



# Why to act and be transparent on deforestation risk

Jakarta  
April 18, 2017  
Laura.Pitkin@cdp.net

# Forests & Climate Change




Up to one third of the carbon mitigation needed annually to keep temperature rises in check could be achieved by addressing deforestation and forest degradation.

CO<sub>2</sub>

# Deforestation in supply chains





CDP's forests program works to remove commodity driven deforestation from corporate value chains and to improve global understanding of deforestation-related risk.

Vision, CDP's forests program



# Governments are committed



# Investors are taking action

---

Increased number of:

- ▼ Shareholder resolutions
- ▼ Divestments
- ▼ Coalitions

# 380

## investors

representing **US\$29 trillion** in assets are signatories to CDP's forests program to understand corporate management of the risks associated with deforestation.



Forestry issues for certain industries help us to determine a company's eligibility for investment. Our latest approach has been to build on the principles of CDP's forests program with a focus on the key commodities driving deforestation.



**Adam Kanzer**

Managing Director and General Counsel

Domini Social Investments, LLC



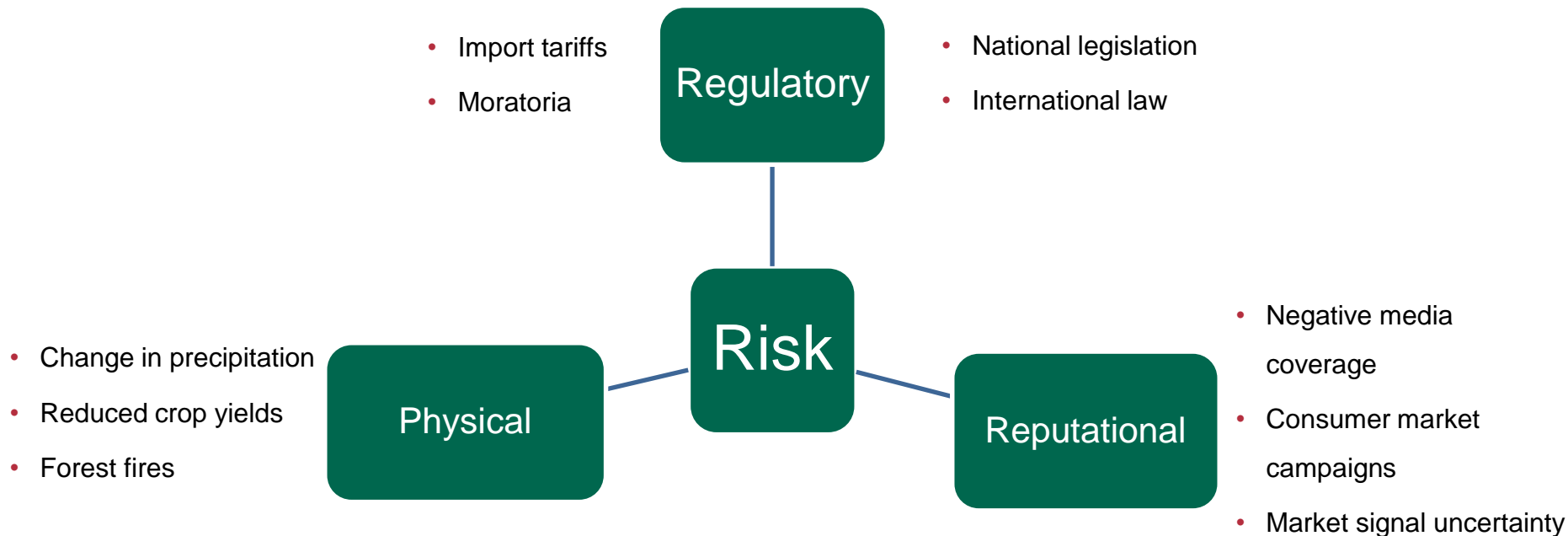
# What are these commodities used for?



