

Disclosure for a deforestation-free supply chain: An Accountability Framework baseline for 2020 and beyond



Accountability
Framework

Delivering on
ethical supply chain
commitments



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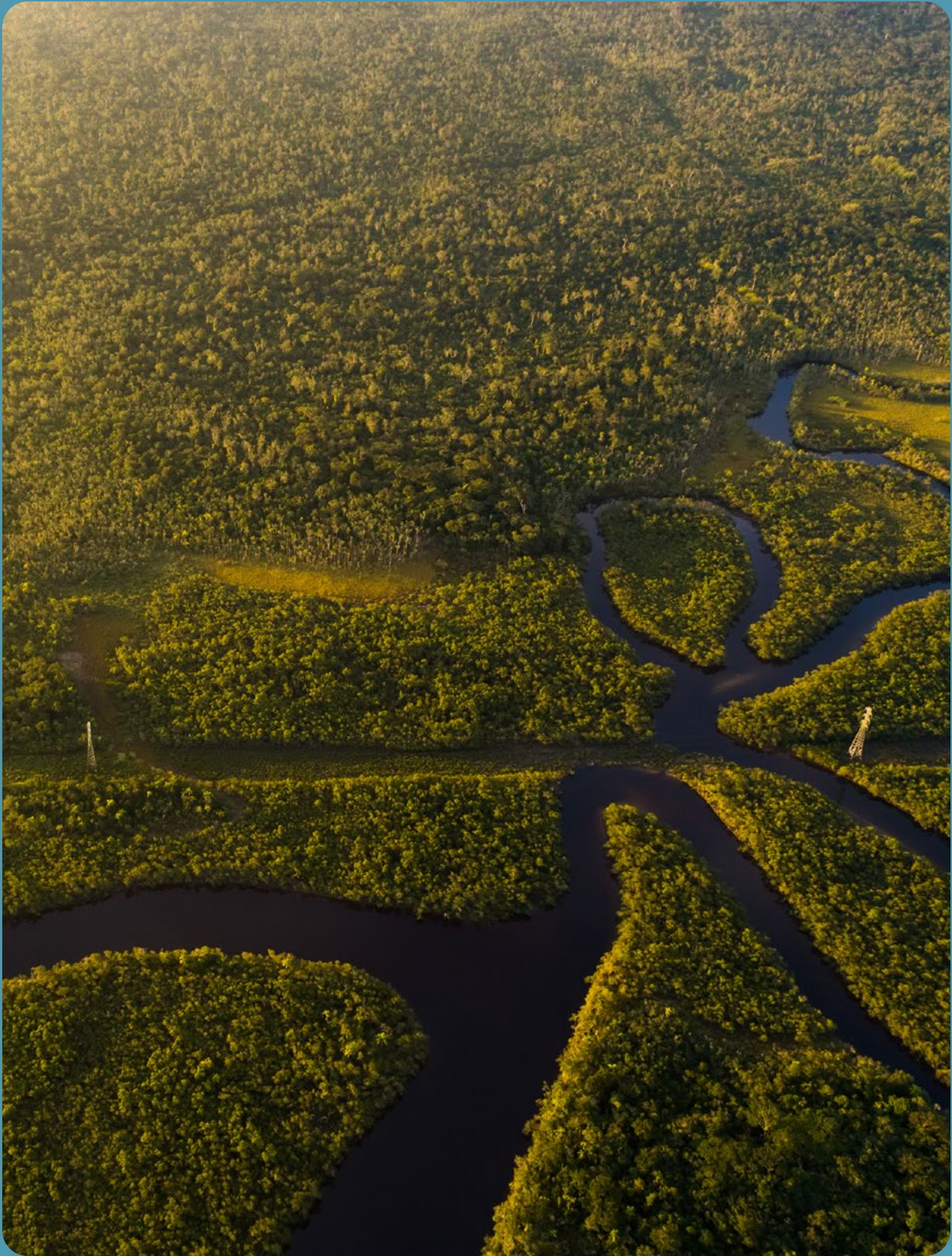
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Introduction

Aligning for accountability

The Accountability Framework initiative (AFi) and CDP are working together to provide clarity on best practice for corporate reporting to demonstrate progress toward eliminating deforestation and other forms of ecosystem conversion from their commodity supply chains.

As corporate policies and commitments to achieve ethical commodity production and trade become the norm, expectations for reporting related to these goals have increased as well.

The Accountability Framework initiative (AFi) and CDP are working together to provide clarity on best practice for corporate reporting to demonstrate progress toward eliminating deforestation and other forms of ecosystem conversion from their commodity supply chains.

Released in June 2019, the Accountability Framework represents commonly recognized best practice for addressing deforestation, conversion, and human rights abuses in agricultural and forestry supply chains. The CDP forests questionnaire provides a framework for companies to measure and manage forest-related risks and opportunities, and transparently report on progress.

To amplify and clarify essential action and disclosure by companies, CDP has aligned its 2020 forests questionnaire with the Framework's principles, terminology, and guidance. Companies that adopt the principles of the Accountability Framework will be **better able to report to and score well against CDP**, and companies that disclose comprehensively through the CDP forests platform will also be **reporting effectively against the Accountability Framework itself**. Because the principles of the Accountability Framework represent consensus-based best practice, these disclosures will support companies in **meeting the expectations of buyers, investors, and other stakeholders**.

About this report

This assessment will serve as a basis to track progress in the coming years. It also provides a window into the ways in which companies are responding to these challenges in different sectors and contexts, which may inspire further progress by companies that are just beginning their ethical supply chain journey.

This report provides a baseline analysis of company performance against the Core Principles of the Accountability Framework. It uses data disclosed through CDP by companies in 2019, providing an opportunity to understand how many of the companies that produce and source agricultural and forest commodities were performing before the launch of the Accountability Framework. This baseline assessment illuminates the **type and extent of disclosures** many companies are already making related to key elements of the Framework – those for which reporting is robust and progress is being made; those that indicate common gaps in achieving ethical supply chains; and those for which tools, indicators, and guidance for effective disclosure are still being developed.

This assessment will serve as a basis to track progress in the coming years. It also provides a window into the ways in which companies are responding to these challenges in different sectors and contexts, which may inspire further progress by companies that are just beginning their ethical supply chain journey.

This document follows the Accountability Framework's Core Principles through two stages of the ethical supply chain journey:

- 1. Set supply chain goals.** Develop clear and effective policies and commitments to eliminate deforestation, ecosystem conversion, and human rights abuses from commodity supply chains.
- 2. Implement ethical supply chains.** Take action toward effective implementation systems, including systems for traceability, certification, supplier management, responsible production, monitoring and verification, and improvements beyond the supply chain.

New for 2020

Many of the indicators used in the 2019 CDP questionnaire have since been revised to support greater transparency related to key elements of the Accountability Framework, and some of those revisions are noted throughout this document. A full description of the changes in the 2020 disclosure cycle can be found on the [CDP website](#).

The data

A total of 543 companies responded to CDP's 2019 Forests questionnaire. This includes 21% of the 1,377 companies requested to disclose through CDP by investors, and 63% of the 539 companies requested by their customers. Responding companies provided more than 120 commodity-specific disclosures from organizations based in Europe, more than 100 from the US and Canada, and more than 80 from Asia.

This report uses data from 411 companies that made full disclosures specific to forest-risk commodities. As companies often disclose on more than one commodity, the analysis includes **698 commodity-specific disclosures** (see Table 1).

Table 1: Disclosures through CDP's 2019 forests questionnaire included in this report

	Timber	Palm Oil	Soy	Cattle	Rubber	Other
# of companies disclosing	291	146	106	93	27	35

From the directors



Morgan Gillespy

Morgan Gillespy
Director, Forests
CDP

2020 was supposed to be the “super year”: the time that the world stepped up with new solutions equal to the vast challenges of climate change, biodiversity loss, and inequality. Then the pandemic struck. With the postponement of key global processes such as the UN conventions on biodiversity and on climate change, it was uncertain what would be gained – or lost.

But opportunity sparks in the darkest of corners. COVID-19 has prompted a global awakening to the deep and lasting impacts of our human interactions with the environment. We’ve learned even more about the risks that come with human encroachment into forests and natural habitats.

A [Nature study](#) found that between 1940 and 2015, almost half of zoonotic diseases events were driven by land-use change, agricultural intensification, food and industry, and wildlife hunting. Previous coronaviruses SARS and MERS fit this profile, as do Ebola, Lyme disease, and West Nile virus. These clear linkages to disease add to all that we know about the vital role of forests in climate regulation, biodiversity conservation, the preservation of soil and water resources, and the livelihoods of forest communities.



Jeffrey C. Milder

Jeff Milder
Director, Global Programs
Rainforest Alliance
on behalf of
the AFI Backbone Team

It has never been clearer: to protect forests, we need transformational change in the way we produce, trade, and consume agricultural and forestry commodities. This transformation relies on the interconnected efforts of companies, governments, investors, civil society, and other stakeholders, making transparency more critical than ever before. In this collective effort, the Accountability Framework provides a roadmap for companies working to be a part of this change, and CDP provides a tool for tracking and communicating progress.

