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Transparency tools in commodity supply chains – an overview

December 2018

This document provides an overview of transparency tools that have been developed to help various actors such as financial institutions and investors to assess sustainability commitments and reported progress towards implementation of such commitments. Data for this review was collected between November 2017 and March 2018 as part of the SPOTT scoping study research commissioned by ZSL.

Highlights

- **Sector focus:** Commodity specific tools were mostly found in the palm oil sector, followed by soy, and timber, pulp & paper. Only one existing and one upcoming tool were identified for the **cotton** sector. No existing transparency tools were found in the **sugar** and **rubber** sectors, although a tool is currently being developed by the **Index Initiative** that will include these sectors, namely the **Sustainable Agricultural Commodity Index**.

- **Scope of assessment:** Most open access tools assess between 0 - 49 companies against up to 50 indicators. The data providers have capacity to assess over 1000 companies and use a larger number of indicators of between 120 - 700.

- **Data collection:** Most open access tools use publicly available information only or in combination with additional company-disclosure for scoring. Available information implies that data providers' assessments are based on company disclosures made through questionnaires.

- **Snapshot of SPOTT:** Focuses on palm oil, timber and pulp. The assessments currently cover 100 companies that are assessed against over 100 indicators. ZSL informs companies of the assessment results prior to publication and encourages them to highlight missing data. Information feeding into the scoring must however be openly and freely available for the purpose of transparency. SPOTT is also expanding to assessing rubber producers in 2019.

This summary looks at a variety of available scorecards and transparency tools, with predominant focus on initiatives that aim to address transparency and accountability in commodity sectors and that possess one or more of the following factors:

- Using publicly available information on companies' commitments and self-reported progress against set criteria.

- Compiling data on ESG performance of companies based on company disclosures of information.

- Aimed at a variety of actors, such as investors, advocacy groups, consultants and researchers, these scores help assess a company's level of transparency and the risks of unsustainable practices in its operations.

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Box 1. Categories of transparency tools

The reviewed transparency tools vary widely in approach and goal, but can be divided into two general categories:

Open access tools: publicly available assessments and rankings of companies' sustainability commitments and reported progress. The objective is often to rank self-reported progress against a set of clearly defined criteria and expectations. This study focused on environmental, social and governance issues. The open access tools often come in the form of scorecards, benchmarks and indices. NGO and multi-stakeholder initiative-led tools such as SPOTT, WWF commodity scorecards, the Forest 500 and the CDP Reports fall into this category.

Data provision tools: Private sector organisations that collect information on companies that is either public or disclosed privately by the companies. This study looked at data providers researching company policy and performance on environmental, social and governance issues. These companies either specialise in providing data on ESG issues, such as Trucost, or incorporate these indicators into their larger data platforms, like Bloomberg and Thomson Reuters. Data providers also perform benchmarks of companies' own sustainability performance against industry peers, such as Robeco's Company Benchmark Scorecard. In contrast with open access tools, the rankings of individual companies are not disclosed to the public.

Why transparency tools?

The negative social and environmental impacts of commodity supply chains are increasingly scrutinised in the private sector. The recent and rapid growth in voluntary private sector sustainability standards and initiatives, and related development of responsible sourcing approaches in these sectors is testament to this increased visibility. A key challenge identified is the lack of a fully transparent, uniform and centralised approach for reliable and comparable data about the sustainability performance of companies operating in commodity sectors.

Transparency in supply chains and clear public reporting on commitments and implementation is increasingly seen as a vital step for demonstrating sustainability and responsible sourcing. Many companies also identify sustainability issues as strategically important and publish an increasing amount of information related to environmental, social and governance (ESG) issues. Tools and scorecards to provide and drive greater transparency on the content and implementation of sustainability commitments in commodity sectors are therefore gaining increasing importance to both investors and wider stakeholders.

Reviewed transparency tools

Through desk-based research and consultation with experts in specific commodity sectors, 52 tools were identified, out of which 41 were open access and eleven pay-for services. A sample of 22 tools were selected for review as presented in the table below. The selection was done by ZSL based on general interest and synergies with SPOTT's methodology and aim. Both existing tools and those under development were reviewed.