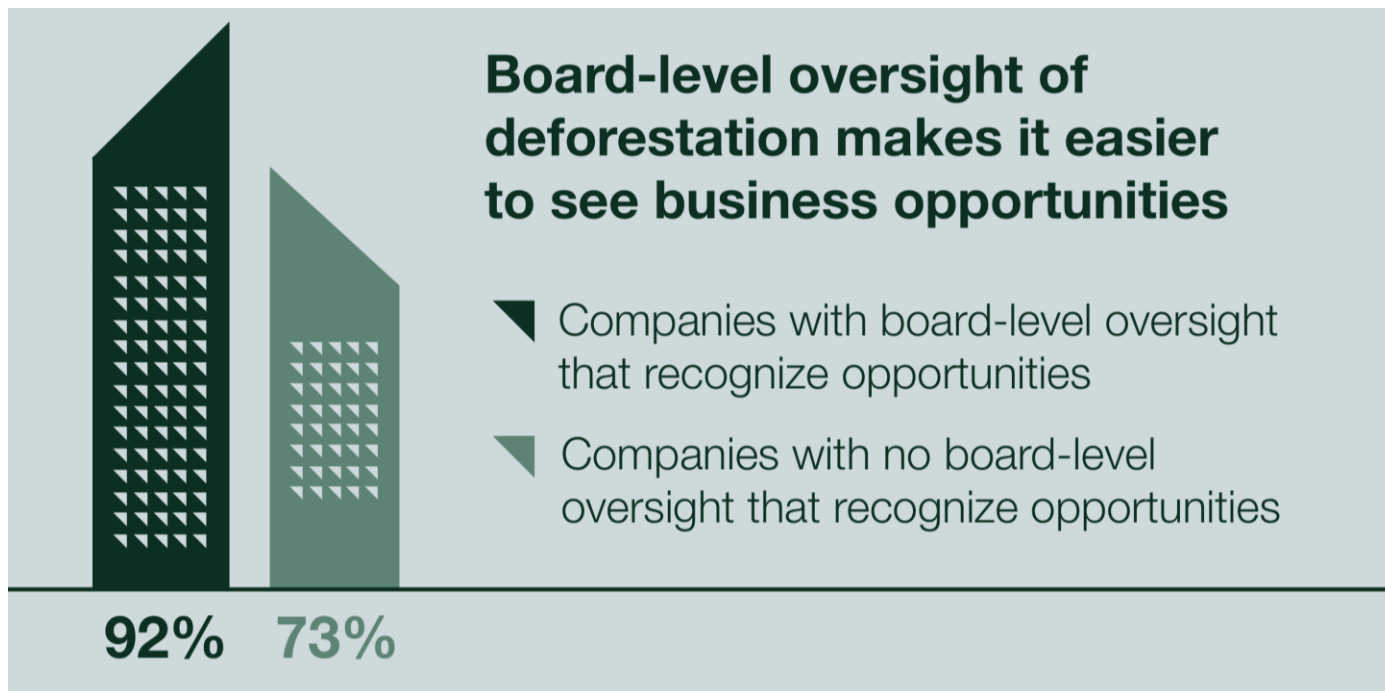
Photo credits: Wood market in Cameroon - Ollivier Girard, CIFOR; Jukwa Village & Palm Oil Production - Ghana oneVillage Initiative; Cattle in Colombia's eastern plains - Neil Palmer, CIAT; Soy bean at Carimagua, in Colombia's eastern plains - Neil Palmer, CIAT



# What are the deforestation risks?



# Opportunity is linked to action



---

# Action is linked to opportunity

---

- ▼ Generation of additional business and more loyal customers – **Interserve Plc.**
- ▼ Building stronger relationships with supply chain partners that can stimulate new revenue streams – **Burberry Group Plc**
- ▼ Brand value increase – **UPM-Kymmene Corporation**

# Opportunity for trade



- ▼ Volume of certified wood exported from Indonesia increased by 10% in one year
- ▼ This is largely attributed to Indonesia's FLEGT-VPA licence

# Access to finance

---



LLOYDS BANK



Deutsche Bank



UBS



BNP PARIBAS



J.P.Morgan



Rabobank

# Who is requested to respond?



# Forests questionnaire

The 2017 questionnaire aims to:

- ▶ Guide companies through the journey of removing commodity-driven deforestation from their value chain;
- ▶ Improve understanding of deforestation-related risks;
- ▶ Encourage effective engagement between external stakeholders and companies; and
- ▶ Allow companies to demonstrate progress and good practice.

## CDP's 2017 Forests Information Request





CDP's forests program assists companies and their investors worldwide in understanding and addressing their exposure to 'forest risk commodities'. In 2016, 365 investors with over US\$22 trillion in assets backed CDP's forests information request.

The following set of questions form CDP's 2017 forests information request. Companies are asked to answer these questions in the Online Response System (ORS) provided by CDP through its website. As such, this document is a representation of the request and whilst the questions will remain the same, the format may differ for ease of response. Guidance is available on the CDP website from December 2016 which details all of the options available and provides screen shots of the ORS to aid companies in completing the request.

