CDP Asia Pacific Disclosure Workshops

2024 Forest Disclosure Workshop

3 July 2024

Please note:

- All attendees are muted upon entry
- Please ensure you have connected your device's audio
- Please raise questions in the Q&A box
- Slides and recording of this webinar will be shared with all registrants

Webinar overview

- Introduction
- What do forests contribute?
- The benefit of forest disclosure
- Overview – Integrated modules
- Overview – Environmental performance: Forests module
- Resources and timeline
- Q&A

Introduction

About us

CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions.

What you can measure, you can manage.

700+
financial institutions with US$142 trillion in assets

330+
purchasing organizations with an annual spend of US$6.4 trillion

23,000+
disclosing companies

1,100+
disclosing cities, states & regions

What do forests contribute?

Why disclose on forests?

Forests permeate our economy and stabilize the climate

$150tn provided by forest commodities as a basis for industries

75% Of the world's freshwater supplies, including 90% of the world's largest cities

3.7m hectares converted annually, releasing 2.4 gigatonnes of CO2 emissions

Ending deforestation and conversion is essential to net-zero

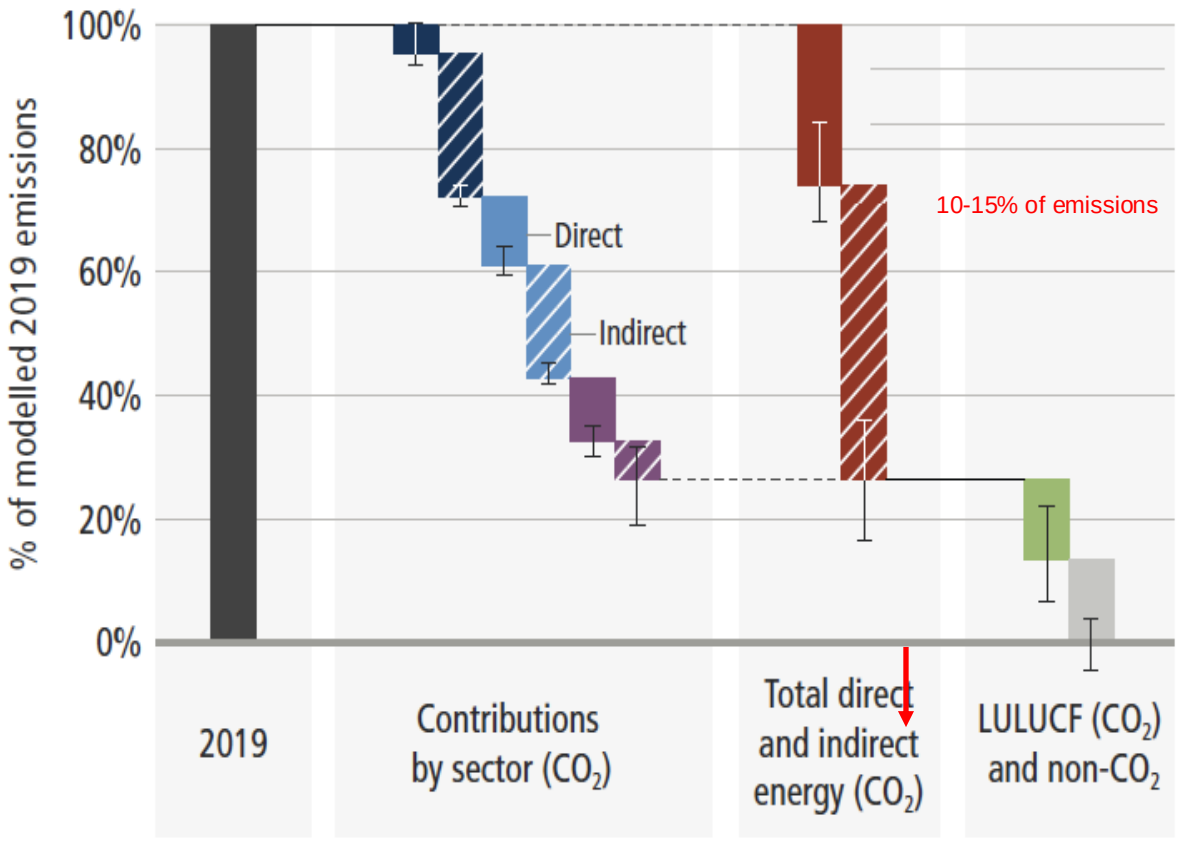
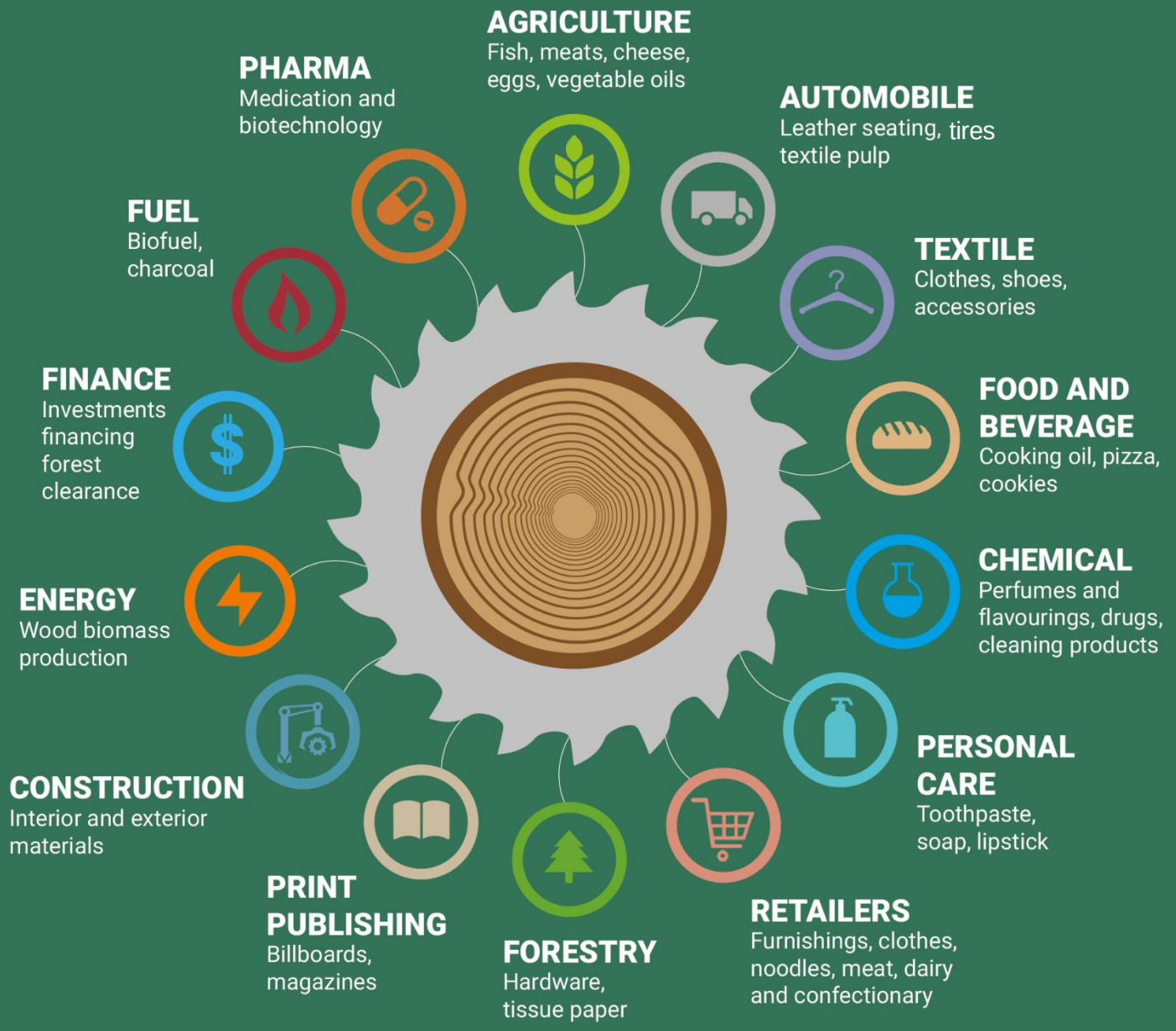


Figure: IPCC 2022. Mitigation of Climate Change, 6th AR.

What do forests contribute?

