, and pulp and paper.

The proliferation of palm oil production and paper pulp plantations in Indonesia, and soy and cattle industries in Brazil, are responsible for fires that decimate the forests of Southeast Asia and the Amazon on an annual basis.^{xvii} In recent years, these fires have grown increasingly worse, destroying hundreds of thousands of hectares of globally significant forests, threatening local – including many Indigenous – communities, and driving an epidemic of respiratory illness.^{xviii} Annual forest fires result in massive increases in CO₂ emissions as forests that sequester tons of carbon are destroyed.^{xix}

CGF member companies bear a sizable share of the responsibility for this crisis, and they have been repeatedly called to task by civil society groups.^{xx} In late 2019, dozens of civil society groups sent a letter^{xxi} urging CGF members “to take bold and urgent action to halt deforestation and redouble efforts on forest protection and ecosystem restoration, species loss, and human rights abuses within supply chains” by prioritizing a set of concrete actions which are reiterated in the recommendations of this report. CGF’s reply to that urgent request arrived fully 11 months later, in August 2020,^{xxii} acknowledging that “as consumer goods companies, our activities have contributed to [deforestation]” and noting that “we have learned that cleaning up individual supply chains won’t alone drive the transformation needed to end deforestation.”^{xxiii}

Indeed, action by individual companies is clearly insufficient to resolve a crisis that is global and systemic – and CGF member companies are not solely to blame. They are implicitly encouraged by weak legal and regulatory frameworks, subject to lax enforcement, and empowered by their financiers and shareholders to continue their destructive course.

There can be no doubt that increased government regulation and enforcement are key to stemming the crisis of deforestation and related human rights abuses. At the same time, increased action by the financial sector is also essential. This report examines the ways in which the world’s largest asset managers have “doubled down on deforestation” through five primary failures:

- **Lack of policies to manage and mitigate the deforestation crisis.**
- **Failure to vote their shares to stem deforestation and related human rights abuses.**
- **Failure to hold companies accountable to reduce Scope 3 emissions.**
- **Failure to engage with companies to shift their practices.**
- **Broader failure of passive investment to address environmental, social, and governance issues.**



© Andri Tambunan / Greenpeace

Glossary of Terms

Asset owner – The terms “asset owners,” “end-investors,” and “clients” are often used interchangeably. Asset owners are entities who own significant financial assets. They include pension plans, insurance companies, official institutions, banks, foundations, endowments, family offices, and individual investors located all around the world.

Asset manager – a financial services institution that manages investment funds on behalf of clients, with the objective of growing clients’ assets while mitigating risk.

Corporate engagement – the practice of shareholders entering into discussions with company management in order to influence the way in which that company is run.

Environmental human rights defender – individuals and groups who, in their personal or professional capacity and in a peaceful manner, strive to protect and promote human rights relating to the environment, including water, air, land, flora, and fauna.

Environmental, social, and governance (ESG) criteria – standards for a company’s operations that investors use to screen and manage potential investment risks related to how a company performs as a steward of nature (environmental); how it manages relationships with employees, suppliers, customers, and the communities where it operates (social); and how it manages internal operations, shareholder rights, and compliance with relevant laws and normative standards (governance).

Forest-risk commodity – globally traded goods and raw materials that originate from forest ecosystems, either directly from within forest areas or from areas previously under forest cover, whose extraction or production contributes significantly to deforestation and degradation.

Free, prior, informed consent (FPIC) – a principle protected by international human rights law that states that all people have the right to self-determination, including the right to freely pursue their economic, social, and cultural development.

Index fund – a type of mutual fund or exchange-traded fund (ETF) with a portfolio constructed to match or track the components of a financial market index, such as the S&P 500 index.

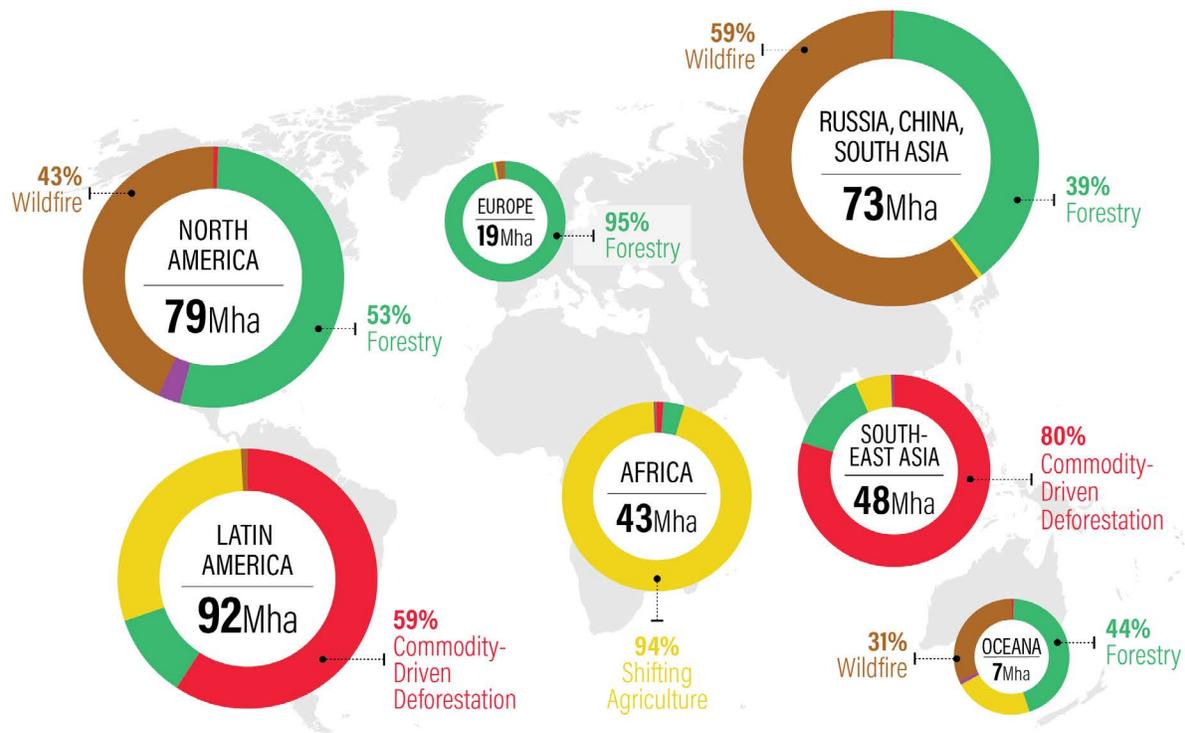
Land grabbing – the large-scale acquisition of lands through purchase or lease by domestic and multinational companies, governments, or individuals without the explicit consent of the occupants, users, or statutory or customary rights-holders of that land.

No Deforestation, No Peat, No Exploitation (NDPE) – a common form of voluntary commitment made by consumer goods companies and agricultural commodity producers (most commonly in relation to palm oil production) to ensure that their supply chains do not drive destruction of tropical forests and peatlands or exploitation of workers and communities.

Passive investment – a buy-and-hold portfolio strategy for long-term investment horizons, with minimal trading in the market. Index investing is the most common form of passive investing, whereby investors seek to replicate and hold a broad market index or indices.

Proxy voting – the act of casting a ballot by a person or firm on behalf of a shareholder in a publicly listed corporation as part of the governance of that corporation.

Regional Tree Cover Loss by Driver for the Period 2001–2018



* Permanent deforestation

** May or may not lead to permanent deforestation

Note: Numbers reported as of March 3, 2020

Source: Global Forest Watch

20.02.18



WORLD RESOURCES INSTITUTE





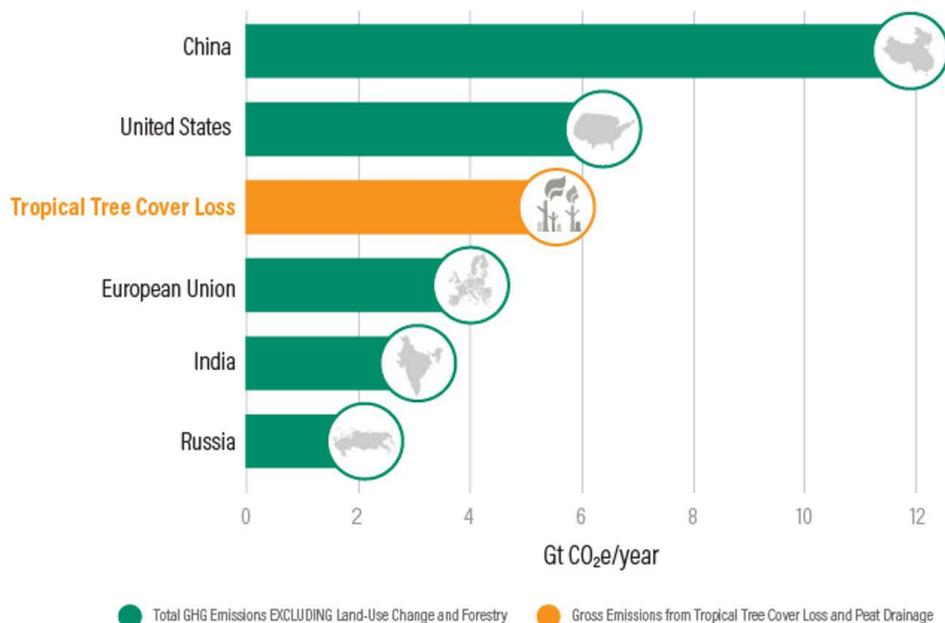
© Rodrigo Baléria/Greenpeace

The rising costs of the deforestation crisis

Deforestation persists at the nexus of environmental, social, and governance issues – each with many direct, indirect, and hidden costs. By financing deforestation, biodiversity loss, public health crises,

and climate disaster, the world's largest financial institutions are gambling with the world economy and with the future entrusted to them by their clients.

If Tropical Deforestation were a Country, it Would Rank Third in CO₂e Emissions



Source: Seymour & Busch, 2016.



WORLD RESOURCES INSTITUTE

The Problem: Climate Change If tropical deforestation were a country, it would rank third in CO₂ emissions.

