

Introduction to CDP Forests Disclosure 2022

CDP Europe

12th May, 2022

SPEAKERS



Moderator

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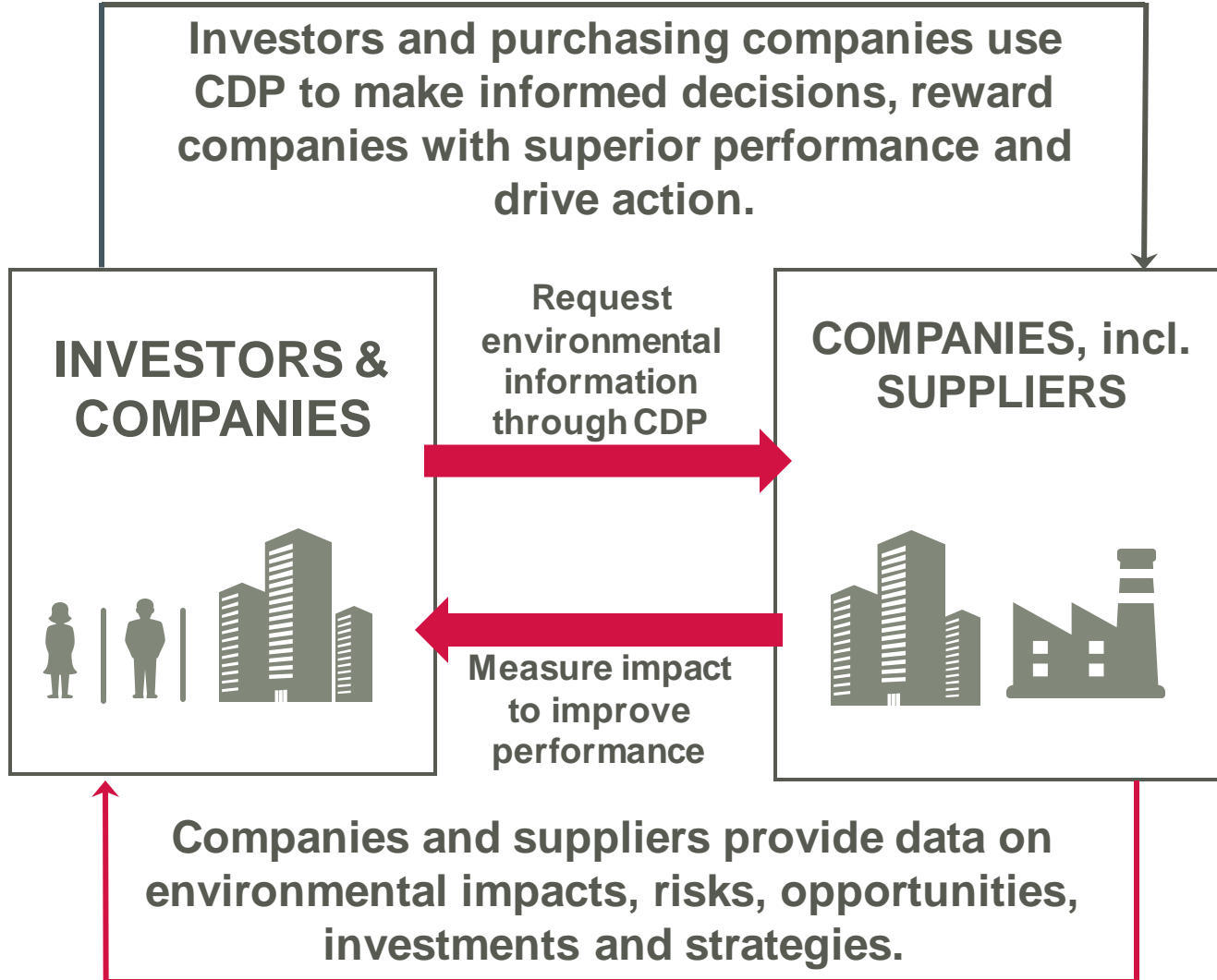


Laura Bosch

Sustainable Investment Specialist

Robeco

HOW WE WORK



WHY FORESTS?



FORESTS PROVIDE ECOSYSTEM SERVICES

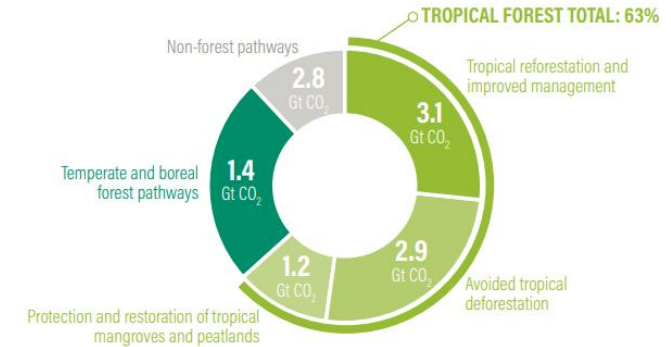
- ▶ Approximately 25% of the world's population rely on forests for their **livelihoods**
- ▶ **80% of terrestrial biodiversity** is found in forests
- ▶ Forests **store and capture carbon**
- ▶ **75% of accessible freshwater** depends on the filtration & water storage provided by forests
- ▶ Forests impact air quality, control pollution and soil erosion and regulate climate
- ▶ Forests are also evolving as a critical component for “adaptation” to the climate crisis.

MITIGATION: REDUCING EMISSIONS AND INCREASING SEQUESTRATION

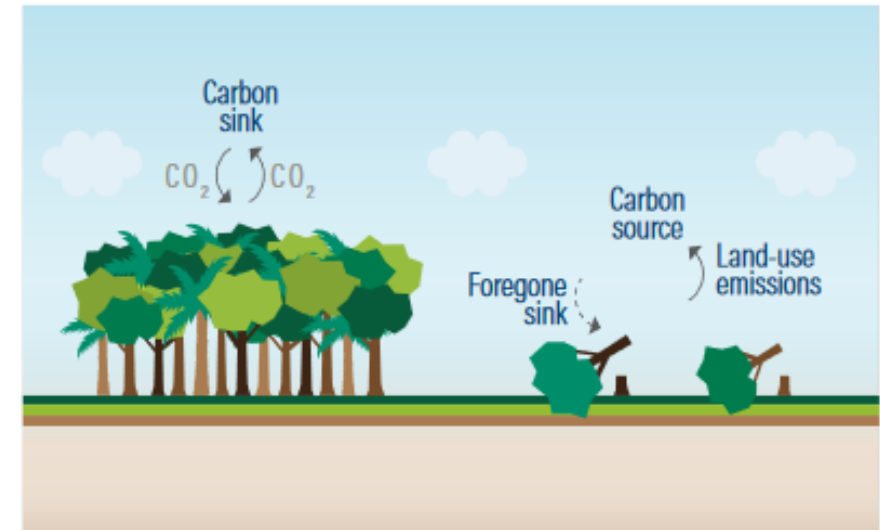
The land sector can deliver 37 % total mitigation needed between now and 2030 to limit warming to below 2°C.