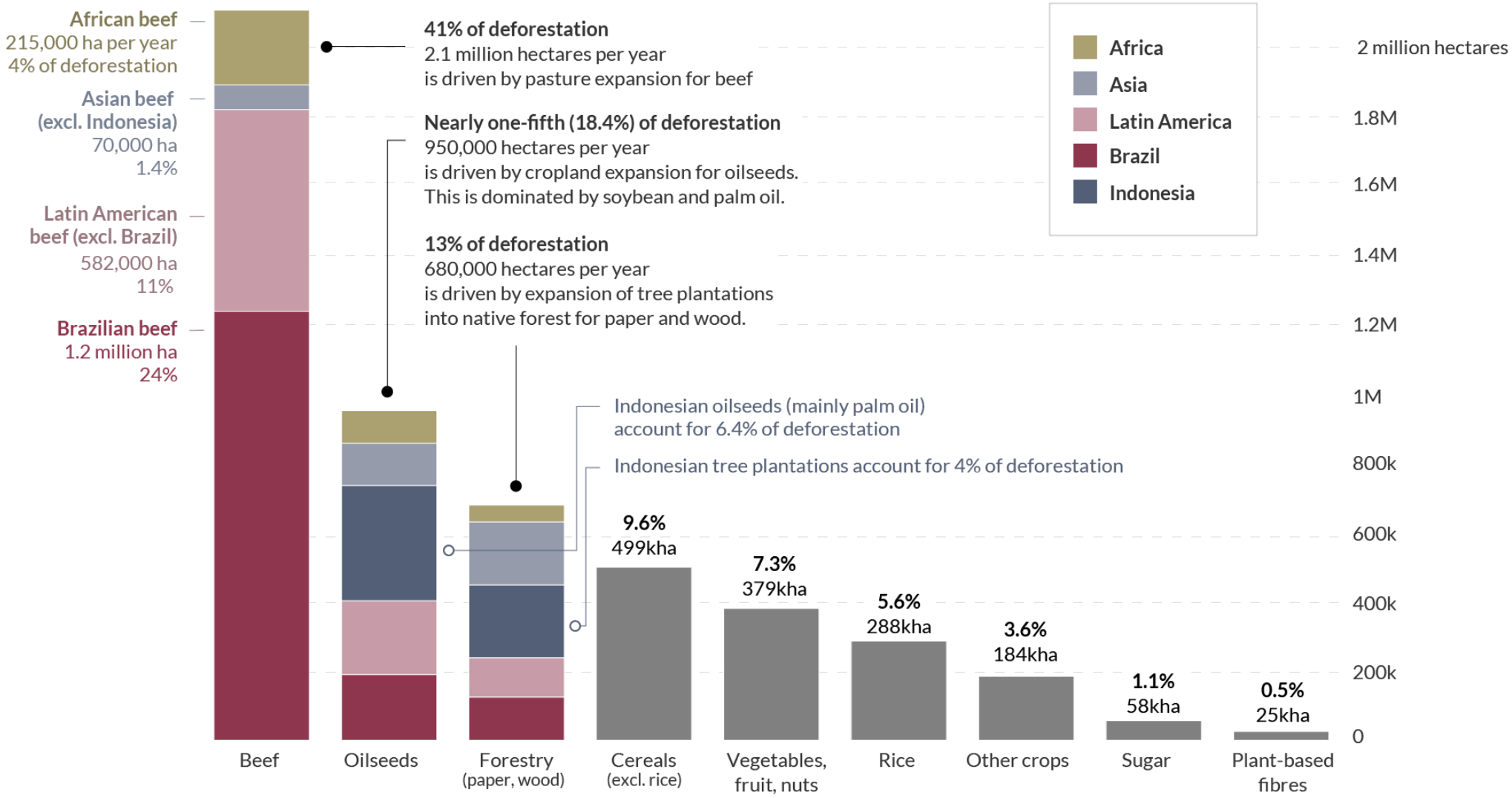
Industry



What are the drivers of tropical deforestation?

Our World in Data

Nearly all of global deforestation occurs in tropical and subtropical countries. 70% to 80% is driven by conversion of primary forest to agriculture or tree plantations. Shown is the breakdown of these drivers averaged over the years 2005 to 2013. Further observations since 2013 suggest that drivers have not changed substantially over this period.



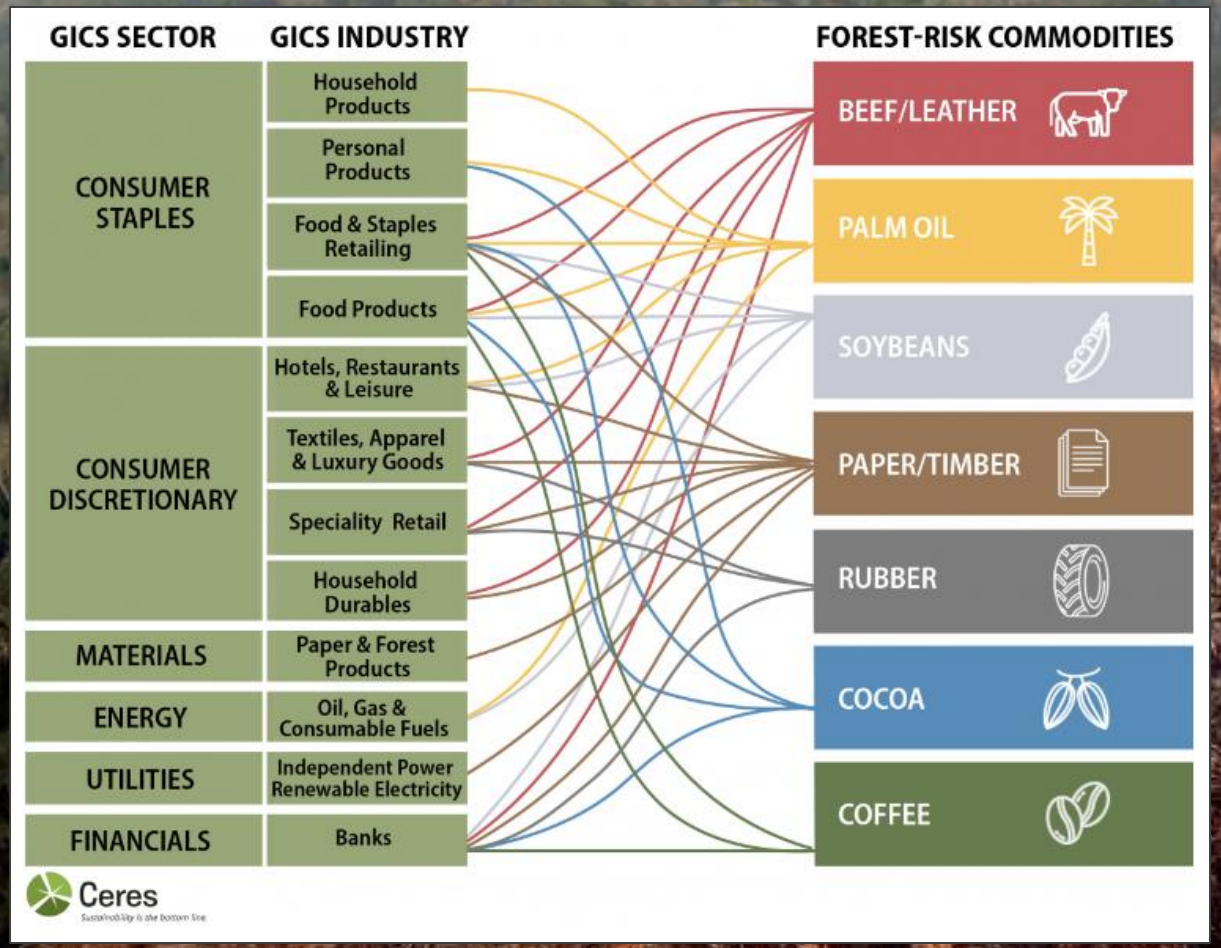
Data source: Florence Pendrill et al. (2019). Deforestation displaced: trade in forest-risk commodities and the prospects for a global forest transition.

OurWorldinData.org – Research and data to make progress against the world's largest problems.

Licensed under CC-BY by the author Hannah Ritchie.

What are the commodities?

Limited awareness of linkages



- Commodities are often “embedded”
- This generates unexpected risks

Photo credit: Douglas Magno, Getty Images for AFP

Source: Ceres 2020. The Investor Guide to Deforestation and Climate Change.

Why care about forests?

Summary of risks

1. Direct Operations (yields, disruptions, strandings)
2. Commodity Markets (volatility, price, scarcity)
3. Reputation (demand drop, boycott)
4. Policy & Regulation (fines, exclusion)
5. Financial Markets (contracts, credit, investments)
6. Litigation (settlement, litigation)
7. Business Model (failure to compete)
8. System Collapse (trade, commerce, finance)

How does this affect me?

Risk to response ratio

$97.5 billion at risk

yet

with 40.3 billion (41%) to proactively avert

The benefit of forest disclosure

How does disclosure benefit me?