The Price: Given the vast complexity and cascading impacts of climate change, there is no comprehensive way to assess its economic costs. However, one recent study suggests that by 2100, climate impacts could cost the U.S. up to 10.5% of its Gross Domestic Product.^{xxiv}



The Problem: Land Grabbing and Human Rights Violations

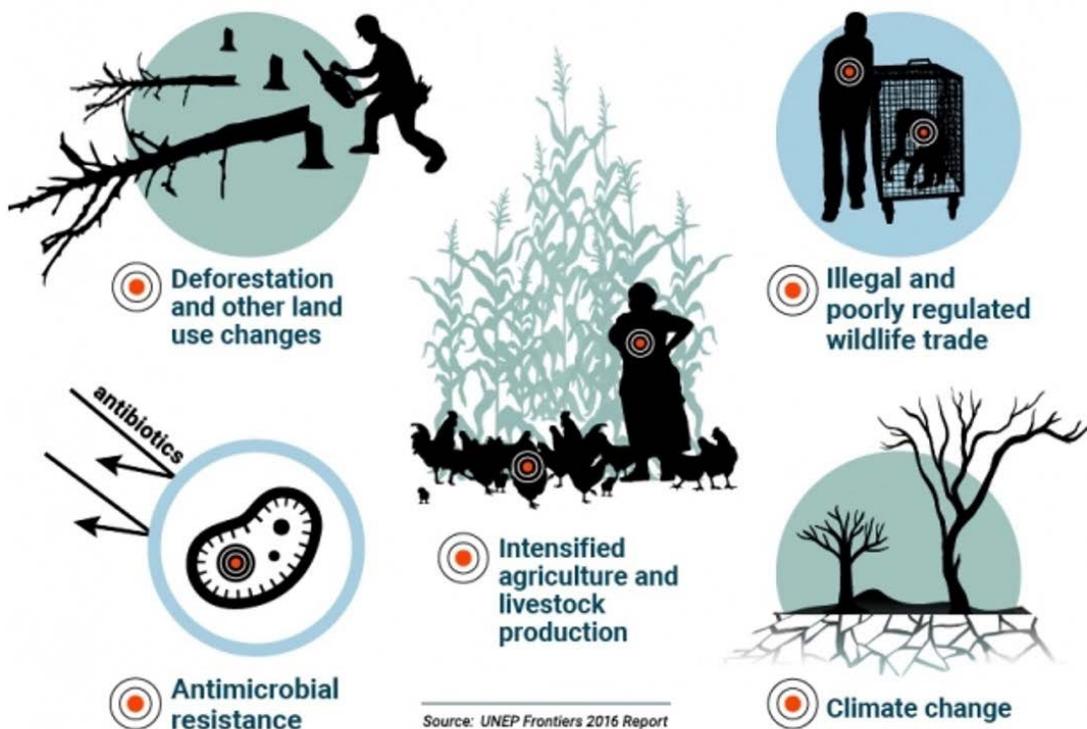
The deforestation crisis is linked to an epidemic of land grabbing and violence against land and environmental defenders. The industrial plantation model demands hundreds of thousands of hectares of land, which are overwhelmingly inhabited, customarily owned, and managed by local – often Indigenous – communities.^{xxv} Plantation companies often coerce, intimidate, and forcibly grab land from local communities. A 2020 analysis by Global Witness found that, in 2019, four land and environmental defenders were killed each week, with agribusiness being the second deadliest sector. The Amazon region saw 33 deaths alone, and nearly 90% of the killings in Brazil took place in the Amazon.^{xxvi}

The Price: A 2016 study of the economic costs of social conflict names direct operational costs, including lost income from disrupted business operations, indirect costs of devoting human and financial resources to address conflict rather than improve productivity, and hidden costs associated with conflict recurrence or escalation, reputational damage, property destruction, and violence. The study shows the cost of social conflict to equal 65% of total operational costs per hectare and up to 132% of annualized investment costs on a per-hectare basis.^{xxvii}



© L. Lily/Greenpeace

What factors are increasing zoonosis emergence? (Diseases transmitted from animals to humans)



#COVID19



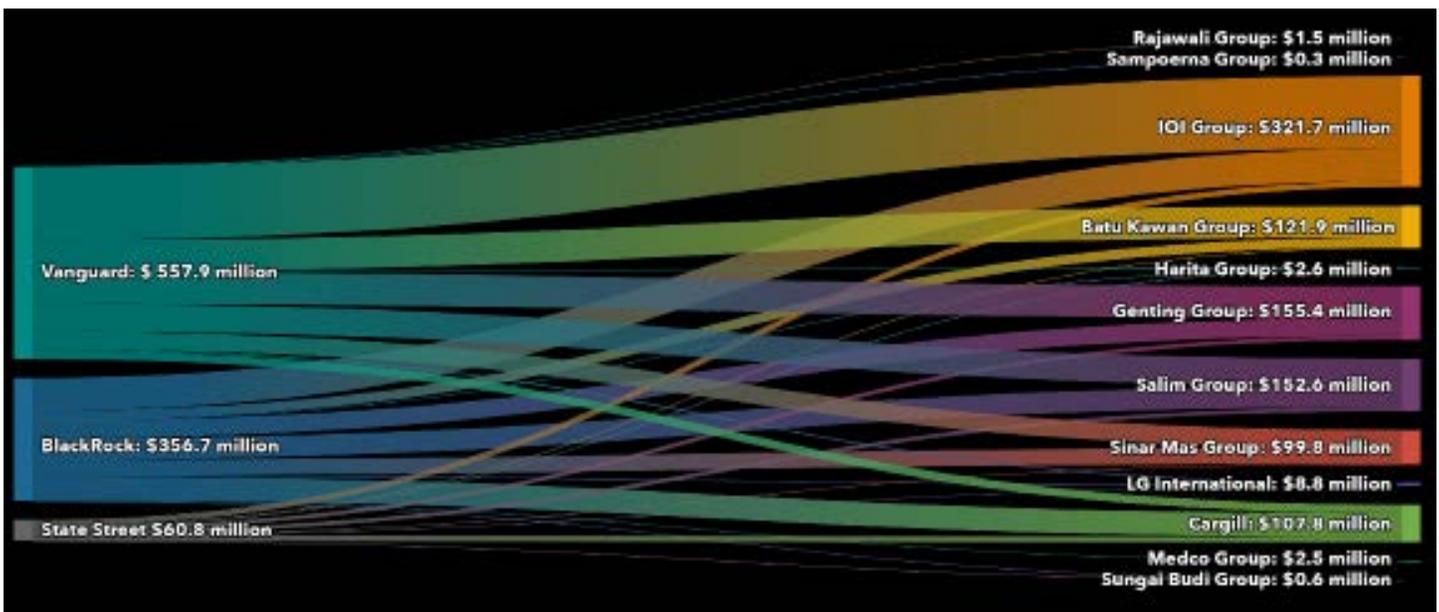
The Problem: Biodiversity Loss and Infectious Disease Outbreaks Tropical forests are home to roughly half of the world’s animal and plant species.^{xxviii} Tragically, since 1970, 60% of mammals, birds, fish, and reptiles have been wiped off the planet.^{xxix} The destruction of critical wildlife habitat, primarily tropical forests, is a root cause of emergent zoonotic illnesses like COVID-19, Ebola, SARS, and MERS. Scientists estimate that three-quarters of emerging infectious diseases originate in animals and “spill over”^{xxx} into human hosts, largely due to habitat destruction and encroachment often linked to agribusiness-driven deforestation.^{xxxi} In this sense, tropical forests are not only analogous to “the lungs of the Earth,” they are also the Earth’s immune system.

The Price: As with climate change, there is no agreed-upon method for putting an economic cost on biodiversity loss. However, it is well established that so-called “ecosystem services” are essential to the functioning of human societies. One study conducted by the Sustainable Finance Platform estimated the economic cost of biodiversity loss somewhere between \$2 trillion and \$4.5 trillion.^{xxxii} The UN Environment Programme notes that the emergence of COVID-19 “has underscored the fact that, when we destroy biodiversity, we put our lives, livelihoods, and economies at risk.” In addition to the unquantifiable human costs, the International Monetary Fund estimates that the economic impacts of COVID-19 will cost the global economy \$12 trillion.^{xxxiii}

The Problem: Annual Forest Fires Industrial agriculture is responsible for fires that decimate the forests of Southeast Asia and the Amazon on an annual basis.^{xxxiv} Unlike wildfires in other parts of the world, the vast majority of these fires are set by humans. In 2019, tens of thousands of fires set largely by illegal loggers and ranchers destroyed over 900,000 hectares of the Amazon.^{xxxv} Companies, including ADM, Bunge, Cargill, and JBS, which directly and indirectly supply CGF members, including Nestlé, PepsiCo, Unilever, and L’Oréal, have been linked to the fires.^{xxxvi} BlackRock, State Street, and Vanguard, as well as many other asset management firms, not only own shares in the brands sourcing from known deforesters, they are also significant shareholders in the producers and traders, including ADM, Bunge, and JBS.^{xxxvii}

Forest fires in Indonesia in 2019 released 708 million tons of CO₂^{xxxviii} and caused respiratory problems for almost 900,000 people.^{xxxix} CGF member companies, including Nestlé, PepsiCo, Unilever, Procter & Gamble, and Mars, source from palm oil companies whose operations are linked to these fires.^{xl} At least 12 companies whose Indonesian concessions were “sealed,”^{xli} or closed off by the government due to the fires, receive investments from the Big Three asset managers.

The Price: According to the World Bank, forest fires in Indonesia cost the country \$5.2 billion in 2019 and \$16 billion in 2015.^{xlii} In the Amazon, the threat of a “dieback” – a scenario where cascading deforestation leads the rainforest to dry up and turn into savanna – could cost \$957 billion over 30 years.^{xliii}



Links between the Big Three asset managers and Indonesian concessions implicated in fires in 2019

(Source: Tuk Indonesia/Profundo)





Epidemic violence against environmental human rights defenders: The case for zero tolerance

Attacks and killings of human rights defenders and, in particular, environmental human rights defenders (EHRDs), have grown to epidemic proportions around the world. According to Global Witness, 2019 was the deadliest year on record, with 212 land and environmental defenders killed. Of those killed, 40% were Indigenous people, and agribusiness was the second deadliest sector.^{xliv} This violence is part of a growing trend of attacks, intimidation, and murder, enabled by the accelerated closure of civic space for communities that challenge harmful business and megaprojects sponsored by the state, companies, and illegal armed groups.^{xlv}

Confronted with this dire situation, investors have only just begun to develop policies and approaches to minimize and respond to human rights risks associated with their investments. A few investors have divested from harmful agribusiness and extractive companies.^{xlvi} The Investor Alliance for Human Rights advises that investors should develop clear human rights policies aligned with the UN Guiding Principles on Business and Human Rights. Such policies should clarify the distinct nature of potential harm and the collective character of threats to Indigenous Peoples and local communities.^{xlvii}

In parallel, civil society has coalesced to advance

a proposal that investors should adopt a “zero-tolerance” approach to attacks and threats to environmental human rights defenders by focusing on the root causes of the violence. A coalition of Indigenous Peoples’ organizations and representatives of local and Afro-descendant communities and civil society gathered in Geneva in November 2019 to launch the **Zero Tolerance Initiative** (ZTI), resulting in The Geneva Declaration, which calls on investors to conduct human rights and environmental due diligence and invest only in companies which have adequate processes in place.^{xlviii} The recommendations of the Geneva Declaration have been widely accepted by civil society as current practice and are reflected in the recommendations for asset managers at the end of this report.



© Ulet Ifansasti/ Greenpeace

The failure of asset managers – flouting human rights norms, ignoring climate risk, voting against forests

The failure of the world's largest retail companies to end deforestation in their supply chains highlights a larger failure of voluntary commitments made by the private sector, including both companies and their financial backers.

The UN Environment Programme notes that “Banks and investors can drive deforestation and land conversion through their lending and investment practices.”^{xlix} Similarly, the Organization for Economic Cooperation and Development (OECD) maintains that financial services companies are “directly linked” to the social and environmental impacts of their investments and bear responsibility for resolving them.^l Additionally, the United Nations Guiding Principles on Business and Human Rights, adopted by the UN Human Rights Council in 2011, provides a framework for private companies, including financial firms, to safeguard human rights, as expressed through three pillars: The state has a duty to protect against human rights abuses, businesses have a responsibility to respect human rights, and victims of human rights abuses have the right to effective remedy.

In the simplest terms, by providing financial support and reputational stability to companies engaged in egregious practices, asset managers enable, legitimize, and provide cover for these practices.

