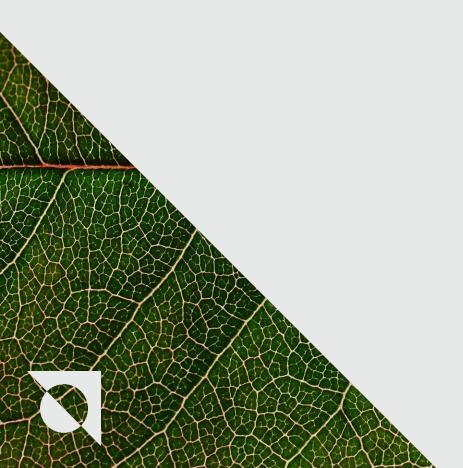


## Forests

Supply Chain Standard Support Training

August 5th 2025

## Agenda



Why disclose on Forests?

What is the cost of inaction?

Why are supply chains important?

The benefits for suppliers

Forests disclosure journey

## Why disclose on forests?



An overview of impacts, dependencies, risks & opportunities and the power of disclosure

## Disclosure drives action

Urgent action needed to address the impacts of human activity on forests

75%

of terrestrial ecosystems have been significantly altered [source]

>50%

of global tree cover lost since 1960 [source] and 11% since 2000 [source]

20-40% 11%

of land is degraded [source]

of global GHG emissions are from deforestation and poor forest management [source]





## It makes economic sense

Worth of services provided by \$150tn forests that businesses and financial markets rely on [source]

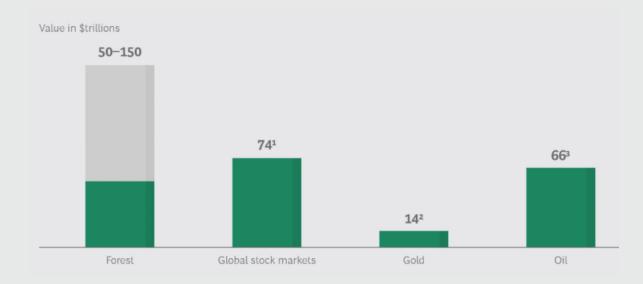


Figure: The High End of Forest Value is Roughly Double That of Global Stock Markets, BCG, 2020.



\$98bn businesses disclosing through CDP [source] in financial risk faced by



Figure: Climate Advisers Palm Oil Index Performance. Climate advisers, 2019.



## It supports climate and water action

Forests and land permeate our economy and stabilize the climate

75% of the global freshwater supply is dependent on forest ecosystems [source]

of GHG emissions from industry and fossil fuels absorbed by forests [source]

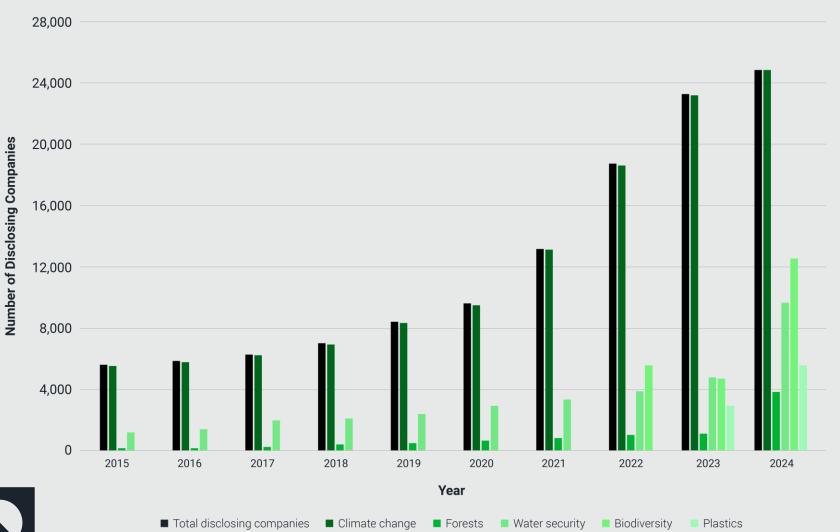
of terrestrial plants and animals depend on forests [source]





Figure: Forest-based adaptation. FAO forestry, 2022.

## Nature disclosure growth



3,500+ companies disclosed on climate, forest and water in 2024

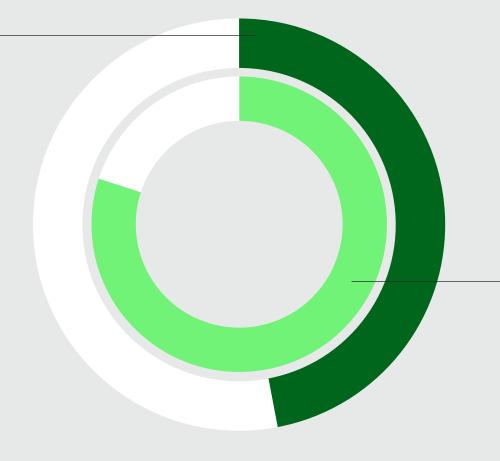
316% increase in all environmental issue disclosure since 2023

3851 companies disclosed on forests in 2024



## Forest disclosure is driving awareness...

47% of forest disclosers responding to CDP for the first time have forest policies or commitments.



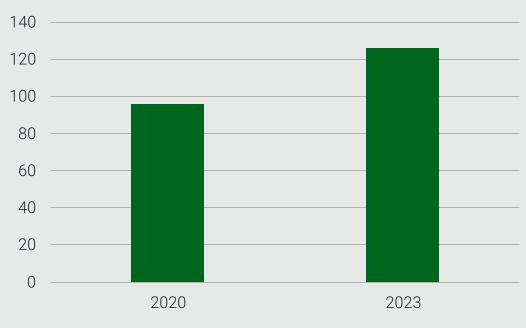
By their third year of disclosure, **80%** of respondents have developed policies and commitments.



