



**Friends of the Earth**  
United States



**RAINFOREST ACTION NETWORK**



## **Brief to Home Depot Shareholders re: Proposal to Increase the Sustainability of Forest Supply Chains**

**Recommended:** Vote FOR Item 9 on the proxy card for Home Depot to issue a report assessing if and how it could eliminate deforestation and the degradation of primary forests from its supply chains.

### **Key Points:**

- Home Depot has no mechanism in place to transparently track or disclose its wood sourcing data, nor has it established policies aimed at eliminating the destruction of climate-critical forests and threatened species' habitat from its supply chains. 86 percent of its wood supply comes from areas for which it has essentially no defined forest protection policy in place.
- The company has made no commitment to achieve strong third-party certification for its wood products or to require free, prior, and informed consent (FPIC) of its suppliers.
- By failing to address its supply chain impacts on at-risk forests, Home Depot remains exposed to significant reputational, market, regulatory, and operational risks.

May 11, 2022

Dear Home Depot Shareholder,

Home Depot is the world's largest home improvement retailer, yet it has neither adopted nor implemented substantive, measurable, or time-bound policies to address deforestation or the degradation of primary forests in its supply chains. As the environmental and social impacts of forest destruction mount and consumer concerns about deforestation and the loss of primary forests rise, Home Depot will increasingly face significant systemic and company-specific risks by failing to sustainably source its wood products.

Nearly 90 percent of Home Depot's wood is sourced from North America,<sup>1</sup> including the Canadian boreal, which is the world's largest remaining primary forest (an ecosystem that has never been industrially disturbed) and a critical global carbon storehouse. Holding more than 300 billion tons of carbon—about twice as much as the world's oil reserves<sup>2</sup>—the boreal plays a vital role in regulating earth's climate. It also provides critical habitat for a vast array of species, including threatened woodland caribou, lynx, and songbirds, and it is the home of hundreds of Indigenous communities. As scientists have highlighted, protecting the boreal's primary forests, which are irreplaceable, climate-critical regions, is essential to meeting global climate targets.<sup>3</sup>

Demand for wood products is a major driver of industrial clearcutting in Canada and the continued erosion of primary forests. The boreal is logged for wood products at a rate of one million acres annually,<sup>4</sup> the equivalent of roughly five NHL hockey rinks' worth of forest per minute, much of this in primary forests.<sup>5</sup> Over the course of one year, this clearcutting releases more than 80 million tons of carbon dioxide—more than 10 percent of Canada's overall emissions.<sup>6</sup>

Home Depot contributes to this massive push into Canada’s primary forests by sourcing wood products from the boreal without meaningful safeguards to ensure protections for the climate, biodiversity, or human rights.

**For this reason, as a major Home Depot shareholder, the above five organizations urge you to vote in favor of the Green Century Equity Fund shareholder resolution (Item 9) requesting Home Depot to report on if and how it can increase the scale, pace, and rigor of its efforts to eliminate deforestation and the degradation of primary forests in its supply chains.**

Substantive action by Home Depot to protect primary forests is long overdue. And until the company commits to support deforestation-free supply chains, to operate with transparency, and to reduce its overall use of wood products derived from primary forests, it will be viewed as a sustainability laggard. **Furthermore, the following gaps in Home Depot’s corporate sustainability policies will continue to pose a substantial risk to Home Depot shareholder investments:**

**Home Depot fails to transparently track or disclose its wood sourcing data.** Meaningful action toward sustainability starts with measurement and transparency. Home Depot’s impact on forests is impossible to determine as it does not disclose its sourcing geographies to CDP Forests, a third-party system that tracks and ranks companies according to their environmental practices, nor does it have any other mechanism in place to comprehensively track and publicly disclose the volume of wood products it sources or its sourcing geographies. It also does not disclose its third-party wood sourcing certifications, which are one way to measure a company’s success in protecting forests and human rights. This lack of disclosure has consistently earned Home Depot a grade F from CDP Forests for its timber sourcing.<sup>7</sup>

