



Investor update - September 2025

Woolworths - risks of driving deforestation

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Australia - global deforestation hotspot



Woolworths' No Deforestation policy



2025 engagement priorities



Risks to Woolworths



Opportunities from policy change



Resolutions



FAQs

Table of contents

Australia is a global deforestation hotspot

[if you read only one slide read slide 10](#)

DEFORESTATION FRONTS

Over
43 million

hectares were lost in these
deforestation fronts between
2004 and 2017, an area
roughly the size of Morocco

LATIN AMERICA

- 1 Amazon – Brazil
- 2 Amazon – Colombia
- 3 Amazon – Peru
- 4 Amazon – Bolivia
- 5 Amazon – Venezuela/Guyana
- 6 Gran Chaco – Paraguay/Argentina
- 7 Cerrado – Brazil
- 8 Chocó-Darién – Colombia/Ecuador
- 9 Maya Forests – Mexico/Guatemala

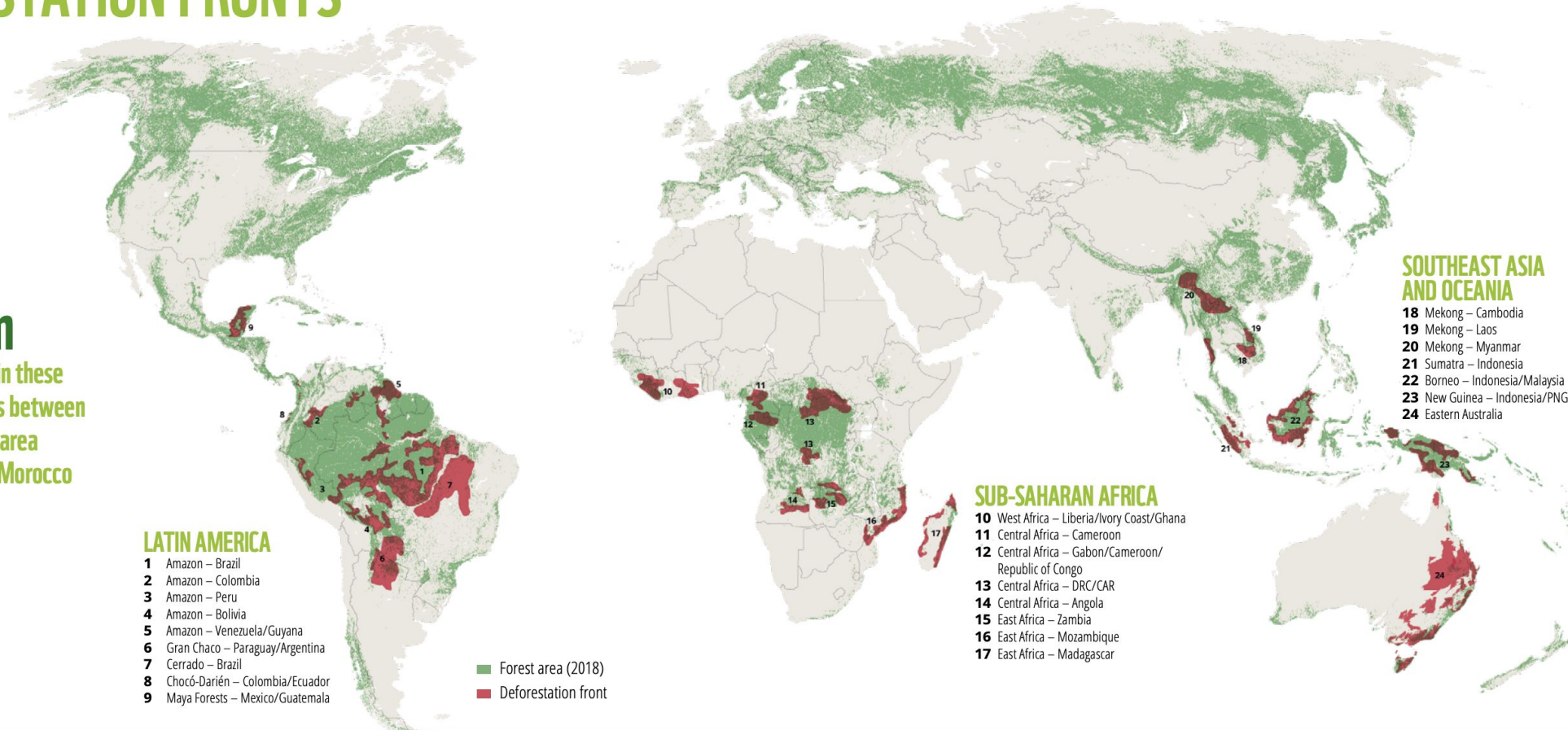
■ Forest area (2018)
■ Deforestation front