## ...and action

- About half of the 242 companies consistently reporting on deforestation management from 2020 to 2023 now report near-eradication of deforestation for at least one commodity.
- This represents a substantial 40% increase from the number of companies reporting the same in 2020 (90 companies).
- Overall, this still represents only a small group of companies 35% of all companies disclosing in 2023 claiming to be nearly deforestation-free for at least one commodity (189 companies).

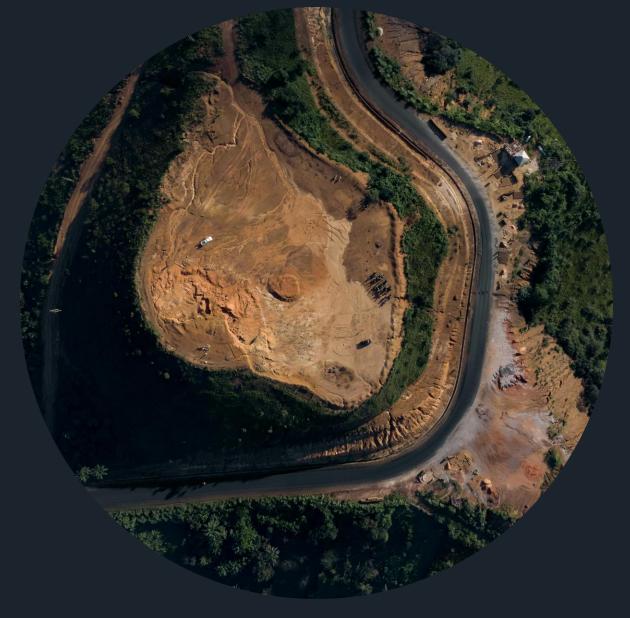
## Companies reporting nearing deforestation eradication for at least one sourced commodity



Source: Disclosure Data Factsheet 2023 - CDP



# What is the cost of inaction?





## Inaction is costly...

On average nearly US\$300 million at risk, versus

US\$17.4 million to respond per reporting company

The cost of inaction could be >17x higher than the cost of action.

Source: CDP 2022 Data





## ...and awareness brings rewards

29% of companies identified forest-related opportunities with potential to have substantive financial or strategic impact on their business.

231 companies reported opportunities worth US\$58 billion.

Source: 2022 CDP Data.

## Q

### Forests-related opportunities identified by companies



Source: 2023 CDP Data.

# Why are supply chains important?



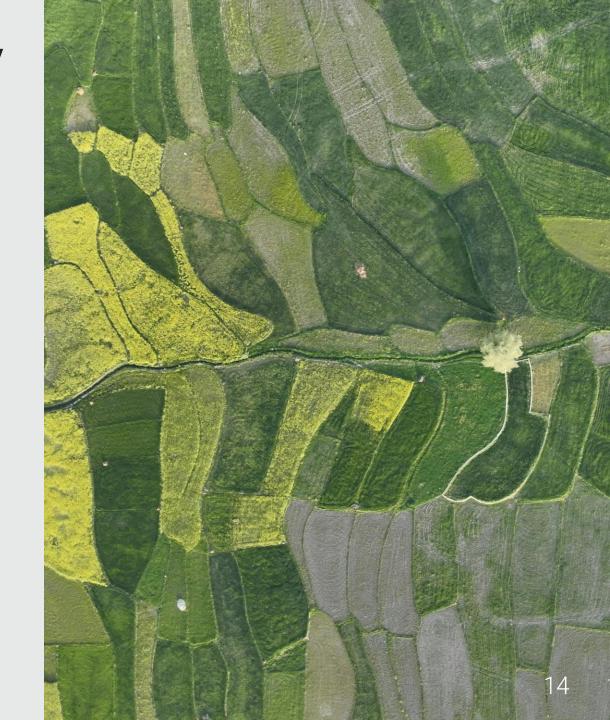


## The pivotal role of supply chains in addressing deforestation

- Only 64 companies reported achieving a 100% deforestation- and conversion-free supply chain for at least one commodity in 2023.
- While 445 companies disclosed progress on deforestation and conversion-free supply chains, only 186 provided comprehensive and high-quality information.

Source: CDP 2023 Data





## Forest-related supply chain risks are overlooked while being significant

- 52% of risk drivers occur in the supply chain
- >50% of disclosing companies are not assessing and evaluating risks.
- 84% of companies that undertook a forestrelated risk assessment for a specific commodity identified risks associated with deforestation.
- Only 54% of forest-related risks covered by a potential financial impact value.

#### Average financial impact (USD converted) per company 350,000,000 300,000,000 250,000,000 200,000,000 150,000,000 100,000,000 50,000,000 Acute physical Chronic Regulatory Reputational Technological physical and markets **2**022 **2**023 Source: CDP 2021-2023 Data



## Benefits for suppliers





## Key benefits of disclosure



## Access to capital

Enhancing supplier position

**340+** purchasing organizations with an annual spend of US\$6.4 trillion use CDP supplier data for procurement decisions.



## Business competitiveness

Managing risks and unlocking opportunities

>50% of forest risk drivers are situated in corporate supply chains.



## Compliance

Mandatory or voluntary

CDP's disclosure platform improves consistency of information for purchasing companies and investors.



## Enabling standards-aligned disclosure globally

### supports disclosures in line with



CDP works closely with the Accountability Framework Initiative (AFi), a practical, consensus-based guide for action on deforestation, conversion of other natural ecosystems and ecosystem protection, to reflect current good practice into the forests disclosure content.