Table 1

Name	Lead organisation	Launch	Commodity focus
Open access tools			
Corporate Human Rights Benchmark	**Corporate Human Rights Benchmark Ltd (research & data: Vigeo Eiris, Business & Human Rights Resource Centre, RepRisk)**	**2017**	**Cross-cutting, including agriculture**
CDP Global Forests Report	**CDP**	**2013**	**Timber, Palm oil, Cattle, Soy**
The Climate Accountability Scorecard	**Union of Concerned Scientists (UCS)**	**2016**	**Oil & gas**
Scoring Deforestation-Free Beef Commitments and Practices	**Union of Concerned Scientists (UCS)**	**2016**	**Cattle**
Environmental Paper Company Index	**WWF**	**2011**	**Pulp & Paper**
Forest 500	**Global Canopy**	**2014**	**Timber, Pulp & Paper, Palm, Soy, Cattle/leather**
Forest Heroes' Green Cats ranking	**Forest Heroes, Climate Advisers**	**2015**	**Soy, Palm oil**
Oil and Gas Decarbonization Index	**Index Initiative**	**In development**	**Oil & gas**
Responsible Mining Index	**Responsible Mining Foundation**	**2018**	**Mining**
SCRIPT Portfolio Risk Tool	**Global Canopy**	**2018**	**Palm oil, soy, cattle products, timber products**
Seafood Stewardship Index	**Index Initiative**	**In development**	**Seafood**
SPOTT	**Zoological Society of London**	**2014**	**Palm oil, Timber & Pulp**
Supply Change	**Forest Trends**	**2015**	**Palm, Soy, Timber, Pulp & Paper, Cattle, and 'General' category**
Sustainable Agricultural Commodity Index	**Index Initiative**	**In development (target 2019)**	**Cotton, palm oil, rubber, soybean, and sugarcane (and cocoa, coffee, rice)**
Sustainable Cotton Ranking	**WWF, Solidaridad and Pesticide Action Network**	**2016**	**Cotton**
UCS The Climate Accountability Scorecard	**Union of Concerned Scientists (UCS)**	**2016**	**Oil & gas**
WWF Soy Reportcard	**WWF**	**2014**	**Soy**
WWF Timber Scorecard	**WWF**	**2015**	**Timber**
2016 Sustainability Benchmark of Indonesian Palm Oil Growers	**Chain Reaction Research**	**2016**	**Palm oil**
Data provision tools			
Bloomberg ESG Disclosure Scores	**Bloomberg**	**2009**	**Cross-cutting**
Corporate Sustainability Assessment	**RobecoSAM (informs Dow Jones Sustainability Index)**	**1999**	**Cross-cutting**
Thomson Reuters ESG Indices	**Thomson Reuters**	**2002**	**Cross-cutting**
Trucost	**S&P Dow Jones Indices**	**2002**	**Cross-cutting**

Commodity focus

Many initiatives, 26 out of 52, focus on cross-cutting issues such as deforestation and human rights, rather than on a specific commodity (Table 1). Commodity specific tools were mostly found in the palm oil sector, followed by soy, timber and pulp & paper. There are also existing and emerging transparency tools for oil & gas, cattle, metals & mining and seafood. Initiatives that cover multiple commodities, such as Forest 500 and Supply Change, have been classified as commodity specific and accounted for multiple times under the specific sectors they cover (Figure 1).
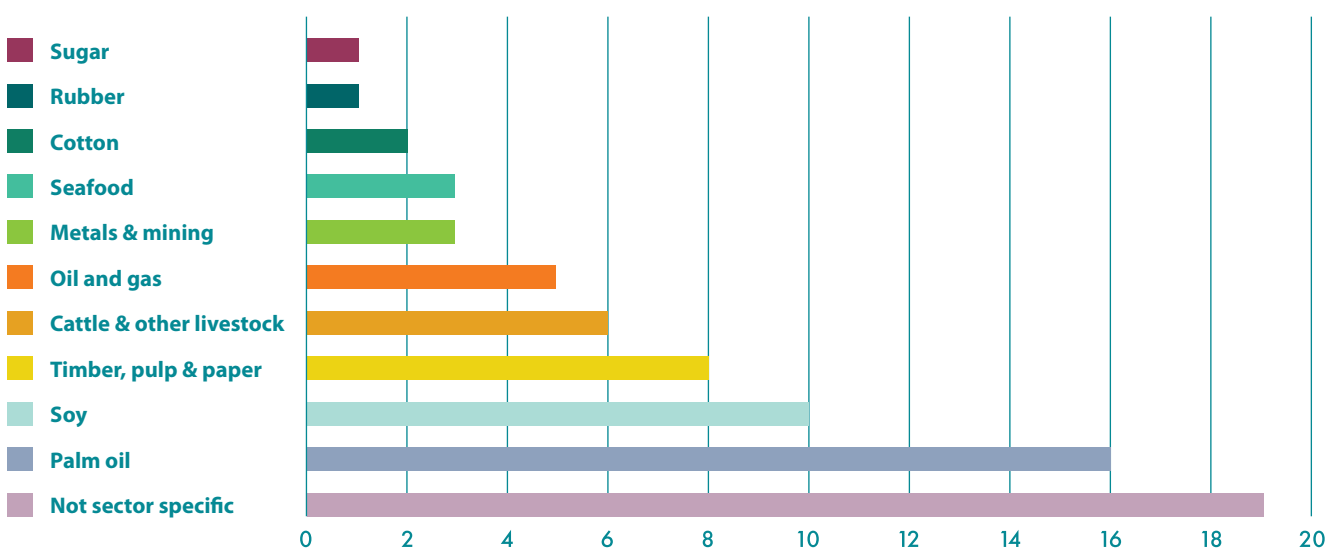