As this report shows, leading companies are not only setting commitments to protect forests; they are also taking measures to implement these commitments, such as assessing deforestation risk, managing suppliers, and collaborating to support sustainable land use in producing regions. Yet progress is highly variable, with many key gaps remaining. This report highlights both progress and gaps so that companies and all stakeholders can focus efforts on what remains to be done to make deforestation-free supply chains the new normal. We intend to repeat this analysis routinely so that the global community can track progress and effectively target its work.

While 2020 may not go down in history as a super year, it has been a time of important progress to establish the foundations of policy, changing business practices, and increased transparency needed to create a better future – one where humans protect forests and forests, in turn, protect us.

Key findings:

- Nearly half of the companies that disclosed on forests through CDP in 2019 had policies or commitments to produce or source one or more commodities free of deforestation or ecosystem conversion. However, the majority of those commitments were not fully aligned with the principles of the Accountability Framework in their terminology, use of cutoff dates, or inclusion of time-bound targets.
- The majority of companies, and nearly all companies with robust no-deforestation commitments, were actively assessing deforestation and conversion risk in their operations and supply chains.
- Supply chain traceability varied greatly, but in each commodity sector some companies were able to trace to sub-national levels and beyond, and the majority of companies sourcing from regions with high deforestation risk disclosed the origin of commodity volumes down to a sub-national level.
- Roughly one third of companies used certification for at least some portion of the commodities in their supply chain.
- Supplier engagement is common: each of the three types of engagement covered by the questionnaire (direct suppliers, indirect suppliers, and smallholders) were being conducted by at least half of the disclosing companies.
- Fewer than 20% of the companies disclosing to CDP had a commitment to resolving complaints and conflicts through an open, transparent, and consultative process.
- More than 80% of companies reported involvement in external sustainability initiatives, such as jurisdictional or sectoral collaborations.

1. Set supply chain goals: Eliminating deforestation and conversion

Setting specific, measurable, and time-bound commitments and policies to eliminate deforestation and other forms of ecosystem conversion from agricultural and forestry production are thus an essential element of achieving ethical supply chains and communicating risks, opportunities, and actions.

Forests and other natural ecosystems are critical for carbon storage, biodiversity conservation, protection of water supplies, mitigation of natural hazards, adaptation to climate change, and the wellbeing of indigenous peoples and local communities. Setting specific, measurable, and time-bound commitments and policies to eliminate deforestation and other forms of ecosystem conversion from agricultural and forestry production are thus an essential element of achieving ethical supply chains and communicating risks, opportunities, and actions. All companies that produce, source, or finance forest-risk commodities will find value in having written policies and commitments in place. These policies provide direction and clarity on company goals, enable commitments to be pushed to upstream suppliers, and allow for clear communication of progress.

1.1 Disclosure of policies and commitments

Through their disclosures through the CDP forests questionnaire, companies can indicate whether they have policies related to forest and ecosystem protection, and whether those policies include commitments to eliminating deforestation and/or conversion of natural ecosystems from their operations and supply chains.

Of the companies that made commodity-specific disclosures on forests through CDP in 2019, **40% (167/411) disclosed forest-related policies, most of which (149/411) were company-wide no-deforestation or no-conversion policies.**

Definition



Deforestation: Loss of natural forest as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; or iii) severe and sustained degradation. Loss of natural forest that meets this definition is considered to be deforestation regardless of whether or not it is legal.

Conversion: Change of a natural ecosystem to another land use or profound change in a natural ecosystem's species composition, structure, or function. Deforestation is one form of conversion (conversion of natural forests). Conversion includes severe degradation or the introduction of management practices that result in substantial and sustained change in the ecosystem's former species composition, structure, or function. Change to natural ecosystems that meets this definition is considered to be conversion regardless of whether or not it is legal.

Central to those policies are commitments to achieve operations or supply chains free of deforestation and ecosystem conversion. In practice, these commitments lack consistency in scope and ambition, decreasing policy effectiveness, and in terminology, hindering corporate accountability. The Accountability Framework provides consensus-based definitions for relevant terms, and guides companies to develop policies and commitments that:

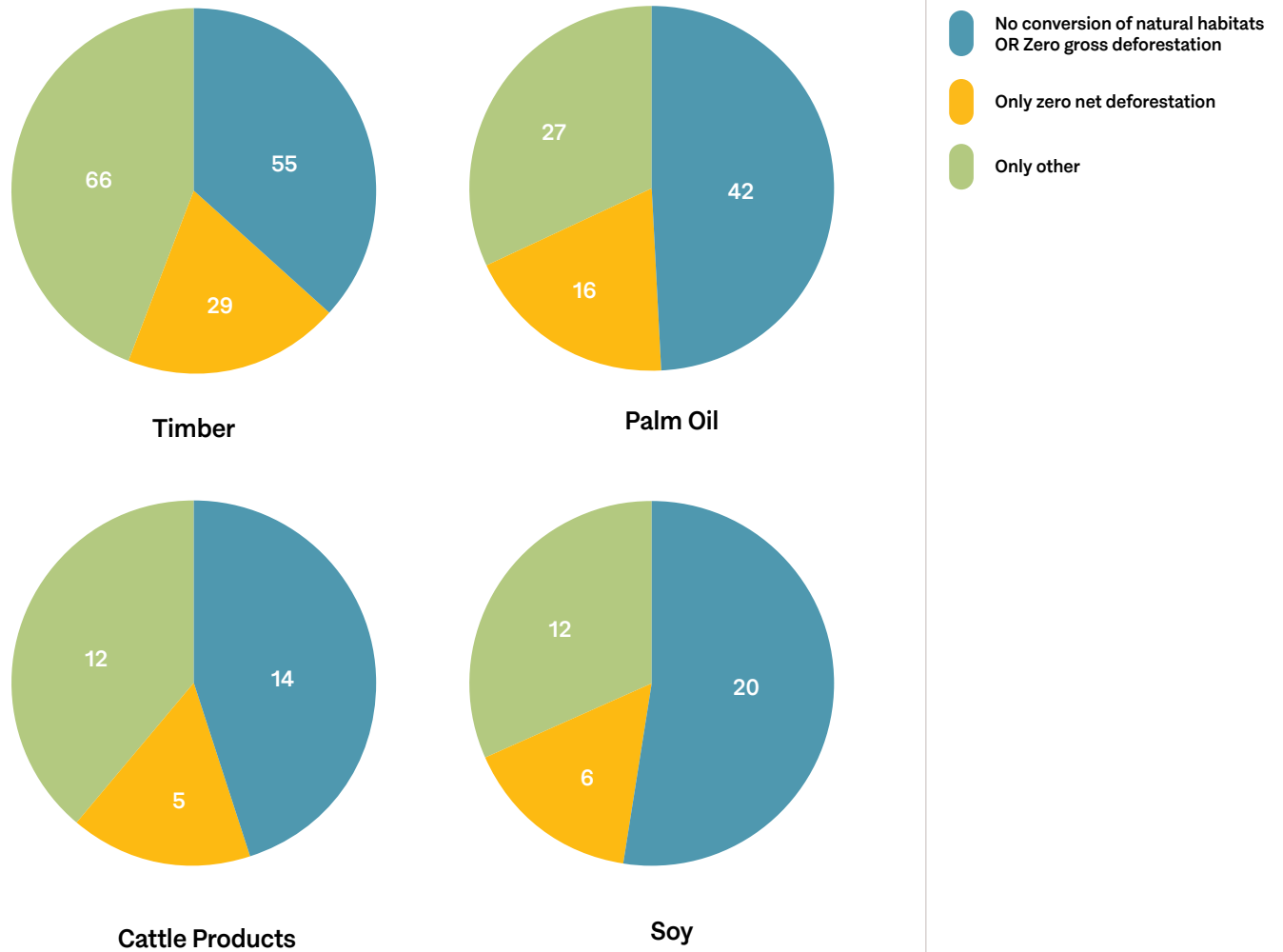
- **Specify a no-deforestation and/or no-conversion goal**
- **Use clear and appropriate definitions of deforestation/conversion (see box above)**
- **Specify no gross deforestation/conversion**

While more than half of the companies in this analysis (212/411) have a public forest-related commitment, only a quarter (97/411) have made a no-deforestation or no-conversion commitment that meets the above criteria (Figure 1). Depending on the commodity, 19%-32% of companies reporting deforestation commitments also report having no-conversion commitments, and sixteen companies reported stand-alone no-conversion commitments. In addition, many companies reported having both zero net and zero gross deforestation or conversion commitments for the same commodity, indicating a lack of clarity around those terms.

Through the CDP forests questionnaire, companies may report on a range of additional commitments related to deforestation and conversion, including commitments to specific implementation approaches such as conservation of High Conservation Values (HCVs) or High Carbon Stock (HCS) forests, no burning, and no new development on peat. Such policies are often a key component of no-deforestation and no-conversion goals, but in the absence of a broader goal to eliminate forest or ecosystem conversion, commitments to these processes may not cover all potentially impacted natural ecosystems.