Disclosing through CDP can also support you on your path to compliance with the upcoming European Union Deforestation Regulation.





Exploring further alignment with European Sustainability Reporting Standards (ESRS) ongoing via an official partnership



CDP is partially aligned to the GRI standards. Technical coordination ongoing with GRI.



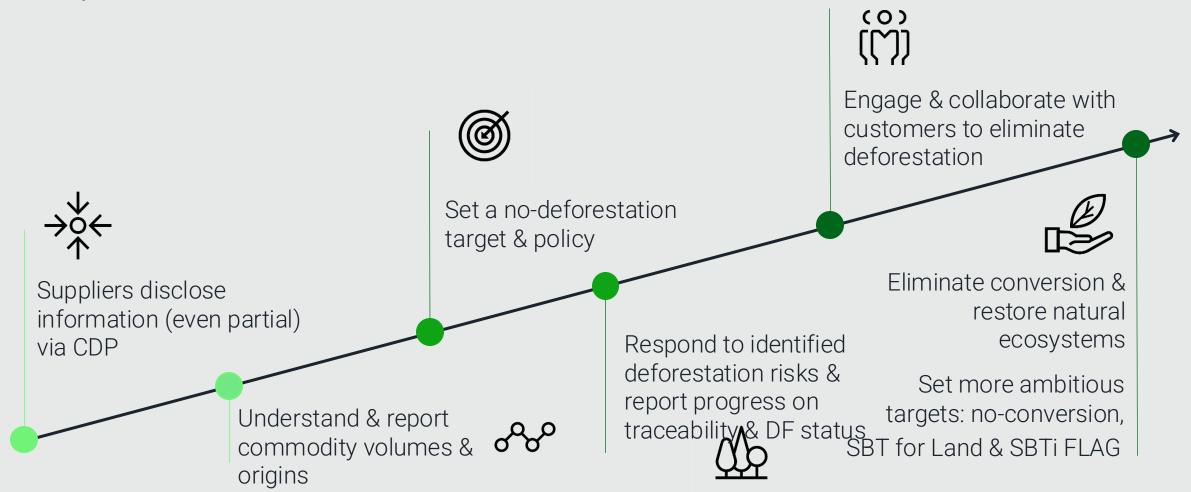
Partially aligned with TNFD disclosure recommendations, exploring further alignment



## Roadmap for Disclosing Suppliers



Example: forests



## TNFD alignment in 2025

■ Full alignment ■ Good alignment □ Partial alignment □ Little or no alignment

#### TNFD recommended disclosures

#### Governance

Disclose the organization's governance of nature-related dependencies, impacts, risks and opportunities.

#### Strategy

Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organization's business model, strategy and financial planning where such information is material

#### Risk and impact management

Describe the processes used by the organization to identify, assess, prioritise and monitor nature-related dependencies, impacts. risk and opportunities.

#### Metrics and targets

Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.

#### Recommended disclosures

- **A.** Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.
- B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.
- C. Describe the organization's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organization's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.

#### Recommended disclosures

- A. Describe the nature-related dependencies, impact, risks and opportunities the organization has identified over the short, medium and long term.
- **B.** Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organization's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.
- **C.** Describe the resilience of the organization's strategy to nature-related risks and opportunities, taking into consideration different scenarios.
- **D.** Disclose the locations of assets and/or activities in the organization's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.

#### Recommended disclosures

- **A(i)** Describe the organization's processes for identifying, assessing and prioritizing nature-related dependencies, impacts, risks and opportunities in its direct operations.
- **A(ii)** Describe the organization's processes for identifying, assessing and prioritizing nature-related dependencies, impact, risks and opportunities in its upstream and downstream value chain(s).
- B. Describe the organization's processes for managing nature-related dependencies, impact, risks and opportunities.
- C. Describe how processes for identifying, assessing, prioritizing and monitoring nature-related risks are integrated into and inform the organization's overall risk management processes.

#### Recommended disclosures

- A. Disclose the metrics used by the organization to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.
- **B.** Disclose the metrics used by the organization to assess and manage dependencies and impacts on nature.
- **C.** Describe the targets and goals used by the organization to maange nature-related dependencies, impacts, risks and opportunities and its performance against these.