*Of this total, nearly **two-thirds** can be delivered through the conservation, restoration, and improved management of tropical forests*

1B | Tropical forests can deliver nearly two-thirds of the land sector's cost-effective mitigation potential by 2030



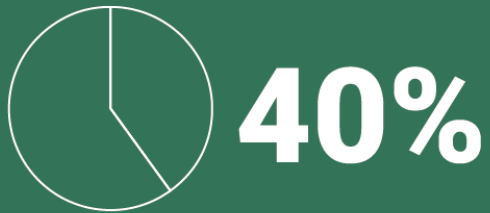
Note: Most of the total land-based mitigation opportunity comes from tropical forests.
Source: Data from Griscom et al. 2017, Supplementary Information Table S4.



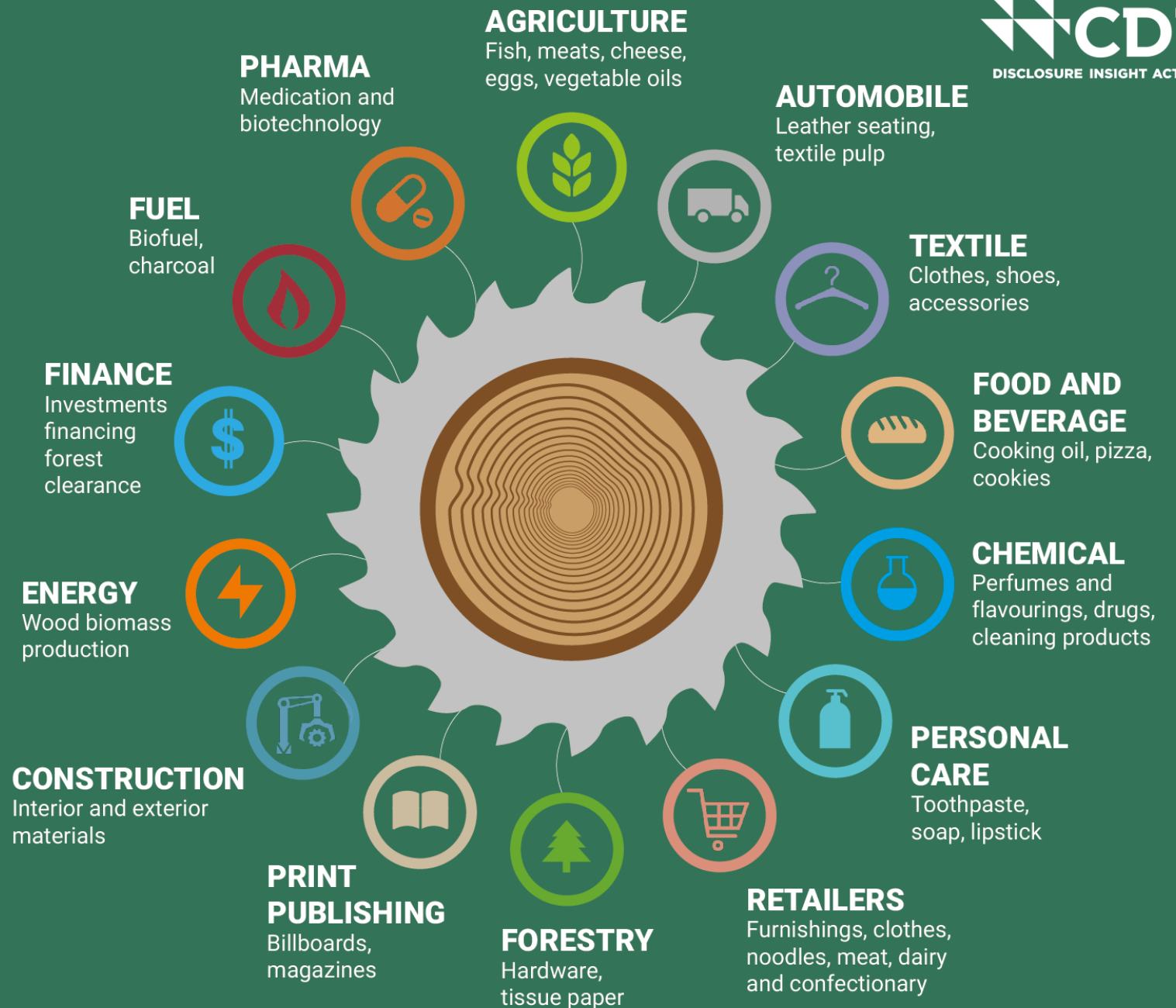
SECTORS DRIVING DEFORESTATION



30 football fields of rainforest are lost every minute



40% of tropical deforestation is driven by production and trade of just four commodities: **CATTLE, PALM OIL, TIMBER and SOY**





211 companies reported

US\$79.3 billion

in risks from deforestation, with the total
cost of response estimated at

US\$6.7 billion

CDP Data, 2021

BUSINESS RISKS



Reputation & markets risk

- Negative media coverage
- Increased stakeholder concern or negative stakeholder feedback
- Increased commodity prices



Physical risk

- Increased severity of extreme weather events,
- Changes in precipitation patterns and
- Forest fires.



Regulatory risks

- Changes to national legislation
- Moratoria and voluntary agreements
- Poor enforcement of regulation
- Regulatory uncertainty



Technological

- Inability to increase yield of existing production areas
- Limited access to soil conservation and other sustainable techniques
- Lack of monitoring systems

EVOLVING INTEREST AND REQUIREMENTS

INVESTOR INTEREST



230 Investors with USD \$16.2 trillion in AUM Call for Corporate Action on Deforestation, Signaling Support for the Amazon



- ▼ **Publicly disclose and implement a commodity-specific no deforestation policy with quantifiable, time-bound commitments covering the entire supply chain and sourcing geographies.**
- ▼ **Establish a transparent monitoring and verification system for supplier compliance with the company's no deforestation policy.**
- ▼ **Report annually on deforestation risk exposure and management, including progress towards the company's no deforestation policy.**

FINANCIAL TIMES

Investors with \$6tn in assets call for soya traders to tackle deforestation

Hermes, BNP Paribas Asset Management and Aviva among group of 57 pushing for 'quantifiable' commitments



REGULATORY TRENDS FOR FORESTS

Growth in forest-related regulation!