SUB-SAHARAN AFRICA

- 10 West Africa – Liberia/Ivory Coast/Ghana
- 11 Central Africa – Cameroon
- 12 Central Africa – Gabon/Cameroon/
Republic of Congo
- 13 Central Africa – DRC/CAR
- 14 Central Africa – Angola
- 15 East Africa – Zambia
- 16 East Africa – Mozambique
- 17 East Africa – Madagascar

SOUTHEAST ASIA AND OCEANIA

- 18 Mekong – Cambodia
- 19 Mekong – Laos
- 20 Mekong – Myanmar
- 21 Sumatra – Indonesia
- 22 Borneo – Indonesia/Malaysia
- 23 New Guinea – Indonesia/PNG
- 24 Eastern Australia



Australia is a global deforestation hotspot

> 9.3 million hectares of forest - an area larger than Portugal - destroyed in 20 years.



Beef production threatens hundreds of species

Over 1 million hectares of land clearing for beef production between 2018–22.

93% of clearing activity for beef in Queensland occurred in forest ecosystems meeting Australian and EU forest definitions (2021–22), of which 62% was regenerating over 15 years old (118,914 hectares).

>99% of deforestation and land clearing for beef occurred in mapped threatened species habitat (2018–22).

271 species had habitat in areas impacted by beef-linked deforestation and land clearing (in 21–22), 28 of those were critically endangered.

In Great Barrier Reef catchments, **86% of forest and bushland clearing was attributed to beef production (2018–22)**, increasing runoff and erosion, damaging water quality and smothering the reef. Great Barrier Reef is a UNESCO World Heritage Area.

218,000 ha of potential habitat for **endangered Northern Quoll** impacted for beef since 2018



397,000 ha of potential habitat for **Greater Glider** impacted for beef since 2018

717,000 ha of potential habitat for **endangered Koala** bulldozed, 80% for beef since 2018



Deforestation: an outdated practice

Only **10% of land parcels** linked to beef accounted for **all beef-related deforestation in Queensland** (2021-22). Only **142 parcels** accounts for **50%** of deforestation linked to beef (98,714 ha).