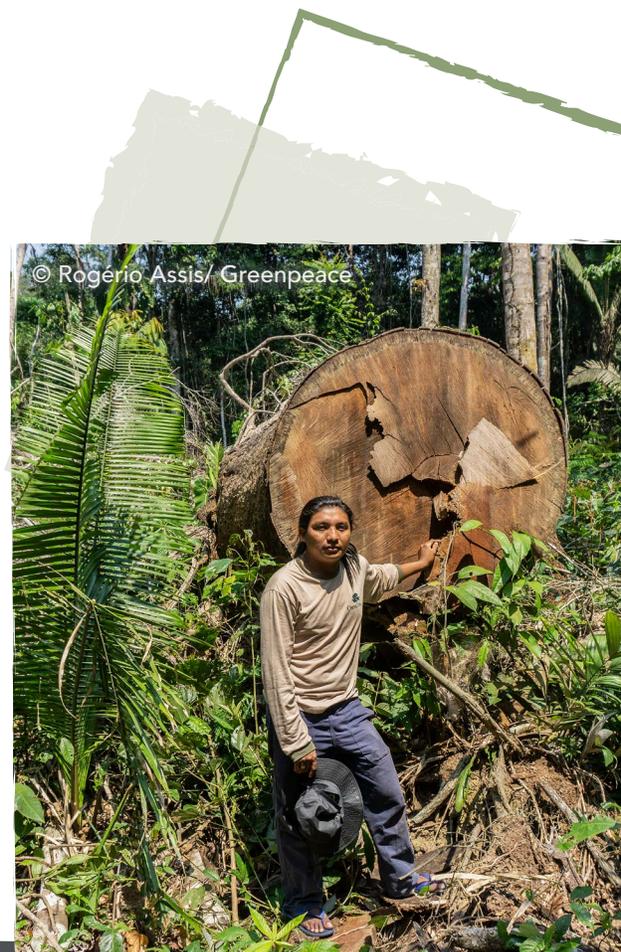
It does not have to be this way. Asset owners, institutional investors, and asset managers can address deforestation and related abuses in companies they own or finance through direct engagement with companies, through proxy voting, and by introducing concrete criteria for exclusion or divestment. Yet, as the Forests 500 2019 Annual Report assessed, “Of the 150 financial institutions with the most influence on forest-risk supply chains, 102 laggards have no policies to address deforestation.”^{li}

The three largest asset managers in the U.S – BlackRock, Vanguard, and State Street^{lii} have collective holdings in CGF companies worth \$698 billion. To put this figure in context, Brazil, the country that currently leads the world in deforestation, spends an average of \$1 billion on forest protection annually.^{liii} Both BlackRock and Vanguard are among the top ten investors in most publicly listed CGF companies. These firms have unprecedented power to shape the way consumer goods companies’ operations and supply chains impact people and the planet. Yet over the past decade, these powerful investors have voted *against* action on deforestation virtually every opportunity they had, while failing to adequately pressure companies to curb the environmental and social abuses that have become synonymous with their business model.

Wall Street's continued investments in deforestation not only put major financial institutions on the wrong side of history, they are also out of step with the times. In recent years, socially responsible investors have begun to regularly issue public statements urging companies to disclose and address the material risks posed by rising greenhouse gas emissions from fossil fuels as well as from deforestation and land conversion. In June 2019, 477 institutional investors with \$34 trillion in assets under management – nearly half of the world's invested capital – urged world leaders to dramatically increase their efforts to meet the goals of the Paris climate agreement. Amidst devastating fires in the Amazon rainforest in 2019, 251 institutional investors representing \$17.7 trillion of assets under management called on companies to tackle the reputational, operational, and regulatory risks posed

by rampant deforestation.^{liv} In 2020, 29 financial institutions managing more than \$3.7 trillion in assets told the Brazilian government they were concerned “that companies exposed to potential deforestation in their Brazilian operations and supply chains will face increasing difficulty accessing international markets,” creating “widespread uncertainty about the conditions for investing in or providing financial services to Brazil.”^{lv}

The scientific consensus is abundantly clear: To limit global warming to 1.5 degrees Celsius and effectively prevent irreversible disaster, bold action is required over the next decade, which must include ensuring that the last of the world's forests remain standing. Despite this warning, the Big Three asset managers have yet to translate climate commitments into meaningful and coherent action on deforestation.

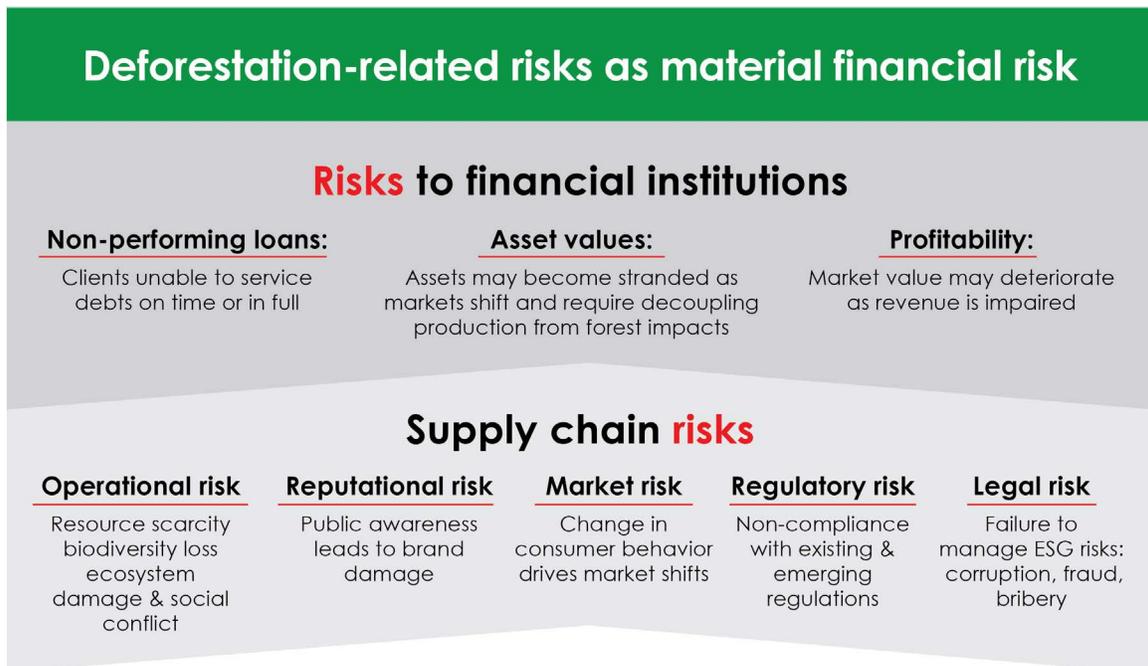


Climate risk and fiduciary duty

As investors finance and facilitate deforestation and associated human rights abuses – and as social and environmental violations are increasingly recognized as relevant to fiduciary duty^{vi} – financial institutions have a direct responsibility to address these risks. Deforestation and associated land conflicts and human rights violations represent a growing set of financial risks for investors, including physical, transitional, operational, regulatory, reputational, competitive, and legal liabilities.^{vii} By failing to curb their tacit support

for deforestation and its attendant impacts on climate change and species loss, the world’s largest asset managers are also undermining the value of other holdings in their portfolios that will bear increased costs and risks from runaway climate change.

In 2019, inspired by a new generation of climate justice activists, tens of thousands of people staged protests outside BlackRock offices in New York, San Francisco, Washington, London, Paris, Stockholm, Hong Kong, Sydney, and other global cities.



Soft commodity supply chain actors have direct or indirect impacts on forests

Source: United Nations Environment Programme



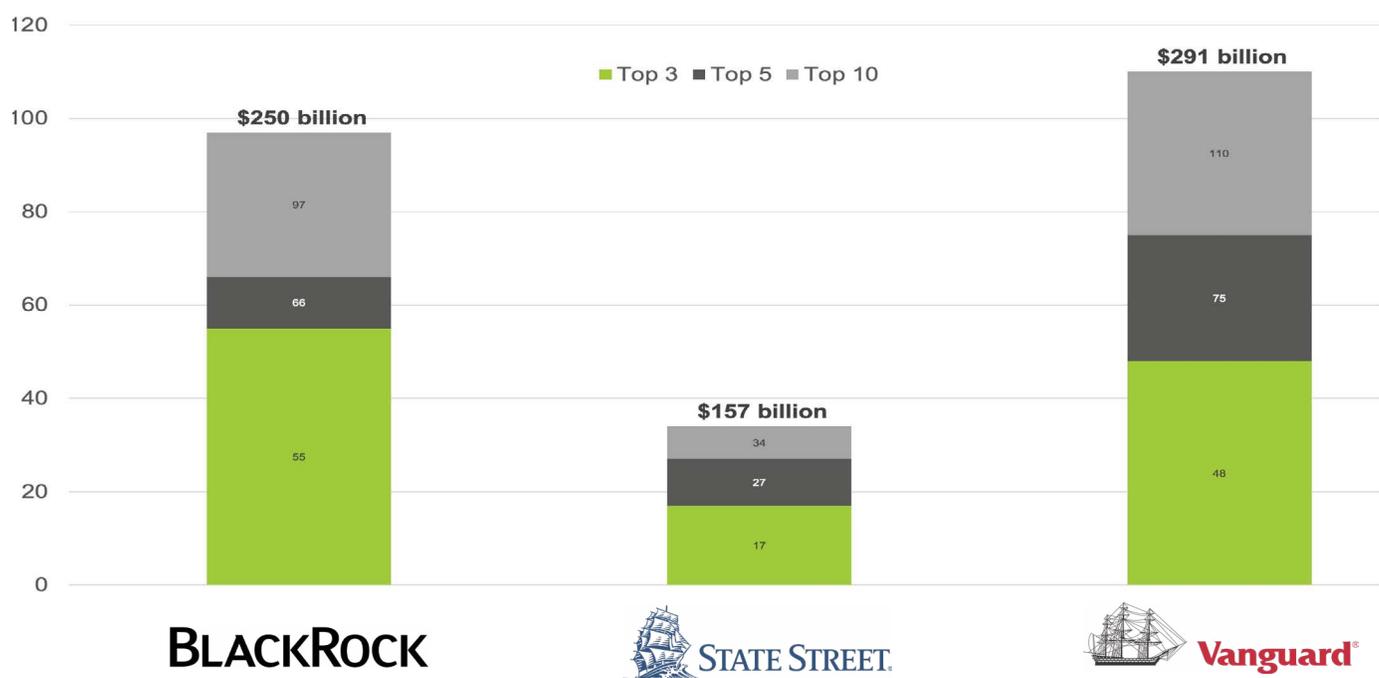


Five ways the Big Three asset managers have undermined efforts to end deforestation

Combined, the Big Three hold nearly \$700 billion in 121 CGF companies, while BlackRock and Vanguard both rank among the top ten investors in most of the publicly listed CGF member companies. BlackRock, Vanguard, and State Street also hold \$10.6 billion worth of bonds and shares (as of Q1 2020)^{lviii} in numerous publicly listed agribusiness producers,

traders, and processors known to have recent links to destructive practices and which continue to supply CGF companies.^{lix} This gives BlackRock, Vanguard, and State Street enormous power to drive change in these companies' practices. Yet they have failed to exercise this power in multiple ways that have allowed the deforestation crisis to deepen.

The Big Three rank among the top three, top five, and top ten shareholders in a majority of CGF member companies.





1. Policy gaps

None of the Big Three have policies to guide their investments in deforestation, exposing them to a host of operational, reputational, and regulatory risks – and sending a signal to companies like those in the Consumer Goods Forum that these issues are of little concern. The lack of high-level policies indicates a significant blind spot in incorporating climate risks and commitments into investment strategies and an underappreciation of the role companies – including CGF members – play in driving deforestation, the climate crisis, and human rights abuses.



State Street

As stated in its Environmental Sustainability Policy Statement^{lxii} and accompanying Corporate Climate Change Statement, State Street has climate targets for its own global operations – but not for its portfolios. In a recent corporate responsibility report, State Street affirms its support for five of the United Nations Sustainable Development Goals,^{lxiii} with the notable absence of SDG 15, Life on Land.