- ▼ **In November 2021, the EU Commission published a “Proposal for a regulation on deforestation-free products”**, which introduces a mandatory due-diligence system for all economic operators making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation.
- ▼ The EU Commission published a **“Proposal for a Directive on corporate sustainability due diligence”** in February 2022. The directive sets out a framework to foster the contribution of businesses operating in the single market to the respect of the human rights and environment in their own operations and through their value chains.
- ▼ **Due diligence on forest risk commodities – UK** - The law would require a relatively small number of larger businesses to ensure that the ‘forest risk’ commodities they use have been produced legally. Designed to prevent forests and other important natural areas from being converted illegally into agricultural land.
- ▼ **French National Strategy to Fight Imported Deforestation** - Seeks to combat imported deforestation by 2030, which it defines as ‘the importation of raw or processed materials whose production contributed, directly or indirectly, to deforestation, forest degradation or to the conversion of natural ecosystems outside of the national territory’.
- ▼ **US: Fostering Overseas Rule of Law and Environmentally Sound Trade (FOREST) Act**, new bipartisan legislation that creates a framework for the federal government to deter commodity-driven illegal deforestation around the world.
- ▼ Adoption of an updated **Renewable Energy Directive (REDII)** – to ensure the production of feedstock for biofuels is sustainable and does not cause deforestation through indirect land use change (ILUC). Includes a gradual reduction as of January 2024 of the amount of certain types of biofuels towards the renewable energy targets.
- ▼ The **Sustainable Finance Regulation Directive (SFRD)** - regulation will ask certain financial product providers to disclose ESG data in the form of quantitative KPIs at the product/ portfolio level.
- ▼ **Non-financial reporting directive (NFRD)** - Companies are required to include non-financial statements in their annual reports from 2018 onwards. Requires publication of reports on the policies they implement in relation to environmental protection, social responsibility and treatment of employees, respect for human rights, etc.



SCOPE OF THE EU THE LEGISLATION

6 FOREST-RISK COMMODITIES

- Beef
- Palm oil
- Soy
- Wood
- Cocoa
- Coffee

ALL PRODUCING COUNTRIES

The EU Commission will introduce a benchmarking system to assign to countries a level of risk (low, standard, high)

OPERATORS AND TRADERS

All operators and traders which are not SMEs will have to comply with the legislation.

Financial institutions are excluded

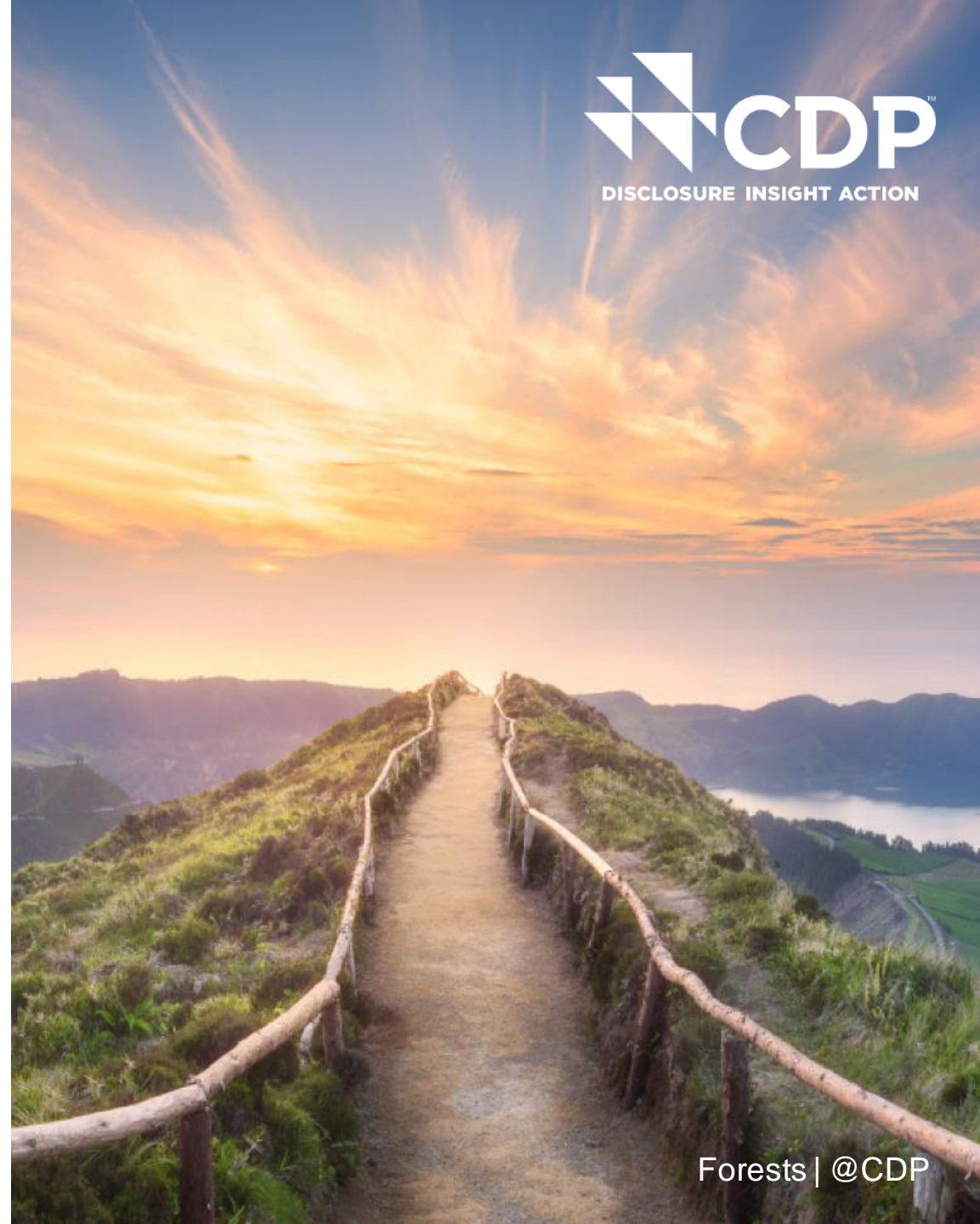
TRANSITIONING TO NATURE POSITIVE

The transition roadmap and elements



EVOLVING STANDARDS

- With the introduction of SBTi FLAG methodology and the GHGs Protocol Land Sector and Removals Guidance, companies with emissions & removals from land systems will be guided on setting science based targets and calculating their forest, land-use and agriculture related emissions.
- TNFD will define a risk management and disclosure framework for organisations to report and act on nature-related risks.
- SBT for Nature will incentivise regenerative, restorative and transformational actions within the nature framework to complement the climate activities of companies.



THE TIME IS NOW !

