Food and Agriculture Benchmark
Investor Guidance
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Introduction

Our current food system is failing millions around the world and food systems are still the number one transgressor of our planetary boundaries. As one of the biggest industries in the world, food and agriculture companies should be held accountable to positively contribute to human and planetary health.

828 million people go hungry every day and over 3 billion people cannot afford a healthy diet. At the same time diet-related diseases have a significant economic impact on healthcare systems worldwide. Obesity could cost the world over $4 trillion a year by 2035, equivalent to roughly 3 percent of global GDP. At the same time, the food and agriculture sector is responsible for 90% of global deforestation, 70% of biodiversity loss, a third of global greenhouse gas emissions and uses 70% of our global freshwater supplies. Investments are needed in various areas. It is estimated around USD 300-350 billion are needed annually over the next decade to ensure that our global food system is fit for purpose. New business opportunities are projected to worth up to $4.5 trillion a year by 2030.

A tool for investors: WBA’s Food and Agriculture Benchmark and Methodology

WBA’s Food and Agriculture Benchmark tracks and measures the extent to which companies are contributing to healthier, more sustainable and equitable food systems. In October 2023 the second iteration of the Food and Agriculture Benchmark ranks the sustainability performance of the 350 most influential companies, assessing companies from farm to fork on their environmental, nutritional and social impact. This benchmark follows the first iteration published in 2021 alongside the UN Food Systems Summit. The benchmark provides publicly available, evidence-based insights. The evidence gathered so far shows that the vast majority of companies fail to recognise their responsibility to protect the planet and feed the world in an equitable way.

The Food and Agriculture Benchmark Methodology builds on more than three years of research and was developed through an extensive multistakeholder consultation, building on existing standards and global targets. The development was supported by WBA’s Food and Agriculture Expert Review Committee, spanning key actors and experts from multiple backgrounds and geographies. The measurement areas include Governance and Strategy, Environment, Nutrition and Social Inclusion.

Consistent to our values on transparency WBA methodologies and results are publicly available:

- Methodology
- Scoring guidelines
- Full data set on all companies and indicators
- Five key findings

Recommended ways to use this document

This resource elaborates on the five key findings from WBA’s 2023 Food and Agriculture Benchmark. Under each finding are a series of assessment questions which investors can use in their stewardship activities. Questions can be used for example in engagement, and evidence from the benchmark can inform the engagement rationale. These introductory questions are meant to be a start, to get
investors and companies alike moving on their journeys towards food systems transformation. As further investor actions using the WBA benchmark are being planned for 2024, we encourage stakeholders and particularly investors to let us know your interest in joining such efforts.

For additional context and information to the questions included in this document, we encourage users to reference our Food and Agriculture Benchmark and Food and Agriculture Methodology. Looking at results in the benchmark will provide context to the key findings while the ranking can inform prioritised engagements. Within the Methodology, indicator rationale and indicator elements can equip investors to understand what is specifically being asked of companies and why.

The topics and exemplary questions below are applicable to companies across the value-chain. Depending on a company’s position in the value chain the questions can be more relevant to a company’s own operations and/or engagement with its supply chain.
Key findings for investor action

**Key Finding 1: Companies are not closing farmers’ living income gaps**

**Rationale:** The 350 companies in scope source at least 30 different food commodities, such as coffee, cocoa and palm oil, from around 75 million small-scale producers based in 40 low-and middle-income countries. Most of these countries are impacted by persistent poverty and for many small-scale farmers, their income is insufficient to ensure a basic but decent standard of living. Companies need to address farmers’ income challenges. The first step for a company to close farmer’s living income gaps is to identify living income benchmarks or calculate living income gaps, which currently less than 4% of companies do. Encouragingly, 27% of companies support farmers’ income stability through procurement¹ and pricing² practices.

**Key questions to ask companies:**

- Have you identified living income benchmarks for the regions/commodities you source from or operate in? ³
  - If yes, have you prioritised specific regions/commodities and why?

- Do you assess living income gaps, defined as the difference between the living income benchmark and farmers/fishers’ actual household income?
  - If yes, have you prioritised specific regions/commodities and why?

- What activities do you have in place to improve farmer resilience through your company’s procurement and/or pricing practices?
  - If yes, have you prioritised specific regions/commodities and why?

*Corresponding indicators in WBA Food and Agriculture Benchmark: D23*

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¹ Exemplary activities companies can do: improving contract length, make price guarantees and premiums, have more direct and long-term trading relationships with farmers and conduct strategic sourcing (sourcing more types of products from a farmer) as well as engage in new product creation (consumer facing, with income flowing back to farmer).