1. Better manage and mitigate risks

Standardized, comprehensive, granular, best-in-practice questionnaire

Rigorously Assess

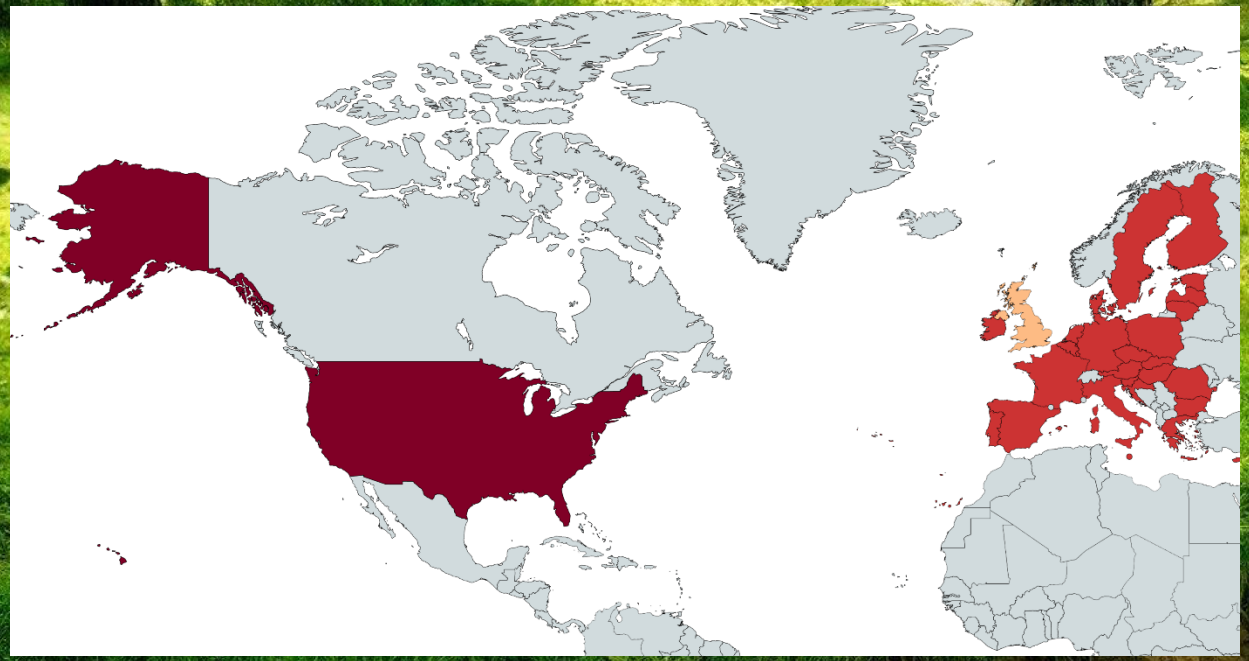
Better Manage

Outcompete

How does disclosure benefit me?

2. Maintain access to the Key markets

European Union – The United States – The United Kingdom



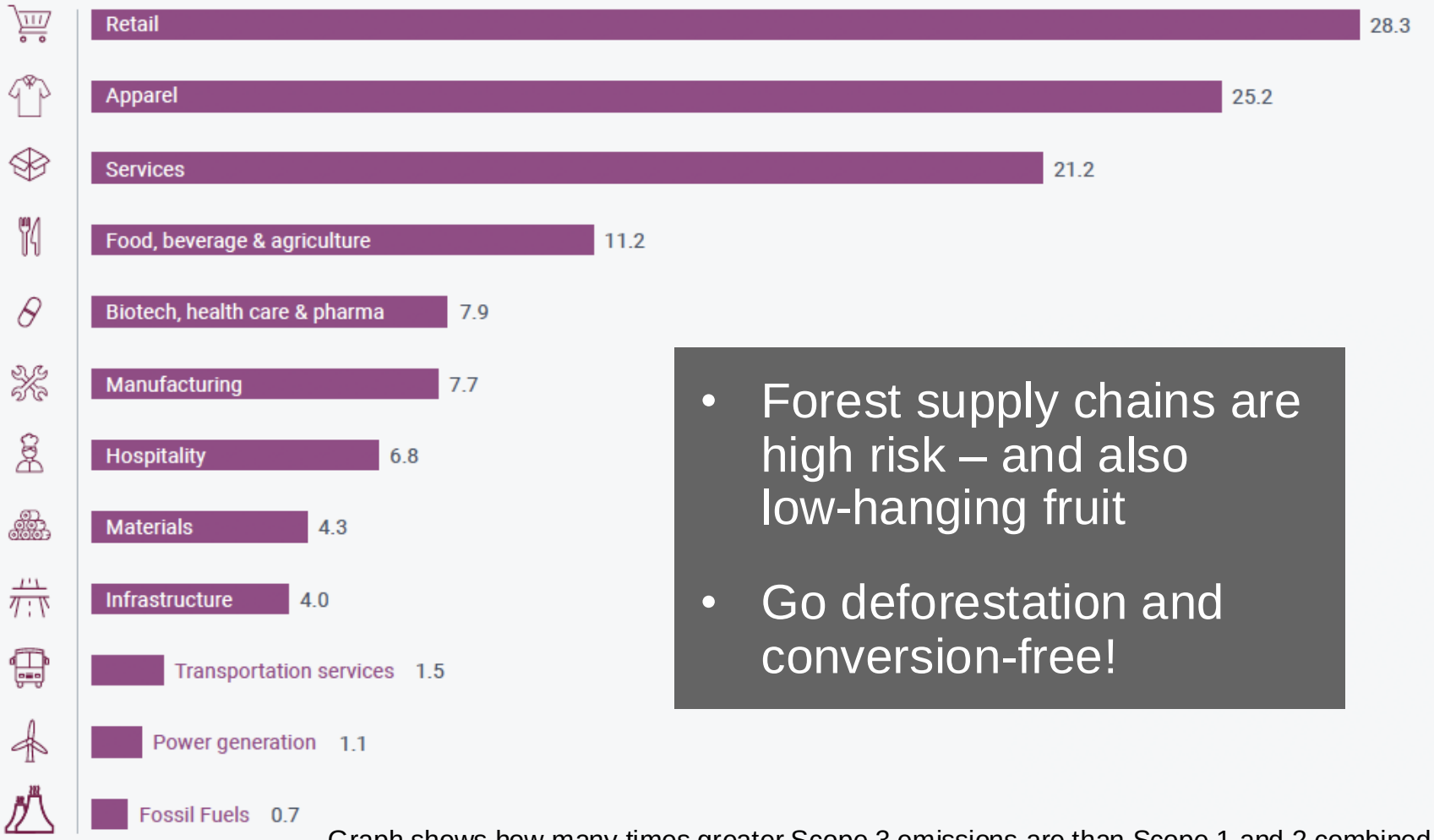
European Union Deforestation Regulation

Executive Order 04/2022

The Environment Act

How does disclosure benefit me?

3. Reduce Scope 3 emissions



- Forest supply chains are high risk – and also low-hanging fruit
- Go deforestation and conversion-free!

Graph shows how many times greater Scope 3 emissions are than Scope 1 and 2 combined

The benefits of forest disclosure

Access to investor and customer capital

700+ financial institutions, with a quarter of all global financial institution assets, use **CDP data** for

1. Portfolio screening
2. Performance indicators
3. Internal & external ratings
4. Engagement & exclusion
5. Investment fund creation
6. Stress testing
7. Lending evaluation
8. Index construction

The most common metrics used by FIs to assess corporate risks

	Climate change	Forests	Water security
1	Emissions data	Scope and content of forests policy	Scope and content of water policy
2	Emissions reduction targets	Commitment to eliminate deforestation/ conversion of other natural ecosystems	Water withdrawal and/or consumption volumes
3	Climate transition plans	Certification of forests risk commodities	Breaches to local water regulations
4	Energy usage data	*Other*	*Other*
5	*Other*	Origin of forest risk commodities	Water withdrawn from water stressed areas

Source: CDP (2023) Nature in Green Finance.