Vanguard

Vanguard’s investment policies^{lx} include no set of policies specific to environmental issues in any dimension, although it has named climate risk as one of its key engagement themes^{lxi}, noting that it “may vote against the election of directors where it believes that a company may not be dealing with such issues appropriately and support relevant shareholder proposals.”

In April 2020, Vanguard began marketing two ESG-focused exchange-traded funds; however, Vanguard’s new ESG funds have no explicit criteria for addressing deforestation and land rights risks.

SDG 15: Life on Land



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

In early 2020, State Street began hinting at a potential shift, when its CEO stated, “We believe that addressing material ESG issues is good business practice and essential to a company’s long-term financial performance – a matter of value, not values.”^{lxiv} This new approach includes using “our proxy voting power to ensure companies are identifying material ESG issues and incorporating the implications into their long-term strategy.”

The results of State Street’s new approach to ESG remain to be seen.

BLACKROCK

BlackRock

BlackRock publicly acknowledged deforestation as a climate risk in 2016^{lxv} and has made a number of public statements on the issue but has not adopted a formal policy to eliminate deforestation from its portfolios. Beyond its holdings in consumer goods companies, BlackRock is among the top three shareholders in 25 of the largest publicly listed deforestation-risk companies, and among the top ten shareholders in 50 of the top deforestation-risk companies. Between 2014 and 2018, its shareholdings in deforestation-risk companies increased from \$1 billion to \$1.6 billion.^{lxvi}

In January 2020, BlackRock sent ripples through the finance industry by declaring that “climate risk is investment risk” and announcing it would place climate at the center of its investment strategy.^{lxvii} The Wall Street giant’s decision included divestment from coal, greater engagement with polluting companies, and a litany of promises that could represent a sea change for this financial behemoth if actually put into practice. However, a review of BlackRock’s new coal policy found that it affects less than 20% of the industry.^{lxviii}

Furthermore, an analysis of its January 2020 announcement revealed significant gaps, including a failure to set time-bound limits or criteria for engagement with companies, and continued financing of the oil and gas sectors.

The announcement notably lacked an explicit policy commitment to address deforestation, human rights, or the specific rights of Indigenous Peoples and local communities at the front lines of the climate crisis.^{lxix}

However, following considerable public pressure, BlackRock’s Investment Stewardship team has published commentaries explaining its engagement approach to the palm oil^{lxx} and agribusiness^{lxxi} industries. The commentaries acknowledged important risks associated with these sectors, and clarified that BlackRock will “ask companies to disclose any initiatives and externally developed codes of conduct, e.g. committing to deforestation-free supply chains, to which they adhere and to report on outcomes,” and “to disclose medium- and long-term targets relevant to their business practices that enable shareholders, and others, to assess operational standards, monitor progress and inform engagements.” BlackRock further affirms that it “will be increasingly disposed to vote against the reelection of relevant board directors when companies have not made sufficient progress.” While the commentaries are an important step in acknowledging risks, they fall short of a formal policy to incorporate these risks into investment decision-making or to note if and when BlackRock will consider excluding companies from portfolios in the name of risk-mitigation.^{lxxii}





© Natalie Behring/Greenpeace

2. Failure to vote their shares

Somewhere between the CGF's public commitment to halt deforestation and the shareholder engagement and proxy voting policies of the Big Three asset managers, the memo on deforestation seems to have gone missing. Despite collectively having nearly three-quarters of a trillion dollars

invested in CGF companies that pledged to end deforestation, as well as investments in many companies that are not members of the CGF, the Big Three have consistently voted *against* companies' taking meaningful action to address deforestation since the CGF commitment was made.

Since 2012, the Big Three have had 16 chances to vote in favor of shareholder resolutions to halt deforestation.

DATA PROVIDED BY PROXY INSIGHT, 2020

How did they vote?

COMPANY	YEAR	RESOLUTION	BLACKROCK'S VOTE	VANGUARD'S VOTE	STATE STREET'S VOTE
Yum! Brands	2020	Report on Supply Chain Deforestation	AGAINST	AGAINST	AGAINST
Restaurant Brands International	2019	Report on Supply Chain Deforestation	AGAINST	AGAINST	AGAINST
Yum! Brands	2019	Report on Supply Chain Deforestation	AGAINST	AGAINST	AGAINST
Mondelez	2019	Report on Supply Chain Deforestation	AGAINST	AGAINST	AGAINST
Restaurant Brands International	2018	Report on Supply Chain Deforestation	AGAINST	AGAINST	AGAINST
Domino's Pizza	2018	Adopt Policy on Supply Chain Deforestation	AGAINST	AGAINST	ABSTAIN
Kroger	2017	Adopt Policy on Supply Chain Deforestation	AGAINST	AGAINST	AGAINST
Yum! Brands	2017	Adopt Policy on Supply Chain Deforestation	AGAINST	AGAINST	AGAINST
Domino's Pizza	2017	Adopt Policy on Supply Chain Deforestation	AGAINST	AGAINST	ABSTAIN
Kraft Heinz	2017	Report on Supply Chain Deforestation	AGAINST	AGAINST	ABSTAIN
E.I. du Pont de Nemours	2016	Report on Supply Chain Deforestation	AGAINST	AGAINST	AGAINST
Domino's Pizza	2016	Report on Supply Chain Deforestation	AGAINST	AGAINST	ABSTAIN
Bunge	2015	Reduce Supply Chain Deforestation	AGAINST	AGAINST	AGAINST
Kraft Heinz	2015	Report on Supply Chain Deforestation	AGAINST	AGAINST	ABSTAIN
Kraft Heinz	2014	Report on Supply Chain Deforestation	AGAINST	AGAINST	ABSTAIN
Mondelez	2012	Report on Supply Chain Deforestation	ABSTAIN	AGAINST	ABSTAIN

Friends of the Earth examined all shareholder resolutions related to deforestation filed at consumer goods companies since 2012. Not all companies subject to these resolutions are members of the Consumer Goods Forum, and not all shareholder resolutions would have passed even if they had been supported by the Big Three. However, the success of a shareholder resolution is not measured solely by whether it receives a majority vote; receiving a percentage of votes large enough that it urges management to institute reforms is also an indicator of a resolution's success. In this sense, the failure of the Big Three to vote in favor of deforestation-related shareholder resolutions at consumer goods companies constitutes a tacit endorsement of a status quo of inaction and indifference, and it indicates a lack of commitment to addressing deforestation and climate risks. (Notably, State Street abstained from seven of the votes; in responding to Friends of the Earth's query, State Street's Assistant Vice President of Asset Stewardship pointed out that "we use the abstain vote option when the company meets some but not all of our expectations regarding the issue.")^{lxxiii}

While the Big Three asset managers' votes alone may not have carried shareholder resolutions forward, their lack of policies on deforestation, land grabbing, and human rights, and the shortcomings of their engagement efforts combined with the clear

message signaled by their voting records, form a pattern of inaction that has undermined industry change and contributed to the ongoing destruction of the world's forests.

Shareholder resolutions are not designed to fundamentally transform a company's business operations but to steer corporate reforms toward practices more favorable to shareholders. The shareholder resolutions examined by Friends of the Earth represent the primary approach some shareholders are using to address deforestation: efforts to require companies to report on deforestation or adopt No Deforestation No Peat No Exploitation policies to expose and mitigate risks in their supply chains. For example, a proposal filed at Kroger in 2017 asked the company to adopt a policy on supply chain deforestation. Filed by Sustainable Asset Manager Company, the resolution was supported by 22% of investors – but not by the Big Three asset managers, who voted against Kroger's adopting a stronger policy. Similarly, the 2018 shareholder proposal at Domino's Pizza, which would have required the company to adopt a policy regarding deforestation and related human rights issues, was not approved, having received 30.6% votes for and 69.4% votes against.^{lxxiv}



© Jurnasyanto Sukarno/Greenpeace



© Christian Braga/Greenpeace

3. Failure to hold companies accountable to reduce emissions

Reducing greenhouse gas emissions is critical to limiting global temperature rise to below 1.5 degrees Celsius. According to the United Nations Intergovernmental Panel on Climate Change (IPCC), the agriculture and land-use sector currently produces almost one-quarter of the world's greenhouse gas emissions – more than the transportation and building sectors combined.^{lxxv}

Greenhouse gas (GHG) emissions are classified in three types: Scope 1 are direct emissions from owned or controlled sources, Scope 2 are indirect emissions from the generation of purchased energy, and Scope 3 are all indirect emissions (not included in Scope 2) that occur in companies' value chains, including emissions from agriculture via land use change and deforestation. Developing a full GHG emissions inventory that incorporates corporate-level Scope 1, Scope 2, and Scope 3 emissions enables companies to understand their full value chain emissions to identify the greatest GHG reduction opportunities.

Most of the world's largest companies now report on direct – that is, Scope 1 and 2 – emissions, but the majority of greenhouse gas emissions from food and beverage companies come from agricultural production. According to the Ceres Investor Network, "Scope 3 emissions from 15 major food companies disclosed in 2017 totaled 629.9 million tons of carbon dioxide emissions, equivalent to annual emissions from 156 coal-fired power plants or 70.9 billion gallons of gasoline. These indirect emissions accounted for 85%

of the companies' total carbon footprints, including Scope 1, 2, and 3 emissions."^{lxxvi}

A survey conducted by Ceres found that less than one-third of the 50 largest food and beverage companies in the U.S. and Canada publicly disclose emissions from agricultural production. Of the 50 companies analyzed, 30 have active, company-specific greenhouse gas emissions reduction targets for their own operations. Among these 30 companies, only 15 provided Scope 3 emissions. And only eight have explicit targets to reduce these emissions.^{lxxvii}

Increasingly, investors are expecting companies to fully disclose Scope 3 emissions in line with science-based targets. An important signal in this direction came during the 2020 shareholder season when BlackRock raised concerns about Exxon's failure to disclose its Scope 3^{lxxviii} emissions. BlackRock has also made known that "for carbon intensive companies, [BlackRock Investment Stewardship] seeks disclosures of "Scope 1, 2 and ideally, Scope 3 emissions."^{lxxix} BlackRock's action sets a positive tone but is far from sufficient. The Big Three asset managers should *require* all investees, including both agribusiness and consumer goods companies, to disclose Scope 3 emissions so that they can act aggressively to reduce these emissions in keeping with science-based climate goals.

4. Failure to engage with companies to shift behavior

Investors rely on engagement with corporate leadership to prompt changes in company behavior. Some forms of engagement, such as using shareholder voting power to influence management, are relatively formal and transparent. But most corporate engagement by investors is extremely opaque, making it difficult for stakeholders to know what tangible changes investors have been able to effect. Given the broad and systemic social and ecological impacts of global business, this opaque and unaccountable approach to corporate governance is profoundly troubling.

For example, while Vanguard reports that it engaged with 17 companies that are members of the CGF in 2018, Vanguard's engagements^{lxxx} make no mention of deforestation, land rights, human rights, or biodiversity, leaving shareholders and stakeholders alike unable to judge whether Vanguard's investment stewardship team broaches these concerns, and if so, to what end.

Similarly, State Street boasts "a robust program of engagement ... regarding climate-related risks and impacts"^{lxxxi} but offers little insight into what that engagement entails.