Figure 1. Commodity focus among tools identified through initial inventory. Individual tools n = 52, some of these focus on several sectors and are therefore included more than once.

The data providers reviewed in this study do not have a commodity focus, implying that the information they provide is often less specific in terms of sector but rather focused on companies' full operations and supply chain relationships.

! **The identification of tools focused on ten sectors: palm oil, timber, pulp and paper, rubber, sugar, soy, cattle and other livestock, cotton, metals and mining, oil and gas, and seafood. Cross-cutting tools were also included in the review if the methodology was of interest to ZSL.**

→ **Only one existing and one upcoming tool were identified for the cotton sector and no existing tools where found in the sugar and rubber sectors. Index Initiative is currently developing a tool that will include these sectors, namely the Sustainable Agricultural Commodity Index.**

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Theme

Thematic focus varies between tools selected for review, but most cover either the full scope of ESG issues (twelve out of 22) or have a strong environmental focus (six out of 22 initiatives). Tools with social focus also look at environmental issues, except for the Corporate Human Rights Benchmark, covering only social and governance issues (Table 2).

! It is worth noting that environmental issues (deforestation in particular) was of predominant interest when selecting tools for review, resulting in the sample being skewed.

Table 2

Name of tool	Environment	Social	Governance
Open access tools			
Corporate Human Rights Benchmark		x	x
CDP Global Forests Report	x		
Deforestation-Free Beef Commitments and Practices	x		x
Forest 500	x	x	x
Forest Heroes' Green Cats ranking	x	x	x
Oil and Gas Decarbonization Index	x		
Responsible Mining Index	x	x	x
SCRIPT Portfolio Risk Tool	x	x	x
Seafood Stewardship Index	x	x	x
SPOTT	x	x	x
Supply Change	x	x	x
Sustainable Agricultural Commodity Index	x	x	
Sustainable Cotton Ranking	x	x	x
UCS The Climate Accountability Scorecard	x		x
WWF's Environmental Paper Company Index	x		x
WWF Soy Reportcard	x	x	
WWF Timber Scorecard	x		x
2016 Sust. Benchmark of Indonesian Palm Oil Growers	x	x	
Data providers			
Bloomberg ESG Disclosure Scores	x	x	x
Corporate Sustainability Assessment (Dow Jones Sustainability Index)	x	x	x
Thomson Reuters ESG Indices	x	x	x
Trucost	x	x	x

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Scope of assessments

Number of companies assessed

There is a wide variety in the number of companies assessed for each tool, but just over half of open access tools assess less than 50 companies (Table 3). There is a noticeable difference between the scope of open access tools and data providers. The average number of companies assessed for open access tools was 97 companies against 6667 companies for data providers. The highest number of companies assessed by open access tools is 469 for Supply Change and 11000 for data provider Bloomberg.

Number of indicators

The number of indicators used in the assessment for open access tools stretch from eight to over 100 indicators, with an average of 38. With its 119 indicators for palm oil SPOTT is at the top of the list among open access tools. Only two data providers publicly disclose information on the number of indicators used.

Robeco uses 120 indicators and Bloomberg 700, both exceeding the number used by most open access tools.

> **!** **The details of ESG indicators used by data providers are not disclosed and it is therefore unclear how the depth and robustness of these indicators compare to open access tools. Detailed analysis of the coverage and robustness of indicators was outside the scope of this study.**

Frequency of assessments

64 % of the tools reviewed carry out assessments on a yearly or biennial basis (Table 3). Supply Change have a higher frequency of updating assessment scores that other open access tools, updating assessments every 6 months. In 2018, SPOTT moved from half-year to yearly assessments. Data providers who disclose information have a wide spread in assessment frequency, reaching from daily to yearly.