IDENTIFY YOUR INFORMATION AND IMPLEMENTATION GAPS



- Clear time bound targets
- Policies
- Implementation plans
- Scope of traceability
- Scope of certification
- Level of supplier engagement
- No compliance protocols
- Engaging beyond deforestation



FORESTS QUESTIONNAIRE



FORESTS QUESTIONNAIRE FRAMEWORK



Provides logical structure to improve understanding of forests related risks and opportunities



Guide companies through the journey of removing commodity-driven deforestation and forests degradation from their value chain



Encourage effective engagement with suppliers and other stakeholders



Allow companies to demonstrate progress and good practice

CDP FORESTS QUESTIONNAIRE

Scored



Cattle products



Palm oil



Soy products



Timber products

Not scored



Natural rubber



Coffee



Cocoa

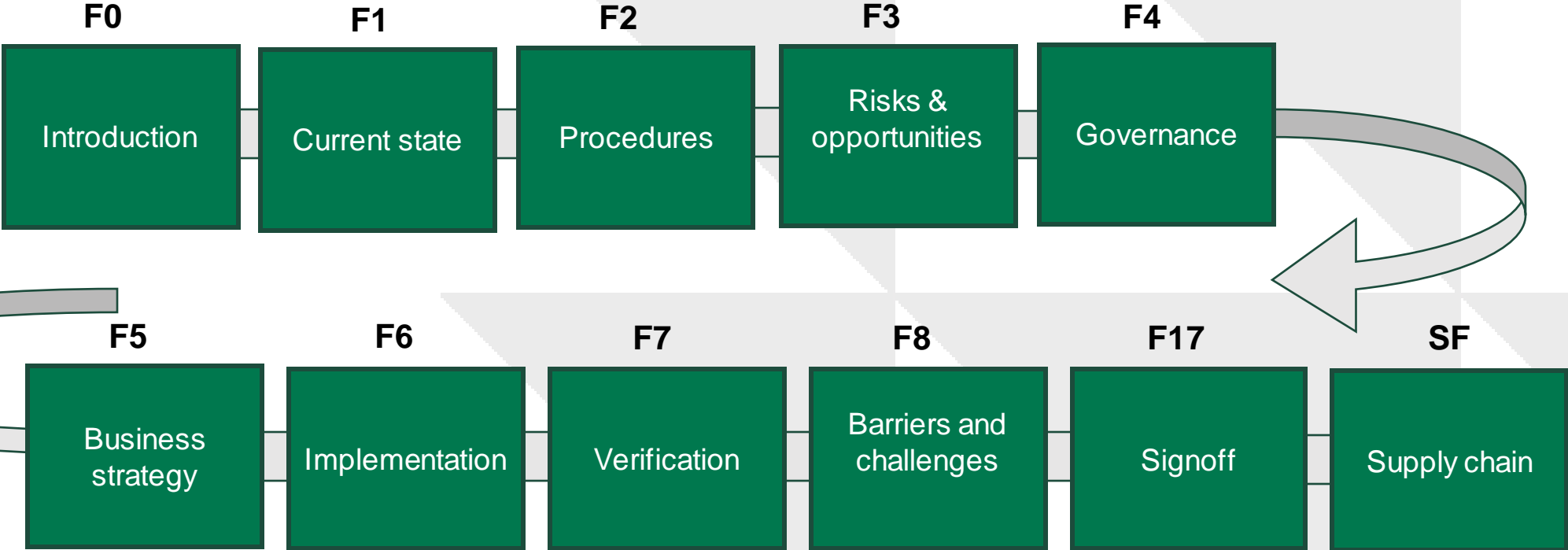


Mining sector questionnaire

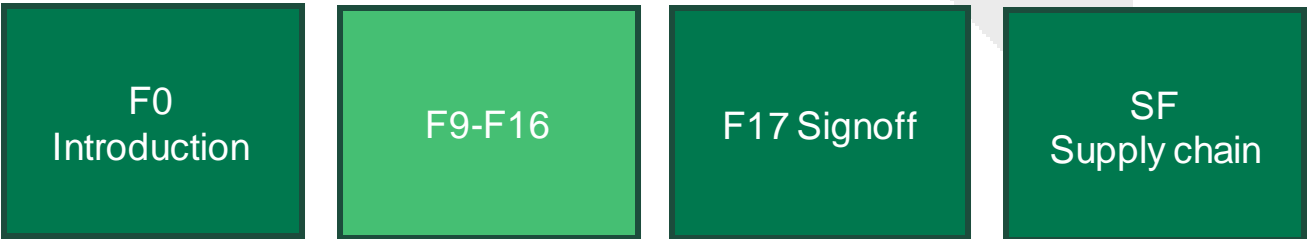
Forests Questionnaire Structure







All companies –
except MM and CO



Metals & Mining
and
Coal companies



Headlines for 2022

-  Landscape approaches (including jurisdictional approaches)
-  Value chain mapping
-  Land conversion footprint and Deforestation-Conversion Free volumes
-  Risk procedures

F1 CURRENT STATE



F0 Introduction
F1 Current state
F2 Procedures
F3 Risks and opportunities
F4 Governance
F5 Business strategy
F6 Implementation
F7 Verification
F8 Barriers and challenges
F17 Sign off
SF Supply chain module

- ▼ Understanding your commodity dependency and any past impacts
 - ▼ Commodity usage and origin
 - ▼ Land stewardship and land holdings (for producers only)
 - ▼ Data regarding natural ecosystem conversion
 - ▼ Percentage of commodity volumes verified as deforestation and/or conversion-free
 - ▼ Production & consumption volume data
 - ▼ Detrimental impacts experienced to date

F3 RISKS AND OPPORTUNITIES

F0 Introduction

F1 Current state

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SF Supply chain module

▼ **Risks:** demonstrating an awareness of your exposure to forests-related risks and how you are responding to them

- ▼ Substantive risks only (Companies define substantive)
- ▼ Inherent risk rather than residual risk
- ▼ Risk disclosed for both direct operations and in the rest of the value chain
- ▼ Potential financial impact figure of risk or a range for this figure

A company identified reputational and market risks due to availability of certified materials with maximum estimated cost of 70,000,000 GBP, and invests 500,000 annually to manage this risk through engagement in multi-stakeholder initiatives. “The cost involved is estimated over an annual period and refers to the cost of a number of ongoing projects in which we are involved to improve and increase certification to secure access to wood fibre.”



F3 RISKS AND OPPORTUNITIES

F0 Introduction

F1 Current state

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F5 Business strategy

F6 Implementation

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F17 Sign off

SF Supply chain module

▼ **Opportunities:** informs data users of market significant opportunities, their potential financial value and how the company is realizing those opportunities:

- ▼ Only opportunities that could substantively benefit the business
- ▼ Only opportunities that the company is realizing – not potential opportunities

Carrefour: “Offering certified timber products generates new revenues. In 2019, the total sales of Carrefour PEFC and FSC products represents 205 million of euros. New certified products development as well as an increasing demand for certified product explain the major increase of 16,5% of this figure between 2019 and 2018.”



F4 GOVERNANCE

F0 Introduction

F1 Current state

F2 Procedures

F3 Risks and opportunities

F4 Governance

F5 Business strategy

F6 Implementation

F7 Verification

F8 Barriers and challenges

F17 Sign off

SF Supply chain module

▼ This module captures the governance structure of your organization and its governance mechanisms with regards to forests-related issues, including;

- ▼ Board oversight
- ▼ Management responsibility
- ▼ Employee incentives
- ▼ Integration of forests into financial reporting
- ▼ Scope and content of forests and commodity-specific policies
- ▼ Public commitments

Another company's company-wide Responsible Care Policy includes a commitment to eliminate deforestation and/or conversion from forest risk commodities supply chains “to show how much we rely on the ecosystem services forests provide and promote our voluntary commitment to customer satisfaction, considering the status of our globally deployed businesses, and the social responsibilities associated with those businesses.”