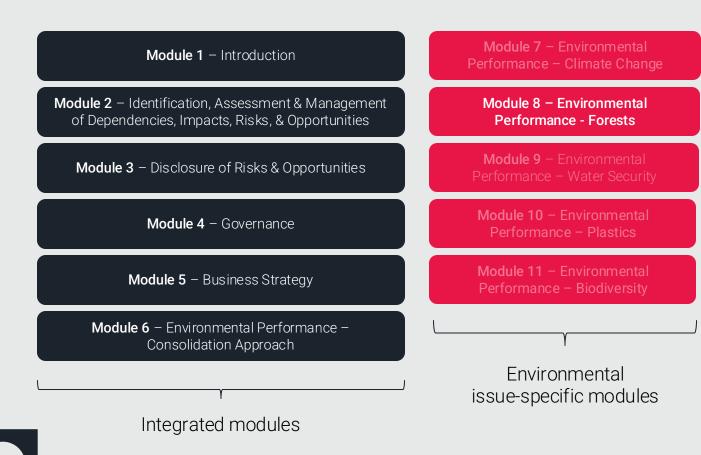
# Forests disclosure journey



Using disclosure to drive environmental improvement

## Full corporate questionnaire:

Streamlined, holistic reporting



Module 12 – Environmental Performance
– Financial Services

Module 13 –
Further Information & Sign off

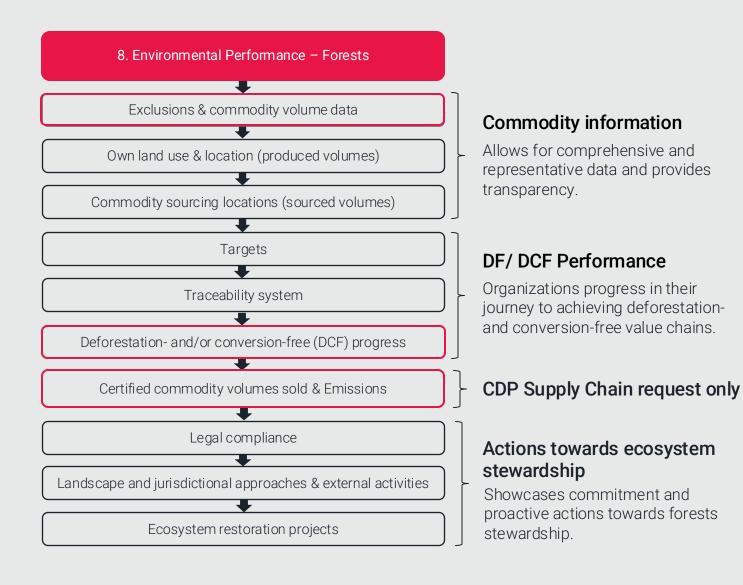
Integrated modules

## CDP forests module

Disclose to CDP at the best of your abilities, preferably publicly and full questionnaire.

If you don't have capacity to answer all questions, please focus on the following:

- Exclusions & commodity volume data
- 2. Deforestation- and/or conversionfree (DCF) progress
- 3. Supply Chain Request Questions within the questionnaire





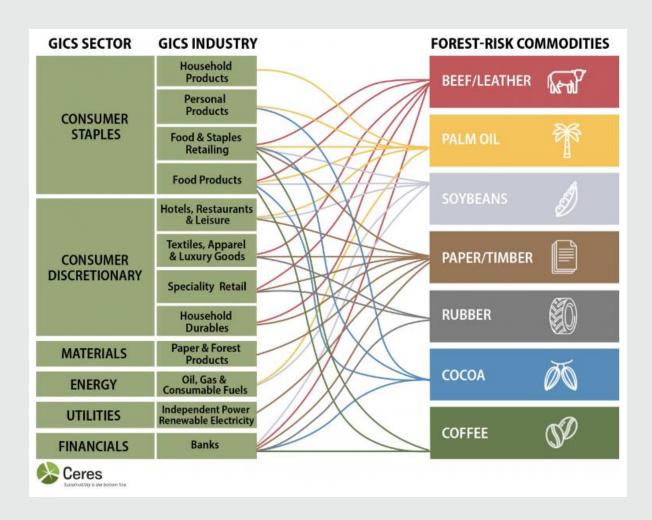
## Introduction to commodity disclosure

The first stage of understanding your organizations:

- 1. **Impacts** on forests
- 2. Risks related to deforestation
- **3. Opportunities** related to:
  - avoiding deforestation risks
  - transforming business strategy to reverse the loss of forests

...is understanding your business **dependence** on forests

**Dependence on forests =** producing or sourcing commodities that are linked to high levels of deforestation and dependent on ecosystem services for their production conditions





## Questionnaire setup: Forests

### Commodity disclosure

Commodity	Has your organization produced, sourced or used this commodity in the reporting period?	Will you be disclosing on this commodity?
Timber	<ul><li>Yes</li><li>No</li></ul>	<ul><li>Yes</li><li>No</li></ul>
Palm oil	<ul><li>Yes</li><li>No</li></ul>	o Yes o No
Cattle products	<ul><li>Yes</li><li>No</li></ul>	<ul><li>Yes</li><li>No</li></ul>
Soy	o Yes • No	o Yes o No
Rubber	<ul><li>Yes</li><li>No</li></ul>	o Yes o No
Cocoa	<ul><li>Yes</li><li>No</li></ul>	o Yes o No
Coffee	o Yes • No	o Yes o No



## Commodity data

CDP requests disclosers to report on **all** the commodity volumes produced or sourced, to create more transparent, comprehensive and comparable disclosure data.

- Total commodity volume: Total volume of a commodity produced and/or sourced regardless of whether this volume is included or excluded from your disclosure.
- Disclosure volume: The volume included in an organization's disclosure.
- **Produced volume:** The proportion of the "Disclosure volume" produced by an organization.
- **Sourced volume:** The proportion of the "Disclosure volume" consumed, sourced, purchased and/or used by an organization for processing, trading or used as an input for manufacturing and/or packaging.





#### Example – Organization X

Produce and source Excluded 10.000 metric "Produced volume" = 30.000 metric tons tons of soy due to 15.000t merger in reporting year of soy "Sourced volume" = "Total commodity "Disclosure volume" = 5.000t volume" = 30,000t 20.000t 15,000t 20,000t 30.000t 10.000t

#### **Useful resources:**

CDP Technical Note: Reporting Commodity Volumes





## Value chain mapping

#### What is it?

The process of understanding the flow of activities, processes, and value creation within an organization. It involves:

- 1. identifying actors in the value chain;
- 2. locating where they operate; and
- 3. understanding the relationships between them.







#### **Examples first steps**

- 1. Identify organizational activities
- 2. Assign group-level codes
- 3. Identify direct suppliers in high-risk activities for forests
- 4. Create value chain maps for these suppliers

#### **Useful resources:**

- CDP's Activity Classification system
- CDP's Forest impact classification (See Appendix 1)
- Accountability Framework initiative (AFi) guidance on supply chain management
- SBTN guidance on value chain assessment
- TNFD guidance on value chains



## Traceability

#### What is it?

the ability to follow a product or its components through stages of the upstream value chain (AFi, 2024).