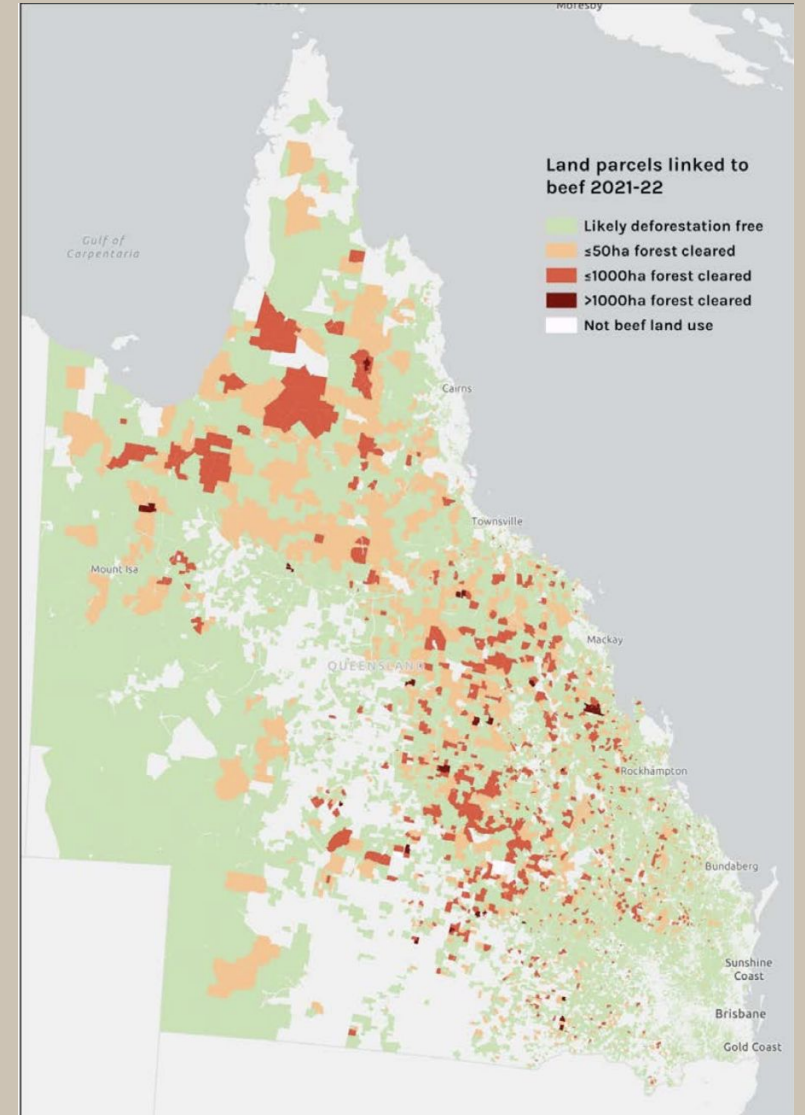
90% (49,988) of land parcels linked to beef in Queensland were free from deforestation in 2021-22 reporting (as per the Australian forest threshold).*

By implementing a science-based commitment to eliminate forest and bushland destruction, Woolworths can incentivise industry and reward those already meeting deforestation-free standards.



*Due to cyclical deforestation practices, these land parcels free from deforestation in the reporting period may not be in future - nor were they necessarily de-free in years prior to 2021-22. To get a fuller picture of land parcels that are free from deforestation ongoing, it is crucial to analyse cyclic land clearing and deforestation over a longer period with publicly available traceability methods and monitoring systems in place.

Sources: *The Wilderness Society*, 2025, Drivers of Deforestation and land clearing in Queensland



Pallets made from globally significant native forests

Woolworths uses 17 million pallets per year to transport goods across the country.

Woolworths is a major customer of Australia's largest pallet producer, which **sources timber from NSW native forests**.



Logging is occurring in a **Global Biodiversity Hotspot**.