**An introduction to CDP's forests program**  
Deforestation accounts for approximately 10-15% of the world's greenhouse gas emissions, equivalent to the entire transport sector.<sup>1</sup> Commodities which may be sourced, directly or indirectly, from recently deforested land represents the deforestation risk for a business.

Global demand for agricultural commodities is the primary driver of deforestation, as timber is extracted and land is cleared to produce beef, soy, and palm oil. These 'forest risk commodities' are the building blocks of millions of products traded globally and feature in the supply chains of countless companies. International pressure is mounting to stop deforestation, a significant cause of greenhouse gas emissions. The loss of natural capital due to land use by the primary production and primary processing sectors is estimated to be costing the global economy US\$1.5 trillion annually.<sup>2</sup>

### The forest risk commodities

Forest risk commodity	Explanation
	<b>Timber:</b> this includes all solid timber as well as products made from processed wood fiber such as paper, cardboard and specialty fibers such as viscose. It also includes timber products used for biomass.
	<b>Palm Oil:</b> this includes crude palm oil, and all of its chemical derivatives. It also includes palm kernel oil and its derivatives. Please note that palm oil used for biofuel production is also included in this category, if applicable (see below).
	<b>Cattle Products:</b> this includes all food products containing beef, all clothing, furniture and accessories that are made of leather, tallow and all other products derived from cattle. Please note that tallow used for biofuel production is also included in this category, if applicable (see below).
	<b>Soy:</b> this includes all meal or oil containing soy and any derivatives that are obtained from soy. Please note that soy used for biofuel production is also included in this category, if applicable (see below).

<sup>1</sup> Van der Werf GR, et al. 2009. CO<sub>2</sub> Emissions from Forest Loss. Nature Geoscience 2, 737-738.

<sup>2</sup> Truost, 2013. Natural Capital at Risk: The Top 100 Externalities of Business. Available online at: <http://naturalcapitalallition.org/wp-content/uploads/2016/07/Truost-Nat-Cap-at-Risk-Final-Report-web.pdf>

# Forests questionnaire



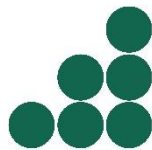
Timber



Palm Oil



Cattle Products



Soy

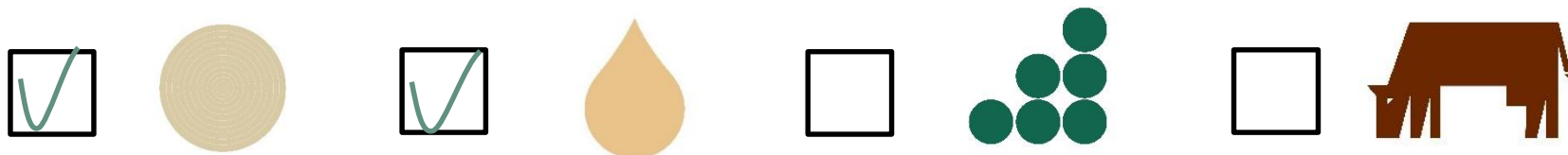
Introduction	F0. Introduction
Current state	F1. Context
Risk Assessment	F2. Risk assessment
Implications	F3. Risks F4. Opportunities
Measuring and Monitoring	F5. Measurement F6. Traceability
Response	F7. Governance and strategy F8. Policies F9. Standards and targets F10. Engagement
Challenges	F11. Barriers and challenges
Sign Off	F12. Sign off



# Introduction

---

☒ Producer   ☒ Processor   ☒ Trader   ☐ Manufacturer   ☐ Retailer



# Current state

## Current use of commodities:

Forest risk commodity	Activity	Form of commodity	Source	Country of origin	% of procurement spend	Comment
-----------------------	----------	-------------------	--------	-------------------	------------------------	---------

## % of your organization's revenue dependent on FRC

## Impacts experienced related to FRC

Forest risk commodity	Impact driver	Impact	Description of impact	Estimated financial impact	Response Strategy	Description of response strategy
-----------------------	---------------	--------	-----------------------	----------------------------	-------------------	----------------------------------

# Risk assessment

---

- ▼ Is your deforestation risk assessment integrated into a comprehensive, company-wide risk assessment process?
- ▼ Does it include your supply chain?
- ▼ How often you monitor risk and how far into the future are they being considered?