F5 BUSINESS STRATEGY



F0 Introduction
F1 Current state
F2 Procedures
F3 Risks and opportunities
F4 Governance
F5 Business strategy
F6 Implementation
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F17 Sign off
SF Supply chain module


- ▼ A forward looking module focusing on how a company is adapting its long-term strategic plan to secure a sustainable future

F6 IMPLEMENTATION

F0 Introduction
F1 Current state
F2 Procedures
F3 Risks and opportunities
F4 Governance
F5 Business strategy
F6 Implementation
F7 Verification
F8 Barriers and challenges
F17 Sign off
SF Supply chain module

▼ How organizations plan to implement, or are already implementing, their policies and commitments associated with forests-related issues.

- ▼ Targets
- ▼ Traceability
- ▼ Third-party certification
- ▼ Control systems to monitor compliance
- ▼ Legal compliance (Brazilian Forest Code and other forest regulations and/or mandatory standards)
- ▼ Engagement with smallholders, direct suppliers, and indirect suppliers
- ▼ Multi-stakeholder initiatives (including jurisdictional approaches)
- ▼ Ecosystem protection and restoration




Carrefour
To ensure that 100% of its own-brand fresh beef sold by Carrefour Brazil meets its no deforestation requirements set out in its beef policy, Carrefour has set up a satellite geo-referencing platform and integrated it into its purchasing program.

COMMODITY Cattle | TYPE OF ACTION Traceability



Fuji Oil
participates in a range of farmer support activities in cooperation with NGOs, direct suppliers, indirect suppliers, customers, and local governments. These provide environmentally, socially and economically sustainable farming know-how, and secure improved conditions and livelihoods, which enable zero deforestation, zero peatland development and zero exploitation policies to be implemented by oil mills and farms.

COMMODITY Palm oil | TYPE OF ACTION Engagement



L'Oréal
has set a target of 100% sustainably sourced soy by end of 2020. Soy is a deforestation driver in South America, specifically in the Cerrado and Gran Chaco biomes.

COMMODITY Soy | TYPE OF ACTION Targets

IMPLEMENTATION EXAMPLES

VALUE OF CDP FORESTS DISCLOSURE



“Thanks to CDP’s risk assessment framework, we have continued to inform our palm strategy by reinforcing the evaluation of the potential financial impacts of risks identified along our supply chains. Beyond the sustainable certification of 100% of our sources and our efforts to trace back our derivatives, a key pillar of our strategy is working with our suppliers, including the use of CDP data to further engage them, mitigate risks and build resilience.”

Alexandra Palt, Chief Corporate Responsibility Officer
L’Oréal

“The CDP supply chain program has been effective in raising awareness in suppliers and we believe it provides them with concrete ideas for building capacity for change. All of this is leading to increasing resilience of our supply chain and a huge business asset for us”

Manabu Shibata, ESG Promotion
KAO Corporation

“We choose to disclose on CDP as it complements our own reporting and helps give our stakeholders a fuller picture of our actions on climate change, forest protection and water security.”

Lim Shu Ling , Head of Sustainability
Communications
Golden Agri-Resources Ltd

‘CDP Forests provides a standardized method and common platform through which companies can report on their exposure to deforestation risk and on the actions they are taking to minimize and address that risk. ...companies that report through CDP Forests will be reporting consistent with the Accountability Framework for those themes covered by CDP Forests.’

Accountability Framework

Disclosing information about forest conservation through CDP enables us to take action on deforestation risks and incorporate “zero deforestation” into our overall sustainable business strategy.

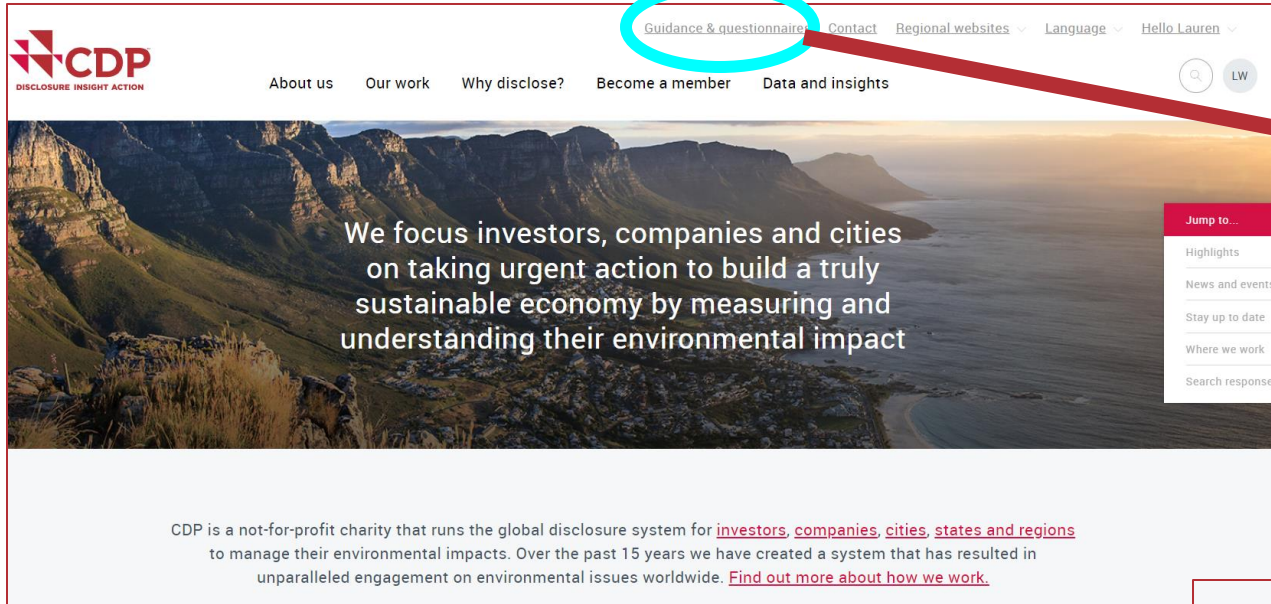
Chen Bin
Director of Public Relations,
Fujian Sunner Group