In early 2020, BlackRock released a statement on its approach to engagement with agribusiness companies.^{lxxxii} While the statement names greenhouse gas emissions, illegal deforestation, biodiversity loss, and violations of the rights of Indigenous Peoples, it fails to explain *how* BlackRock will measure companies' exposure to these risks, what standards it will use to gauge companies' operations, and what consequences there will be for companies that continue to drive widespread deforestation, soil and water pollution, adverse public health impacts, biodiversity loss, land grabbing, labor rights abuses,

and broader human rights violations.^{lxxxiii}

The Big Three asset managers' lack of coherent and publicly available engagement approaches on deforestation, land conversion, and human rights indicates a failure to recognize the urgency and the saliency of these issues.

In mid-2020, the Ceres Investor Network published An Investor Guide to Deforestation and Climate Change to give investors a framework to understand and engage on deforestation-driven climate risks across their portfolios.^{lxxxiv} Notably, BlackRock was involved in the development and launch of the Ceres investor guide^{lxxxv} and reiterated upon publication of the guide that it will vote against directors at companies involved in ongoing deforestation^{lxxxvi} – an important step that will be furthered by increased transparency to demonstrate precisely how the firm evaluates the success of its engagements.

Engagement on deforestation in respect to addressing the climate crisis is crucial, and Ceres' recent guidelines are a valuable resource that provides an important set of signals to follow. It remains equally critical however, that any engagement regarding deforestation take into account human rights, labor rights, the rights of Indigenous Peoples and local communities, as well as questions of corruption and governance.

For engagement to be effective and accountable, the Big Three should reform their processes to make them transparent, time-bound, and attached to meaningful consequences. If goals are not set, or are set and not met, companies should know that they will face votes against directors, support for relevant shareholder resolutions to drive reform at the board level, and potential exclusion from portfolios.

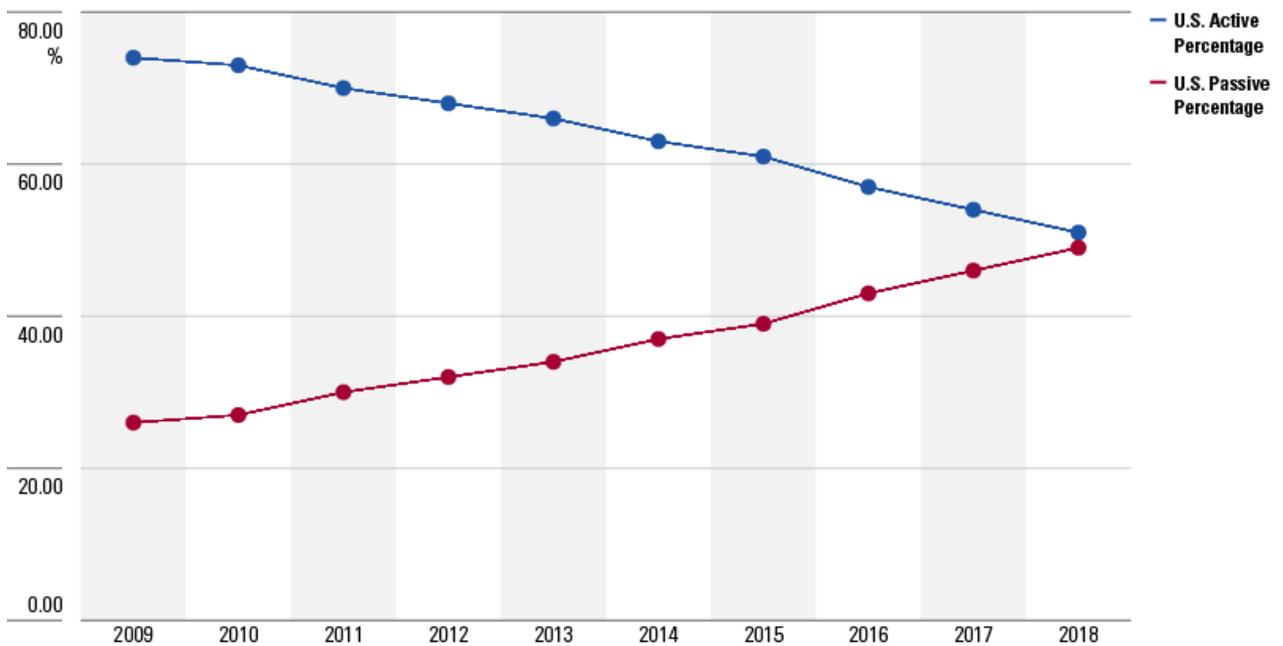


5. The passives problem

Each of the Big Three owes some of their overwhelming power to the growing use of funds that “passively” track global market indexes like the S&P 500. The approach allows for reduced financial risk, low fees, broad diversification, and stable, market-rate returns over a long-term horizon. From a slow inception in the 1970s and 1980s, passive index investing has exploded, with passive equity investments now fully eclipsing active equity investments in the U.S. In 2016, 81.3% of BlackRock’s

investments were through passive index funds. For Vanguard, this was a comparable 81.1%, and for State Street, the percentage was 96.9%. Given the growth in recent years of passive funds, it is likely that these percentages will only increase.^{lxxxvii} The expansion of the passives problem is so fundamental to the finance sector that *The Wall Street Journal* calls passive index funds “the new kings of Wall Street.”^{lxxxviii}

U.S. Equity Active/Passive Percentage



Source: Morningstar Direct. Data as of 31 December 2018.

This trend has come to be known as “the passives problem.” Passive management employs an automated process for buying and selling shares in companies, solely based on how a company is ranked according to narrow financial and risk criteria. If a company is consistently underperforming or involved in environmental destruction or human rights violations, an active manager can decide to sell shares and remove the company from portfolios; having that power, an active manager therefore also wields more influence with company directors. In contrast, passively managed index funds bear significant constraints in terms of both managers’ influence over companies and managers’ ability to remove companies from portfolios.

While passive funds have the significant benefit of low fees for consumers, analysts are increasingly recognizing that the growth of passive investing is an active problem for climate crisis mitigation and other ESG issues.^{lxxxix} As Bloomberg noted in its response to BlackRock’s 2020 climate announcement, “[BlackRock CEO] Larry Fink is putting the climate emergency at the forefront of his company’s investment strategy. But trillions of dollars of passive money remain unavailable for the fight.”^{xc}

The Big Three asset managers’ problematic investments in companies and industries driving deforestation will not be solved without addressing the passives problem. Actions they can take on climate risk in their passive holdings include screening out companies whose business models involve significant greenhouse gases, whether from fossil fuels or from deforestation, and making such fossil-free and deforestation-free funds the default for their investment products.

“Passive investment ... may be the right investment solution for many, but passive stewardship is the answer for no one. All investors can make a difference by engaging and voting determinably in support of the Paris agreement.”

–The Archbishop of Canterbury^{xcii}



© Victor Barro



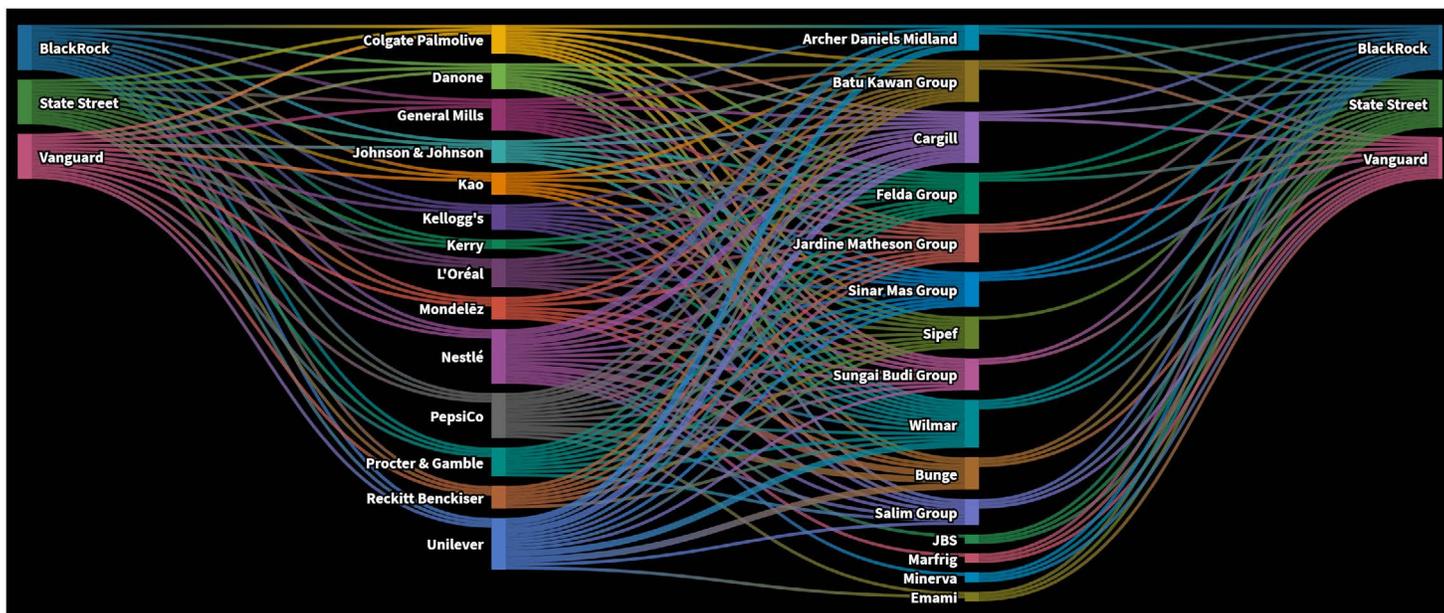
© Ulet Ifansasti/Greenpeace

Dirty supply chain links

Beyond their holdings in the well-recognized brands of the Consumer Goods Forum, the Big Three are also significant shareholders in agribusiness producers, traders, and processors that have failed to comply with the No Deforestation, No Peat, No Exploitation (NDPE) policies of CGF members. This graphic shows how 14 members of the Consumer

Goods Forum, each of which receive investments from BlackRock, State Street, and Vanguard, continue to source from agribusiness firms with ongoing ties to deforestation and related human rights violations – and how the Big Three finance both ends of these dirty supply chains.^{xcii}

How the Big Three double down on financing deforestation supply chains



Big Three asset managers' holdings in consumer brands that continue to source from producers recently linked to deforestation (in billions USD, Q1 2020)

Group	BlackRock	State Street	Vanguard	Total
	25.6	22.7	34.6	82.9
	18.4	15.1	28.5	62.0
	13.3	9.4	16.9	39.5
	19.4	1.2	9.7	30.3
	4.9	3.9	6.3	15.1
	4.0	4.0	5.6	13.6
	5.7	0.4	2.6	8.7
	2.8	2.1	3.0	7.9
	2.3	1.1	2.1	5.6
	3.7	0.2	1.2	5.1
	2.0	0.3	1.9	4.3
	1.6	1.0	1.6	4.2
	1.1	0.1	1.1	2.3
	1.5	0.1	0.6	2.2
Total	106.3	61.5	115.8	283.6

Big Three asset managers holdings in producers recently linked to deforestation (in millions USD, q1 2020)

Group	BlackRock	State Street	Vanguard	Total
	1,473.54	1,350.38	2,324.81	5,148.73
Batu Kawan Group	28.42	2.55	90.88	121.86
	544.69	307.16	983.08	1,834.93
	65.61	14.68	24.26	104.55
	3.65	0.22	10.67	14.54
	5.21	0.49	12.14	17.84
	1,136.00	192.38	997.96	2,326.34
	238.04	6.85	141.28	386.16
	22.57	0.63	28.05	51.25
	10.04	0.26	18.81	29.12
	60.54	11.71	79.44	151.68
	33.71	1.96	51.93	87.60
		0.01		0.01
 PT TUNAS BARU LAMPUNG Tbk SUNGAI BUDI GROUP	0.60	0.05		0.65
	135.49	47.72	137.62	320.82
Total	3,758.12	1,937.04	4,900.91	10,596.07



© Walhi

Conclusion and recommendations

Urgent action is needed at multiple levels. First and foremost, increasing rates of deforestation highlight not only the failure of voluntary commitments made by companies and financiers, but the need for greater regulation of the financiers, companies, and industries responsible for the majority of deforestation and forest degradation worldwide.