#### **Methods**

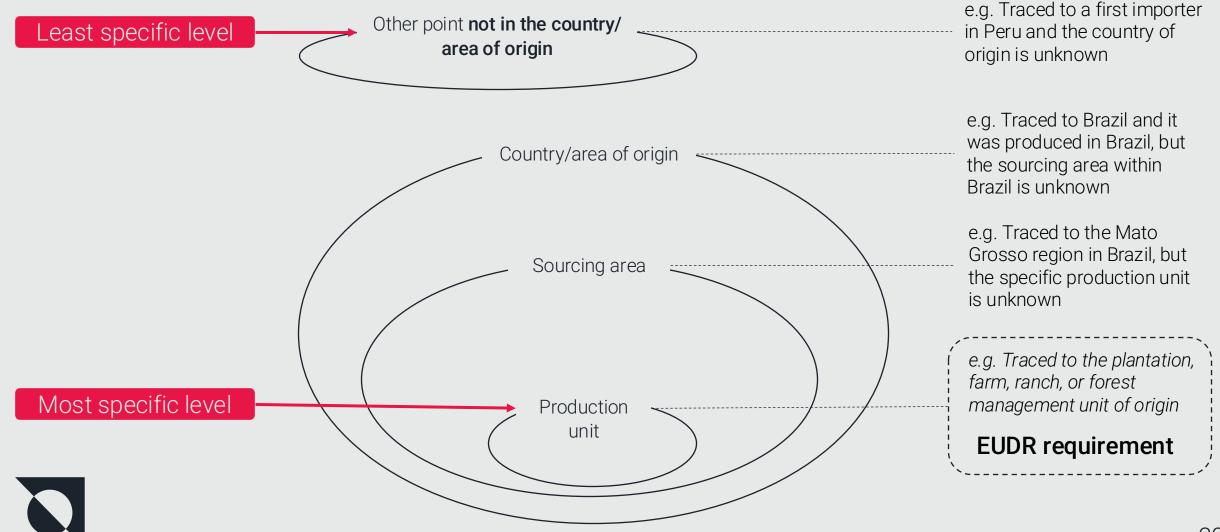
- Value chain mapping
- Supplier engagement
- Open data platforms e.g., TRASE
- Digital traceability systems/block chain
- Physical chain of custody certification

#### **Useful resources:**

- <u>CDP Technical Note: Reporting progress on</u>
   <u>Deforestation-and Conversion-free value chains</u>
- Accountability Framework initiative (AFi) guidance on supply chain management
- TRASE open data platform



## Traceability levels





## Deforestation and conversion of other natural ecosystems

#### What is it?

#### Conversion

the change of a natural ecosystem to another land use, or a profound change in the natural ecosystem's species composition, structure, or function.

#### Deforestation

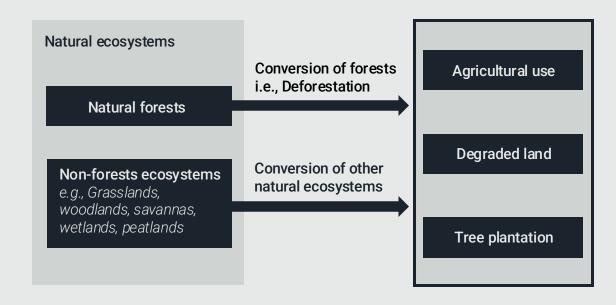
The change of natural forest to another land use, or a profound change in the natural forests species composition, structure, or function.



Full 8.9



Forests are one type of natural ecosystem...
...Deforestation is one type of conversion.



#### **Useful resources**

Accountability Framework initiative (AFi) guidance on applying defintions related to deforestation and conversion



## Deforestation and conversion free status

What is it?

"No-deforestation or Deforestation-free"

Commodity production, sourcing, or financial investments that do not cause or contribute to deforestation.

"No-conversion or deforestation-and conversion-free"

Commodity production, sourcing, or financial investments that do not cause or contribute to deforestation and the conversion of natural ecosystems.



Full 8.9



#### **Methods**

- Third-party certification proving full assurance
- Production unit monitoring
- Sourcing area monitoring

#### **Useful resources**

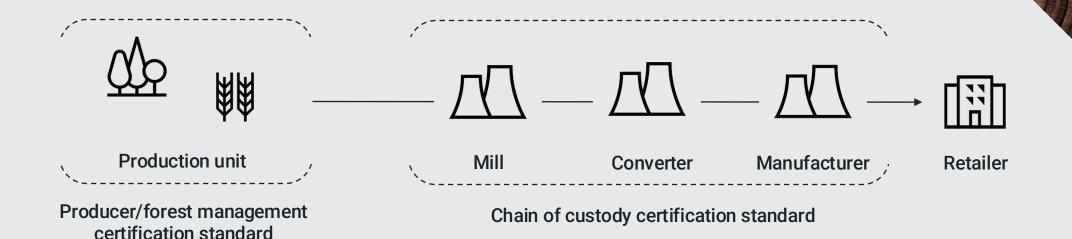
Accountability framework Initiative (AFi)

- **Guidance: DCF reporting**
- **Explainer: Assessing Compliance at the Production** Unit Level
- **Explainer: Responsible production**
- Webinar: Sourcing deforestation- and conversion-free agricultural and forestry commodities



## Third-party certification

Schemes providing full DF/DCF assurance





Robust requirements on no deforestation and no conversion, after an appropriate cutoff date



Physical traceability of raw material supplies i.e., segregated or identity preserved chain-of-custody models.