**42%**

**of companies have evaluated the impact of the availability or quality of key forest-risk commodities on their growth strategies over the next five or more years**

# Implications

## Risks

Severity \ Likelihood	High	Medium	Low
Very likely			
Likely			
About as likely as not			
Unlikely			
Very unlikely			

## Opportunities



# Measuring and monitoring

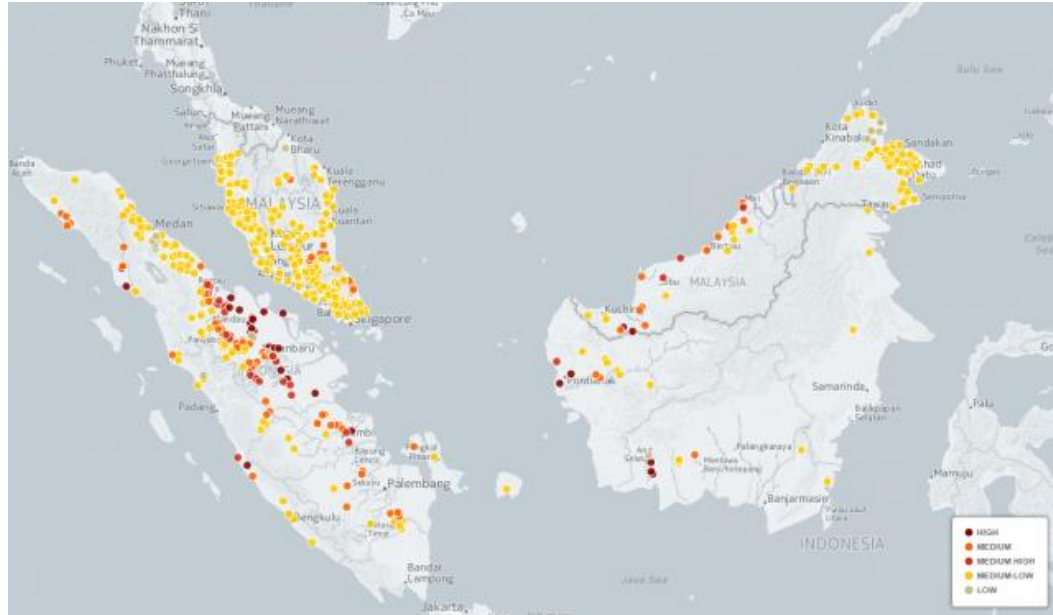


Image credit: World Resource Institute

# Response



## No Deforestation, No Peat, No Exploitation Policy

DECEMBER 5<sup>th</sup>, 2013

### Purpose:

Wilmar International recognizes that while plantation development has contributed significantly to economic development, deforestation and other unsustainable practices have many negative consequences for people and the environment. For that reason, we are working closely with other growers, traders, processors, NGOs, end-user companies, financial institutions and other industry stakeholders to protect forests, peatlands, and human and community rights. To advance this industry transformation, we hereby announce this company policy:

#### 1. No Deforestation

- No development of High Carbon Stock (HCS) Forests
- No development of High Conservation Value (HCV) Areas
- No burning
- Progressively reduce greenhouse gas (GHG) emissions on existing plantations

#### 2. No Development on Peat

- No development on peat regardless of depth
- Best Management Practices for existing plantations on peat



# Challenges

## Collaboration

The need for better cross-sector and industry collaboration is a strong theme throughout company responses. This is particularly important because most companies, particularly small and medium-sized businesses, are unable to effect significant change on their own. Monitoring, managing and improving product traceability and transparency can be time consuming and costly, so it is important for organizations to pool knowledge and resources, and share the load. There is also a lot of work to be done to improve the cross-sector systems and tools which support traceability and policy compliance and this is difficult for companies to do in isolation.

## Market demand

High cost, lack of availability and low consumer and customer demand for certified sustainable products is the most frequently mentioned challenge across all sectors. Collaborative efforts from supply chain players, government and NGOs, are crucial to expand product supply, and to set clear market direction in terms of demand. Respondents across all sectors stressed the need to inform and educate consumers, customers, investors, suppliers, and their own staff, on the importance of sourcing sustainable products.

# Benefits of responding

## Investor communication

Demonstrate to investors your proactive approach towards addressing deforestation risk.