Figure 1: Specification of public forest-related commitments by commodity

Companies that specify zero gross deforestation and/or no conversion are aligned with the Accountability Framework. Companies that specify only zero net deforestation or other commitments such as no new development on peat or no burning (without also specifying zero gross deforestation or no conversion) are not fully aligned.



1.2 Cutoff dates

To effectively protect ecosystems, clarify expectations across the supply chain, and enable consistent monitoring, the Accountability Framework's guidance states that commitments to no-deforestation and no-conversion supply chains should include a cutoff date. These **cutoff dates** should be:

- **In line with existing sectoral cutoff dates whenever possible**
- **No later than 2020 (for no-deforestation)**
- **As early as possible and pre-dating issuance of commitments (for no-conversion)**

Across all commodities, **around one third of the reporting companies with zero gross deforestation or no-conversion commitments did not specify a cutoff date**¹, and therefore did not provide an effective basis for accountability on achieving supply chain goals. Of those that did have cutoff dates, the dates varied greatly both among and within commodities (see Figure 2). For commitments related to palm oil and timber, certification schemes are likely the driver of earlier cutoff dates, while cutoffs in the cattle and soy sectors tend to be more recent.

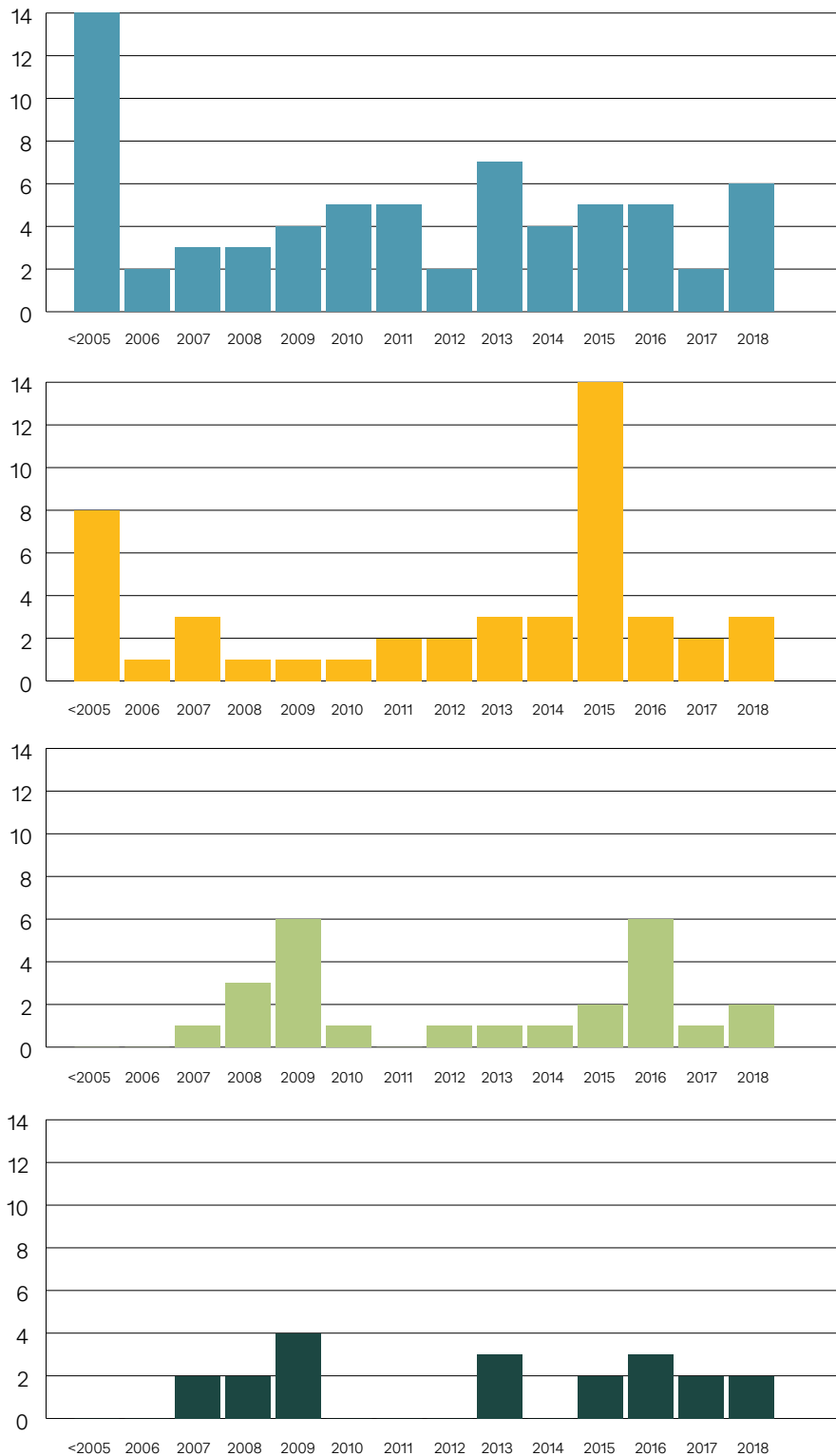
Definition



Cutoff date: The date after which deforestation or conversion renders a given production area non-compliant with no-deforestation or no-conversion commitments.

¹Companies with no-deforestation or no-conversion commitments that have not indicated a cutoff date, by commodity: palm oil: 21% (9/42 companies); timber: 38% (21/55 companies); soy: 20% (4/20 companies); cattle: 14% (2/14 companies). Note that CDP does not allow companies to indicate a cutoff date that is in the future, which is aligned with AFI guidance on the topic.

Figure 2: Companies disclosing cutoff dates associated with no-deforestation and no-conversion commitments, by commodity



Timber

Palm Oil

Soy

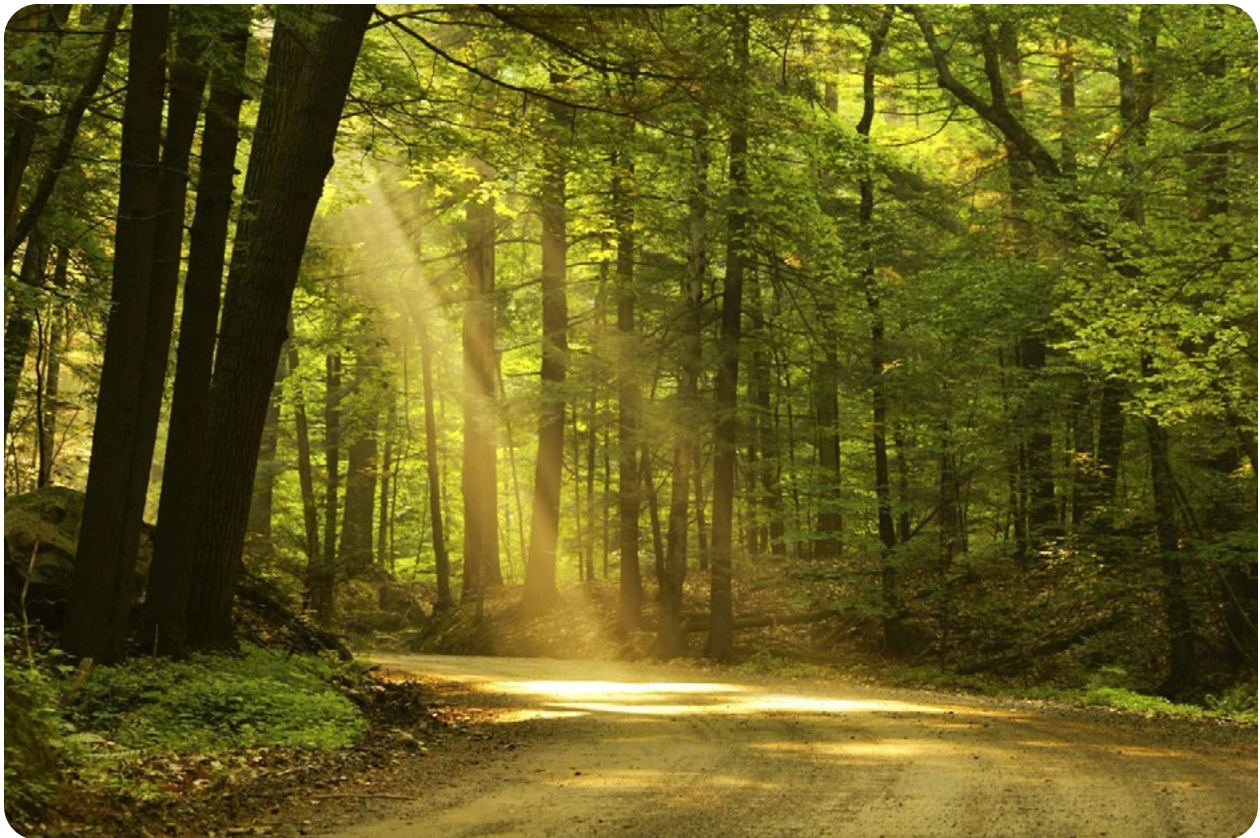
Cattle Products

Examples

Adopting cutoff dates based on certification programs

Jerónimo Martins SGPS, SA (Portuguese retailer): As an RSPO member, and having committed to using 100% certified palm oil from 2020 onwards, we consider 2005 the cutoff date for land clearing damaging primary forest or any area required to protect HCV, in accordance with current RSPO Principles and Criteria.