Governments and policymakers should:

- **Advance legislative and regulatory reforms aimed at the financial sector** to ensure transparency, regulate conflicts of interest, and address the rapidly increasing market share of the largest asset managers. Financial regulations are needed to require mandatory due diligence on human rights as set out in the UN Guiding Principles on Business and Human Rights, as well as to prohibit financing of illegal land conversion, and to bring the financial services industry into compliance with a 1.5-degree world.
- **Implement regulations** for trade, imports, and public procurement of products linked to deforestation and illegal land conversion and promote a transformation in the agricultural sector toward just, regenerative, and climate-friendly models of food production.
- **Formally acknowledge the critical role that Indigenous Peoples and local communities, alongside secure community land rights, play** in protecting forests and mitigating climate change and incorporate recognition of both statutory and customary land rights in decision-making and due diligence prior to any foreign investment.

Asset owners should:

- Adopt investment policies on land, forests, and the human rights of Indigenous Peoples and local communities based on international norms, and they should hire only external managers who can meet these investment and engagement requirements. Asset owners who employ the Big Three should closely examine their engagement and proxy voting activities and hold asset managers accountable for inadequate voting policies and practices. Contractual relationships with asset managers should require reporting on engagement and voting rationale from the perspective of deforestation and human rights-related ESG issues.

For both asset owners and asset managers, a comprehensive set of resources is available in the document ***“Deforestation tools assessment and gap analysis: How investors can manage deforestation risks.”***^{xciii}

BlackRock, Vanguard, and State Street should:

- **Improve accountability.** Investment stewardship and corporate engagement can be considered effective only if they lead to measurable changes in the environmental and human rights impacts of company operations. Therefore, adoption of the policies and principles elaborated below should be accompanied by the establishment of an independent

accountability body to guide policy implementation and engagement. Any such accountability body must include strong representation of Indigenous and forest-dwelling peoples and civil society experts.

- **Make corporate engagement transparent, time-bound, and attached to meaningful consequences.** Engagement guidelines should include exclusion criteria to ensure that investments are not exposing asset owners to ongoing deforestation and human rights risks.
- **Vote for resolutions that strengthen corporate compliance with NDPE principles, and vote against directors of companies that consistently drive deforestation and human rights violations, including attacks on land and environmental defenders.**

Adopt high-level policies and due diligence frameworks to address both the environmental and human rights risks associated with investments in agribusiness. Such policies must consider the following:

- Deforestation, land conversion and peatland destruction, biodiversity loss, and degradation and destruction of soil and water. **NDPE supply chains should be a requirement** for all investee companies in both active and passive funds.
- Human rights policies and practices must explicitly adhere to international norms and standards for the protection of Indigenous Peoples, including International Labor Organization Convention 169, the UN Declaration on the Rights of Indigenous Peoples, the UN Declaration on the Rights of Peasants, the UN Declaration on Human Rights Defenders, and the UN Guiding Principles on Business and Human Rights, with explicit requirements that investee companies operating on lands claimed by Indigenous Peoples and other local customary rights holders adhere to globally accepted standards of free, prior, and informed consent.
- **Zero tolerance for attacks on land and environmental human rights defenders, Indigenous Peoples, Afro-descendants, and local communities.**^{xclv} In addition to maintaining strict policies, companies' risk assessments and investor due diligence should integrate ground-truthed data from civil society groups and community-level sources, under confidential conditions where necessary.

- **Require agribusinesses to track, disclose, and set targets for reductions of Scope 1, 2, and 3 greenhouse gas emissions.** It is critical to require disclosures and reduction targets for Scope 1, 2, and 3 emissions in order to meaningfully assess and reduce the emissions. Scope 3 emissions need to be measured using transparent methodologies that are inclusive of supply chain deforestation and land use change (which are not currently required under the Science Based Targets Initiative).^{xcv}
- **Proactively seek data on land use and forest cover to integrate into investment decisions.** While financial data providers increasingly provide data related to climate risk, none of the major financial database providers, including Bloomberg, Refinitiv, and Morningstar, actively and systematically cover land use data and NDPE impacts in their reporting. Asset managers should ask data providers to integrate this data into their platforms to inform due diligence and risk management processes.
- **Promote regenerative agricultural practices geared toward forest and ecosystem restoration and seek to repair harm.** A true transformation toward climate-positive investing requires more than engaging with agribusiness to ensure best practices that drive value for shareholders. Rather, it requires pushing agribusiness to add value by engaging in practices that promote forest and ecosystem restoration, agro-ecology, and food sovereignty, and that repair harm for past destruction to forests and communities. This does not mean engaging in symbolic tree-planting efforts or dubious forest and biodiversity offset schemes, but rather transforming agribusiness operations toward inherently regenerative approaches.
- **Support rather than oppose financial regulations to promote ESG integration.** BlackRock, Vanguard, and State Street should use their weight and global networks to urge regulatory authorities to adopt regulations that incentivize financing for sustainable corporate practices and require financial institutions to consider ESG risks in their financing decisions.
- For additional detail on these recommendations, see the **Principles for Asset Managers on Forests and Human Rights** at the link provided in the endnotes.^{xcvi}

The Consumer Goods Forum and its member companies should:

- **Adopt group-level policies** to advance the CGF's deforestation goals. Such policies should be a baseline requirement for membership in the CGF.
- **Communicate a mandatory requirement for CGF members' suppliers to halt conversion of tropical rainforests.** Any supplier lacking No Deforestation, No Peat, No Exploitation (NDPE) policies should be excluded from supply chains, effective immediately.
- **Ensure recognition and respect for local communities' customary land rights and compliance with international standards of free, prior, informed consent (FPIC).** Thorough human rights due diligence, risk assessment, and monitoring systems should be established to ensure that operations and suppliers are not violating communities' land rights and that FPIC standards are followed in accordance with international human rights norms.
- **Accelerate the enforcement of a moratorium on clearance of High Conservation Value (HCV) areas, High Carbon Stock (HCS) forests, and peatlands.** Establish comprehensive, proactive, and transparent monitoring systems that rapidly detect noncompliance across supply chains, and require implementation of the HCS Approach for agricultural development involving land use change. Assessments should use the Integrated HCV-HCSA Assessment Manual and be approved by the HCVRN Quality Review Panel before development.
- **Publish regional guidelines to address noncompliance in supply chains, including thresholds to determine the status of sourcing and suspension or termination of noncompliant suppliers.** Guidelines should include thresholds for when CGF members will suspend or terminate non-compliant suppliers for breaches of social and environmental requirements, conversion cutoff dates after which any clearance would need to be restored for companies to resume sourcing, time-bound plans that all noncompliant suppliers must meet prior to the resumption of sourcing, and requirements for noncompliant suppliers to provide independent verification that operations meet NDPE standards to resume sourcing. Such guidelines should be authored through a multi-stakeholder process with representatives of civil society organizations given influence equal to that of CGF members.
- **Adopt human rights and grievance redress policies protecting land and environmental human rights defenders from violence and intimidation, including pledging zero tolerance for murder and violence against defenders.** Implement robust human rights due diligence and grievance redress processes in accordance with International Labor Organization Convention 169, the UN Declaration on the Rights of Indigenous Peoples, the UN Declaration on the Rights of Peasants, and the UN Guiding Principles on Business and Human Rights. Adopt a zero-tolerance approach to attacks and threats to human rights and land and environmental rights defenders, recognizing the individual and collective character of threats and necessary responses, as well as the need to address the root causes of attacks and threats.
- **Publish annual reports detailing the progress of CGF member companies.** Reports should detail how companies have proactively worked to eliminate deforestation, peatland development, and human, land, and labor rights violations from commodity supply chains and implemented time-bound plans to achieve 100% independent verification of compliance for commodity-specific NDPE policies. Additionally, the annual report should include findings of human rights due diligence processes, implementation of policies to protect and support land and environmental human rights defenders, and the status of grievance resolution efforts.
- **Support regulatory frameworks** that require mandatory due diligence for deforestation and human rights.



© Ulet Ifansasti/ Greenpeace

Methodology

Research was conducted through Refinitiv (formerly Thomson Reuters Eikon) to identify the investments of BlackRock, Vanguard, and State Street in the bonds and shares of the 126 publicly listed Consumer Goods Forum companies or publicly listed subsidiaries of CGF companies in Q1 2020. Research identified the total value of investments by the Big Three asset managers, disaggregated between retailers and manufacturers, the relative rank of each of the Big Three asset managers' investments in CGF companies, and analysis of the number of companies for which each of the Big Three is a top three, top five, and top ten shareholder.

Based on publicly available information, including supplier lists, company reports, trade data, and other sources, research was conducted to identify direct and indirect supply chain links between CGF companies in which the Big Three are invested and which are direct producers and traders of palm oil, cattle, soy, and pulp and paper.

Proxy Insight provided a review of every shareholder resolution related to deforestation at consumer goods companies between 2012 and 2019. Analysis was then conducted to determine which, if any, of these shareholder resolutions received a majority vote, or would have had the Big Three voted in favor.

Desk research was conducted to review the Big Three's corporate responsibility, ESG, and engagement policies.

CGF member companies with investments of \$1 billion or more by one or more of the Big Three were then selected for a check of supply chain links with deforestation risk producers and traders. This value was reached for 39 CGF member companies, of which 14 were found to have current business relationships with producers or traders with documented recent findings of direct or indirect deforestation. Of these CGF members, all 14 receive investment from all of the Big Three. Forest risk companies were checked against DeforestationFreeFunds.org, which in turn relies on civil society research and investor advocacy platforms, including Forest 500, ZSLSPOTT, SupplyChange.org, and Forests&Finance.org, in addition to companies identified as large deforesters or leakage refiners in recent publications by Chain Reaction Research. Given the lack of transparency in supply chains, research was not intended to be exhaustive but to illuminate the extensive ties between deforestation risk companies and the Big Three asset managers.