The benefits of forest disclosure

Improve access to investor and customer capital

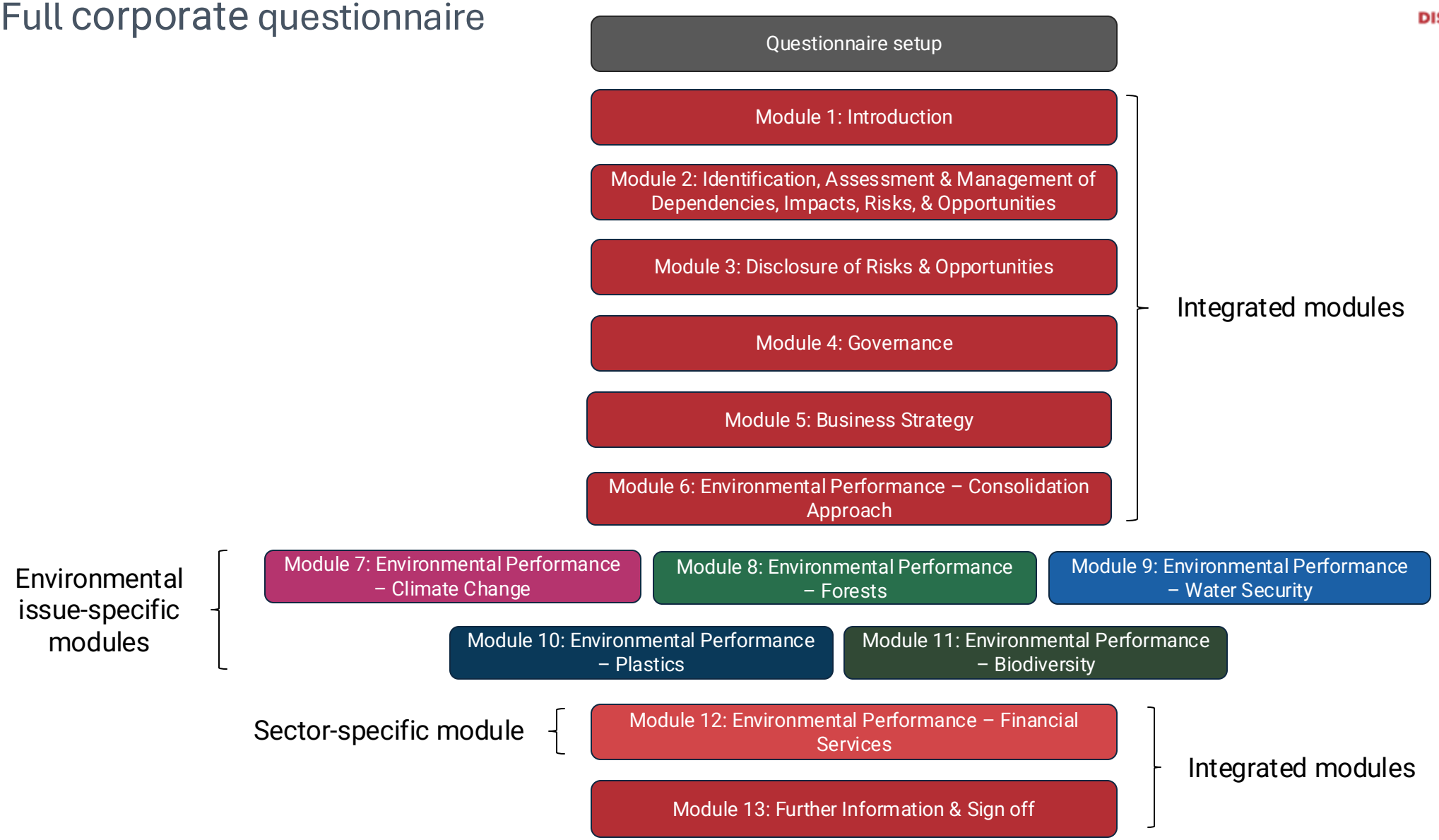
330+ Supply Chain members, with US$6.4tn in purchasing power use **CDP data** to:

1. Assess performance baselines
2. Identify priority KPIs
3. Set KPI targets
4. Deploy supplier improvement plans
5. Customize incentives
6. Track year-on-year performance
7. Make procurement decisions
8. Exclude low-performers

2024 Questionnaire layout and structure

2024 Questionnaire layout and structure

Full corporate questionnaire



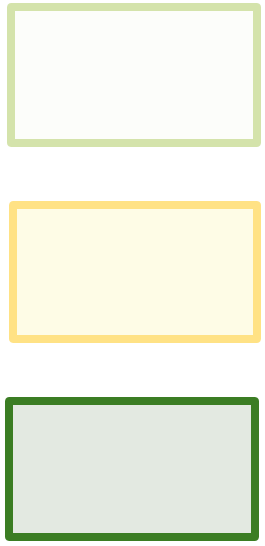
Clarifications

- **Note:** only significant changes to the corporate questionnaire will be addressed in the 2024 key changes webinars. For more details about question-level changes see: Disclosure 2024 materials.
- The presentations will only address changes to general questions (not sector-specific questions).
- The two keys below indicate how the relevant environmental issues and the types of changes will be indicated in the webinar.

Environmental issue – icon key:

- C : Climate change
- F : Forests
- W : Water security
- B : Biodiversity
- P : Plastics

Change label – color key:



New question

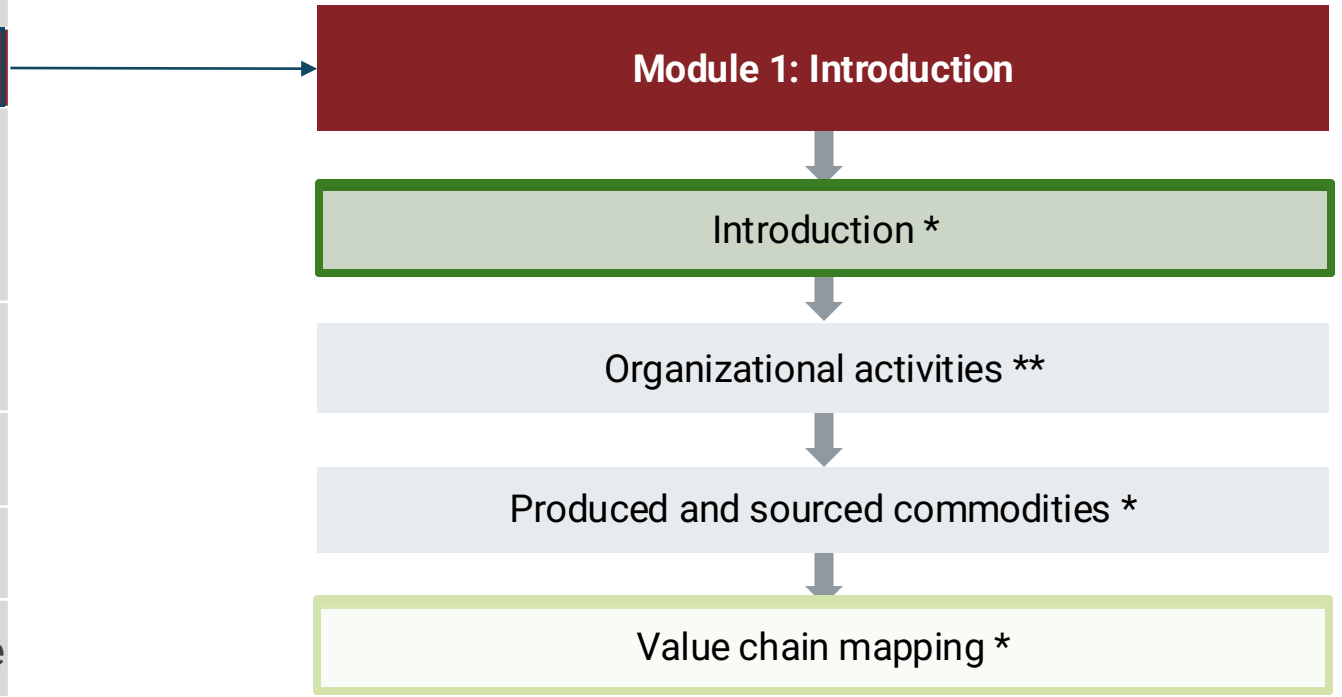
Modified question

New and modified questions

Integrated Modules (Module 1-6)

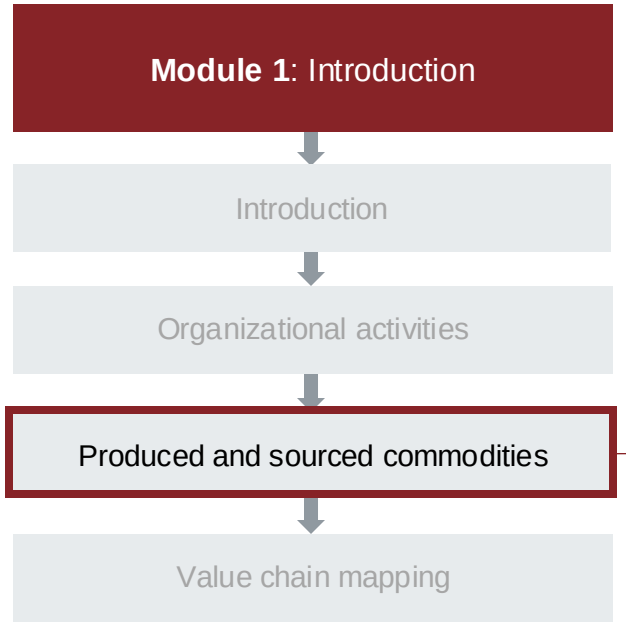
Module 1: Introduction

2024 MODULES
M1 Introduction
M2 Identification, assessment and management of dependencies, impacts, risks, and opportunities
M3 Disclosure of risks and opportunities
M4 Governance
M5 Business strategy
M6-12 Environmental performance
M13 Further information & sign off