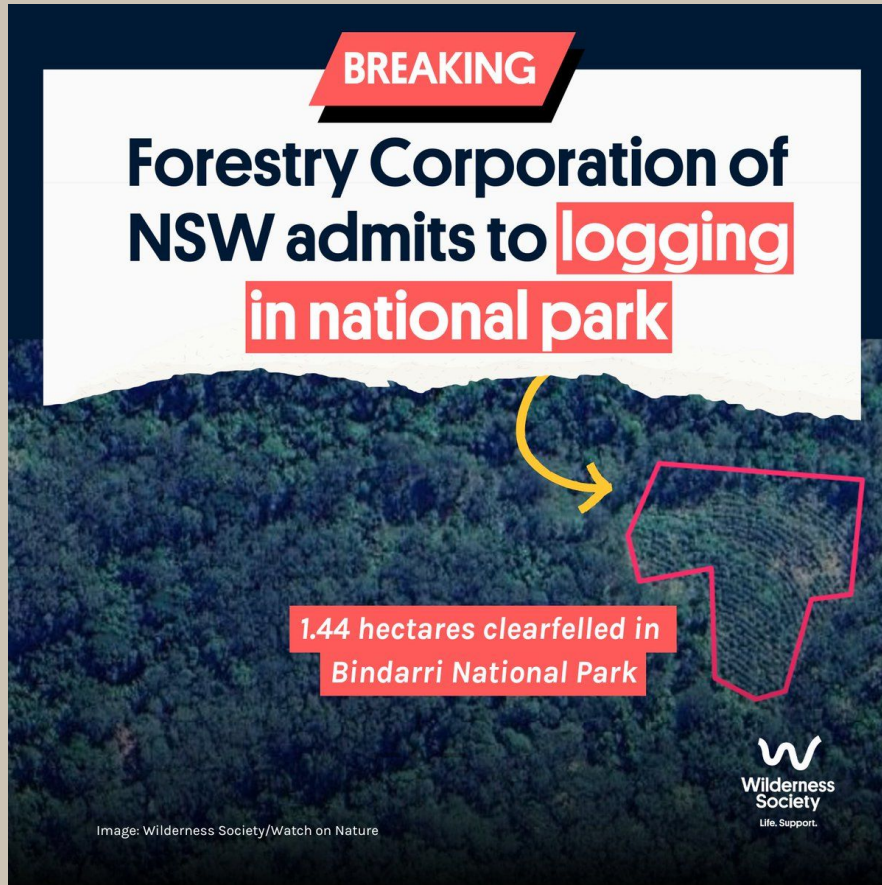
Logging **affects habitat for 150 species at risk of extinction**.

Thirteen species critically endangered = **extremely high risk of extinction**.



Image: Forests of East Australia Global Biodiversity Hotspot

Illegal logging + greenwashing risks in pallet supply chain



Forestry Corporation of NSW has 'a pattern' of illegally damaging the environment, scathing judgment finds

The timber is **sourced from Forestry Corporation of NSW**, which has been convicted of **more than a dozen environmental offences**.

Forestry Corporation's history of illegal offending includes:

- **Logging hollow-bearing trees critical to endangered species** like the greater glider
- **Logging areas subject to protections** after the Black Summer Bushfires
- **Logging a national park**

The **illegally logged timber** could be used to make pallets in Woolworths' supply chain.

Woolworths' timber policy allows timber to be **sourced under the flawed PEFC scheme**.

A reliance on timber from NSW native forests creates **supply chain uncertainty**.

Woolworths' No Deforestation policy

No Deforestation commitment (may be) aligned with Science Based Targets initiative (SBTi) and Accountability Framework initiative (AFi)

- Focused commodities it classified as high risk - paper, pulp and timber (packaging and products), palm oil (food and non-food), cocoa, and soy (in stockfeed)
- Applies to Own Brand and vendor products
- "Cut-off" date of 31 December 2020 means Woolworths should not be sourcing products grown on land deforested after that date by 31 December 2025 (implementation date)



Removed beef as a high risk commodity from its commitment in August 2025

- Excluding commodities from deforestation pledges aligned with AFi requires credible risk analysis proving they are not linked to environmental or social harm
- Woolworths hasn't done that - relying on flawed EU Deforestation Regulation's country risk rating that lists only four countries as "high risk," excluding major deforestation hotspots such as Brazil and Australia
- Woolworths cannot credibly reduce emissions or claim alignment with net-zero pathways, risking SBTi validation
- Coles deforestation policy classified beef as "high high/high volume" commodity and started disclosing supply chain tracing efforts

Implementation concerns

- Little information about concrete steps to monitor supply chains and progress towards volume of deforestation free-sales
- Continues to rely on PEFC for its pulp, paper and timber sourcing as evidence of deforestation-free

2025 engagement priorities

Next 4 months is a critical engagement window to influence beef and timber supply policy. Woolworths has the opportunity to set a precedent by becoming the first retailer in Australia to eliminate deforestation from their supply chains - and influence Coles, Aldi and other retailers to follow.