The findings in this report were shared with BlackRock, Vanguard, State Street, and the secretariat of the Consumer Goods Forum for comment six weeks prior to publication. By the time of publication, Friends of the Earth received responses from State Street, BlackRock, and the Consumer Goods Forum, and incorporated their responses into the analysis. Responses from BlackRock and from the Consumer Goods Forum can be found at the URL cited in the endnotes.^{xcvii}



© Zastolskiy Victor

- i A 'Call for Action' in the Run up to the UN Paris Climate Summit in 2015. https://www.theconsumergoodsforum.com/press_releases/a-call-for-action-in-the-run-up-to-the-un-paris-climate-summit-in-2015/
- ii Numerous news articles through 2019 and 2020 have detailed the CGF's missed deadline, including Allen, Andrew (October 1, 2019) *Hundreds of companies will fail to meet 2020 deforestation targets*. *Supply Management*. <https://www.cips.org/supply-management/news/2019/october/hundreds-of-companies-will-fail-to-meet-2020-deforestation-targets/>; Harvey, Fiona. (January 16, 2020). *Biggest food brands 'failing goals to banish palm oil deforestation.'* *The Guardian*. <https://www.theguardian.com/environment/2020/jan/17/biggest-food-brands-failing-goals-to-banish-palm-oil-deforestation>; Green, Matthew. (July 15, 2019). *Most big companies fail to report role in deforestation, charity says*. Reuters. <https://www.reuters.com/article/us-climate-change-companies-deforestation-most-big-companies-fail-to-report-role-in-deforestation-charity-says-idUSKCN1UA2IW>; Detailed Research by Greenpeace in 2019 found that none of the consumer goods companies they contacted could demonstrate deforestation-free sourcing, either because they couldn't be sure where they were sourcing from, or because their suppliers were still linked to deforestation. Greenpeace. *Countdown to Extinction*. (2019). <https://www.greenpeace.org/international/publication/22247/countdown-extinction-report-deforestation-commodities-soya-palm-oil/>
- iii <https://forestdeclaration.org/images/uploads/resource/2019NYDFReport.pdf>
- iv Ibid.
- v Ibid.
- vi Friends of the Earth United States. (September 23, 2019). *Hundreds of Companies Set to Miss 2020 Deadline to End Deforestation in Supply Chains*. Retrieved from <https://foe.org/news/hundreds-companies-set-miss-2020-deadline-end-deforestation-supply-chains/>
- vii A qualified exception is BlackRock which, after continued pressure from legislators, shareholders, activists, and the public has said it will vote against company directors where it doesn't see enough progress on supply chains and deforestation – though this remains to be seen.
- viii The Big Three asset managers have \$12.1 billion invested in agro-commodity companies listed on the Forests & Finance database, including three companies for which no supply chain links with CGF companies were identified. Of this \$12.1 billion, \$10.6 billion is in agro-commodity producers with supply chain links to the CGF companies (as of Q1 2020). See <https://forestsandfinance.org>. This figure may include duplicates and has not been disaggregated – i.e., each of the Big Three may be among the top three investors in many of the same companies.
- ix As above: The Big Three asset managers have invested \$10.6 billion in agro-commodity producers with supply chain links to the CGF companies (as of Q1 2020). However, based on the universe of companies listed on the Forests & Finance database, they have \$12.1 billion invested in agro-commodity companies in total, including three companies for which no supply chain links with CGF companies were identified. See <https://forestsandfinance.org>.
- x Op. cit., A 'Call for Action' in the Run up to the UN Paris Climate Summit in 2015. https://www.theconsumergoodsforum.com/press_releases/a-call-for-action-in-the-run-up-to-the-un-paris-climate-summit-in-2015/
- xi Op. Cit., Greenpeace (2019).
- xii NYDF Assessment Partners (2019). *Protecting and Restoring Forests: A Story of Large Commitments yet Limited Progress*. New York Declaration on Forests Five-Year Assessment Report. Climate Focus (coordinator and editor). <https://forestdeclaration.org/images/uploads/resource/2019NYDFReport.pdf>
- xiii Ibid.
- xiv Ibid.
- xv Intergovernmental Panel on Climate Change (August 2019). *Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems*. <https://www.ipcc.ch/report/srcl/>
- xvi Global Witness. (2020). *Defending Tomorrow. The climate crisis and threats against land and environmental defenders*. <https://www.globalwitness.org/en/campaigns/environmental-activists/defending-tomorrow/>
- xvii Chain Reaction Research (2019). *Deforestation for Agricultural Commodities a Driver of Fires in Brazil, Indonesia in 2019*. <https://chainreactionresearch.com/report/deforestation-for-agricultural-commodities-a-driver-of-fires-in-brazil-indonesia-in-2019/>
- xviii Nearly 900,000 Indonesians suffer breathing issues due to haze (September 24, 2019). *South China Morning Post*. <https://www.scmp.com/news/asia/southeast-asia/article/3030044/nearly-900000-indonesians-suffering-breathing-issues-due>
- xix Hans Nicholas Jong (November 25, 2019). *Indonesia fires emitted double the carbon of Amazon fires, research shows*. *Mongabay*. <https://news.mongabay.com/2019/11/indonesia-fires-amazon-carbon-emissions-peatland/>
- xx Friends of the Earth United States (September 23, 2019). *Hundreds of Companies Set to Miss 2020 Deadline to End Deforestation in Supply Chains*. <https://foe.org/news/hundreds-companies-set-miss-2020-deadline-end-deforestation-supply-chains/>
- xxi https://www.ran.org/wp-content/uploads/2019/09/CGF-Letter_9.23.pdf Accessed August 10, 2020.
- xxii Having received no response, the civil society coalition resent the letter to the CGF in June 2020, prompting a response in August 2020.
- xxiii CGF Forest Positive Coalition (August 7, 2020). *CGF Forest Positive Coalition Response to Stakeholders' Letter from June 22, 2020*. <http://foe.org/wp-content/uploads/2020/08/CGF-Forest-Positive-Coalition-Response-to-Stakeholders-Letter-200620-.pdf>
- xxiv Freedman, Andrew (August 29, 2019). *Climate change could cost the U.S. up to 10.5 percent of its GDP by 2100, study finds*. *The Washington Post*. <https://www.washingtonpost.com/weather/2019/08/19/climate-change-could-cost-us-up-percent-its-gdp-by-study-finds/>
- xxv Alforte, A. et al. (2014). *Communities as Counterparties: Preliminary Review of Concessions and Conflict in Emerging and Frontier Market Concessions*. https://rightsandresources.org/wp-content/uploads/Communities-as-Counterparties-FINAL_Oct-21.pdf

- xxvi** Global Witness (2020). Defending Tomorrow. The climate crisis and threats against land and environmental defenders. <https://www.globalwitness.org/en/campaigns/environmental-activists/defending-tomorrow/>
- xxvii** Barreiro, V. et al. (2017). The Cost of Conflict Palm Oil in Indonesia. http://daemeter.org/en/publication/detail/63/cost-of-social-conflict-in-oil-palm#.Xxc5k_hKiYU
- xxviii** Nunez, Christina (July 24, 2020). Rainforests, Explained. *National Geographic*. <https://www.nationalgeographic.com/environment/habitats/rain-forests/>
- xxix** Carrington, Damian (October 29, 2018). Humanity has wiped out 60% of animal populations since 1970, report finds. *The Guardian*. <https://www.theguardian.com/environment/2018/oct/30/humanity-wiped-out-animals-since-1970-major-report-finds>
- xxx** “Zoonotic spillover” is defined as the “transmission of a pathogen from a vertebrate animal to a human.”
- xxxi** Stopping Deforestation Can Prevent Pandemics. *Scientific American* (June 1, 2020). <https://www.scientificamerican.com/article/stopping-deforestation-can-prevent-pandemics1/>
- xxxii** The Sustainable Finance Platform (June 2020). Biodiversity Opportunities and Risks for the Financial Sector.
- xxxiii** Gopinath, Gita (June 24, 2020). Reopening from the Great Lockdown: Uneven and Uncertain Recovery. <https://blogs.imf.org/2020/06/24/reopening-from-the-great-lockdown-uneven-and-uncertain-recovery/>
- xxxiv** Chain Reaction Research (2019). Deforestation for Agricultural Commodities a Driver of Fires in Brazil, Indonesia in 2019. <https://chainreactionresearch.com/report/deforestation-for-agricultural-commodities-a-driver-of-fires-in-brazil-indonesia-in-2019/>
- xxxv** Rainforest Foundation Norway (November 18, 2019). The highest Amazon deforestation rates in over a decade. <https://www.regnskog.no/en/news/the-highest-amazon-deforestation-rates-in-over-ten-years>
- xxxvi** Lappe, Anna (September 4, 2019). Follow the Money to the Amazon. *The Atlantic*. <https://www.theatlantic.com/ideas/archive/2019/09/follow-money-amazon/597319/>
- xxxvii** BlackRock is the 3rd largest shareholder in both ADM (42.3 million shares as of Q1 2019) and Bunge (8.8 million shares as of Q1 2019) and 6th largest in JBS (58.1 million shares as of Q1 2019). Friends of the Earth, Profundo, Amazon Watch (2019). BlackRock’s Big Deforestation Problem. <https://1bps6437gg8c169i0y1drtg-wpengine.netdna-ssl.com/wp-content/uploads/2019/08/BR-Big-Problem-Final.pdf>
- xxxviii** Hans Nicholas Jong (November 25, 2019). Indonesia fires emitted double the carbon of Amazon fires, research shows. Mongabay. <https://news.mongabay.com/2019/11/indonesia-fires-amazon-carbon-emissions-peatland/>
- xxxix** Nearly 900,000 Indonesians suffer breathing issues due to haze (September 24, 2019). South China Morning Post. <https://www.scmp.com/news/asia/southeast-asia/article/3030044/nearly-900000-indonesians-suffering-breathing-issues-due>
- xl** Neslen, Arthur (July 21, 2017). Pepsico, Unilever, and Nestlé accused of complicity in illegal rainforest destruction. *The Guardian*. <https://www.theguardian.com/environment/2017/jul/21/pepsico-unilever-and-nestle-accused-of-complicity-in-illegal-rainforest-destruction>
- xli** Reuters (August 15, 2019). Indonesia seals palm, timber concessions amid forest fires: ministry. [https://www.reuters.com/article/us-indonesia-environment-fires/indonesia-seals-palm-timber-concessions-amid-forest-fires-ministry-idUSKCN1V514W#:~:text=JAKARTA%20\(Reuters\)%20%2D%20Indonesia%20has,burning%20would%20be%20severely%20punished](https://www.reuters.com/article/us-indonesia-environment-fires/indonesia-seals-palm-timber-concessions-amid-forest-fires-ministry-idUSKCN1V514W#:~:text=JAKARTA%20(Reuters)%20%2D%20Indonesia%20has,burning%20would%20be%20severely%20punished)
- xlvi** Rainforest Action Network (2020). Keep Forests Standing: Exposing Brands and Banks Driving Deforestation. <https://www.ran.org/the-understory/keep-forests-standing/>
- xlvi** Irfan, Umair (August 27, 2019). The Amazon rainforest’s worst-case scenario is uncomfortably near. Vox. <https://www.vox.com/2019/8/27/20833275/amazon-rainforest-fire-wildfire-dieback>
- xliv** “Global Witness, “Defending tomorrow: the climate crisis and threats against land and environmental defenders” July 2020 <https://www.globalwitness.org/en/campaigns/environmental-activists/defending-tomorrow/>
- xlv** Scheidel, A., et al. (July 2020). Environmental Conflicts and Defenders: a global overview. *Global Environmental Change*. <https://www.sciencedirect.com/science/article/pii/S0959378020301424?via%3DIihub>
- xlvi** See “Investors’ expectations on Human Rights” on CHRB 2018, Corporate Human Rights Benchmark 2018. Key Findings: apparel, agricultural products and extractive companies. <https://www.corporatebenchmark.org/sites/default/files/documents/CHRBKeyFindings2018.pdf>
- xlvii** Safeguarding Human Rights Defenders: Practical Guidance for Investors (April 28, 2020). Investor Alliance for Human Rights. <https://investorsforhumanrights.org/publications/safeguarding-human-rights-defenders-practical-guidance-investors>
- xlviii** <https://www.zerotoleranceinitiative.org/declaration>
- xliv** United Nations Environment Programme (2015). Bank and Investor Risk Policies on Soft Commodities – a framework to evaluate deforestation and forest degradation risk in the agricultural value chain.
- I** Bancilhon, Charlotte (December 2, 2014). What the OECD Guidelines Mean for Investors. *Business for Social Responsibility*. <http://www.bsr.org/en/our-insights/blog-view/what-the-oecd-guidelines-mean-for-investors>
- li** Forest 500 2019 Annual Report: The Companies Getting it Wrong on Deforestation. https://forest500.org/sites/default/files/forest500-annualreport2019_final_0.pdf
- lii** Lemke, Tim (April 9, 2020). The 10 Largest Investment Management Companies Worldwide. *The Balance*. <https://www.thebalance.com/which-firms-have-the-most-assets-under-management-4173923>
- liv** Investor statement on deforestation and forest fires in the Amazon. This statement is endorsed by 230 investors representing approximately US \$16.2 trillion in assets. Accessed July 20, 2020. https://d8g8t13e9vf2o.cloudfront.net/Uploads/r/q/s/investorstatementondeforestationandforestfiresintheamazon_29_oct_2019_665598.pdf
- lv** Harris, Bryan (June 22, 2020). Investors warn Brazil to stop Amazon destruction. *The Financial Times*. <https://www.ft.com/content/ad1d7176-ce6c-4a9b-9bbc-cbdb6691084f>
- lvi** UNEP Finance Initiative (October 22, 2019). An Updated Look at Fiduciary Duty in the 21st Century: Incorporation of ESG Issues Required and Increasingly Clarified in Regulation. <https://www.unepfi.org/news/industries/investment/an-updated-look-at-fiduciary-duty-in-the-21st-century/>