² Exemplary activities companies can do: paying premiums towards living income (the company has to define how much it pays and it has to be clear that this is enough, for example Fairtrade premium guarantees a better price but not necessarily enough for living income), payment of a Living Income Premium (see below an example of Fair Trade Reference Price, this payment is more than the Fairtrade premium), paying Living Income Differential

³ Companies can list the regions and/or commodities for which they have identified living income benchmarks, including the source of these benchmarks. Sources may include the Living Income Community of Practice, Anker methodology, ALIGN, Heifer International. See examples of living income benchmarks (and gap assessments) here: https://www.living-income.com/licopresources
Key Finding 2: Food companies are not prioritising health

**Rationale:** Urgent action is needed from companies to help prevent food insecurity, micronutrient deficiencies and diet-related diseases. Currently, only 49 (18%) consumer-facing companies share progress on their reformulation activities to improve the nutritional quality of their products, and just five companies (1.4%) have set targets to increase sales of healthy foods. With food-away-from-home rapidly expanding across the globe, restaurants and food service providers must increase their efforts to make their food offerings healthier.

**Key questions to ask companies:**

- What activities do you have in place to improve the nutritional quality of your products/menus?
- Do you use a nutrient profiling system to guide your product (re)formulation?
  - If yes, do you use your own nutrient profiling system or a government-endorsed or widely recognised nutrient profiling system?
- Have you set a sales-based target to increase the percentage of nutritious products/menus?
  - If applicable, how do you define this target, i.e., "nutritious products"?

*Corresponding indicators in WBA Food and Agriculture Benchmark: C1*

Key Finding 3a: Since the 2021 Food and Agriculture Benchmark, more companies have set climate targets, but progress remains low

**Rationale:** Food systems are responsible for a third of global greenhouse gas (GHG) emissions. Out of the 350 companies in scope, 46 (27 in 2021) companies have adopted and report against their GHG reduction targets in line with the 1.5°C trajectory for their scope 1 and 2 emissions and 13 (7 in 2021) for their scope 3 emissions, respectively. At the same time, 165 (47%) companies are yet to disclose any commitments in this area. Without urgent action by food and agriculture companies, the Paris Agreement is out of reach.

**Key questions to ask companies:**

- Do you have targets and report against those reduction targets?
  - If yes, do your targets cover scope 1, 2 and scope 3 emissions?
  - If yes, are they aligned with a 1.5C scenario?
  - If not, why do you not report against your reduction targets?

*Corresponding indicators in WBA Food and Agriculture Benchmark: B1 & B2*

Key Finding 3b: Halting deforestation: a missed opportunity for climate, people and biodiversity

**Rationale:** There is no solution to climate change without a solution to nature loss, and this starts with halting and reversing deforestation. Agricultural expansion drives almost 90% of global deforestation, so food system companies have a responsibility on this issue. Yet only 13% of companies have a commitment to zero ecosystem conversion, and only 6% have a timebound target
to eliminate deforestation. By eliminating deforestation, conversion, and associated human rights abuses from their supply chains, food system companies can make significant progress on climate change, biodiversity, and social issues.

**Key questions to ask companies:**

- Do you have targets to achieve zero conversion (commodity production that does not cause or contribute to deforestation or the conversion of natural ecosystems) for all relevant high-risk commodities and report against those reduction targets?
  - Do you disclose the proportion of high-risk commodities which are conversion free?
  - Do you disclose the sourcing regions of the high-risk commodities and its traceability system?
  - Have you achieved 100% conversion-free supply chains for all relevant high-risk commodities?

*Corresponding indicators in WBA Food and Agriculture Benchmark: B3. Ecosystem conversion and WBA Nature Benchmark: B5 Ecosystem conversion*

**Key Finding 4: Regenerative agriculture is gaining traction, except when it comes to input use**

**Rationale:** With almost 50% of agricultural lands moderately to severely degraded, regenerative agriculture practices are hailed as an important lever to restore soil health, increase climate resilience, protect water resources and biodiversity, and enhance farmers’ productivity and profitability. This approach has gained traction with 51% of companies assessed referencing it. However, less than 10% of companies disclose data on optimising the use of fertilisers, and only around 4% of companies disclose data on minimising the use of pesticides.