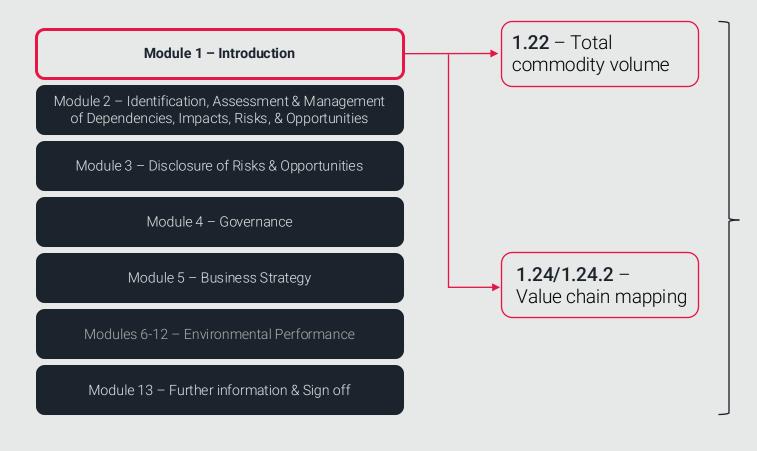


## Key forests questions – deep dive



## Module 1

Total commodity volume & value chain mapping



#### **Ambition**

The organization discloses all commodities and volumes that they produce and/or source.

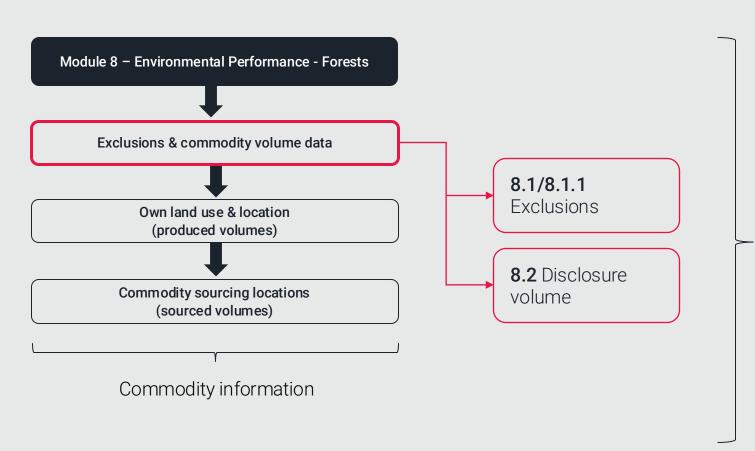
#### **Ambition**

Organizations have visibility into their value chains, enabling them to manage the environmental dependencies, impacts, risks, and opportunities related to their sourced commodity volumes.



## Module 8

### Exclusions & commodity volume data



#### **Ambition**

The organization reports on all exclusions from the reporting boundary and does not have any significant exclusions from their disclosure.

#### **Actions**

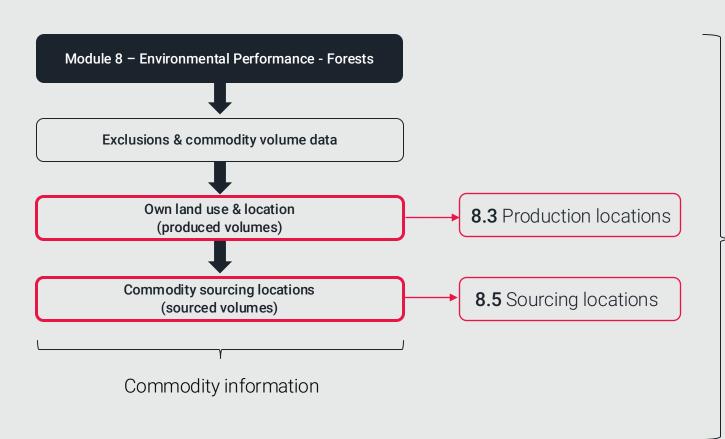
Set your reporting boundary and identify exclusions

**EUDR** does not allow small quantity exemptions – preparing a full commodity disclosure will support you to start with your due diligence obligations.



## Module 8 - forests

### Sourcing and production locations



#### **Ambition**

The organization discloses:

- all the sites that they own, manage and/ or control.
- all the origins of their sourced volumes.

#### **Actions**

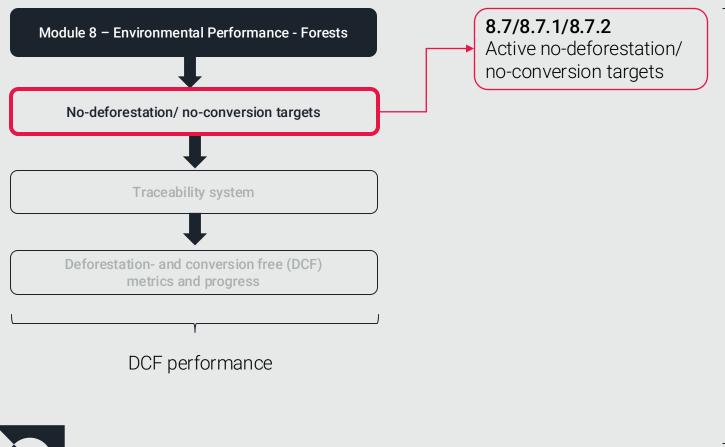
- Identify sourcing/ production locations.
- Provide geo-referenced maps or shapefile.

**EUDR** requires geographic coordinates of the plots of land where the commodities were produced or harvested.



# Module 8 - forests

No-deforestation and no-conversion targets



#### **Ambition**

The organization sets organization-wide timebound and quantifiable targets to eliminate deforestation and conversion of other natural ecosystems.