** Includes sector-specific questions*
*** Sector-specific section*

Module 1 – Produced and sourced commodities



Modified question

1.22 Provide details on the commodities that you produce and/or source

Key datapoints

- Produced and/or sourced commodity volume
- Commodity value chain stage
- Direct soy and/or embedded soy in your value chain
- **Total commodity volume (metric tons)**
- Methods, conversion factors used and the volume in the original unit
- % of procurement spend
- % of revenue dependent on commodity
- Reason for not disclosing on a commodity you use/source

Module 2: Identification, assessment and management of dependencies, impacts, risks, and opportunities

2024 MODULES
M1 Introduction
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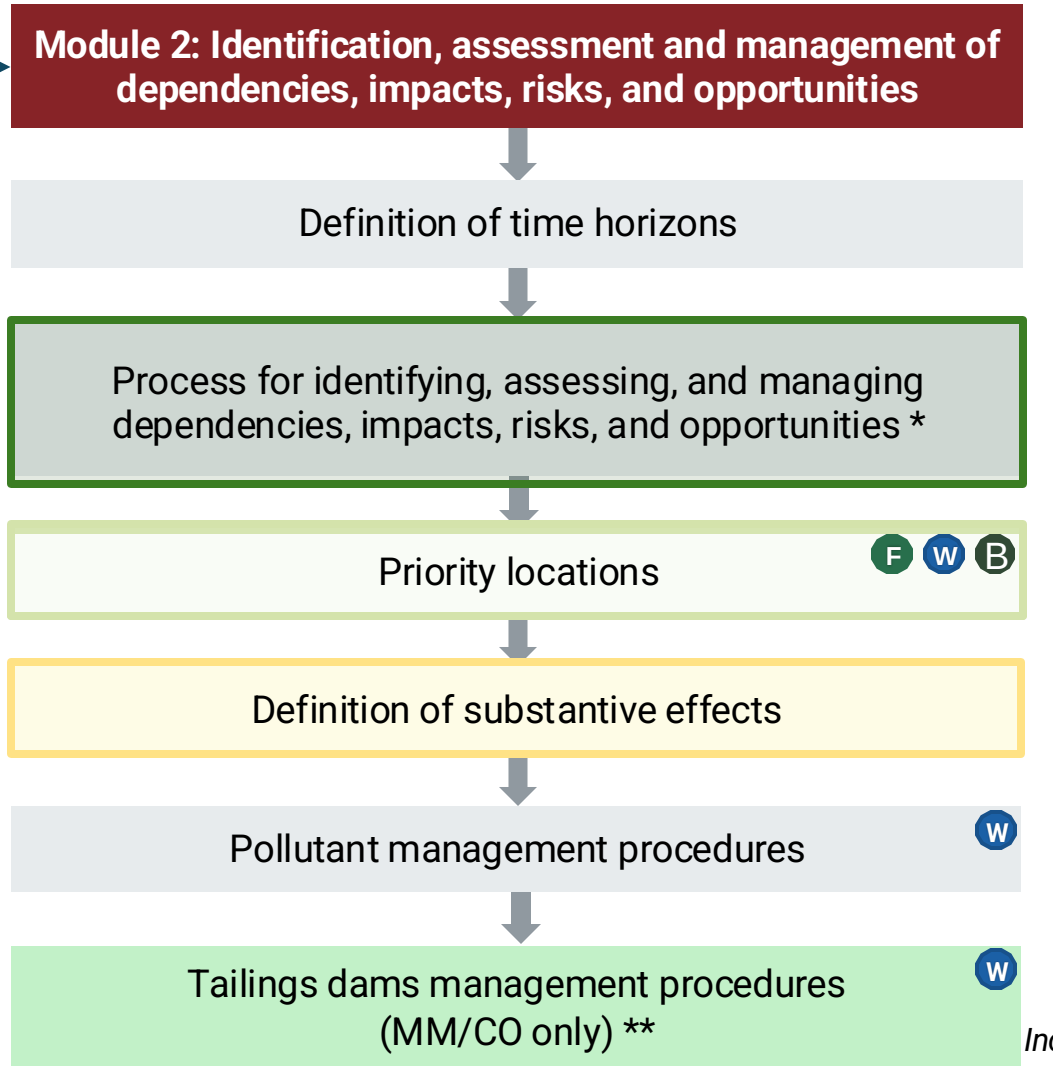

Includes sector-specific questions

*** Sector-specific section*

Module 3: Disclosure of risks and opportunities

2024 MODULES
M1 Introduction
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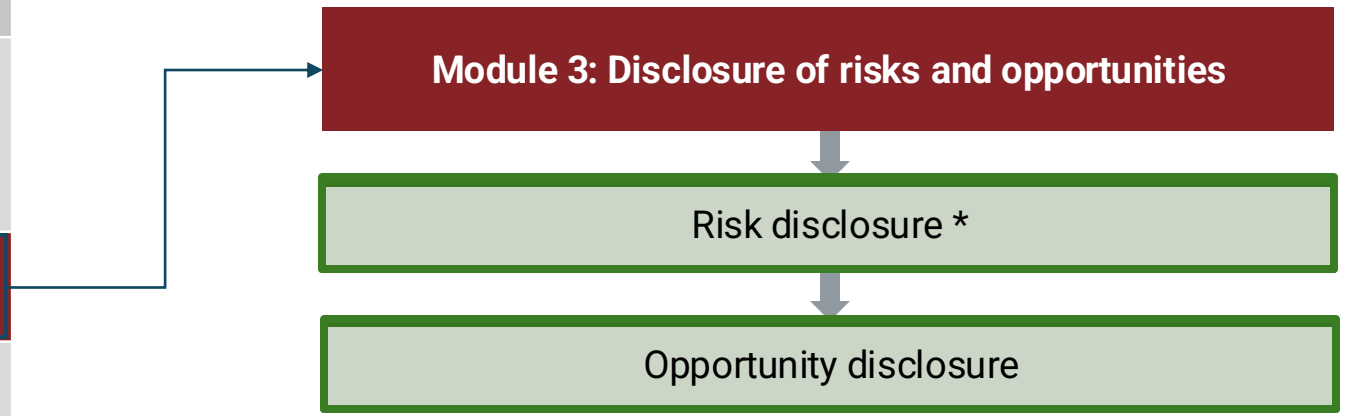
M4 Governance
M5 Business strategy
M6-12 Environmental performance
M13 Further information & sign off



** Includes sector-specific questions*

Module 4: Governance

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M1 Introduction
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M4 Governance
M5 Business strategy
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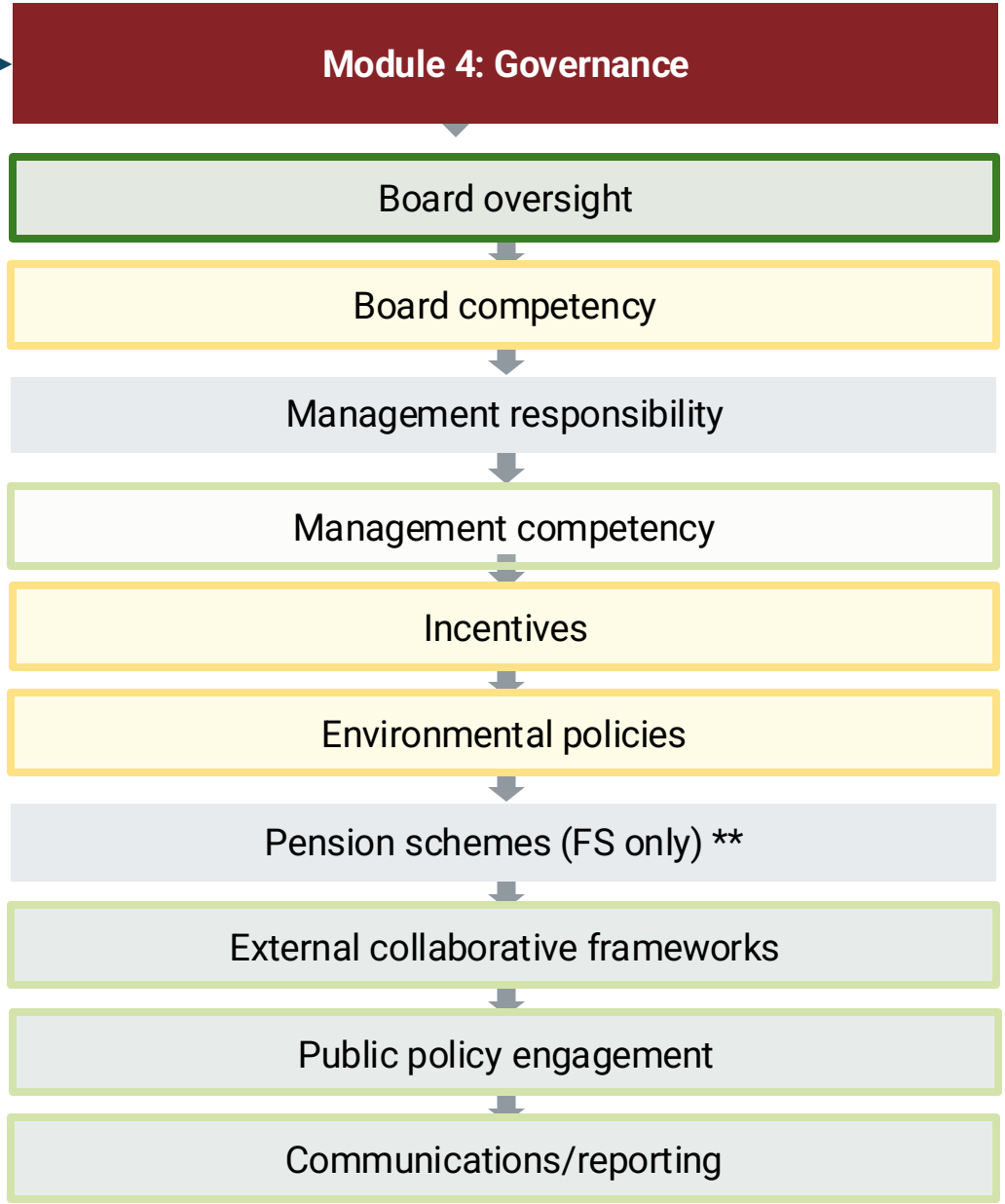
M13 Further information & sign off