Engagement priorities



Urge Woolworths to:

1. **Re-classify beef as a high risk deforestation linked commodity** and align with the SBTi and AFi, and reject problematic definitions, loopholes and flawed certifications on both beef and timber.
2. **Provide a public progress update with concrete steps taken towards deforestation-free supply chains**, following the SBTi and AFi guidelines, including:
 - General progress to deforestation-free: volume of deforestation-free verified commodities for each product category, and volumes still at risk of deforestation.
 - Supply chain verification efforts including level of traceability and geolocation, use of satellite imagery, supplier commitments, and verification of certification schemes.
3. **Only accept credible certification for pulp, paper and timber products from Australia** - implement due diligence as per ask #2 and only source forest products certified to the FSC Full Forest Management or made from fully recycled or plantation sources
4. **Assess and publicly disclose its material dependencies, impacts, risks and opportunities on nature** within its supply chains for primary deforestation-linked commodities (which it can do using information collected in ask #2)

Transition risk - litigation

Climate target claims

- Woolworths' deforestation pledge required for SBTi-validated emissions targets. Nearly ½ of WOW total emissions from Forest, Land and Agriculture
- Ignoring beef-driven deforestation exposes them to greenwashing litigation - it means they cannot credibly reduce its emissions or claim alignment with net-zero pathways. Doing so
- Undermines positive work with suppliers to identify and report their scope 1+2 (WOW's Scope 3) emissions and align with SBTi
 - With beef classified 'low risk' it's unclear if this includes beef and sheep emissions and if estimated or real emissions
 - Ambitious goal of reducing FLAG (Forest, Land and Ag) emissions by 40% by FY33 (from FY23 base year) and 72% by FY2050 cannot be achieved without addressing beef-driven deforestation
 - Next steps should be re-classifying beef as high risk and aligning with AFi definition of deforestation
- In June 2025 a landmark greenwashing case forced Energy Australia to apologise to customers who it misled by selling them 'carbon neutral' power mainly from fossil fuels offset with carbon credits

Certifications

- Reliance on certifications to verify suppliers comply with deforestation policy without monitoring land-use change throughout supply chain increases risk of litigation for greenwashing without credible, transparent data
- Woolworth is subject of legal complaint to ACCC for using responsible sourcing labels on farmed salmon that is driving extinction of Maugean skate - Coles removed these labels, implying they are not credible
- Supermarkets criticised by Senate Inquiry into Greenwashing for certifications - report expected early 2026

Credible net zero targets must include deforestation

96% of Woolworth's emissions were Scope 3 (FY23)

50% of those are Forestry, Land and Agriculture (FLAG). They aim to reduce absolute scope 3 FLAG emissions 40% by F33, and 72% by F50, from a F23 base year

Estimated lamb and beef = 9.7% of Scope 3, however

- No publicly available information on if Woolworths is monitoring its supply chains for deforestation or if it's seeking data from its suppliers yet, 4 months from their target implementation date, meaning...
- Potential unaccounted emissions in areas with high terrestrial carbon stores (e.g. wet sclerophyll forest in South-East Queensland can hold 370-1800t of carbon dioxide equivalent per hectare), as a result...
- Unclear how they calculated lamb and beef emissions

"Simply put, scope 3 emissions disclosure, including deforestation emissions, cannot be calculated without full traceability"



Note: According to the SBTi FLAG Criteria, appropriate target coverage requires full accounting of land-based emissions as per the GHG Protocol Land Sector and Removals Draft Guidance, and the inclusion of these emissions in the baseline. Guidance for how to measure Land Use Change as part of the Greenhouse Gas Protocol Scope 3 accounting standards is to be published in Q4 2025



Transition risk - reputation

Australians expect Woolworths to protect forests

- **86% of people think Australian companies should help protect Australian forests**
- **7 in 10 Australians think Woolworths should be doing more** to help protect iconic animals like koalas and swift parrots from extinction.
- 7 in 10 Australians believe supermarkets should be doing more to influence their producers and suppliers to implement deforestation-free practices.