Table 3

Name of initiative	No of companies assessed	Frequency of assessment	No of indicators	Target audience
Open access tools				
Corporate Human Rights Benchmark	98	**Yearly**	100	**Not specified**
CDP Global Forests Report	187	**Yearly**	**Unknown**	**Companies, Investors**
UCS: Scoring Global Companies on their Deforestation-Free Beef Commitments and Practices	12	**One-off**	32	**Consumers, Campaigners**
Forest 500	250	**Yearly**	15	**Governments, companies and investors**
Forest Heroes' Green Cats ranking	26	**Unknown**	18	**Not specified**
Oil and Gas Decarbonization Index	25	**Two years**	**In development**	**Companies, investors, banks, governments, multilateral organizations, NGOs, academia and policy makers**
Responsible Mining Index	30	**Two years**	43	**Companies, stakeholders**
SCRIPT Portfolio Risk Tool	1000+	**Unknown**	30	**Financial institutions**
Seafood Stewardship Index	30	**Two years**	**In development**	**Companies, stakeholders**
SPOTT	100	**Yearly**	119	**Investors, Buyers**
Supply Change	469	**Half year**	n/a	**Businesses, investors, governments, civil society organizations**
Sustainable Agricultural Commodity Index	26	**Two years**	**In development**	**Companies, investors, banks, governments, multilateral organizations, NGOs, academia and policy makers**

Name of initiative	No of companies assessed	Frequency of assessment	No of indicators	Target audience
Sustainable Cotton Ranking	79	Yearly	14	Consumers, Campaigners, Cotton buyers
UCS The Climate Accountability Scorecard	8	One-off	30	Media, investors, policy makers, and consumers
WWF's Environmental Paper Company Index	31	Two years	50	Not specified
WWF Soy Reportcard	133	Yearly	11	Companies assessed, Campaigners
WWF Timber Scorecard	128	Two years	Unknown	Not specified
2016 Sustainability Benchmark of Indonesian Palm Oil Growers	10	Yearly	7	Investors
Data provision tools				
Bloomberg ESG Disclosure Scores	11000	Daily	700	Companies, stakeholders
Corporate Sustainability Assessment (informs the Dow Jones Sustainability Index)	3500	Yearly	120	Investors
Thomson Reuters ESG Indices	6000	Two weeks	Unknown	Investors
S&P Dow Jones Indices - Trucost	3000	Unknown	Unknown	Investors, Corporations, Policy makers

! Data collected in March 2018

Research method

The findings in the following sections are presented separately for open access tools and data providers.

Open access tools

Selection criteria: Half of the initiatives reviewed select companies for assessment by looking at production footprints and relative impact in their respective market. Definitions of large production footprints differ between tools, but selection of which companies are impactful is based on factors such as: market capitalisation, revenue, output, reserves (oil & gas), sales, refining and production capacity. In addition, Forest 500 and SPOTT choose companies to assess based on whether they operate in high-risk geographies in terms of deforestation and threat to biodiversity. Please note that SPOTT also include private companies that are nominated or volunteered to be assessed.

The Responsible Mining Index selects companies that operate in countries with high levels of inequality according to the UNDP Index. The WWF Soy Scorecard focuses on companies that account for a large share of soy in Europe because Europe is currently a prime market for responsible soy and expected to influence other markets. A spectrum of supply chain actors is often covered (e.g. producers, traders and processors) due to large companies commonly operating at more than one level in the supply chain. Please note that SPOTT also include private companies that are nominated or volunteered to be assessed.

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Data collection: In all but two cases, methodologies are making use of desk research of publicly available information on sustainability commitments, such as policy documents, different forms of sustainability reports and news around companies' operations (Table 4). Seven out of 22 tools rely solely on publicly available information. In three out of 22 initiatives, the companies are contacted to highlight missing information and in six cases to submit additional data. ZSL informs companies of the SPOTT assessment results prior to publication and encourages them to highlight any missing or discrepant data with the caveat that information feeding into the scoring must be openly and freely available for the purpose of transparency. The Responsible Mining Index, the Sustainable Cotton Ranking, the

WWF Soy Reportcard and the Index Initative actively seek input from companies for the scoring and the information from companies is used to complement publicly available data (annual progress reports and sustainability reports etc.). The Index Initiative is currently developing its methodology and is considering the option of verifying data submitted by companies through third-party sources (if available and credible). It is not yet clear what type of third-party sources would be used.

In two cases, WWF's Environmental Paper Company Index and CDP Global Forests Report, scoring is solely based on questionnaires and self-declaration from companies.