Unilever (multinational consumer goods company): Unilever policy specifies FSC as an accepted sustainability standard. FSC uses a 1994 cutoff date for converting natural forests to plantations or other land uses. As FSC comprises the majority of our volume, our de facto forest conversion cutoff date is 1994.



1.3 Target dates

As stated in the Accountability Framework's Core Principles, **strong commitments and policies must include a target date, indicating a company's intended timeframe for achieving its supply chain goals.** Many global initiatives, such as the Tropical Forest Alliance and the New York Declaration on Forests, set 2020 as a target date for achieving supply chains free of deforestation, and the Accountability Framework supports the adoption of this date as well.

The CDP data show that many companies did identify 2020 as the target for fulfilment of no-deforestation commitments (see Figure 3). Of the 97 companies that have zero gross deforestation or no conversion commitments, 41% indicated post-2020 targets or have not set a commitment timeframe.

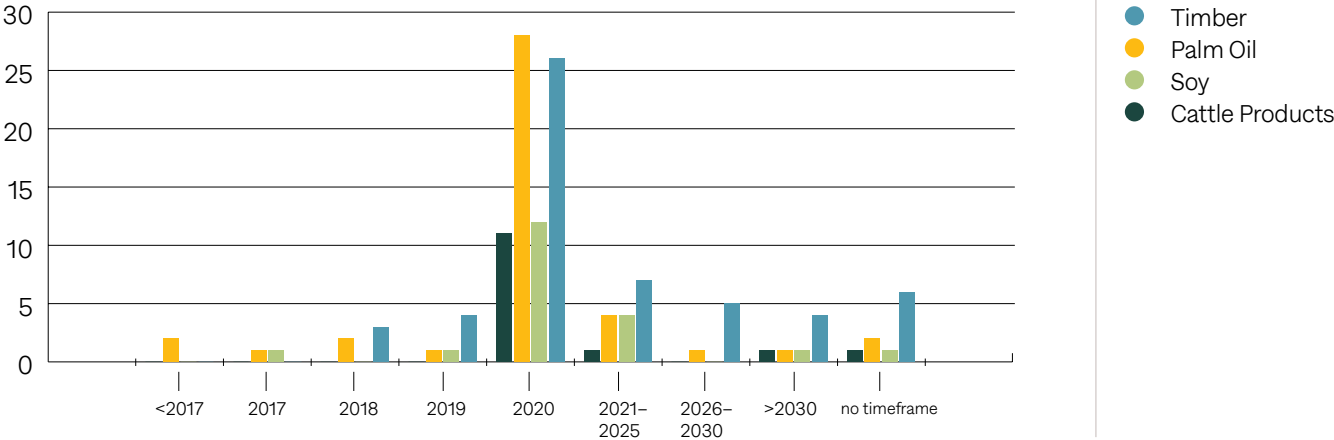
Definition



Target date: The date by which a company (or other commitment- or policy-issuing entity) intends to have fully implemented its commitment or policy.

Now that 2020 has arrived and no-deforestation goals have generally not been achieved, there is a need for most companies — those with 2020 targets, without targets, and many of those with less ambitious targets — to refresh their commitments. Those without time-bound targets, or with targets later than 2020, should work to adopt and demonstrate progress toward ambitious target dates. Those with 2020 targets should not remove or change this target but rather show clear milestones toward achieving it, despite being behind deadline.

Figure 3: Companies disclosing target dates associated with no-deforestation and no-conversion commitments, by commodity



1.4 Inclusion of respect for human rights

More than two-thirds of companies with no-deforestation or no-conversion commitments also disclosed policies related to human rights.

The AFi advocates for commitments and policies to respect all human rights, and particularly the rights of workers, indigenous peoples, and local communities. While human rights are not the focus of the CDP forests disclosure, companies do have the opportunity to identify commitments they have made on topics such as gender equality, workers' rights, and transparent grievance resolution. As with deforestation and conversion, public commitments to respect human rights must be followed up by the implementation of policies, such as conducting free, prior, and informed consent (FPIC) processes and utilising grievance mechanisms.

In general, only a limited number of companies disclosed relevant social commitments in 2019 (see Table 2). However, companies with deforestation- or conversion-related commitments were more likely than those without them to have human rights policies as well. More than two-thirds of companies with no-deforestation or no-conversion commitments also disclosed policies related to human rights.

Table 2: Percentage of 2019 CDP forests disclosures that included human rights commitments, by commodity

Commitment to respect human rights	Timber	Palm Oil	Soy	Cattle	Rubber
Recognition and endorsement of the Universal Declaration of Human Rights	18%	23%	10%	8%	11%
Promotion of gender equality and women's empowerment	12%	17%	4%	4%	7%
Adoption of the UN International Labour Organization principles	15%	23%	12%	8%	19%
Resolution of complaints and conflicts through an open, transparent, and consultative process	13%	24%	11%	9%	19%

New for 2020

To more fully align with the Accountability Framework, the 2020 CDP forests questionnaire includes new wording in its question on commitment content and additional options for criteria, including “No conversion of natural ecosystems,” “Zero gross deforestation / no deforestation,” “Secure Free, Prior and Informed Consent (FPIC) of indigenous peoples and local communities,” and “Operations are in accordance with the UN Declaration of the Rights of Indigenous Peoples”.



2. Implement ethical supply chains

Once clear sustainable supply chain policies and commitments have been established, they must be implemented effectively and transparently. While clear commitments and policies are necessary for assessing a company's intentions, a greater focus on implementation is needed to evaluate progress and increase accountability for supply chain goals. CDP's 2019 Forests questionnaire includes information about key aspects of implementation, and the 2020 version further builds on that foundation.



The Accountability Framework provides principles and associated guidance on key elements of implementation that are essential for achieving supply chain goals, including:

- **Company systems to drive implementation**
- **Traceability and risk assessment**
- **Supplier management**
- **Responsible land acquisition and land management**
- **Grievance mechanisms and remediation**
- **Monitoring and verification**
- **Collaboration for broader impact beyond the supply chain**

Companies can use the Framework to assess their systems and practices and plan improvement processes. Disclosures related to implementation policies, systems, and activities provide crucial information about company progress relative to their stated commitments.

2.1 Company systems to drive implementation

The Accountability Framework's Core Principle 4 sets the expectation that companies establish systems and processes that effectively promote and facilitate the implementation of commitments. This includes senior-level leadership and accountability for commitments, as well as incorporating supply chain commitments into core company systems and processes.

In 2019, 71% (290/411) of the companies disclosing to CDP reported board-level oversight of forest-related issues. Of these, however, **only 25 companies (8% of those that responded) indicated that their board had oversight over implementation and fulfilment of commitments on these topics.** This highlights that many companies are including forest-related issues at the core of their decision-making processes, yet there is more progress to be made in securing high-level leadership to see these commitments effectively implemented.

2.2 Risk assessment

Of the companies disclosing on forests through CDP in 2019, 65% (266/411) reported having procedures in place to assess forest-related risks.

Risk assessments allow companies to identify risks of non-compliance with company commitments across different segments of their supply-base. The Accountability Framework's Core Principle 5 states that supplies of raw or processed materials should be assessed for non-compliance or risk of non-compliance with company commitments, applicable laws, and adverse impacts to internationally recognized human rights. Risk assessments should follow good practices for credibility, transparency, and accuracy.

Among the companies with forest commitments, this percentage was much higher: 95% reported forest-related risk assessment processes.

Most companies assessing forest-related risks provided non-specific risk assessment methodologies, with the most common response being "internal company methods," and the second most common, "external consultants" (Table 4). Among the specific tools that companies mentioned the most frequently were Global Forest Watch (across commodities); FSC Global Forest Registry² (for timber); ZSL SPOTT (for palm oil and timber); Trase (for palm oil and soy); Starling; and the Global Risk Assessment Services (GRAS).

² FSC Global Forest Registry has since been discontinued and users are now directed to Preferred by Nature's Sourcing Hub and the FSC's Controlled Wood Risk Assessments.