But have low trust

- **72% of Australians finding it hard to trust claims companies make** about operating in an environmentally responsible way
- Australians' trust in Woolworths would decline by 30% if shoppers found out that they are selling products that are connected to Australian deforestation
- **61% of Australians would prefer to buy from a supermarket known for its commitment to help protect Australian forests.**
- Making broad commitments isn't enough to gain consumer trust - companies need to show their actions in a transparent way to earn and keep it

Transition risk - reputation

- Big exposure - 15% of Aus beef sold by domestic supermarkets, Woolworths makes 1/3 of Australian grocery sales
- 17 million pallets used per year
- Revenue from beef and sheep $\approx 5\%$ @ avg 22% margin for beef mince and steak
- Unnecessary brand risk from selling deforestation-linked commodities that contribution little to total revenue - and use pallets from native forests when plantation alternatives exist
- One meta-study of stocks found **negative changes to ESG ratings downgrades are consistently detrimental for risk-adjusted returns**, particularly for large-cap high rated companies (inc. Woolworths)



Protestors outside the 2024 Coles AGM representing Australia's biggest environment groups which combined **have >1m members** - ACF, Greenpeace and TWS

Woolworths will face greater activist scrutiny if they are believed to be greenwashing their deforestation commitments, which could reduce customer loyalty and spend ([per slide 9](#))

Physical risks - climate change harms margins

- Beef and cattle production is heavily dependent on ecosystems - rainfall, soil, grass, growing feed, stable temperate and climate, etc
- **Compounding climate extremes is already driving up food prices - could result in reduced customer spend** on non-essential grocery spending, higher logistics costs for producers and supermarkets

“Despite focus on optimising promotional activity, livestock costs in red meat expected to impact gross margins.” - H125 Woolworths Investor Update

- Extreme events like droughts, heatwaves, cyclones and floods have a negative impact on agriculture and food production, processing and retailing including through:
 - Inconsistent rainfall in winter and spring
 - Longer and harsher droughts
 - More extreme rain that damages crops and farm infrastructure, and causes soil erosion.
 - Unseasonal frosts and hail that can wipe out crops
- **Woolworths and Coles are facing regulatory and political backlash for passing on these costs** - e.g. ACCC Inquiry into Supermarkets → limit to profit?

Deforestation is a Systemic Risk

Many of Woolworths equity investors are universal owners, for whom overall market performance (correlated to economic growth), not individual security performance, determines 75-94% of portfolio returns

Biodiversity and ecosystem loss via deforestation risks reducing long-term economic growth and therefore portfolio returns (see image below)

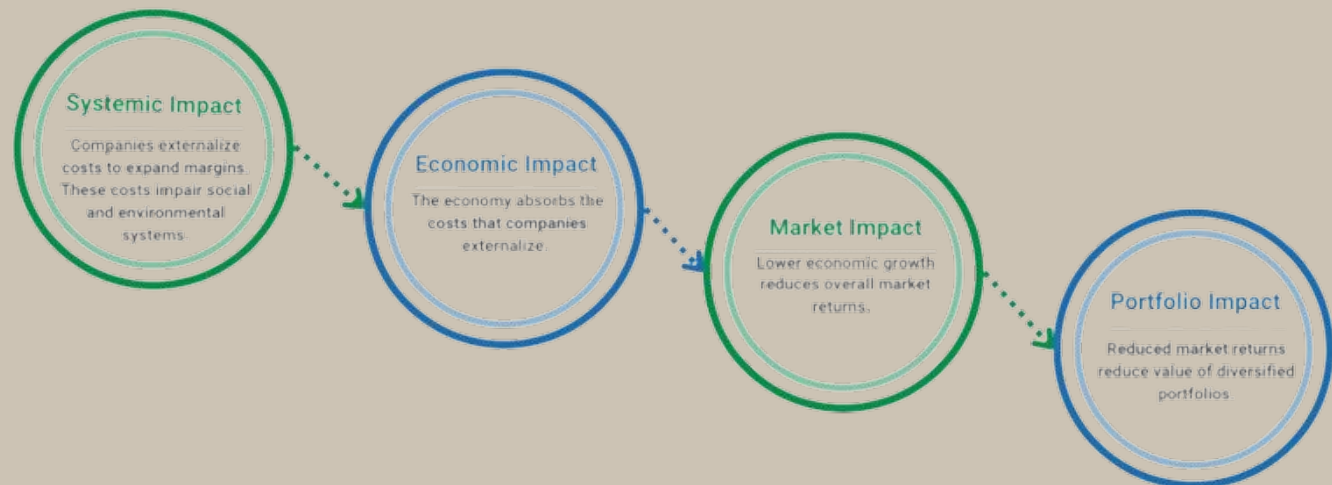
≈ ½ Australia's GDP directly dependent on ecosystem services derived from natural capital. The rest is indirectly dependent on natural capital across complex value chains.