**Home Depot has not established substantive policies aimed at eliminating the destruction of climate-critical primary forests from its supply chains.** Home Depot’s *Wood Purchasing Policy* outlines no substantive, time-bound policies aimed at eliminating the destruction of at-risk forests by its suppliers, nor does it provide clearly articulated accountability mechanisms for suppliers that engage in unsustainable forestry practices. While the company does commit to “eliminate wood purchases from endangered regions of the world,”<sup>8</sup> it has failed to define what constitutes “endangered” forests. In fact, in an FAQ on its website, Home Depot states, “[T]here is limited scientific consensus on identifying ‘endangered regions’ of forestry,” raising concerns that Home Depot has no clearly defined means of classifying these forests in its supply chain. The only geographical specificity in Home Depot’s policy is a commitment to not accept wood from the Solomon Islands, Papua New Guinea, Amazon, or Congo Basin areas unless it is FSC-certified. As a result, there are no clearly defined limitations on Home Depot’s sourcing from North America, where the company sources 86% of its wood,<sup>9</sup> or other areas outside these geographies.

Furthermore, while Home Depot states that it “expects its vendors and their suppliers of wood and wood products to maintain compliance with laws and regulations pertaining to their operations and the products they manufacture,”<sup>10</sup> this language outsources the onus of ensuring

sustainable forestry practices to government regulators and company suppliers who, in many cases, have failed to implement scientifically credible, meaningful standards. This is particularly detrimental in Canada, which ranks third globally for intact forest loss,<sup>11</sup> has no primary forest protections in place,<sup>12</sup> and where many provinces have rolled back species protections and public accountability processes and have failed to accurately report the extent and impact of industrial logging.<sup>13</sup> In Ontario alone, it is estimated that annual boreal deforestation rates linked to industrial logging operations are nearly fifty times higher than the province's current estimates.<sup>14</sup> At the same time, reports indicate that some of Canada's largest suppliers of wood products are largely failing to implement even baseline environmental and social safeguards, including those designed to protect primary forests and Indigenous rights.<sup>15</sup> As warned in a March 2022 letter that was signed by nearly 100 leading scientists and delivered to Prime Minister Trudeau, Canada's logging practices in climate-critical primary forests are grossly incompatible with the exigencies of the climate crisis.<sup>16</sup>

Home Depot should not rely on government and supplier claims to verify the sustainability of its sourcing methods and should instead establish its own policies to analyze its supply chain impacts on forests. Failure to implement such policies will continue to expose Home Depot to significant risk.

**Home Depot lacks comprehensive commitments to achieving strong third-party certification of its wood products.** While Home Depot's *Wood Purchasing Policy* states that the company gives "preference to the purchase of wood and wood products originating from certified, well-managed forests wherever feasible"<sup>17</sup> and pledges "to give preference to wood that has come from forests managed in a responsible way,"<sup>18</sup> it has no requirement for 100 percent third-party certification, sets no clear standards or metrics for what constitutes "responsible" or "feasible," and it does not comprehensively disclose the wood product certifications it recognizes. Furthermore, Home Depot has no commitments in its North America supply chains to achieve a minimum level of certification through the Forest Stewardship Council (FSC), which is the most robust and credible certification system. FSC, unlike other certifications, meets minimum requirements for sustainable sourcing. In Canada, it is the sole certification system that includes baseline standards around species protections and Indigenous rights. While Home Depot offers no comprehensive overview of its certifications, it appears, per its *Sustainable Forestry FAQs*, that it relies on other third-party schemes including the Sustainable Forestry Initiative (SFI) and Programme for the Endorsement of Forest Certification (PEFC),<sup>19</sup> which are both industry dominated and contain glaring loopholes that fail to guarantee minimal sustainability and human rights standards.<sup>20</sup> Several companies, including Disney, Trader Joe's, and Office Depot, have gone so far as to actively distance themselves from SFI certification.<sup>21</sup>

Home Depot should be more transparent about disclosing what proportion of its wood products are certified under each forestry certification scheme it accepts. In addition to committing to FSC certification across all of its supply chains, Home Depot should set its own independent commitments to deforestation and primary forest degradation in order to reinforce and strengthen the integrity of FSC certification, develop internal processes for mitigating risk, and align its policies with scientifically supported measures to guarantee protections for climate-critical forests and at-risk species.