CDP
DISCLOSURE INSIGHT ACTION

*** Sector-specific section*

Module 5: Business Strategy

2024 MODULES
M1 Introduction
M2 Identification, assessment and management of dependencies, impacts, risks, and opportunities
M3 Disclosure of risks and opportunities
M4 Governance
M5 Business strategy
M6-12 Environmental performance
M13 Further information & sign off

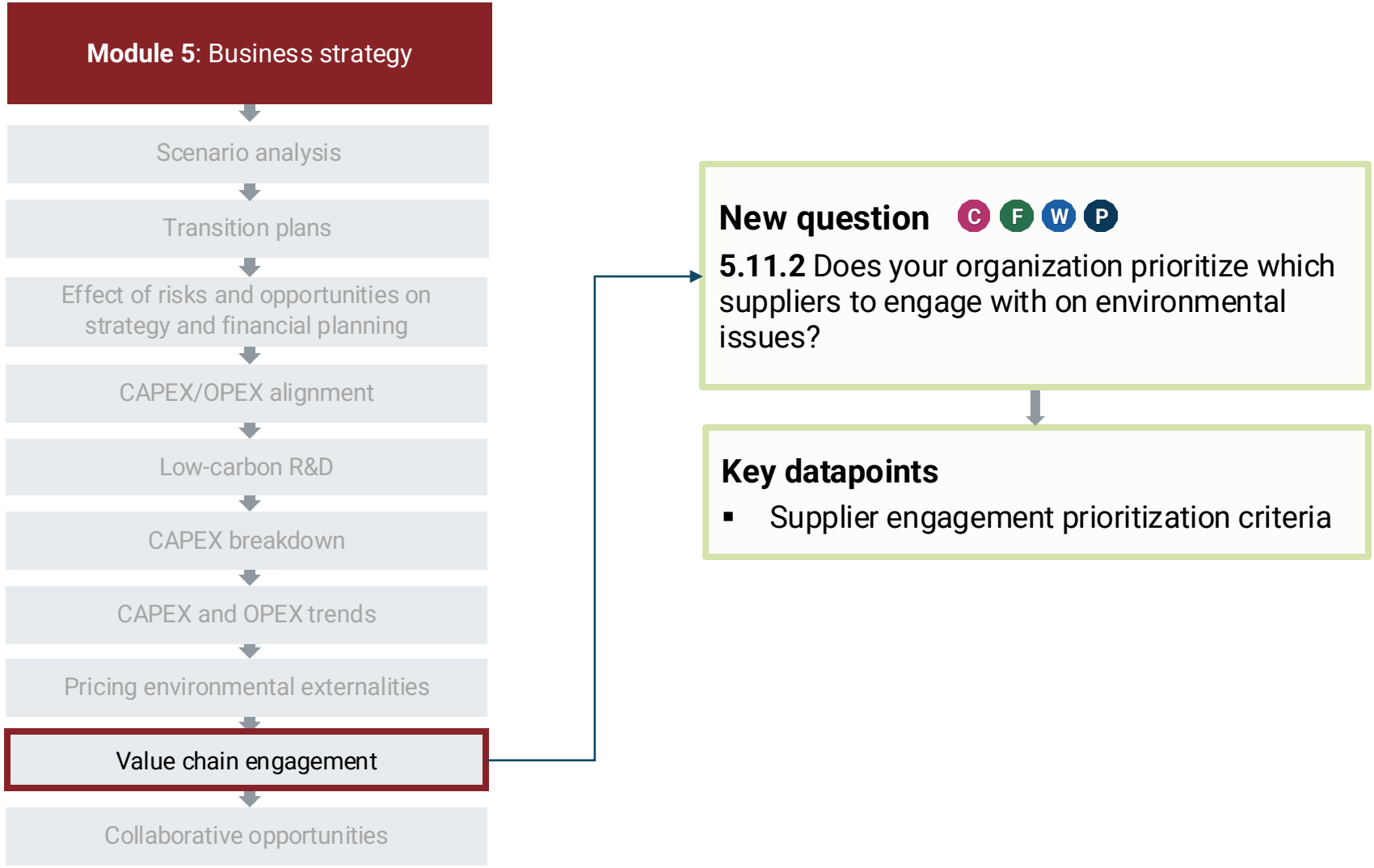
Module 5: Business strategy

- Scenario analysis
- Transition plans
- Effect of RO on Strategy and Financial Planning
- CAPEX/OPEX alignment
- Low-carbon R&D ** (C)
- CAPEX breakdown ** (C)
- CAPEX and OPEX trends (W)
- Pricing environmental externalities
- Value chain engagement *
- Collaborative opportunities
- Environmental requirements for asset managers (FS only) **
- Shareholder voting (FS only) **

** Includes sector-specific questions*

*** Sector-specific section*

Module 5 – Value chain engagement



Environmental Performance – Forests (Module 8)

Module 8 Forests

2024 MODULES

- M1-5
- **Environmental Performance**
  - **M6** Consolidation approach
  - **M7** Climate change
  - **M8** Forests
  - **M9** Water security
  - **M10** Plastics
  - **M11** Biodiversity
  - **M12** Financial Services
- **M13** Further information & sign off

Module 8: Environmental performance – Forests

- Exclusions
- Commodity volume data
- Own land usage and location (produced volumes)
- Commodity sourcing locations (sourced volumes)
- Targets
- Traceability
- Deforestation and conversion free (DCF) status metrics and methods to determine DCF
- Status and progress towards Deforestation and Conversion Free (DCF) volumes
- Certified commodity volumes sold
- Emissions
- Legal compliance
- Landscape and Jurisdictional approaches
- External activities
- Ecosystem restoration projects

Module 8 Forests

2024 MODULES

- M1-5
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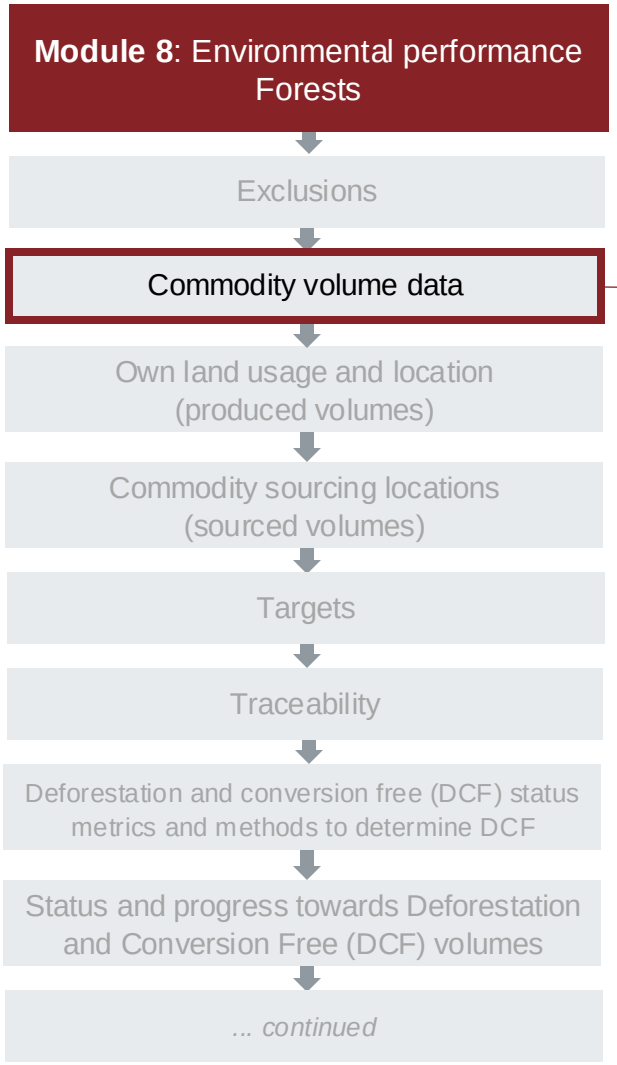
- Status and progress towards Deforestation and Conversion Free (DCF) volumes