Mismanagement of nature-related risks already costs companies and investors *with high dependence/impact on nature* e.g. BNEF study of 10 different firms revealed financial impacts totaling \$83.2 billion from nature-related risks they failed to address.

Each risk and opportunity requires understanding Woolworths' interface with nature and identifying highest priority actions – both from how the Company depends on nature to generate value and to reduce the risks of supply chain disruption costs of lawsuits, diminished brand value, not keeping up with consumer expectations compared to competitors (e.g. Coles)

Sources:

Jon Lukomnik and James P. Hawley, Moving Beyond Modern Portfolio Theory: Investing that Matters, 2021.
Pollination, The nature-based economy: How Australia's prosperity depends on nature
The Shareholder Commons: Macroeconomic Risk
Bloomberg New Energy Finance, Counting the Cost of Nature Related Risks





Opportunity to be leading sustainable retailer

Other major retailers including ALDI and Coles have made 2025 deforestation-free commitments. Woolworths is now the industry laggard, but has the opportunity to:

- **set gold standard for sustainable procurement** of commodities at high risk of deforestation in Australia through enhanced monitoring of supply chains, and use of influence over supplies to adopt sustainable practices
- **Meet rising consumer expectations** to protect its brand - 61% of Australians would prefer to buy from a supermarket known for its commitment to help protect Australian forests.
- **Demonstrate adequate nature risk assessment and mitigation** and positioning to benefit from transition to sustainable protein and reduced supply chain disruptions

Woolworths is one of 100 companies that a group of 200+ global asset managers (Nature100) expects to do this

Taskforce for Nature Related Disclosures will likely be precursor to mandatory nature-related reporting - quality of reporting will affect ESG ratings which may affect shareholder return

Resolutions

Resolution 1 - Classify beef as a high risk deforestation-linked commodity

Shareholders request that Woolworths include beef in its No Deforestation commitment as a “high risk” deforestation-linked commodity, given that beef is the main commodity driving deforestation in Australia and Woolworths is the country’s largest grocery retailer

Resolution 2 - Update Pulp, Paper and Timber Policy

Shareholders request that Woolworths consider removing PEFC certification as part of its supplier requirements in its Pulp, Paper and Timber Policy

Note: Due to Australian law, investors are required to also file a special binding resolution to change the company constitution to allow ordinary advisory resolutions (above) to be considered at the meeting. These special resolutions rarely gather much support, but this approach nonetheless allows investors to express a view on ESG issues to the company. For more information see the UNPRI’s Guide to Filing resolutions in Australia [here](#).

FAQs

“Why are you not filing this resolution at Coles?”

At the time SIX and TWS filed the resolution, Woolworths had the opportunity to be a leader in setting the standard for deforestation-free practices by eliminating deforestation from their supply chains, as Coles had no public commitment. The way it will implement its commitment could have set a precedent for supermarkets and retailers across Australia in dealing with deforestation risk. Instead, it has seemingly regressed on its progress.