**Home Depot does not require suppliers to obtain free, prior, and informed consent (FPIC) from Indigenous communities.** Home Depot’s *2021 Responsible Sourcing Report* outlines the company’s commitment to “respecting internationally recognized human rights,”<sup>22</sup> but it fails to require that suppliers obtain FPIC, which ensures Indigenous and local communities have the right to give or withhold permission for a project that may impact them or the land they own. Indeed, the Forest 500, which assesses the most influential companies in forest-risk commodity supply chains, awards Home Depot zero marks for its commitments to FPIC or to remediation and resolving land conflicts.<sup>23</sup> FPIC is critical to ensuring communities are included in decision-making for their territory, and is particularly important in Canada, where industrial logging has often happened contrary to the wishes of communities like the Waswasnipi Cree and Atikamekw in Quebec and the Moose Cree First Nation in Ontario.<sup>24</sup> Given that wood products are often logged from Indigenous lands, Home Depot should take steps toward explicitly requiring suppliers to obtain FPIC, particularly as—with the exception of FSC—none of the third-party certification systems that Home Depot lists in its *Sustainable Forestry FAQ* require it themselves.

**Home Depot remains exposed to significant reputational, market, regulatory, and operational risks by failing to meaningfully address its impacts on primary forests.** By selling forest-risk commodities without adequately mitigating deforestation and the degradation of primary forests from its supply chain, Home Depot remains vulnerable to systemic and material financial risks.

- **Reputational risks:** The *Annual Report 2021* acknowledges—and historical precedent shows—that Home Depot’s position, or lack of position, on social and environmental issues, and any perceived lack of transparency about these matters, could harm the company’s reputation.<sup>25</sup> Indeed, in 1998, Home Depot became the target of a two-year international campaign aimed at halting the company’s purchase of old-growth wood products. Environmental groups and activists staged more than six hundred demonstrations at Home Depot stores. The celebrity-endorsed campaign generated more than 250,000 faxes, e-mails, phone calls, and letters from people concerned about the company’s environmental practices.<sup>26</sup> By failing to address its forest footprint today, Home Depot risks experiencing similar public backlash, not unlike what Procter & Gamble currently faces for its own failure to implement sustainable primary forest policies<sup>27</sup> or adequately report on its forest impacts, despite a 2020 shareholder resolution demanding that it do so.<sup>28</sup>
- **Market risks:** As consumer demand grows for more sustainable, deforestation-free products, Home Depot’s brand value faces considerable risk, particularly as peers continue making stronger commitments to sustainability. In March 2022, Lowe’s, in a withdrawal agreement made in response to an identical shareholder resolution as the one filed for Home Depot, agreed to report by the end of this year on how it can eliminate deforestation and primary forest degradation from its supply chains and is considering FPIC requirements for its suppliers.<sup>29</sup> Lowe’s also already tracks and discloses much of its wood sourcing data through CDP Forests,<sup>30</sup> and it has made additional commitments to set science-based, net-zero emissions targets to cover its supply chain emissions,

including forest-related emissions,<sup>31</sup> and to achieve 100 percent third-party certification or controlled sourcing of wood products by 2025.<sup>32</sup> While Lowe's third-party certification goals fall short of ensuring supply chain sustainability, it is worth noting that Home Depot's policies lag behind even these efforts.