2 supplementary sections for Supply Chain request only

- Certified commodity volumes sold
- Emissions
- Legal compliance
- Landscape and Jurisdictional approaches
- External activities
- Ecosystem restoration projects

Module 8 – Commodity volume data



New question

8.2 Provide a breakdown of your disclosure volume per commodity.

Key datapoints

For each commodity:

- Disclosure volume (metric tons)
- Produced volume (metric tons)
- Sourced volume (metric tons)

Module 8 – Commodity volume data

Module 8: Environmental performance Forests

- Exclusions
- **Commodity volume data**
- Own land usage and location (produced volumes)
- Commodity sourcing locations (sourced volumes)
- Targets
- Traceability
- Deforestation and conversion free (DCF) status metrics and methods to determine DCF
- Status and progress towards Deforestation and Conversion Free (DCF) volumes
- *... continued*

New question

8.2.1 Provide details of any soy embedded in animal products sourced by your organization.

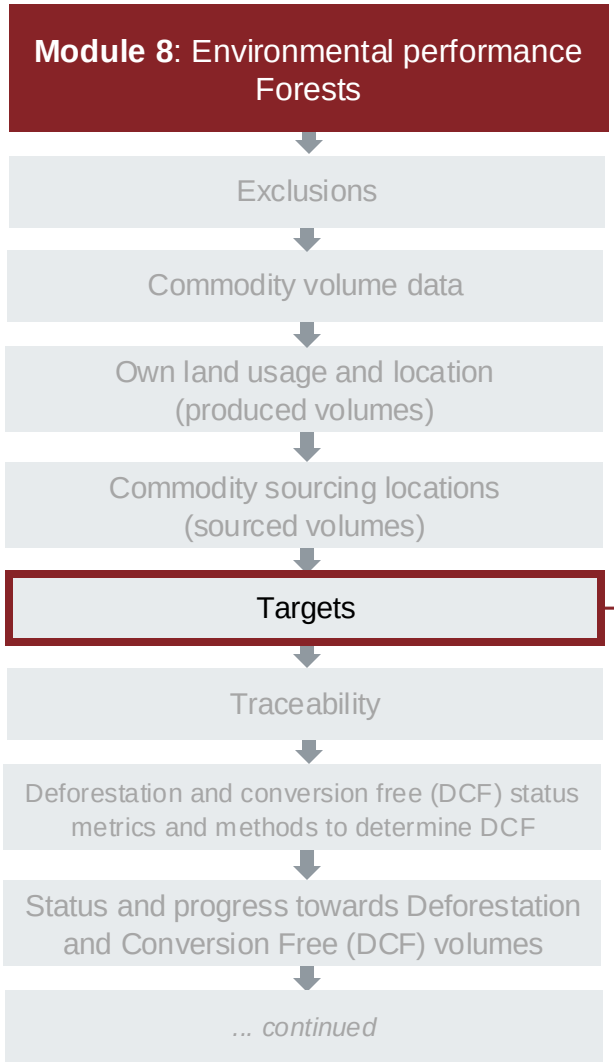
New datapoints

- Disclosure of embedded soy
- Description of embedded soy use and soy tiers
- Volume calculation methodology
- Embedded soy disclosure volume (metric tons)
- % of sourced volume that is embedded soy
- Traceability system
- DF/DCF status assessed for embedded soy

Embedded soy

Indirectly sourced soy used in animal feed during the production of an animal product. Soy is considered 'embedded' when it is indirectly sourced and is not physically present in the end product.

Module 8 – Targets



Modified question

8.7 Active no-deforestation/no-conversion target, or sustainable production/sourcing of commodities?

Key datapoint

- Coverage of target

Modified question

8.7.1 Details of your no-deforestation/no-conversion target, targets.

Key datapoints

- Cutoff date
- Definition of no-deforestation or no-conversion
- Target date for achieving no-deforestation or no-conversion

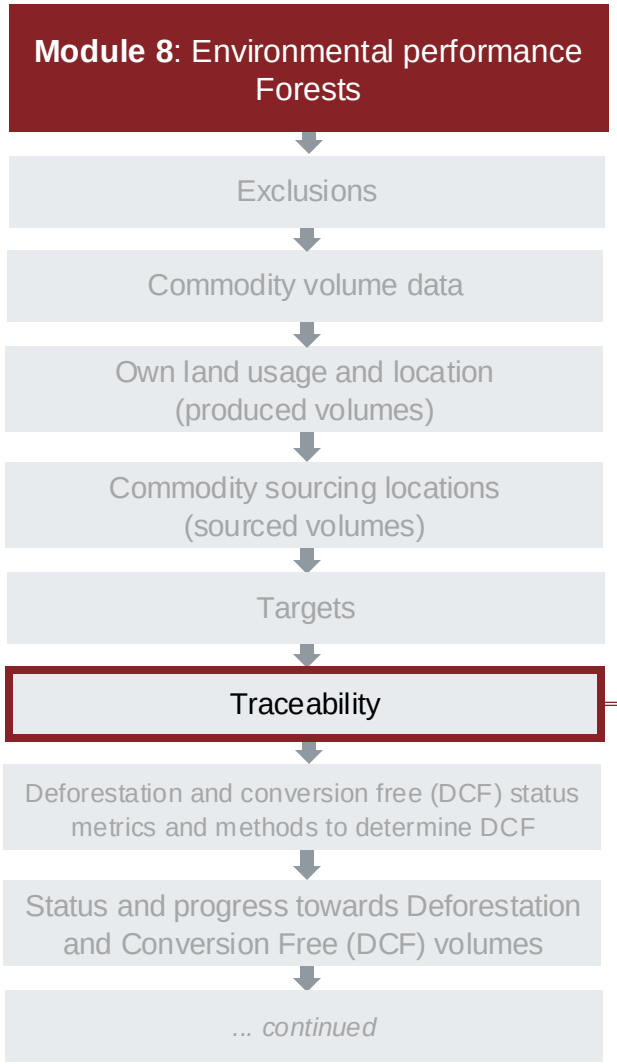
Modified question

8.7.2 Details of other targets for sustainable production/sourcing of commodities.

Key datapoints

- Do other forests-related targets contribute to overall no-deforestation or no-conversion target?
- Alignment of targets with global environmental treaties/initiatives/frameworks