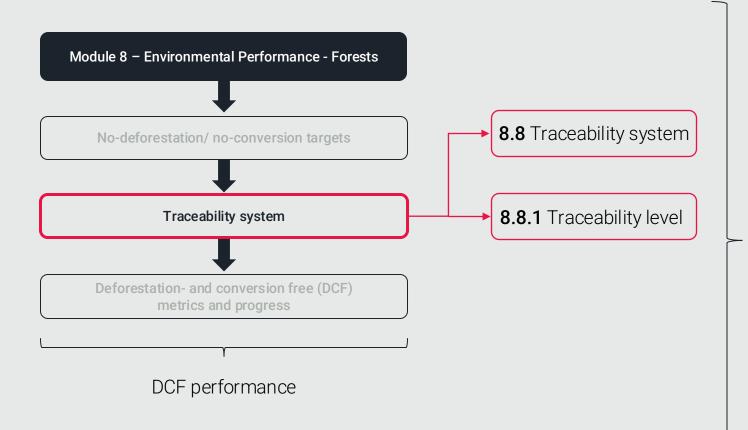
#### **Actions**

- Establish organizational definition of "No-deforestation" or "No-conversion" → <u>Accountability Framework initiative (AFi)</u> <u>guidance on applying definitions related</u> to deforestation and conversion
- Identify sector or region wide agreements for cutoff dates → <u>Accountability</u> <u>framework Initiative (AFi) Operational</u> Guidance: Cutoff Dates



# Module 8 - forests

#### Traceability



#### **Ambition**

Organizations have robust traceability systems to ensure:

- the origins of the sourced volumes across their value chain are known or controlled.
- sourced volumes are traced to a point where it can be confirmed that no deforestation and no conversion of other natural ecosystems occurred during production, after a designated cutoff date.

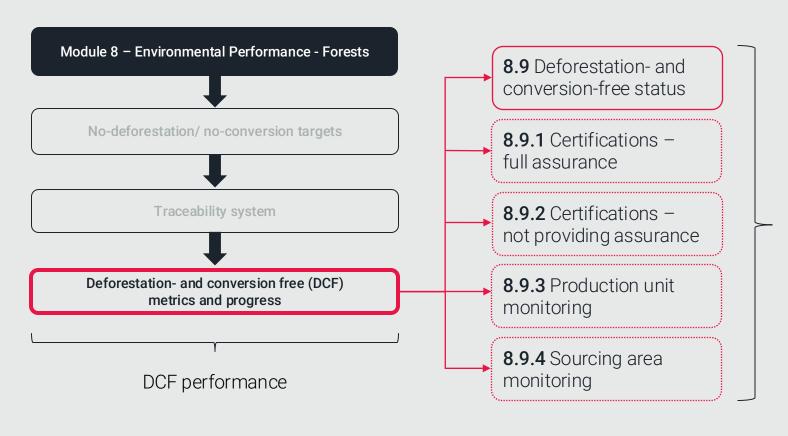
#### Action

- Engage direct suppliers and stakeholder to gauge existing traceability systems.
- Investigate traceability initiatives in your country/region e.g., <u>Traceability Initiatives in</u> the Meat and Leather Value Chains in Brazil.



# Module 8 -forests

Deforestation- and conversion-free status (DCF) of commodities



#### **Ambition**

- Organizations track progress towards achieving DF or DCF.
- Organizations disclose on their progress to achieving DF or DCF and disclose relevant methodological choices used to calculate DF/DCF volumes.

#### **Actions**

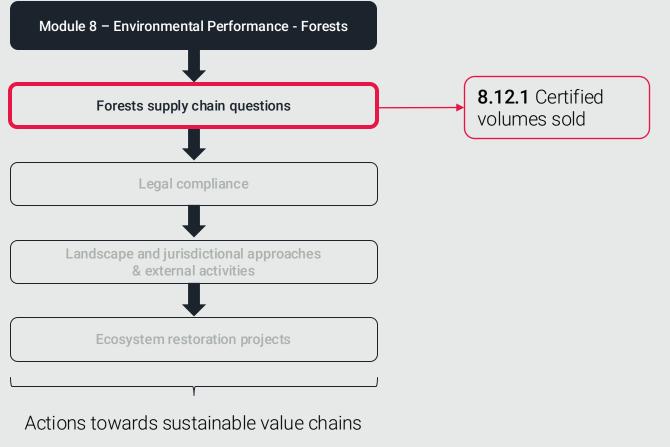
 Establish which method you will use to determine the DF or DCF status → Consumer goods forum (CGP) commodity roadmaps, DCF methodologies & guidance



Example responses and DF/DCF certifications list available in <u>CDP technical</u> note 'Reporting progress on Deforestation- and Conversion-free value chains'

# Module 8 -forests

CDP Supply Chain request questions



#### **Ambition**

 Organizations provide the percentage of the total commodity volume sold to requesting members that is certified by a third party, the certification schemes used and forms of commodities that are certified.

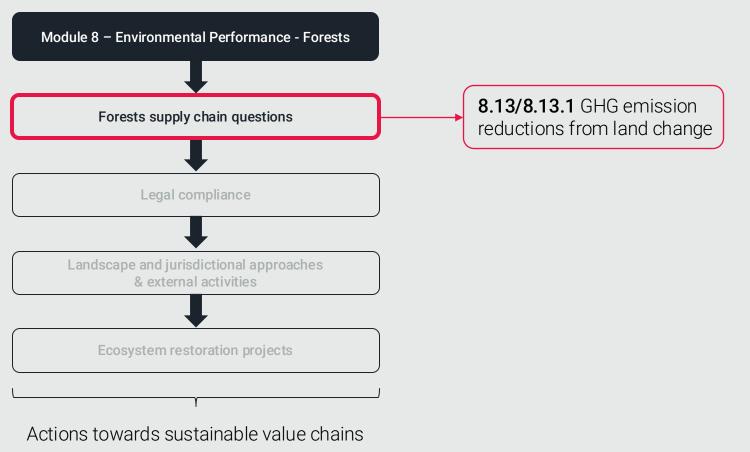
#### Actions

 Collect information on all the certifications you hold, and any that your suppliers hold.