**Key questions to ask companies:**

**On soil health and agrobiodiversity**

- Do you have practices in place that reduce soil erosion and promote soil health?
- Do you apply techniques that contribute to agrobiodiversity, i.e.: increase the diversity and variety of plants, animals, and microorganisms in agriculture and food production?
- Do you track or quantify your efforts to improving soil health and/or agrobiodiversity in your production and/or sourcing practices?
- Have you set a target to improving soil health in your production and/or sourcing practices?
- Have you set a target to increase agrobiodiversity in its production and/or sourcing practices?

**On fertiliser and pesticide use**

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4 For fertiliser and pesticides companies this topic around corporate activities such as: on R&D to make improved products that use natural materials, or more efficient products, etc. and on value chain activities, e.g.: supporting farmers to use the right amount, training activities, etc.
• Do you quantify and report on your efforts to optimising the use of fertilisers?
• Do you quantify and report on your efforts to minimise the use of pesticides?
• Have you set targets?
  o If yes, please elaborate.
  o If not, please explain why.

_Corresponding indicators in WBA Food and Agriculture Benchmark: B6, B7, D23_

**Key Finding 5: Lack of corporate accountability hinders meaningful change**

_Rationale_: In the two years since the UN Food Systems Summit (UNFSS), progress has been made but not enough to unlock the sector’s transformative potential. More than half of the 350 companies assessed undertake a materiality assessment to identify and prioritise their most relevant sustainability impacts, but only 27 companies follow through with a comprehensive set of sustainability targets.

**Key questions to ask companies:**

• What is your process for identifying and prioritising your most relevant sustainability impacts?
• Have you set group-wide objectives and targets for key sustainability topics for the most material parts of your value chain?
  o If yes, do you report progress against your targets?

_Corresponding indicators in WBA Food and Agriculture Benchmark: A1_
**Term Sheet**

**Agrobiodiversity**: In the Food and Agriculture methodology increasing agrobiodiversity means: adopting techniques such as crop rotation, mixed farming systems diversity, intercropping, crop livestock farming systems in order to increase the diversity and variety of plants, animals, and microorganisms.

**Fertiliser use**: In the Food and Agriculture methodology optimising fertiliser use includes: minimizing the excess use of fertilisers, for example by following the 4R nutrient stewardship framework; adopting responsible use of organic and/or inorganic fertilisers through certifications such as organic agriculture, LEAF, etc.; nutrient management.

**Living income**: In line with the Living Income Community of Practice (n.d.), living income refers to ‘the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household. Elements of a decent standard of living include: food, water, housing, education, healthcare, transport, clothing and other essential needs including provision for unexpected events.’

How is it different from living wage?

The concept of a living wage is applicable in the context of hired workers, such as farm or factory workers, who receive a salary for their labour. Living income, on the other hand, refers to situations of self-employment and is applicable to farmers, fishermen and -women and small-scale producers.

**Living income benchmark**: An estimate of the cost of a basic and decent standard of living for a household in the area. It answers the question: ‘how much does a typical household in a particular place need to earn, from all income sources, in order to live a decent standard of living?’

**Living income gap**: The difference between the living income benchmark and current income of a typical farming household in a certain location.

**Nutrient Profiling System**: Nutrient profiling is “the science of classifying or ranking foods according to their nutritional composition for reasons related to preventing disease and promoting health”. Examples of Nutrient Profiling Systems: Nutri-Score, Health Star Rating System, Guiding Stars.

**Pesticides use**: In the Food and Agriculture methodology optimising pesticide use includes: phasing out the use of WHO Class 1A and 1B pesticides, Stockholm and Rotterdam Convention chemicals; adopting Integrated Pest Management (IPM), using bio-pests, etc.; crop protection.

**Science-based**: Used to describe assessments, methods, management plans and metrics that are in line with the latest scientific evidence.

**Soil health**: In the Food and Agriculture methodology improving soil health means; adopting regenerative, circular, agroecological and other good agricultural practices that reduce soil erosion and promote soil health.
Links to further resources

**IDH**: Guidance on first steps to address living income in a corporate’s supply chain.

**OECD-FAO Business Handbook on Deforestation and Due Diligence in Agricultural Supply Chains**: Handbook developed by OECD and FAO to help companies embed considerations on deforestation and forest degradation into their corporate due diligence procedures.

**The Living Income Community of Practice**: The Living income Community of Practice is a part of the ALIGN consortium which develops tools and resources for work on living income and living wage.

**Science Based Targets Network (SBTN) - Resources**: Latest guidance from the Science Based Targets Network for companies to take ambitious and measurable action for nature.