Table 3: Number of companies disclosing risk assessment methods

Risk assessment method	Timber	Palm Oil	Soy	Cattle	Rubber	Other
Internal company methods	178	89	56	51	13	11
External consultants	89	54	28	25	8	6
FSC Global Forest Registry	63				2	4
Nation-specific tools and databases	31	9	10	9	1	3
Global Forest Watch Commodities (GFW Commodities)	12	18	4	4	2	4
ZSL Sustainability Policy Transparency Toolkit (SPOTT)	10	11			1	1
Trase	8	5	6	1	1	1
Jurisdiction/landscape assessment method or tool	3	4	1	1		1
Starling	1	4			1	
Global Risk Assessment Services (GRAS)	1	1				

Examples

Disclosure of risk assessment methodology

Beiersdorf AG (a multinational personal-care products manufacturer that sources palm oil): We used the BigChain tool for the risk assessment of forest-related risks resulting from our P(K)O sourced raw materials. ... The tool integrates cloud-sourced big data with satellite mapping and GHG Accounting, and helps us generate high-quality risk maps for deforestation and relevant social and regulatory issues on our specific commodity sourcing areas in Indonesia, Malaysia, and Thailand. It lists and maps the priority mills, landscapes, and suppliers of our sourcing areas. We used the BigChainTool to evaluate the risks of deforestation, [and] water, social, and legal issues associated with the production of palm in our upstream supply chain (Indonesia, Malaysia, Thailand). The outcomes of the supply chain mapping project and BigChain tool helped us identify the key sourcing areas where we should support palm smallholder projects. As a result, we decided to support smallholder projects in Peninsular Malaysia and West Kalimantan, Indonesia.

2.3 Traceability

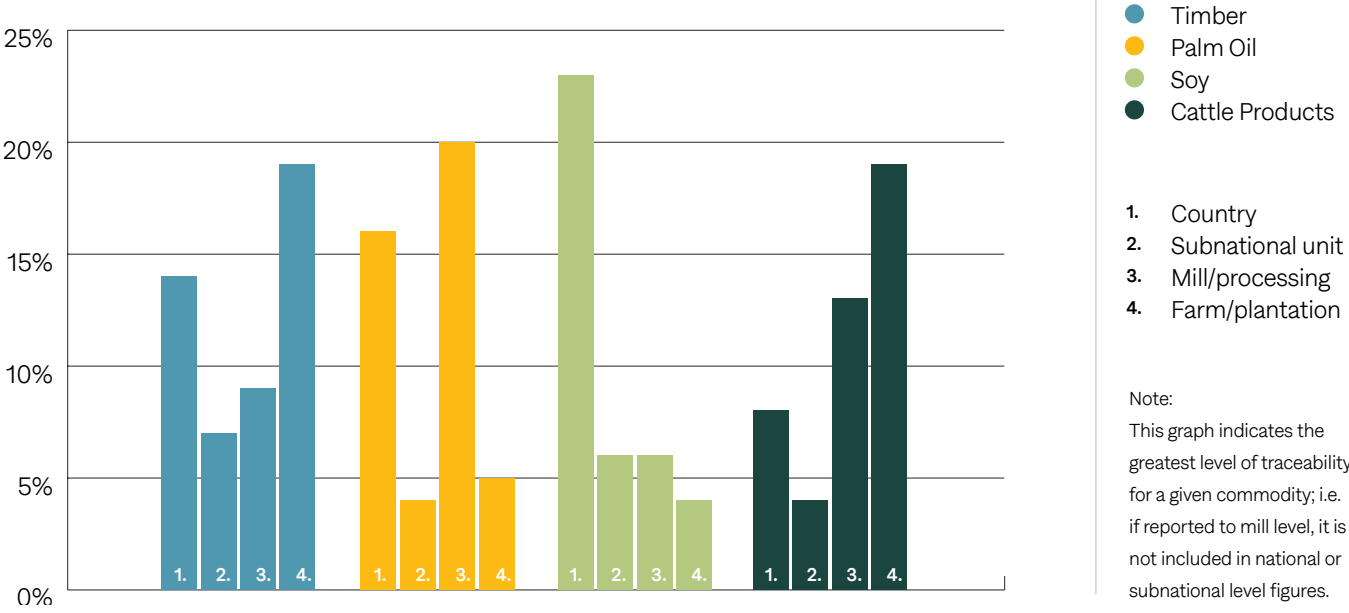
About three-quarters of the companies that responded to CDP 2019 (314/411) reported some level of traceability, with information on the origins of the forest-risk commodities they use.

To reduce risk and ensure that the products in a supply chain are free of deforestation, ecosystem conversion, and human rights abuses, companies need to know how these materials were produced. This requires tracing the product to specific areas, producers, or intermediate suppliers for which performance on these topics is known. Achieving adequate traceability is therefore an essential component of establishing and managing an ethical supply chain. Core Principle 5 of the Accountability Framework sets the expectation that companies know or control the origin of materials in their supply chains sufficiently to demonstrate that the production and processing of these materials comply with company commitments, or determine the extent and nature of the issues that must be resolved. This can be achieved through full traceability to point of origin, or through other methods such as traceability to low-risk jurisdictions or verified suppliers, or assurance mechanisms such as certification systems that link commodity volumes to production units.

About three-quarters of the companies that responded to CDP 2019 (314/411) reported some level of traceability, with information on the origins of the forest-risk commodities they use. Nearly 20% of companies disclosing on timber and cattle were able to trace at least half of their volumes to a farm or plantation level, and a quarter of those disclosing on palm oil were able to trace at least half of their volumes to the level of the mill or further (see Figure 4). Companies disclosing on soy had lower levels of traceability, with only 16% able to trace more than half of their volumes past the country level.

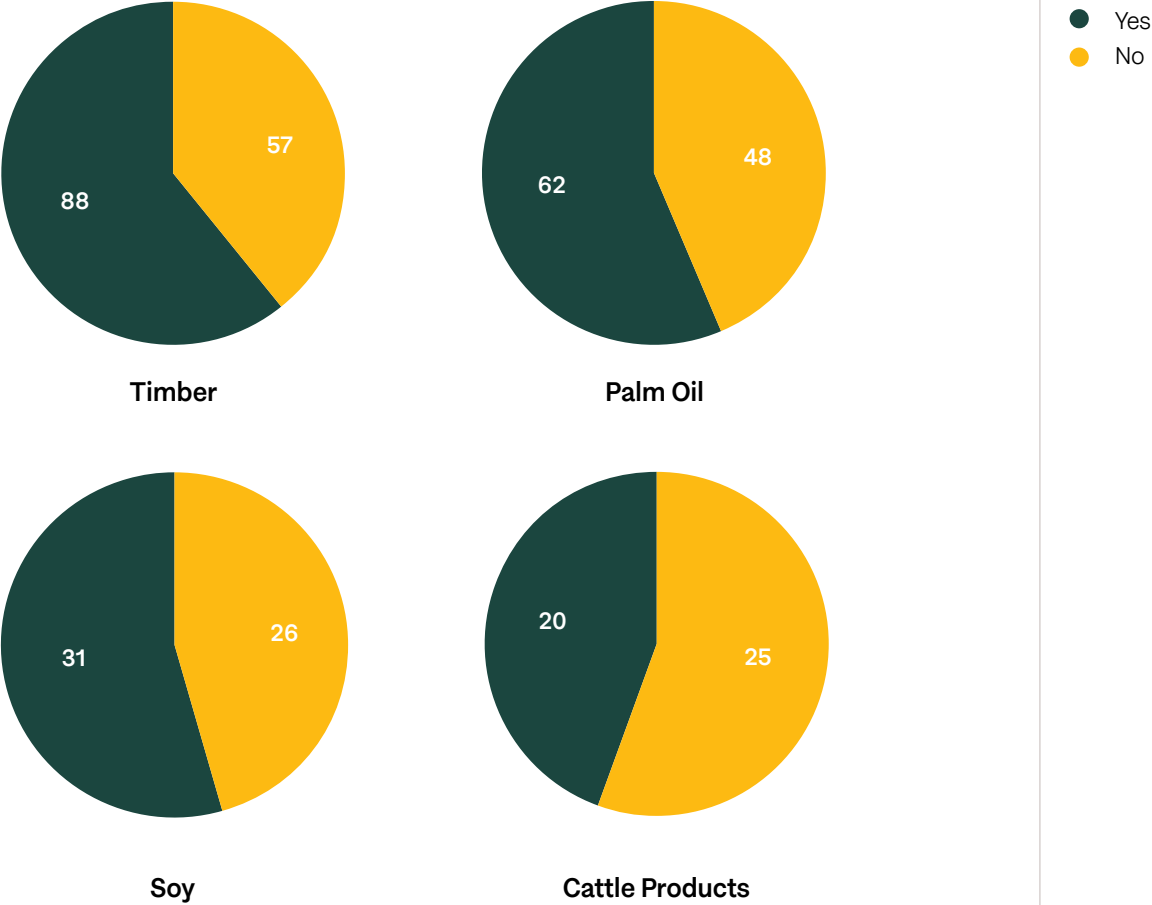
Despite the variation in supply chain visibility, **the majority of companies sourcing from regions with high deforestation risk disclosed the origin of commodity volumes at a sub-national level in their CDP disclosure** (Figure 5). This ranged from 60% of companies disclosing on timber, to 44% on cattle products.

Figure 4: Percentage of companies disclosing traceability of 50% or more of their commodity volumes to a given supply chain stage.



⁹This figure aggregates all stages of cattle farm and all types of plantations and forest units.