Table 4

Open access tool

Tool	Public information	Companies consulted on missed information	Companies asked to submit data	Companies voluntarily disclose data
Corporate Human Rights Benchmark	■			
CDP Global Forests Report				■
UCS: Scoring Global Companies on their Deforestation-Free Beef Commitments and Practices	■	■		
Forest 500	■			
Forest Heroes' Green Cats ranking	■			
Oil and Gas Decarbonization Index	■		■	
Responsible Mining Index	■		■	
SCRIPT	■			
Seafood Stewardship Index	■		■	
SPOTT	■	■		
Supply Change	■	■		
Sustainable Agricultural Commodity Index	■		■	
Sustainable Cotton Ranking	■		■	
UCS The Climate Accountability Scorecard	■			
WWF's Environmental Paper Company Index				■
WWF Soy Reportcard	■		■	
WWF Timber Scorecard	■			
2016 Sustainability Benchmark of Indonesian Palm Oil Growers	■			

■ Public information

■ Companies consulted on missed information

■ Companies asked to submit data

■ Companies voluntarily disclose data

Research method – data provision tools

Selection criteria: The selection methodology is based on companies that are publicly listed, meaning that they must meet mandatory reporting requirements and disclose information on business activities to investors and stakeholders. They also need to disclose financial statements and annual reports on the status of the company.

Data collection: At the time of review full methodologies of data providers were not identified in the public domain, but the available information implies that data providers' assessments are based on company disclosures made through questionnaires. For example, RobecoSAM asks listed companies to answer questions focusing on economic, environmental and social factors relevant to the companies' success, stated as "…*under-researched in conventional financial analysis*". This data is then combined with sustainability and risk/return objectives of investors and used to produce their so-called "family of indices", including a number of different indices such as their global indices and innovative products like the multi-factor smart-beta ESG indices.

Assessments by data providers can be customised according to clients' needs and can include a variety of information. For example, Trucost delivers: benchmarks of countries, supplier and commodities upon request against portfolios of risk analytics. It also identifies and monitors risks in supply chains and can flag high risk operations, suppliers and raw materials by incorporating company specific data.

Two of the big data providers, Robeco and Bloomberg, merged ESG data in September 2016. The percentile rankings of RobecoSAM's 2016 Corporate Sustainability Assessment are now integrated on the Bloomberg Terminal, which according to Bloomberg "provides users with greater transparency around a company's ESG performance."

Funding and partners

The majority of open access tools are funded by the public sector and private grant makers (Figure 2). Other funders identified are not-for-profit initiatives, asset managers and banks. Funding partners contributing to more than one tool are: Climate Advisers; UK-DFID; The Dutch Government (Ministry of Foreign Affairs of the Netherlands); Climate and Land Use Alliance; Global Environment Facility (GEF). All data providers assessed are privately funded.

Most organisations (twelve out of 18) behind open access tools are partnering with a number of other not-for profit initiatives, some also collaborate with the private sector. A few partner with member-based organisations, such as the RSPO, as well as the financial services sector and foundations. Organisations that feature as partners for multiple open access tools are: Global Canopy; Access to Seeds Foundation; Forest Trends; Greenpeace; Aidenvironment; S&P Dow Jones Indices.
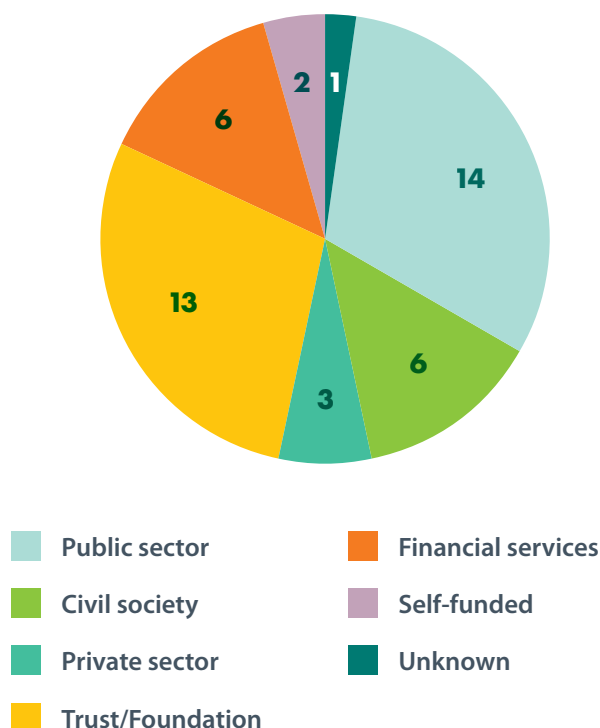

Legend:
- Public sector
- Civil society
- Private sector
- Trust/Foundation
- Financial services
- Self-funded
- Unknown

Figure 2. Funding sources