ALIGNMENT WITH THE ACCOUNTABILITY FRAMEWORK

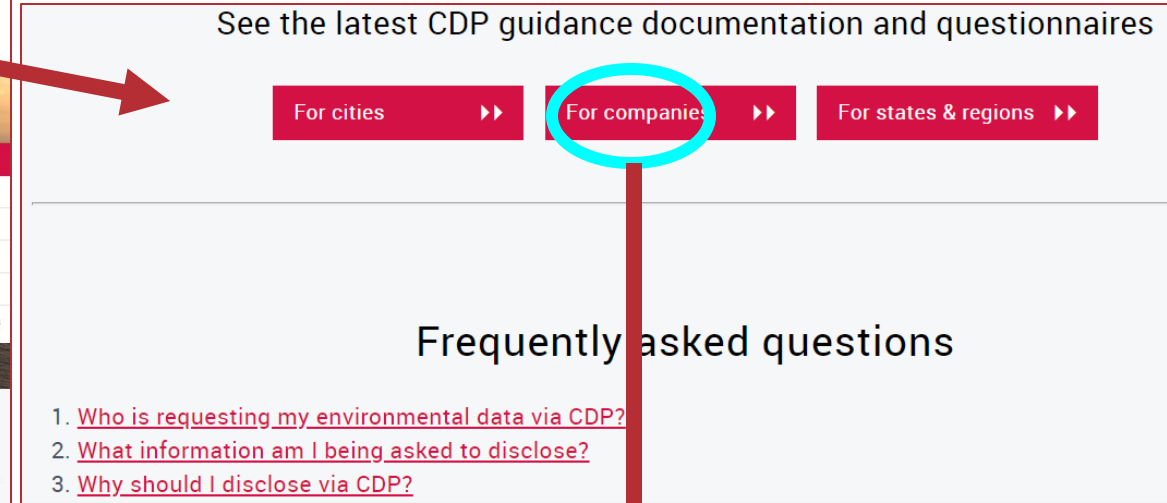
The Afi and CDP Forests have collaborated to align the CDP Forests 2020 questionnaire and guidance with the Accountability Framework Core Principles and Definitions that are germane to the scope of CDP Forests. Due to this alignment, companies that report through CDP Forests will be reporting consistent with the Accountability Framework for those themes covered by CDP Forests.

-  Accountability Framework } Delivering on ethical supply chain commitments

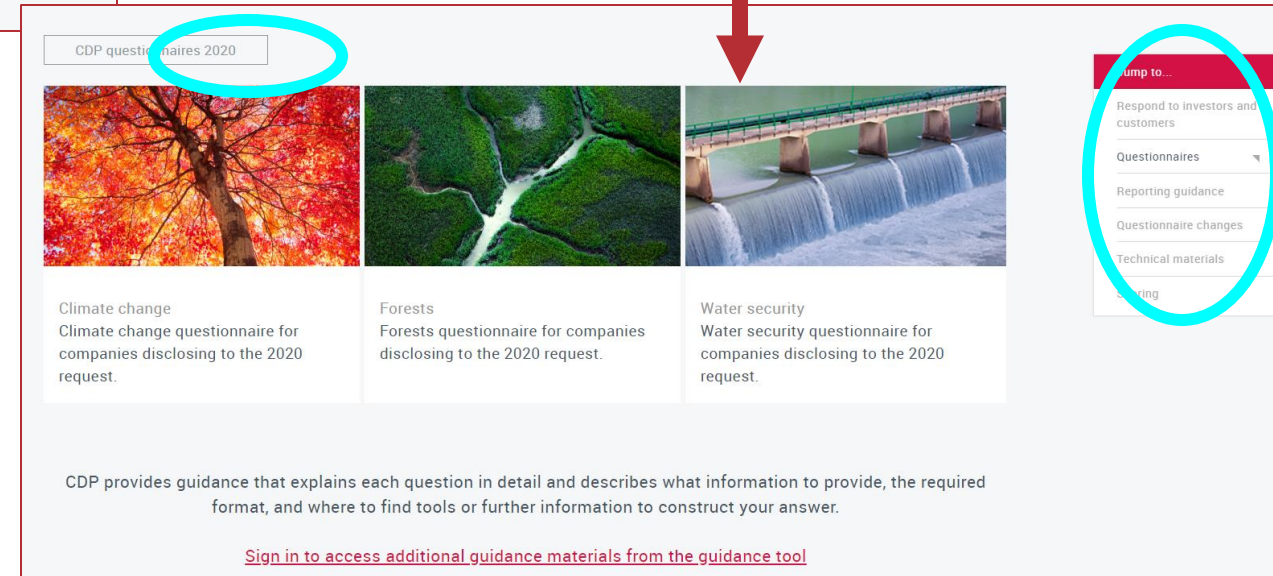
RESOURCES AVAILABLE ONLINE



The screenshot shows the CDP website homepage. The navigation menu includes 'Guidance & questionnaires' (circled in red), 'Contact', 'Regional websites', 'Language', and 'Hello Lauren'. Below the navigation is a large banner image of a mountain landscape with the text: 'We focus investors, companies and cities on taking urgent action to build a truly sustainable economy by measuring and understanding their environmental impact'. A 'Jump to...' sidebar is visible on the right. At the bottom, a paragraph states: 'CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Over the past 15 years we have created a system that has resulted in unparalleled engagement on environmental issues worldwide. Find out more about how we work.'



The screenshot shows a page titled 'See the latest CDP guidance documentation and questionnaires'. It features three red buttons: 'For cities', 'For companies' (circled in red), and 'For states & regions'. Below the buttons is a section titled 'Frequently asked questions' with three numbered questions: 1. [Who is requesting my environmental data via CDP?](#), 2. [What information am I being asked to disclose?](#), and 3. [Why should I disclose via CDP?](#)