## Stakeholder communication

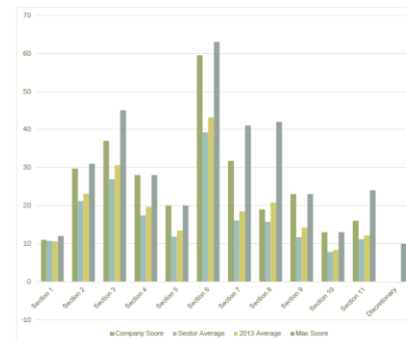
Increase your transparency and effectively communicate to your stakeholders.

## Internal risk management

Improve the resilience of your supply chain.

## Benchmarking

Understand your performance and progress.



## Opportunities

Seize the opportunities associated with sourcing sustainable commodities.


## Collaboration

Join a focal point for collaboration and information exchange.

## Staying ahead of the curve

Keep up to date on global commodity challenges.





We evaluated the disclosure value for our business and also for our stakeholders that would be obtained from various disclosure platforms, and CDP scored highly for us. This led us to our decision to report through CDP.

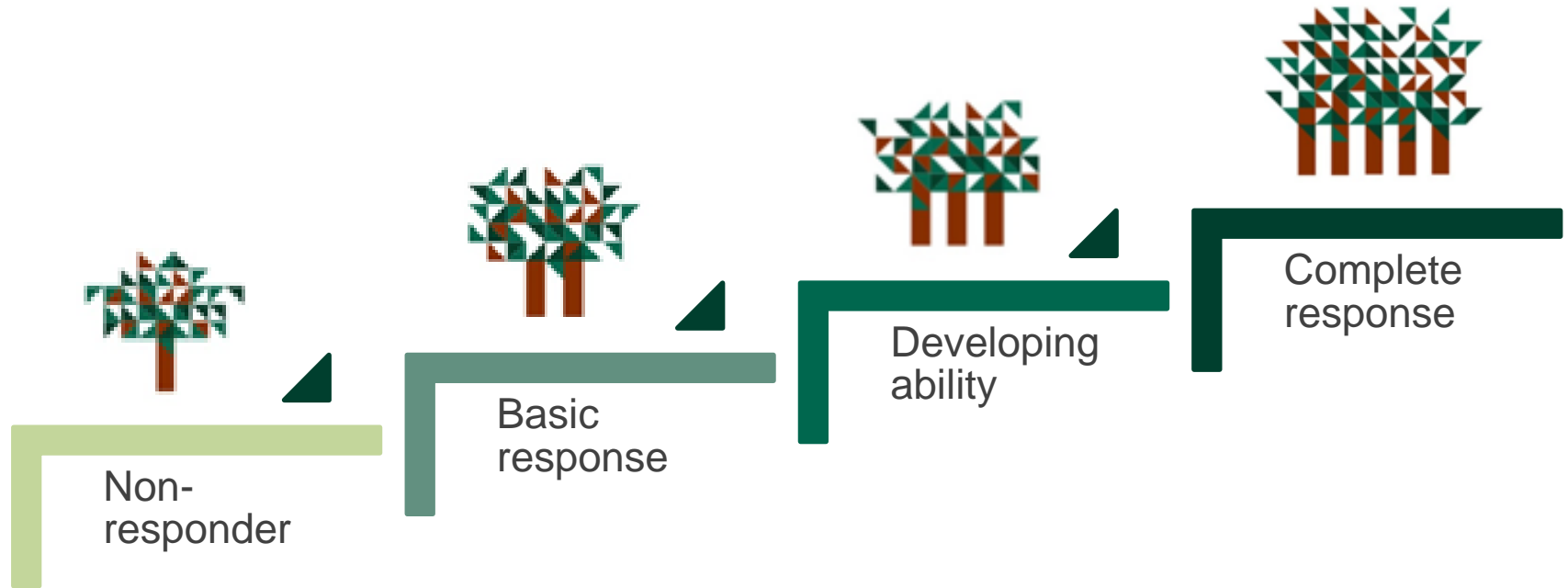
**Lim Shu Ling**

Head of Sustainability Communications

Golden Agri-Resources Ltd

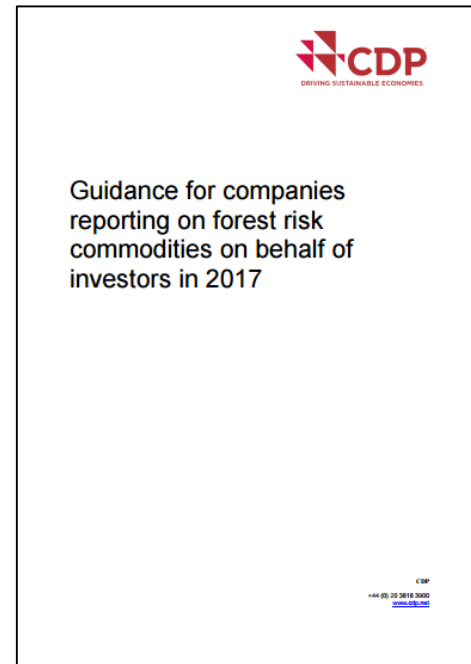


# CDP's forests reporting roadmap



# Resources to help you with your forests response

- ▼ Reporting roadmap
- ▼ Guidance document
- ▼ Scoring methodology



---

# 2017 disclosure cycle

---

- ▼ **February 2017:** information request issued
- ▼ **29<sup>th</sup> June 2017:** deadline for submissions
- ▼ Contact [respond@cdp.net](mailto:respond@cdp.net) for information on how to disclose

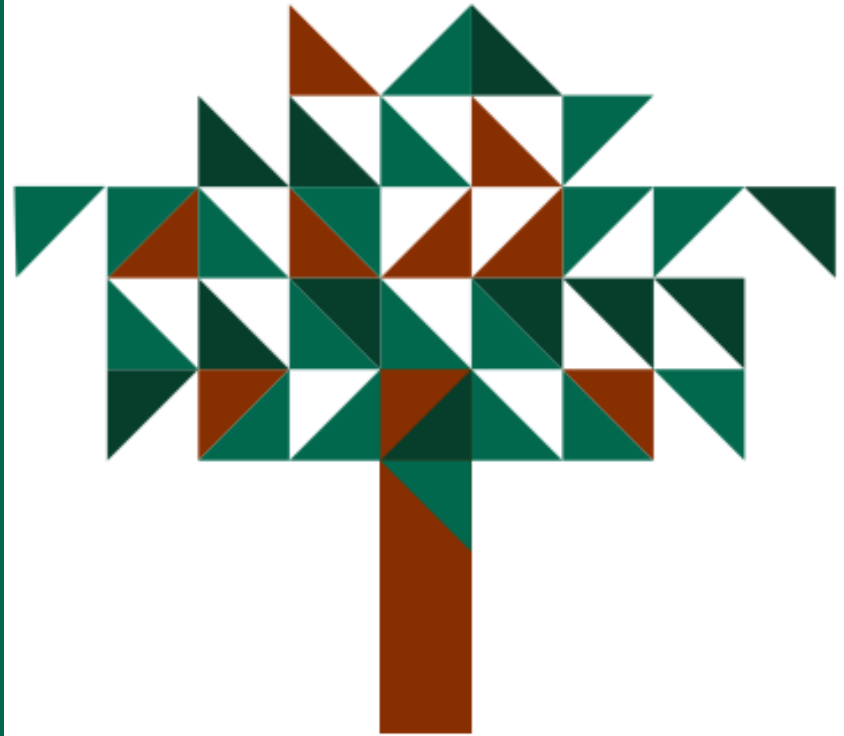
---