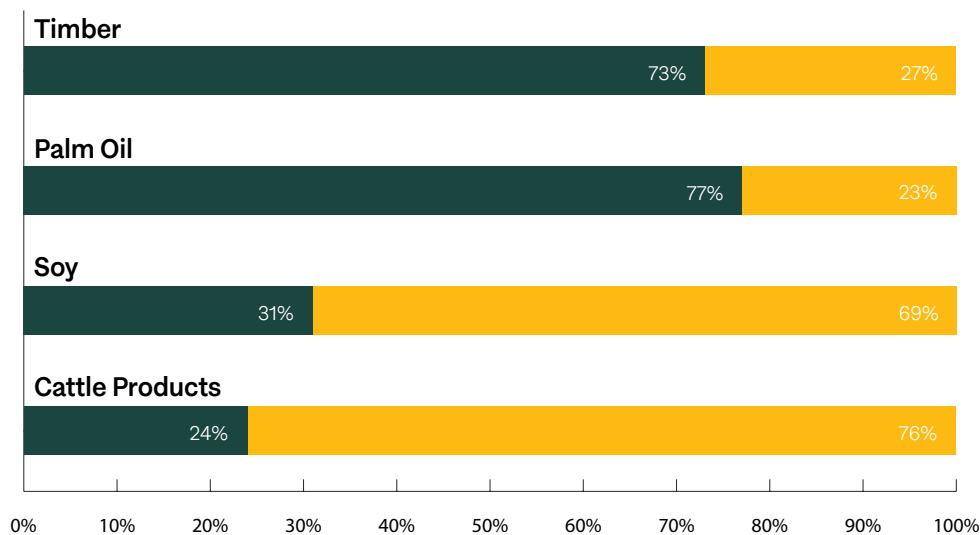
Figure 5: Disclosure of commodity origins to a subnational level by companies sourcing from forest risk regions.



In addition, many certification systems provide a robust approach to controlling commodity volumes, reducing the need for traceability to origin. Among companies disclosing to CDP, roughly three quarters of those reporting on the timber and palm oil sectors used certification to control at least some of their supply chain volumes (Figure 6). More than one third (37%) of companies disclosing on timber reported at least 90% of their volume certified in a certification program containing no-deforestation criteria relevant to the company’s position within the supply chain.

Among companies disclosing to CDP, roughly three quarters of those reporting on the timber and palm oil sectors used certification to control at least some of their supply chain volumes (Figure 6).

Figure 6: Percentage of companies reporting the use of certification for some portion of their commodity volumes



2.4 Supplier Management

The Accountability Framework's Core Principle 6 states that companies should manage their supply chain to fulfill commitments, identify non-compliance, and resolve any such issues expeditiously and effectively.

To achieve supply chains that are free from deforestation, ecosystem conversion, and human rights abuses, companies must ensure compliance with these policies throughout their entire supply base. The Accountability Framework's Core Principle 6 states that companies should manage their supply chain to fulfill commitments, identify non-compliance, and resolve any such issues expeditiously and effectively. For commodity buyers, an important step toward this goal is to monitor and assess the environmental and social performance of suppliers. Where these processes reveal actual or potential non-compliance with no-deforestation, no-conversion, or human rights commitments, buyers must manage suppliers to resolve existing non-compliances and avoid future ones.

The CDP Forests questionnaire asks companies at different stages of the supply chain about their engagement with different types of suppliers (Figure 7).

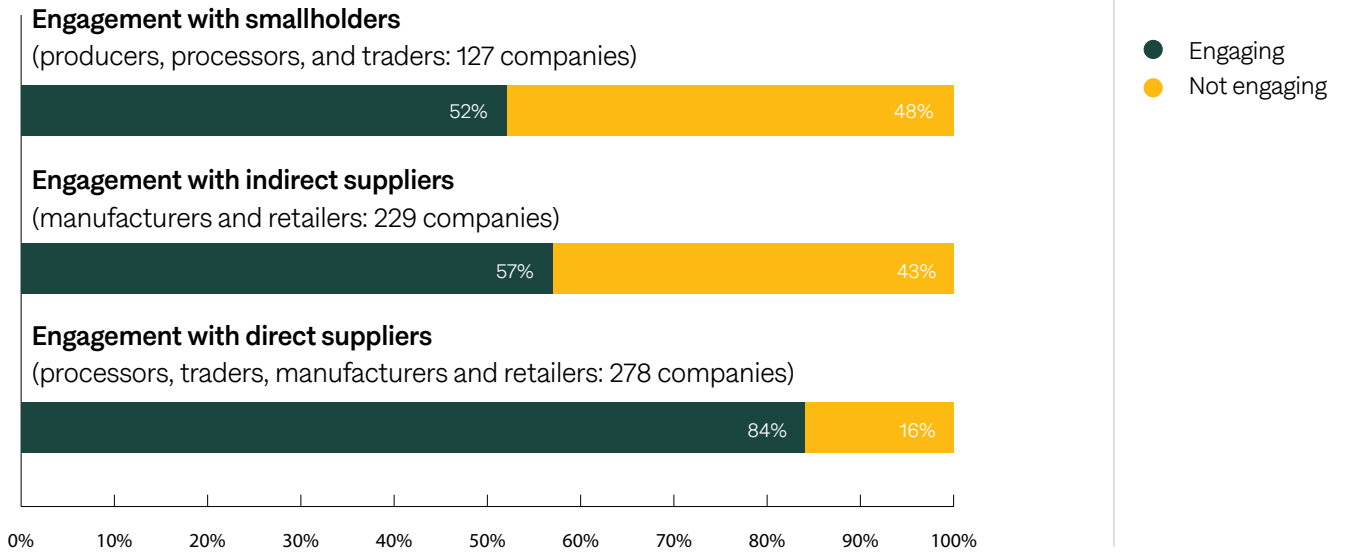
Processors, traders, manufacturers, and retailers are asked to disclose to CDP on their engagement with direct suppliers; 84% (234/278) of these companies reported that they were working with direct suppliers to support and improve their capacity to supply sustainable raw materials.

Manufacturers and retailers are asked to disclose whether they engage with indirect suppliers; 57% (130/229) reported that they engaged beyond their first-tier suppliers to manage and mitigate forest-related risks.

Producers, processors, and traders are were asked⁴ to disclose on their engagement with smallholders; just over half (66/127) had such activities in place.

⁴Companies disclosing to CDP for the first time in 2019, or those with an annual revenue of less than 250 Million USD/EUR, are able complete the minimum version of the questionnaire, which does not include this question.

Figure 7: Percentage of companies reporting engagement with suppliers



These figures indicate that direct supplier engagement is a standard practice among companies that report to CDP, which provides a strong foundation for continuous improvement through this pathway. For downstream companies, the challenge of engaging with indirect suppliers is often noted; however, these data show that many companies are finding ways to overcome this difficulty and engage to some extent beyond the level of their direct suppliers.

For commodities dependent on smallholder production — such as cocoa, rubber, and to some extent palm — smallholder engagement is an essential component of managing a supply chain for compliance with no-deforestation goals. More than half of the producers, processors, and traders reporting are engaging to some extent with smallholders in their supply chain.

New for 2020

The 2020 Forests questionnaire requests additional detail on the nature of supplier engagement and support, as well as two new AFI-aligned questions on monitoring and addressing supplier compliance.

2.5 Land acquisition and management

Ultimately, achieving commodity supply chains that are free of deforestation and conversion, and that safeguard human rights, depends on effective and responsible management of production and primary-processing sites. Implementation of supply chain commitments at the production level requires a proactive and holistic approach that avoids the destruction of ecosystems and human rights abuses while also providing ongoing protection for the key values and rights that are embedded in the ecosystems and landscapes in which production occurs. The Accountability Framework identifies three sets of responsibilities regarding responsible land acquisition and management:

- **Core Principle 7 advocates for land acquisition, land-use planning, and site development that are protective of forests, other natural ecosystems, and the rights of indigenous peoples and local communities.**
- **Core Principle 8 advocates for production that is managed to ensure the long-term protection of the site's conservation and cultural values.**
- **Core Principle 9 states that restoration or other remedy should be provided where production activities have caused or contributed to adverse environmental or human rights impacts.**

Producers and processors are typically most directly responsible for these practices, while downstream companies have critical roles to play by ensuring that their sourcing policies, supplier engagement practices, and financing activities mandate and support responsible production on the ground.

These topics were addressed in various ways in the 2019 Forests questionnaire, as components to questions about commitments and risk assessments, though conservation and restoration are addressed thoroughly only for companies disclosing on Paper and Forestry. Only 72 of the 411 companies in this analysis report owning or managing land, the majority of them disclosing on timber, thus responses largely reflect the practices of companies downstream of direct land acquisition and management.

While the remediation of harm is a responsibility that spans all types of supply chain companies, fewer than 20% of the companies disclosing to CDP (70 out of 411) had a commitment to resolving complaints and conflicts through an open, transparent, and consultative process (Table 5).