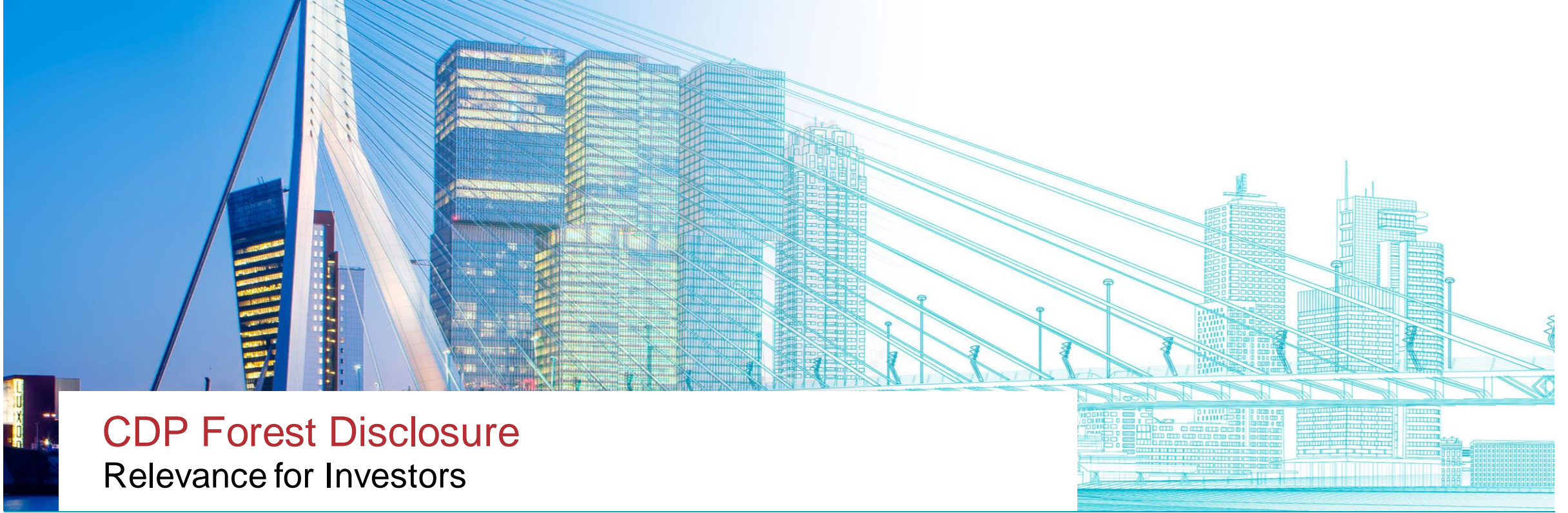


The screenshot shows the 'CDP questionnaires 2020' page. A search bar contains 'CDP questionnaires 2020' (circled in red). Below are three cards: 'Climate change' (with a tree image), 'Forests' (with a forest image), and 'Water security' (with a dam image). A 'Jump to...' sidebar on the right is circled in red and includes options like 'Respond to investors and customers', 'Questionnaires', 'Reporting guidance', 'Questionnaire changes', 'Technical materials', and 'Scoring'. At the bottom, a paragraph states: 'CDP provides guidance that explains each question in detail and describes what information to provide, the required format, and where to find tools or further information to construct your answer.' A link at the bottom reads: [Sign in to access additional guidance materials from the guidance tool](#)

1. Guidance & questionnaires
2. Peruse FAQs, select “For companies”
3. Explore publicly available documents
 - Reporting guidance, Questionnaire changes
 - Technical materials, Scoring documents
4. Sign into guidance tool for historic documents



THANK YOU!



CDP Forest Disclosure Relevance for Investors

Marketing materials for professional investors, not for onward distribution

Sustainable Investing at Robeco

Key investment beliefs

Active asset management with a long-term investment view



- > Research-driven, disciplined, risk-controlled



- > Integrated fundamental, quantitative and sustainability research



- > Socioeconomic benefits combined with competitive financial returns

ESG integration leads to better-informed investment decisions



- > Sustainability is a driver of change



- > Companies with sustainable business practices are more successful



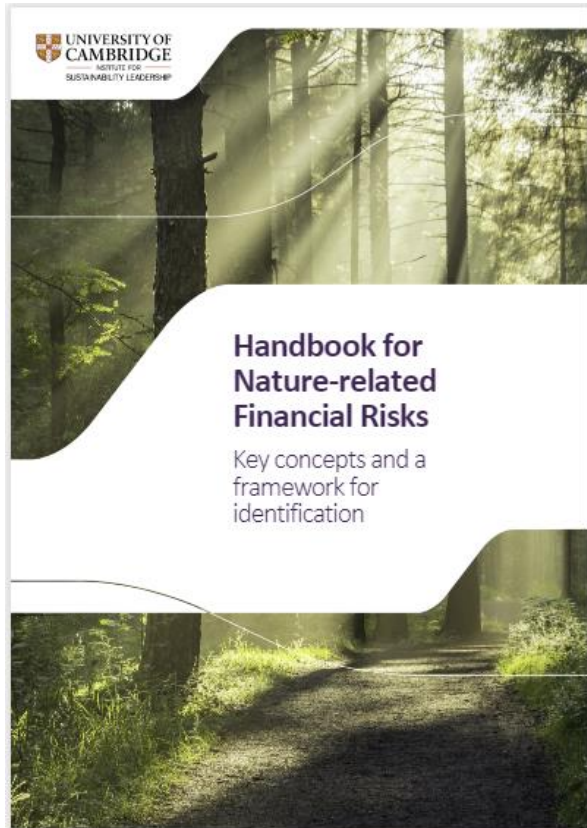
- > Active ownership contributes to both investment results and society

Robeco integrates proprietary sustainability research, expertise and foresight in all its investment processes



Financial materiality of nature-related risks

Business case for corporates



Source: Cambridge Institute for Sustainability Leadership

Financial materiality of nature-related risks

Implications for investors

- Investors increasingly integrating nature- and deforestation-related risk into investment decisions due to physical, transitional and systemic risks.
- Investors and countries taking action to halt deforestation:
 - EU legal framework to halt and reverse deforestation
 - Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation



\$8.7trn investor coalition aims to eliminate agricultural commodity-driven deforestation from portfolios