# CDP is reimagining disclosure

---

- ▼ Maintaining commodity focus
- ▼ Restructuring
- ▼ Revision of current data points
- ▼ Addition of new data points and sector-specific metrics
- ▼ Alignment with TCFD recommendations, where possible

## Other forests initiatives



# Commit to Action



54

Companies committed to remove  
commodity-driven deforestation from all  
supply chains by 2020



L'ORÉAL



*Kellogg's*

*H&M*

# CDP Supply Chain - Forests

Our members can:

- ▼ **Collect data** from suppliers across all of the key deforestation risk commodities
- ▼ Access an **online dashboard**, tracking their suppliers' performance
- ▼ Have access to **training webinars and workshops** for their **buyers** and **suppliers**
- ▼ Create an **actionable roadmap** to reduce risks with CDP's support;
- ▼ **Streamline communication** of expectations and requirements
- ▼ **Reduce reporting burden** on their suppliers
- ▼ Get a **richer picture of the deforestation** risk they are exposed to through our work in Brazil, Peru and Colombia and through NGO project partner intelligence on the ground



Arcos Dorados



Firmenich





# Thank you!



CDP's forests program was first pioneered by the Global Canopy Programme ([www.globalcanopy.org](http://www.globalcanopy.org)) which remains a prime funder for the program and acts as the principal advisor on forests and forest risk commodities to CDP.