- **Regulatory and operational risks:** By failing to implement due diligence measures to mitigate forest destruction, Home Depot remains exposed to potential supply chain interruptions and impairments to its business with government customers resulting from regulatory action or enforcement related to illegal deforestation, human rights violations, and the destruction of at-risk species habitat. As the company's *Annual Report 2021* notes, "A disruption within our logistics or supply chain network...could adversely affect our ability to receive and deliver inventory in a timely manner, which could impair our ability to meet customer demand for products and result in lost sales, increased supply chain costs, or damage to our reputation."<sup>33</sup> An example of such a disruption occurred in 2017 when Home Depot halted its sale of hardwood flooring following reports that it was linked to illegal logging and human rights violations in Papua New Guinea.<sup>34</sup>

Federal and state legislators are considering a number of regulatory policies that could pose a threat to Home Depot's supply chains should the company fail to align its forest policies with the policies required to meet environmental and climate demands. New York State's pending Deforestation-Free Procurement Act would require state contractors to ensure, among other measures, no tropical or boreal deforestation or primary forest degradation in their supply chains.<sup>35</sup> Proposed European Union regulations would prohibit wood products linked to deforestation or forest degradation from import to or export from the EU, with operators required to provide strict traceability of the geographic coordinates where commodities are produced.<sup>36</sup> Home Depot also fails to meet the sourcing and/or disclosure standards in the pending federal FOREST Act, which includes a federal procurement preference for commodities that do not derive from deforested areas,<sup>37</sup> and the California Deforestation-Free Procurement Act, which would prohibit state sourcing from areas where tropical deforestation occurred.<sup>38</sup>

In addition to this pending legislation, governments globally face growing pressure to address deforestation and primary forest degradation. The Glasgow COP26 Declaration on Forests and Land Use, which was signed by more than 140 world leaders, urges nations to take action to halt and reverse land degradation and deforestation by 2030.<sup>39</sup> Meanwhile, in Canada, federal<sup>40</sup> and provincial<sup>41</sup> governments continue to face increased pressure by civil society and litigation from Indigenous groups and non-governmental organizations to enact protections for threatened boreal caribou, which depend on primary forests. Scientists have also urged Canada to protect its primary forests as an essential means of meeting global climate targets.<sup>42</sup> All of these developments risk disrupting Home Depot's supply chain should the company continue to source products without better forestry policies in place.

Home Depot's lack of reporting on its forest supply chains and policies on deforestation and the degradation of primary forests have proven grossly insufficient in addressing the significant risks outlined above. The company's response to Item 9 on the 2022 proxy card signals that it has

failed to recognize the extent of the problem and that its approach to defining, disclosing, and addressing forest risk is foundationally flawed.<sup>43</sup> In addition, Home Depot included in that response a reference to engaging with non-governmental organizations (NGOs) as part of an effort to “strive to better understand the social and economic effects that wood purchases have around the world.” However, Home Depot has not engaged with several of those NGOs, including the Natural Resources Defense Council (NRDC) and Rainforest Action Network (RAN), for many years. Its current policy does not reflect those organizations’ current recommendations and expertise on what constitutes a robust sourcing framework.

As the environmental and social impacts of forest destruction become more pronounced and consumer concerns around deforestation rise, Home Depot’s complacency and lack of transparency around these issues will only create greater risk to shareholder investments. Home Depot’s reporting on if and how it could eliminate deforestation and the degradation of primary forests from its supply chain would be an essential first step in mitigating that risk and in the company’s acknowledgement of the responsibility it bears to help protect the global climate, biodiversity, and human rights.

**Shareholders are urged to vote FOR the proposal asking Home Depot to issue a report assessing if and how it could eliminate deforestation and the degradation of primary forests from its supply chains.**

For more information, please contact Jennifer Skene ([jskene@nrdc.org](mailto:jskene@nrdc.org)) and Ashley Jordan ([ajordan@nrdc.org](mailto:ajordan@nrdc.org)).

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<sup>1</sup> The Home Depot, “Wood Purchasing Policy,” version 2021, accessed April 5, 2022,

<https://ir.homedepot.com/~media/Files/H/HomeDepot-IR/WoodPurchasingPolicySeptember2021.pdf>.

<sup>2</sup> NRDC, “Save the Canadian Boreal,” accessed April 5, 2022, <https://www.nrdc.org/save-canadian-boreal>.