The data that are available show that some downstream companies are indeed considering land acquisition practices in their supply chain processes. The majority of companies carrying out risk assessments report including risks to local communities in their analyses, ranging from 60% of companies disclosing risk assessments on rubber to 71% of companies disclosing on palm oil (Table 5). Of the 190 companies that considered local communities within their risk assessments, 167 of them stated that local communities are ‘relevant and always included’ in risk assessments, with 32 companies stating that local communities are relevant but only ‘sometimes included’ and 13 companies stating they are relevant but ‘not included’. Five companies stated that while local communities were not considered relevant, they were still included within their risk assessments.

While the remediation of harm is a responsibility that spans all types of supply chain companies, fewer than 20% of the companies disclosing to CDP (70 out of 411) had a commitment to resolving complaints and conflicts through an open, transparent, and consultative process (Table 5). Inclusion of such commitments was highest in the palm oil sector, for which 24% of companies indicated a commitment to remediation.

Table 5: Disclosures related to land acquisition and management

	Total	Timber	Palm Oil	Soy	Cattle	Rubber
% of companies conducting risk assessments that include risks to local communities	64%	66%	71%	64%	67%	60%
% of companies with a public commitment to resolution of complaints and conflicts through an open, transparent, and consultative process	17%	13%	24%	11%	9%	19%

In 2019, only companies disclosing on timber products were asked to report on conservation or restoration activities. Of the companies responding, 29 indicated involvement in such projects, with 14 reporting restoration activities and 7 reporting conservation set-asides.

Examples

Sappi (South Africa): Sappi owns and leases 387,000 hectares of [timber] plantations in South Africa. Of this, approximately 60% is plantable (planted and temporarily unplanted) and one third is permanently planted with natural vegetation. Of the permanently unplanted land, the majority consists of open areas with natural vegetation cover, which are managed for conservation purposes. Our strategies for managing biodiversity include: managing natural vegetation according to best practice in terms of burning, grazing, and weed control to ensure healthy habitats; ongoing assessment and monitoring of veld condition; protection of sites from poaching, illegal medicinal plant collection, and overgrazing; participation in the national stewardship programme through which we have six declared nature reserves; and long-term integrated weed-management plans on all our plantations.

Mondi PLC (Russia): In 1996, WWF and the Swiss Agency for Development and Cooperation set out to create an inventory of pristine intact forest landscapes (IFLs), using local NGO Silver Taiga to lead the identification and mapping. Mondi became involved in the inventory in 2004, when we acquired the leasehold for 2.1 million hectares of forest area in Komi Republic, Russia... Since then, over 21 million hectares of forest has been assessed in Komi Republic and 4.3 million hectares of pristine forest identified for potential future protection. The Silver Taiga-led multi-stakeholder process has resulted in five large areas (some two million hectares) being identified for future protection. Mondi directly manages and protects around 76,000 hectares of this land. In the process, Mondi has set aside a total of 525,000 hectares of HCV areas on its land.

New for 2020

To address this topic more directly, several changes have been made in the 2020 Forests questionnaire, including a new question about conservation and restoration activities.

2.6 Monitoring and verification

Of the 72 companies that own or manage land, 59 (42 timber, 21 palm oil, 4 cattle and 1 soy) reported using aerial, GIS, or ground-based systems to monitor deforestations in their operations or supply chains.

Monitoring and verification (M&V) systems are essential components of company operations, risk assessment, supply chain management, and reporting. Internally, M&V systems enable companies to assess risk and performance in relation to supply chain goals, and support companies as they work to address risks and improve the sustainability performance of their operations and supply chains. Externally, M&V systems are critical for providing credible information on company performance to buyers, investors, and civil society. The Accountability Framework's Core Principle 11 states that regular monitoring should be conducted relative to the compliance requirements and time-bound targets associated with a company's commitments and other obligations.

In the 2019 Forests questionnaire, only companies that own or manage land were asked about their forest monitoring systems. Of the 72 companies that own or manage land, 59 (42 timber, 21 palm oil, 4 cattle and 1 soy) reported using aerial, GIS, or ground-based systems to monitor deforestations in their operations or supply chains.

The majority of these companies reported using both ground-based and remote sensing-based monitoring approaches. Ground-based monitoring was the most commonly reporting monitoring system by timber companies (34 companies), while GIS systems were most common for palm oil (10) and cattle products (4). The one company disclosing monitoring systems related to soy reported using all three approaches.

New for 2020

The 2020 CDP Forests questionnaire includes new questions regarding monitoring systems and tools for all companies. These requests are in addition to the new questions related to monitoring and verification of supplier compliance as described in section 2.4 above.

In 2019, CDP commissioned a report by IMAFLORA to explore the current state of M&V systems and alternatives for improved verification of data disclosed to CDP. The report identified assurance standards, such as ISAE3000, AA1000 and NBC TSC4400, as well as certification standards, such as FSC, PEFC and RSPO, that could serve as primary data-verification tools.

The report also provided several insights regarding companies that do not verify disclosed data:

- Most companies based in the USA and Latin America do not verify forest-related data disclosed to CDP, while European companies are more likely to do so.
- Several companies that have made public commitments and targets use risk assessment tools and employ traceability systems or certification schemes indicated that they “do not verify their responses to CDP and there are no plans to do so.”
- Among companies that do not verify their responses, 80% indicated the use of third-party certification schemes, and 51% report all production and/or consumption being covered by the certified volume.

2.7 Collaboration to support broader sustainability

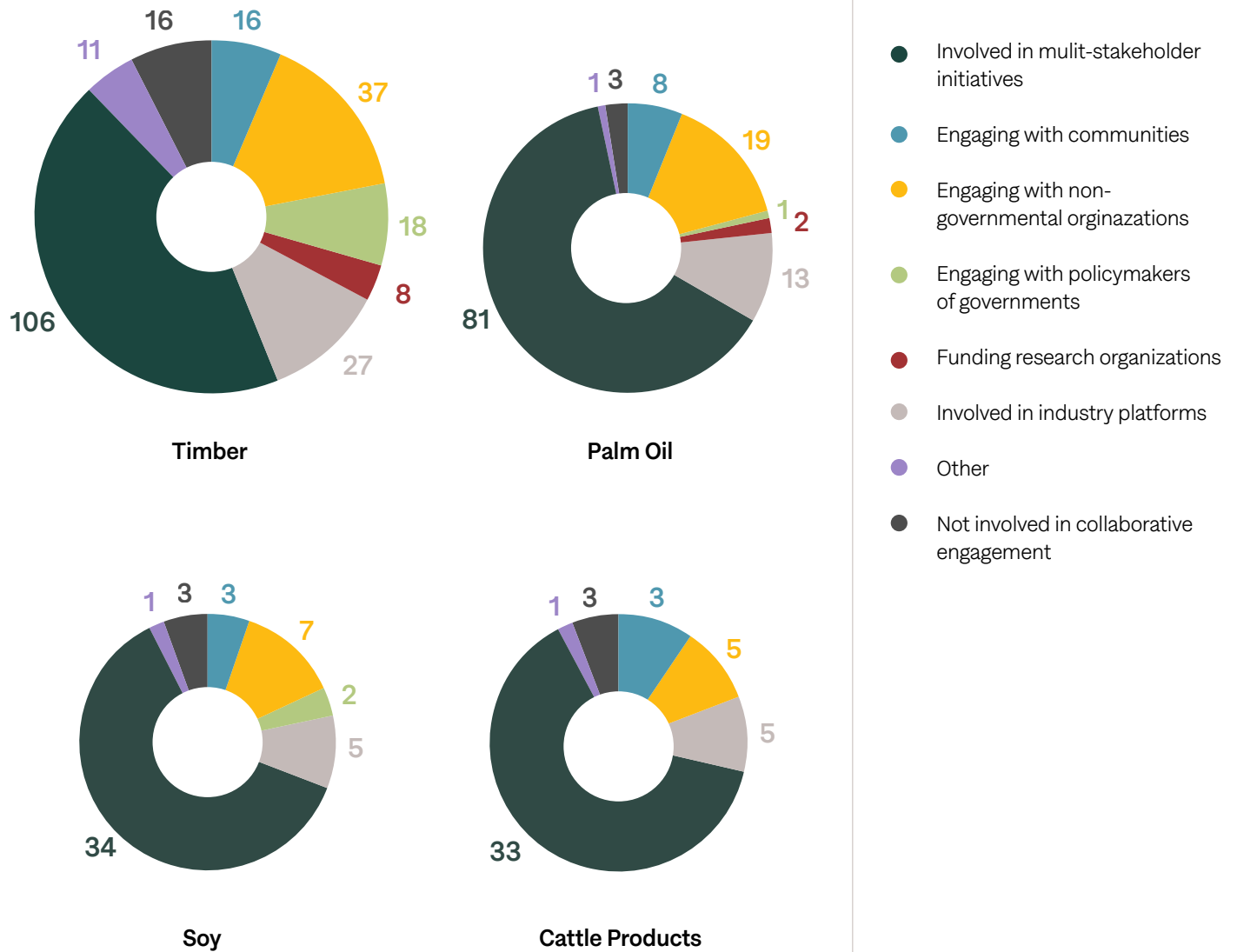
Only 75 companies reported that they did not participate in external initiatives for any of their commodities.