- lvii** Friends of the Earth, Profundo, Amazon Watch (2019). BlackRock's Big Deforestation Problem. <https://1bps6437gg8c169i0y1drtgz-wpengine.netdna-ssl.com/wp-content/uploads/2019/08/BR-Big-Problem-Final.pdf>
- lviii** BlackRock's Month from Hell (October 3, 2019, updated May 2020). BlackRock's Big Problem. <https://www.blackrocksbigproblem.com/post/blackrock-s-month-from-hell>
- lix** As above: The Big Three asset managers have invested \$10.6 billion in agro-commodity producers with supply chain links to the CGF companies (as of Q1 2020). However, based on the universe of companies listed on the Forest & Finance database, they have \$12.1 billion invested in agro-commodity companies in total, including three companies for which no supply chain links with CGF companies were identified. See <https://forestsandfinance.org>.
- lx** As noted above: The set of agribusiness growers, traders and processors noted here is drawn from the following sources: Chain Reaction Research (February 2020), "Repeat offenders continue to clear forests for oil palm in Southeast Asia". <https://chainreactionresearch.com/the-chain-repeat-offenders-continue-to-clear-forests-for-oil-palm-in-southeast-asia/>; Chain Reaction Research (April 2020), NDPE Policies Cover 83% of Palm Oil Refineries; Implementation at 75%. <https://chainreactionresearch.com/report/ndpe-policies-cover-83-of-palm-oil-refineries-implementation-at-75/>. Greenpeace. Countdown to Extinction.(2019). <https://www.greenpeace.org/international/publication/22247/countdown-extinction-report-deforestation-commodities-soya-palm-oil/>; Chain Reaction Research (2019). Deforestation for Agricultural Commodities a Driver of Fires in Brazil, Indonesia in 2019. <https://chainreactionresearch.com/report/deforestation-for-agricultural-commodities-a-driver-of-fires-in-brazil-indonesia-in-2019/>; Friends of the Earth US, et al. (2018). High Risk in the Rainforest: Golden Agri-Resources And Golden Veroleum Liberia's Palm Oil Project In Liberia. <https://foe.org/resources/high-risk-rainforest/>
- lxi** Vanguard. Principles and Policies. Accessed July 16, 2020. <https://about.vanguard.com/investment-stewardship/principles-policies/#>
- lxii** Vanguard. Vanguard's Voice on Societal Risks. Accessed July 16, 2020. <https://about.vanguard.com/investment-stewardship/perspectives-and-commentary/voice-on-societal-risks.html>
- lxiii** State Street (June 2019.) Corporate Environmental Sustainability Policy Statement – Global. <https://www.statestreet.com/content/dam/statestreet/documents/values/EnvironmentalSustainabilityPolicy2019.pdf>
- lxiv** State Street's Corporate Climate Change Statement, says, in full: "State Street is committed to being a leader in environmental sustainability. We believe it is appropriate to recognize, evaluate, and address the potential risks presented by climate change. These risks may relate to the operation of our business and affect our core constituencies: shareholders, customers, employees, and the communities in which we operate and live. We have clear goals to manage the effect of our operations on the environment, with particular regard to the risks of climate change. We regularly measure our progress against these goals. More broadly, and consistent with our commitment to leadership, we promote awareness of environmental and climate issues with our employees and other stakeholders. We also take an active part in the public dialogue on issues of environmental sustainability." State Street (2018). <https://www.statestreet.com/content/dam/statestreet/documents/values/Corporate%20Climate%20Change%20Statement.pdf>
- lxv** Op. cit., p. 75
- lxvi** BlackRock Investment Institute (September 2016). Adapting Portfolios to Climate Change. Implications and Strategies for All Investors. <https://www.blackrock.com/us/individual/literature/whitepaper/bii-climate-change-2016-us.pdf>
- lxvii** Op. cit., Friends of the Earth et al, BlackRock's Big Deforestation Problem.
- lxviii** Fink, Larry (2020). A Fundamental Reshaping of Finance. <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>
- lxix** BlackRock's new policy affects less than 20% of the coal industry (January 27, 2020). <https://urgewald.org/medien/blackrocks-new-policy-affects-less-20-coal-industry>
- lxx** Our in-depth analysis of BlackRock's climate announcement (January 14, 2020). Larry's Letter.com. <https://www.larrysletter.com/post/our-in-depth-analysis-of-blackrock-s-climate-announcement>
- lxxi** BlackRock.(May 2019). BlackRock Investment Stewardship's approach to engagement with the palm oil industry. <https://www.blackrock.com/corporate/literature/publication/blk-commentary-engaging-on-palm-oil.pdf>
- lxxii** BlackRock (January 2020). Investment Stewardship's approach to engagement with agribusiness companies on sustainable business practices. <https://www.blackrock.com/corporate/literature/publication/blk-commentary-engaging-on-sustainable-agriculture.pdf>
- lxxiii** BlackRock's Big Problem (February 7, 2020). BlackRock's Statement on Agribusiness Falls Short. <https://www.blackrocksbigproblem.com/post/blackrock-s-statement-on-agribusiness-falls-short>
- lxxiv** Personal communication.8.17.20
- lxxv** United States Securities and Exchange Commission. (24 April, 2018). <https://ir.dominos.com/node/17466/html>
- lxxvi** IPCC. Summary for Policymakers. Special Report on Climate Change and Land. <https://www.ipcc.ch/srcc1/chapter/summary-for-policymakers/>
- lxxvii** Ceres (2019). Engage the Chain: An Investor Guide on Agricultural Supply Chain Risk. <https://engagethechain.org/resources/measure-chain-tools-assessing-ghg-emissions-agricultural-supply-chains>
- lxxviii** Ceres (2019). Top US Food and Beverage Companies Scope 3 Emissions Disclosure and Reductions. <https://engagethechain.org/top-us-food-and-beverage-companies-scope-3-emissions-disclosure-and-reductions>
- lxxix** BlackRock Investment Stewardship Group (May 2020). Voting Bulletin: Exxon Mobil Corporation. <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-exxon-mobil-may-2020.pdf>
- lxxx** BlackRock. (January 2020). BlackRock Investment Stewardship's approach to engagement on the TCFD and the SASB aligned reporting. <https://www.blackrock.com/corporate/literature/publication/blk-commentary-tcf-d-sasb-aligned-reporting.pdf>
- lxxxi** We support the recommendations, and we encourage companies in relevant sectors to provide consistent and comparable disclosure on financially material issues such as climate risk.
- lxxxii** State Street (2018). Corporate Responsibility Report, p. 67. https://www.statestreet.com/content/dam/statestreet/documents/values/2018_STT_CR_Report.pdf
- lxxxiii** BlackRock (January 2020). Investment Stewardship's approach to engagement with agribusiness companies on sustainable business practices. <https://www.blackrock.com/corporate/literature/publication/blk-commentary-engaging-on-sustainable-agriculture.pdf>
- lxxxiv** BlackRock's Big Problem (February 28, 2020). BlackRock's Statement on Agribusiness Falls Short. <https://www.blackrocksbigproblem.com/post/blackrock-s-statement-on-agribusiness-falls-short>

- lxxxv** BlackRock's Big Problem (February 28, 2020). BlackRock's Statement on Agribusiness Falls Short. <https://www.blackrocksbigproblem.com/post/blackrock-s-statement-on-agribusiness-falls-short>
- lxxxvi** Ceres (2020). Investor Guide to Deforestation and Climate Change. <https://www.ceres.org/resources/reports/investor-guide-deforestation-and-climate-change>
- lxxxvii** S&P Global Market Intelligence. (29 June, 2020). BlackRock, BNP Paribas push deforestation as urgent climate change risk <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/blackrock-bnp-paribas-push-deforestation-as-urgent-climate-change-risk-59234581>
- lxxxviii** Responsible Investor. (30 June, 2020) .BlackRock to vote against directors over supply chains and deforestation – Edkins. <https://www.responsible-investor.com/articles/blackrock-to-vote-against-directors-over-supply-chains-and-deforestation-edkins>
- lxxxix** Fichter, J., Heemskerk, E.M., Garcia-Bernardo, J. (June 2017). Hidden power of the Big Three? Passive index funds, re-concentration of corporate ownership, and new financial risk. Cambridge Core. Business and Politics, Volume 19, Special Issue 2 (Property Rights, Financial Risk, and the Politics of a Networked Global Financial System). <https://www.cambridge.org/core/journals/business-and-politics/article/hidden-power-of-the-big-three-passive-index-funds-reconcentration-of-corporate-ownership-and-new-financial-risk/30AD689509AAD62F5B677E916C28C4B6/core-reader>
- xc** Lim, Dawn (September 18, 2019). Index Funds Are the New Kings of Wall Street. *The Wall Street Journal*. <https://www.wsj.com/articles/index-funds-are-the-new-kings-of-wall-street-11568799004>
- xc i** Sunrise Project (2020). The Passives Problem and Paris Goals: How Index Investing Trends Threaten Climate Action. <https://sunriseproject.org.au/wp-content/uploads/2020/01/Sunrise-Project-Report-The-Passives-Problem-and-Paris-Goals.pdf>
- xc ii** Gilbert, Mark (January 14, 2020). BlackRock's Climate Activism Has a Passive Problem. Bloomberg. <https://www.bloomberg.com/opinion/articles/2020-01-14/blackrock-s-climate-activism-has-a-passive-problem>
- xc iii** Hindsight Consultancy, for KLP, Storebrand and Rainforest Foundation Norway (August 2020) Deforestation tools assessment and gap analysis: How investors can manage deforestation risks. <https://www.regnskog.no/en/news/how-investors-can-manage-deforestation-risk>
- xc iv** The Geneva Declaration (2019). <https://www.zerotoleranceinitiative.org/declaration>
- xc v** Science Based Targets Initiative (July 2018). <https://www.mainstreamingclimate.org/sbti/>
- xc vi** BlackRock's Big Problem (June 22, 2020). Forests and Human Rights: Principles for Asset Managers. <https://www.blackrocksbigproblem.com/post/forests-and-human-rights-principles-for-asset-managers>
- xc vii** Consumer Goods Forum response: http://foe.org/wp-content/uploads/2020/09/Friends-of-the-Earth_CGF-Forest-Positive-Coalition-Response.pdf; BlackRock response: http://foe.org/wp-content/uploads/2020/08/FOE-Report_Doubling-Down-on-Deforestation_BLK-RESPONSE.pdf