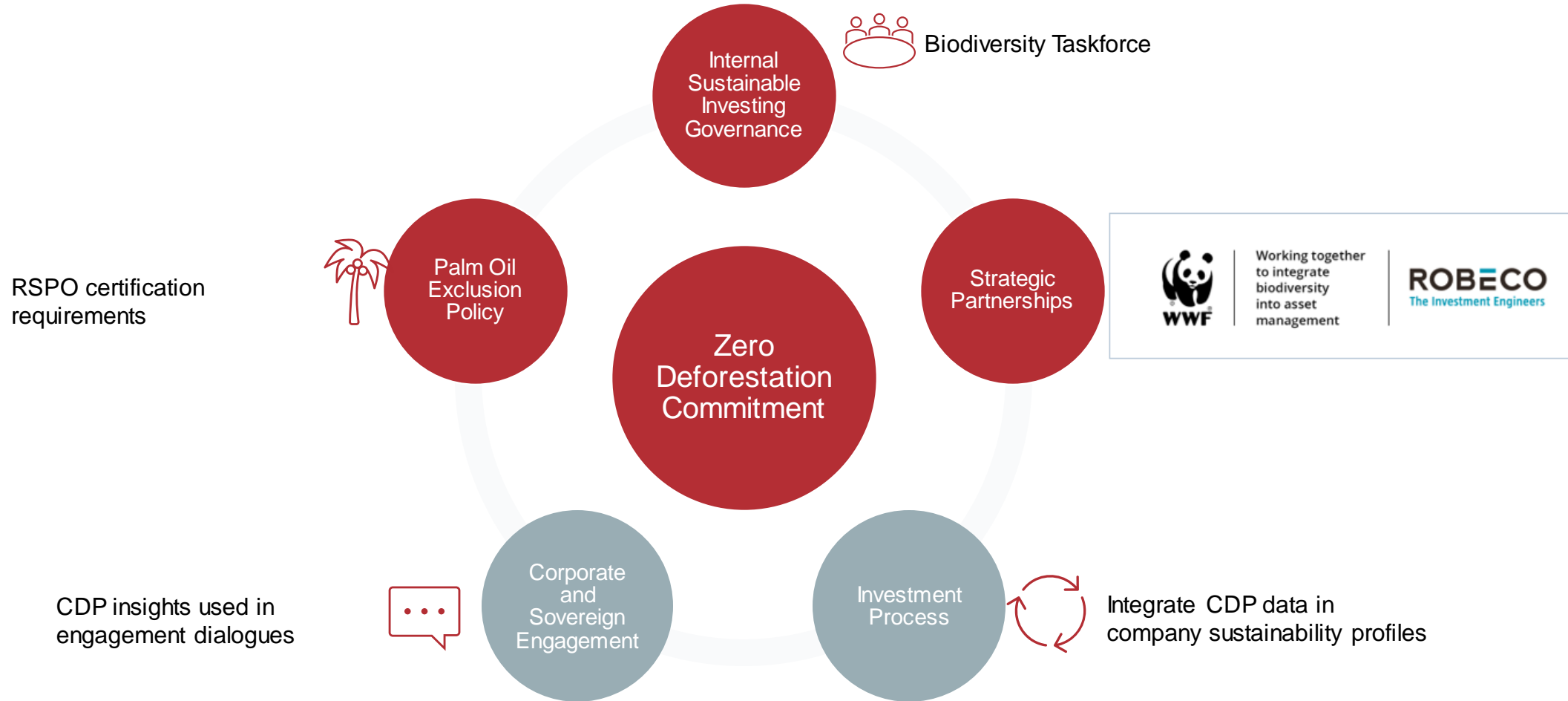
FINANCIAL TIMES

ESG investors wake up to biodiversity risk

Damage to ecosystems including forests and coral reefs forecast to have devastating effect on global economy

Robeco's approach on deforestation

How we use CDP Forest data



Corporate engagement on deforestation-driven biodiversity loss

Rationale and focus of our engagement

Biodiversity is rapidly declining at an unprecedented rate in history

- Current extinction rates are 1,000 times higher than the natural rate
- > 50% of the global GDP is dependent on nature and its services

Companies are now facing increasing biodiversity-related risks, which include:

- > Transition risks
- > Physical risks
- > Litigation risks
- > Systemic risks

Which translate into financial risks for investors

- > Investors are exposed to risks stemming from biodiversity loss predominantly via agricultural land-use change as a result of deforestation

Our engagement will focus on five high-risk commodities, which are among the main drivers of deforestation:

- Cocoa
- Natural Rubber
- Tropical timber and pulp
- Soy
- Beef

Our five engagement objectives for this 3-year engagement program:



Zero Deforestation



Biodiversity Impact Assessment



Biodiversity Restoration & Circular Economy



Sustainability Reporting

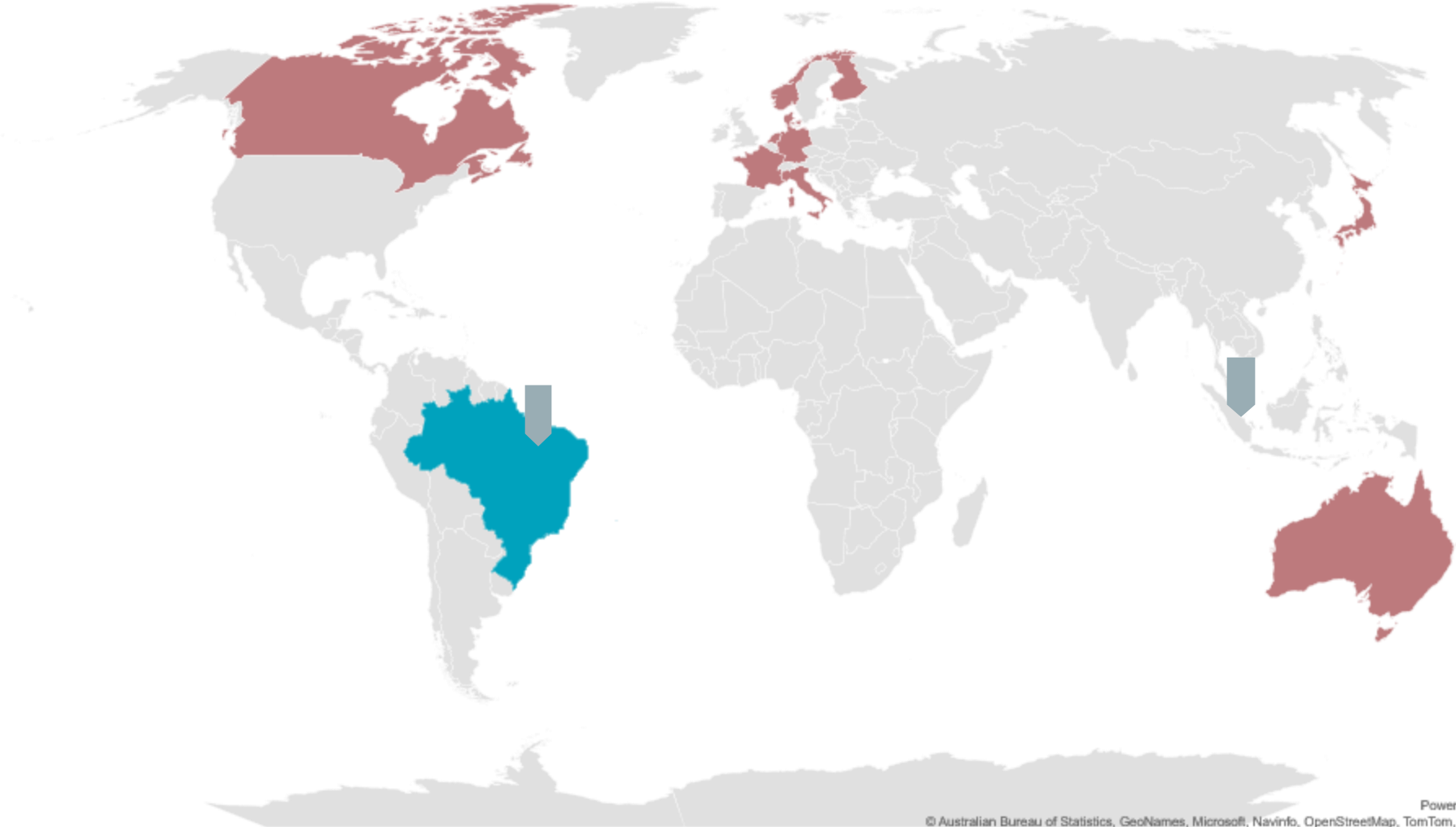


Social Management

Sovereign engagement on deforestation

Investor Policy Dialogue on Deforestation (IPDD)

54 global financial institutions representing approximately USD 7.2 trillion AUM



Summary

- The financial sector and the asset management industry has a crucial role to play in helping to prevent further deforestation and biodiversity loss
- Crucial role of data providers to support investors with high quality data
- What's next?
 - Measure exposure to deforestation and biodiversity and steer on targets
 - Extend corporate engagement scope
 - Advancing strategic partnerships





Q&A



Please use the chat to ask any questions you may have.