Company commitments, actions, and monitoring processes related to ethical supply chains often intersect with dynamics that are beyond a company’s control. While companies may be able to address certain aspects of their supply chain goals through actions taken at the production-unit level or in supply chain management, other issues may require or benefit from consideration of the broader context and the other actors and actions that shape it. For this reason, companies often need to collaborate with other stakeholders to achieve goals to protect forests and other natural ecosystems and respect human rights.

The Accountability Framework’s Core Principle 10 outlines ways in which companies may work with other stakeholders to achieve their supply chain commitments, including through the broader adoption of responsible production and trade practices, and the creation of enabling conditions that support positive outcomes at scale.

As seen in Figure 8, most of the companies reporting to CDP disclosed involvement in some type of external engagement beyond their own supply chains. **167 companies reported participation in a multi-stakeholder initiative**, with others reporting engagement with NGOs or policy processes. Only 75 companies reported that they did not participate in external initiatives for any of their commodities.

Figure 8: Companies reporting engagement in external initiatives, by commodity





3. Moving forward: Ethical supply chains post-2020

The Accountability Framework, released in June 2019, provides a common approach and recognized best practices for addressing deforestation, conversion, and human rights issues in commodity supply chains. Alignment of the CDP 2020 Forests questionnaire with the Framework's principles, terminology, and guidance will help companies that are working to adopt best practices for ethical commodity supply chains to earn recognition for their progress through transparency and disclosure. CDP is now a member of the AFI coalition, strengthening the linkages between best practice in goal setting, implementation, and reporting. In addition, company disclosure through the CDP Forests questionnaire increased by 25% in 2020, demonstrating a marked increase in engagement from companies regarding disclosure on forest-risk commodities.

The data from the 2019 indicate that, at the time the Accountability Framework was launched, nearly half of disclosing companies had policies or commitments to produce and source commodities free of deforestation and ecosystem conversion. They also show that leading companies were already implementing many of the essential processes—from risk assessment and supplier engagement to monitoring and verification—required to meet the expectations of their investors, customers, and other stakeholders.

As we move beyond 2020, we have well-defined expectations for corporate reporting and disclosure related to ethical commodity production and trade.

However, these disclosures also show a great deal of progress still to be made. Many of the reported commitments lacked clarity in terminology or ambition, and many companies did not disclose action on key implementation systems. This report provides a baseline for tracking this progress over the coming years. As we move beyond 2020, we have well-defined expectations for corporate reporting and disclosure related to ethical commodity production and trade.

In 2019, eight companies made CDP's "A List," receiving an "A" score for their Forests disclosure. As CDP and the Accountability Framework Initiative collaborate to clarify what best practice in policy development, implementation, and reporting look like, companies can act with confidence to improve their practices and disclosure, making that score achievable for a greater number of companies.

As consensus grows around expectations, and rapid progress is made in technology and systems for risk assessment, supplier management, and monitoring, companies will be held increasingly accountable for their commitments and policies to eliminate deforestation and ecosystem conversion from supply chains. For many companies, these new expectations may represent challenges, but this report shows that leading companies are adapting to meet them, and proving that these goals are achievable. By following the Accountability Framework and disclosing through CDP Forests and other effective reporting platforms and standards, companies can prepare themselves for a future in which ethical commodity production and trade is the new normal.

Appendix – 2019 CDP Forests questions and data points referenced in this report

AFi Core Principles	2019 CDP Forests question	Data point	Commodity Disclosures				
			Timber	Palm Oil	Soy	Cattle	Total
<p>Core Principle 1: Protection of forests and other natural ecosystems</p> <p>Core Principle 2: Respect for human rights</p> <p>Core Principle 3: Specification of commitments</p>	F4.1a: Select the options to describe the scope and content of your policy.	Companies disclosing forest-related information on each commodity	291	146	106	93	411
		Companies indicating policies covering “Commitments to eliminate deforestation and/or conversion”	127	73	43	34	167
	F6.1b: Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.	Companies with a public forest-related commitment	150	85	38	31	212
		Zero net deforestation	29	16	6	5	56
		Zero gross deforestation	8	12	7	7	34
		No conversion	11	3	2	0	16
		Zero net deforestation & zero gross deforestation	3	3	1	1	8
		Zero gross deforestation & no conversion	5	4	1	2	12
		Zero net deforestation & no conversion	13	8	6	1	28
		Zero net deforestation, zero gross deforestation & no conversion	16	12	3	3	34
		Zero gross deforestation and/or no conversion	55	42	20	14	97
		Other commitment	65	27	12	12	121
		No conversion or zero gross deforestation without cutoff date	21	9	4	2	33
		No conversion or zero gross deforestation with post-2020/no timeframe target date	22	8	6	3	40
		No conversion or zero gross deforestation and human rights	40	33	12	7	68
AFi-aligned timebound commitments and appropriate cut-off dates	33	33	15	11	62		

AFi Core Principles	2019 CDP Forests question	Data point	Commodity Disclosures				
			Timber	Palm Oil	Soy	Cattle	Total
Core Principle 4: Company systems and processes to drive effective implementation	F4.2a: Identify the position(s) of the individual(s) (do not include any names) on the board with responsibility for forests-related issues.	Companies with board responsible for forests commitments	19	13	9	6	25
Core Principle 5: Supply chain assessment and traceability	F2.1: Does your organization undertake a forests-related risk assessment?	Companies with risk assessments	203	105	60	56	266
		Companies with internal risk-assessment methods	178	89	56	51	229
	F2.1a: Select the options that best describe your procedures for identifying and assessing forests-related risks.	Companies using external consultants	89	54	28	25	122
		Companies using FSC Global Forest Registry	63	-	-	-	68
		Companies using nation-specific tools and databases	31	9	10	9	47
		Companies using GFW Commodities	12	18	4	4	28
		Companies using SPOTT	10	11	-	-	21
		Companies using TRASE	8	5	6	1	16
		Companies using jurisdiction/landscape assessment method/tool	3	4	1	1	8
		Companies using Starling	1	4	-	-	6
		Number companies using GRAS	1	1	-	-	2
	F6.3: Do you have traceability system(s) in place to track and monitor the origin of your disclosed commodity(ies)?	Companies that have a traceability system	201	115	72	64	314
	F1.1a Indicate from which State/region(s) and municipality(ies) your disclosed commodity(ies) originate.	Companies sourcing from risk regions that disclose origin of commodities down to subnational level	88	62	31	20	171
Companies sourcing from risk regions that are unable to disclose origin of commodities down to subnational level		57	48	26	25	88	
F6.4: Do you specify any third-party certification schemes for your disclosed commodity(ies)? Indicate the volume and percentage of your production and/or consumption covered.	Companies that use certification	211	112	33	22	291	

AFi Core Principles	2019 CDP Forests question	Data point	Commodity Disclosures				
			Timber	Palm Oil	Soy	Cattle	Total
Core Principle 6: Managing for supply chain compliance	F6.7: Are you working with your direct suppliers to support and improve their capacity to supply sustainable raw materials?	Processors, traders, manufacturers, and retailers working with direct suppliers	171	94	54	48	234
	F6.8: Are you working beyond your first-tier supplier(s) to manage and mitigate forests-related risks?	Manufacturers and retailers working beyond their direct suppliers	92	50	26	31	130
	F6.6: Are you working with smallholders to encourage and support best practices that aim to reduce or remove deforestation/forest degradation?	Producers, processors and traders engaging with smallholders	34	17	6	12	66
Core Principle 7: Land acquisition, land use planning, and site development	F2.1c: Which of the following stakeholders are considered in your organization's forests-related risk assessments?	Companies selecting 'local communities'	150	84	48	45	190
Core Principle 8: Land management and long-term protection	PF6:10a: Does your organization have any projects focused on reforestation, habitat restoration, or habitat protection that are not part of your production cycle (Paper & Forestry only)	Companies reporting projects focused on reforestation, habitat restoration, or habitat protection	29	N/A	N/A	N/A	N/A
Core Principle 9: Remediation and access to Remedy	F6.1b: Provide details on your public commitment(s), including the description of specific criteria, coverage, and actions.	Commitments to 'resolution of complaints and conflicts through an open, transparent and consultative process'	39	35	12	8	70
Core Principle 10: Collaboration for landscape and sectoral sustainability	F6.9: Do you participate in external initiatives or activities to further the implementation of your policies concerning the sustainability of your disclosed commodity(ies)?	Companies involved in multi-partnership or stakeholder initiatives	106	81	34	33	172
		Companies engaging with communities	16	8	3	-	26
		Companies engaging with non-governmental organizations	37	19	7	3	58
		Companies engaging with policymakers or governments	18	1	2	5	25
		Companies funding research organizations	8	2	-	-	10
		Companies involved in industry platforms	27	13	5	5	49
		Companies involved in other engagement activities	11	1	1	1	17
Core Principle 11: Monitoring and Verification	F1.3: Do you own or manage land used for the production of your disclosed commodity(ies)?	Companies disclosing a system to monitor forest risks	42	12	1	4	59

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Delivering on
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