# Module 8 - forests

#### CDP Supply Chain request questions



#### **Ambition**

 Organizations provide the GHG emission reductions and/or removals from land use management and land use change that have occurred in their direct operations and/or upstream value chain

#### **Actions**

 Collect information any activities that that have resulted in an emissions benefit



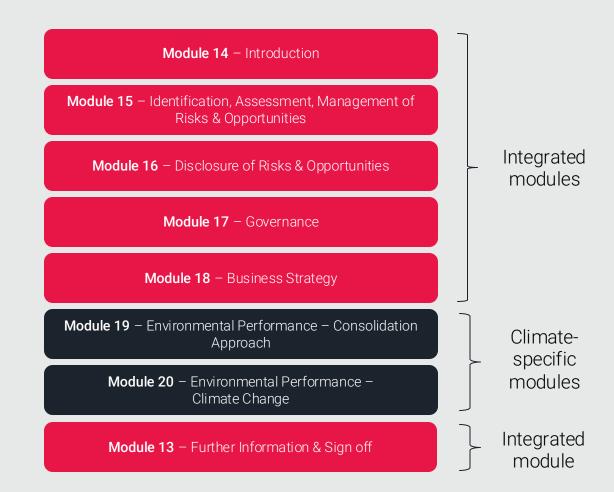
# Forests SME disclosure



# SME Questionnaire

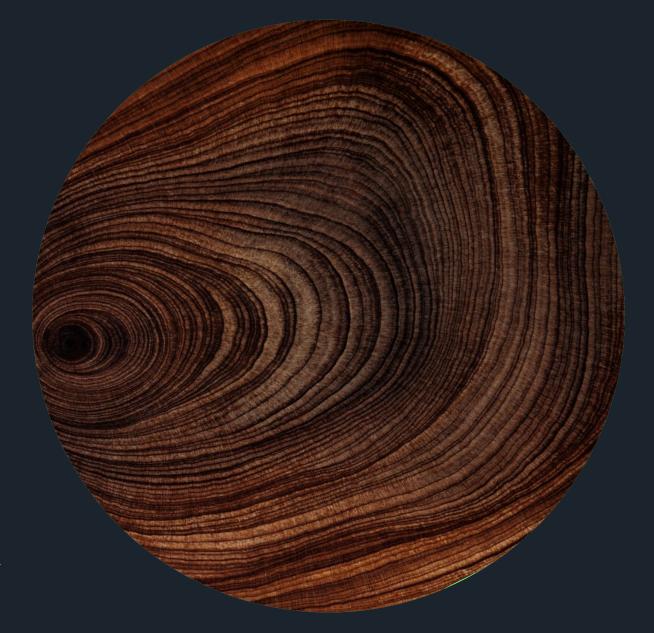
#### Layout and Structure

- CDP's SME questionnaire is mostly focused on climate to match the resources of SMEs.
- Integrated modules (14-18) also include a select few questions where SMEs can start to provide forests data on topics such as:
  - Risks and opportunities assessment process
  - Engagement with suppliers, customers, and other stakeholders
  - Forest-related initiatives you could collaborate on with CDP Supply Chain members





# Additional support and resources



Getting started on your forests disclosure

# Guidance and Support

- Visit our online Disclosure Guidance page:
   Our Question Bank CDP
- Hub for all available guidance documents.

### Questionnaire and reporting guidance 2025

Our focus on stability and core functionality delivery underpins the rationale for minimal changes to the questionnaire and scoring methodology in 2025 – as well as improved support available through detailed guidance and training for account managers.

Disclosers can prepare for the disclosure cycle by downloading PDF versions of our questionnaire and reporting quidance for 2025, below.

Translated versions of these documents will be available in May.



#### Companies

Questionnaire and guidance for those responding to the CDP Full Corporate questionnaire in 2025

DOWNLOAD - MODULES 1 TO 6 (PDF) &

DOWNLOAD - MODULE 7 (PDF)

DOWNLOAD - MODULES 8 TO 13 (PDF)



#### Small and Medium Sized Enterprises (SMEs)

Questionnaire and guidance for those responding to the CDP SME Corporate questionnaire in 2025

DOWNLOAD - MODULES 14 TO 21 (PDF) 🕹



#### Cities, States and Regions

CDP-ICLEI Track questionnaire and guidance for those responding to either the CDP Cities questionnaire or States & Regions questionnaire in 2025

DOWNLOAD (PDF) 🕹



## Resources

#### CDP resources for disclosure in 2025

- Questionnaire and reporting guidance 2025
- Corporate Disclosure Key Changes for 2025
- CDP Guidance and scoring methodology for companies
- <u>CDP Help Center</u>: Knowledge Base and Support Tickets
- FAOs: General disclosure information

#### CDP Forests disclosure resources

- CDP Technical Note: Reporting progress on Deforestationand Conversion-free value chains
- CDP Technical Note: Reporting Commodity Volumes

#### Additional resources

- Consumer goods forum (CGP) forest positive approach & guidance for commodity suppliers
- Accountability Framework initiative e-learning platform
- Accountability Framework initiative tools & guides
- Proforest academy e-learning platform