<sup>3</sup> NRDC, “Letter from Scientists to Prime Minister Justin Trudeau Regarding the Protection of Canada’s Primary Forests,” March 23, 2022, [https://www.nrdc.org/sites/default/files/media-uploads/primary\\_forest\\_scientist\\_letter-final.pdf](https://www.nrdc.org/sites/default/files/media-uploads/primary_forest_scientist_letter-final.pdf).

<sup>4</sup> NRDC, “Save the Canadian Boreal.”

<sup>5</sup> Jennifer Skene & Michael Polanyi, “Missing the Forest: How Carbon Loopholes for Logging Hinder Canada’s Climate Leadership,” *NRDC*, October 2021, <https://www.nrdc.org/sites/default/files/missing-forest-canada-logging-carbon-loophole-report.pdf>.

<sup>6</sup> *Id.*

<sup>7</sup> CDP, “The Home Depot, Inc.” accessed April 5, 2022,

<https://www.cdp.net/en/responses?utf8=√&queries%5Bname%5D=home+depot>.

<sup>8</sup> *Id.*

<sup>9</sup> The Home Depot, “Wood Purchasing Policy,” version 2021.

<sup>10</sup> *Id.*

<sup>11</sup> Jennifer Skene, “Scientists Urge Canada to End Primary Forest Logging,” *NRDC*, March 23, 2022,

<https://www.nrdc.org/experts/jennifer-skene/scientists-urge-canada-end-primary-forest-logging>.

<sup>12</sup> *Id.*

<sup>13</sup> Jennifer Skene, “Northern Exposure: The Unseen Loss of Northern Forests,” *NRDC*, April 19, 2021,

<https://www.nrdc.org/experts/jennifer-skene/northern-exposure-unseen-loss-northern-forests>.

<sup>14</sup> Anthony Swift, “Study Shows Boreal Deforestation is Far Higher than Reported,” *NRDC*, December 5, 2019,

<https://www.nrdc.org/experts/anthony-swift/new-study-shows-canada-underreporting-deforestation-rates>.

<sup>15</sup> Courtenay Lewis & Ashley Jordan, “Pulp Fiction: Canada’s Largest Pulp Producers’ Actions Do Not Match Their Sustainability Claims,” *NRDC*, October 6, 2021, <https://www.nrdc.org/resources/pulp-fiction-canadas-largest-pulp-producers-actions-do-not-match-their-sustainability>.

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- <sup>17</sup> The Home Depot, “Wood Purchasing Policy,” version 2021.
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- <sup>19</sup> The Home Depot, “Sustainable Forestry FAQs,” accessed April 12, 2022, [https://corporate.homedepot.com/sites/default/files/Sustainable Forestry FAQs Feb 2022.pdf](https://corporate.homedepot.com/sites/default/files/Sustainable_Forestry_FAQs_Feb_2022.pdf).
- <sup>20</sup> NRDC, “Charmin’s Toilet Paper-Thin Sustainability Claims,” May 2021, <https://www.nrdc.org/sites/default/files/charmin-sustainability-claims-fs.pdf>.
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- <sup>24</sup> Jennifer Skene, “Cutting It Close: How Unsustainable Logging in Canada’s Boreal Forest Threatens Indigenous Rights, Wildlife, and the Global Climate,” *NRDC*, July 2018, <https://www.nrdc.org/sites/default/files/cutting-it-close-logging-canadas-boreal-report.pdf>.
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- <sup>27</sup> Shelley Vinyard, “P&G Stuck in the Past in a Shifting Tissue Marketplace,” *NRDC*, September 15, 2021, <https://www.nrdc.org/experts/shelley-vinyard/pg-stuck-past-shifting-tissue-marketplace>.
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<sup>43</sup> The Home Depot, “Proxy Statement and Notice of 2022 Annual Meeting Of Shareholders,” accessed April 20, 2022, <https://ir.homedepot.com/~media/Files/H/HomeDepot-IR/2022/2022%20Proxy%20Statement%20-%20Final.pdf>.