Coles announced its no deforestation commitment in its 2025 Sustainability Report and showed progress. It classified beef as a ‘high risk high volume’ commodity in its deforestation commitment, showed some supply chain traceability, set up a dedicated supplier sustainability engagement team, and other measures. However, Coles still relies on PEFC certification for timber, pulp and paper, and SIX/TWS will be engaging with them to improve their policy.

Coles is still a target of The Wilderness Society’s campaign, and are using other tactics to pressure them to improve their deforestation policy. For instance, more than 12,000 Wilderness Society supporters have written to the CEOs of both Coles and Woolworths to demand they go deforestation-free. TWS also held a rally outside Coles’ AGM in 2024.

FAQs

“Woolworths includes beef in its no deforestation policy, including working with suppliers and industry. Why are you still filing this resolution”

As per Woolworth's 2025 Sustainability Report, it has appeared to re-remove the high-risk rating it previously applied to Australian beef by citing a flawed rating by the EU Deforestation Regulation (which isn't relevant to deforestation-free commitments under SBTi) and has stated related deforestation identified in its supply chain would be addressed on a case-by-case basis.

It is extremely unclear which parts of the Woolworths No Deforestation policy guidance still applies to beef given the lower risk rating.

At a minimum, Woolworths should confirm that it expects its suppliers to be deforestation-free by the end of the year. Nor has the company shared any plans to monitor for deforestation, including using geo-location and satellite imagery. As per the AFi guidelines, companies should report on the approaches they use to assess risk, including:

- the percentage of the commodity volumes produced or sourced by the company for which the company has assessed the risk of deforestation
- risk assessment methodologies that are used
- the frequency and time horizons of assessment

FAQs

“Investors and the company need a national dataset of supply chain-linked deforestation before they can assess risks and act”

These results are nationally and internationally significant, despite a lack of national deforestation data. Queensland has the highest rates of deforestation on the continent. The impacts of logging for timber and pulp products are also well documented.

A robust public geospatial map (VMAP) is now available from Australia National University with an accompanying tool and guidance from WWF. Banks like NAB have already been using VMAP in response to allegations of illegal clearing by customers.

Our asks are identical to those outlined in numerous investor letters signed by some of the world's largest asset manager and owners concerning tropical deforestation, including one signed by 251 investors representing approximately US \$17.7 trillion in assets.

Coles said it will stop sourcing beef linked to deforestation for all the beef it directly sources, up to 85% of its own-branded product, by the end of 2025. Supermarket's inability to access the National Livestock Identification System database to enable tracing of cattle between the place of birth and the abattoir where that cattle is processed is a barrier to full traceability if processors withholding data from supermarkets. This makes it important that the Australian government needs to take steps to ensure public funding of the national traceability system (NLIS) is conditional on the system being transparent.

Sources:

Department of Climate Change, Energy the Environment and Water, 2023, Ministerial Briefing ; The Australia Institute, 2025, *Tasmanian Salmon Industry: Few Jobs, Less Tax; Investor statement on deforestation and forest fires in the Amazon*; *Financial Sector for Deforestation Action, Investor expectations of companies* - 16.09.22

FAQs

“If woolworths set a deforestation policy won’t that lead to land clearing of other ecosystems?”

To avoid perverse impacts to woodlands, grasslands, shrublands and other ecologically significant ecosystems that don’t meet ‘forest’ definitions, companies must set commitments to eliminate the conversion of natural ecosystems from their supply chains, as urged by the SBTi guidance

Every company with deforestation risk should adopt a sector-wide commitment to deforestation-free and conservation free practices by December 2025.

Don't let perfect be the enemy of the good. It's better to take important steps than do nothing

If you would like to meet to discuss this analysis please contact

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The Wilderness Society is a Not for Profit organisation of over 50,000 people protecting, promoting and restoring wilderness across Australia for the survival and ongoing evolution of life on Earth