Module 8 – Traceability



Modified question

8.8 Does your organization have a traceability system?

Key datapoints

- Methods/tools used in traceability system

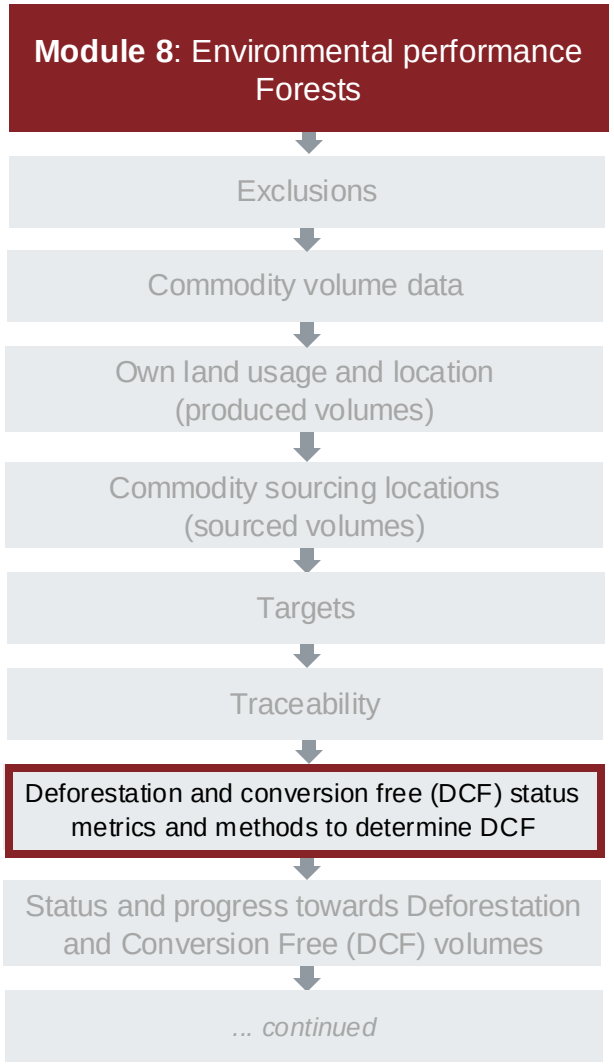
Modified question

8.8.1 Details of the traceability level.

Key datapoints

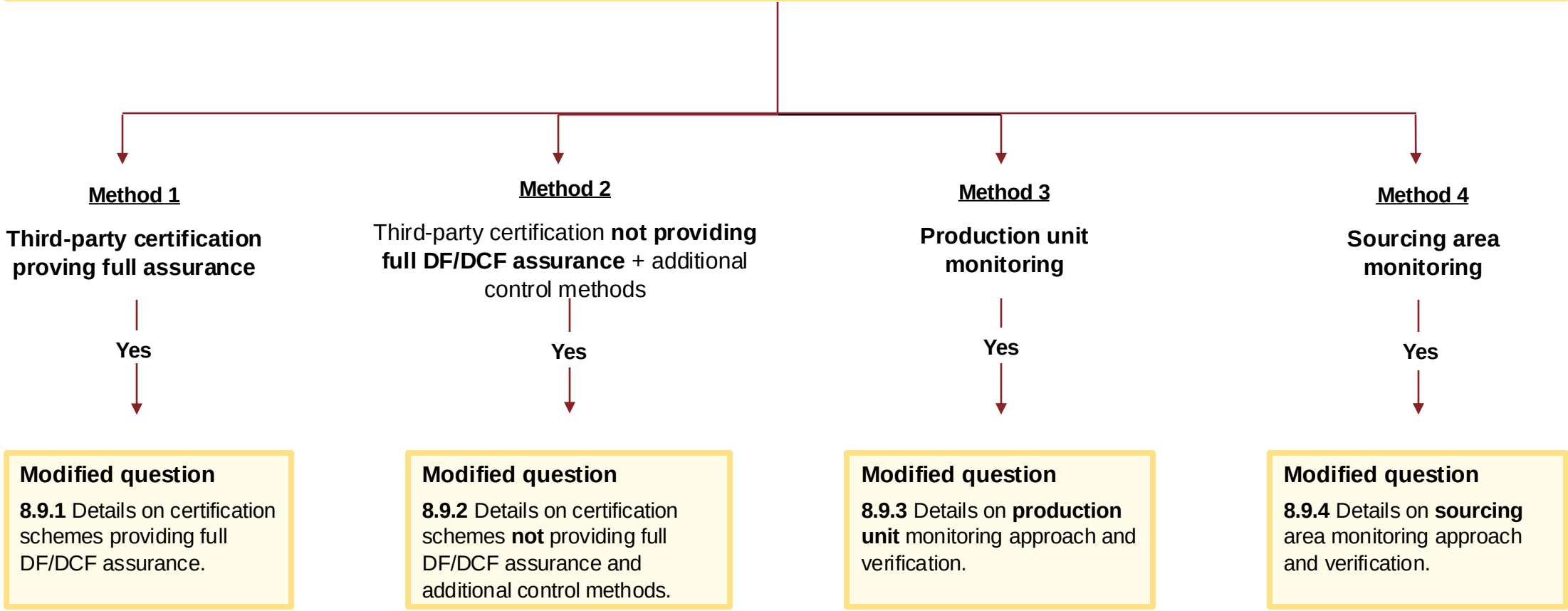
- % of sourced volume traceable to:
  - Production unit
  - Sourcing area and not to production unit
  - Country/area of origin and not to sourcing area or production unit
  - Other point (i.e., processing facility/first importer) not in the country/area of origin
  - Unknown origin

Module 8 – DCF status, metrics, and methods



Module 8 – DCF status, metrics, and methods

8.9 Provide details of your organization's assessment of the deforestation-free (DF) or deforestation- and conversion-free (DCF) status of its disclosed commodities.



Module 8 – DCF status, metrics, and methods

Module 8: Environmental performance Forests

- Exclusions
- Commodity volume data
- Own land usage and location (produced volumes)
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- Targets
- Traceability
- **Deforestation and conversion free (DCF) status metrics and methods to determine DCF**
- Status and progress towards Deforestation and Conversion Free (DCF) volumes
- *... continued*

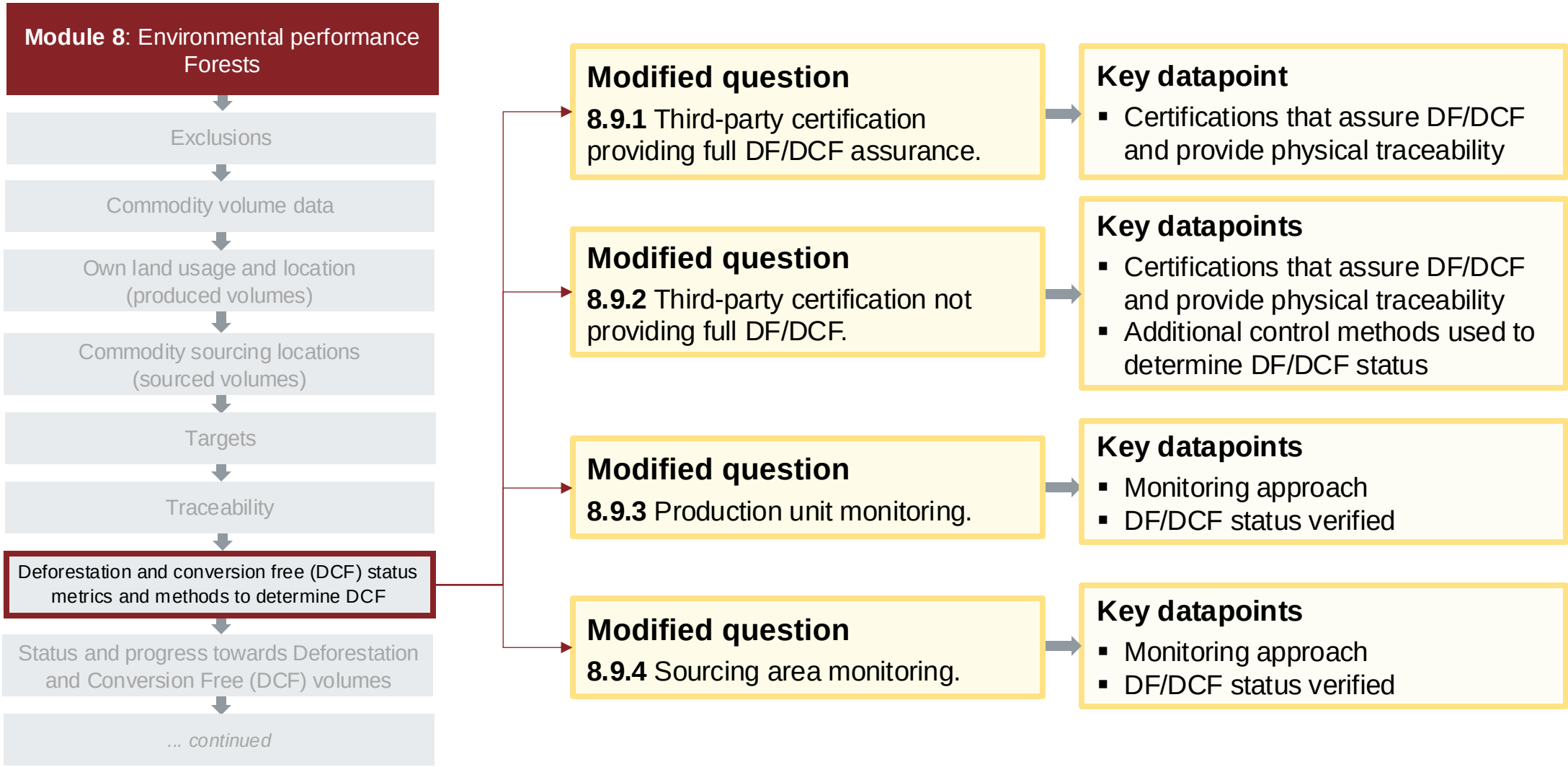
Modified question

8.9 Provide details of your organization's assessment of the deforestation-free (DF) or deforestation- and conversion-free (DCF) status of its disclosed commodities.

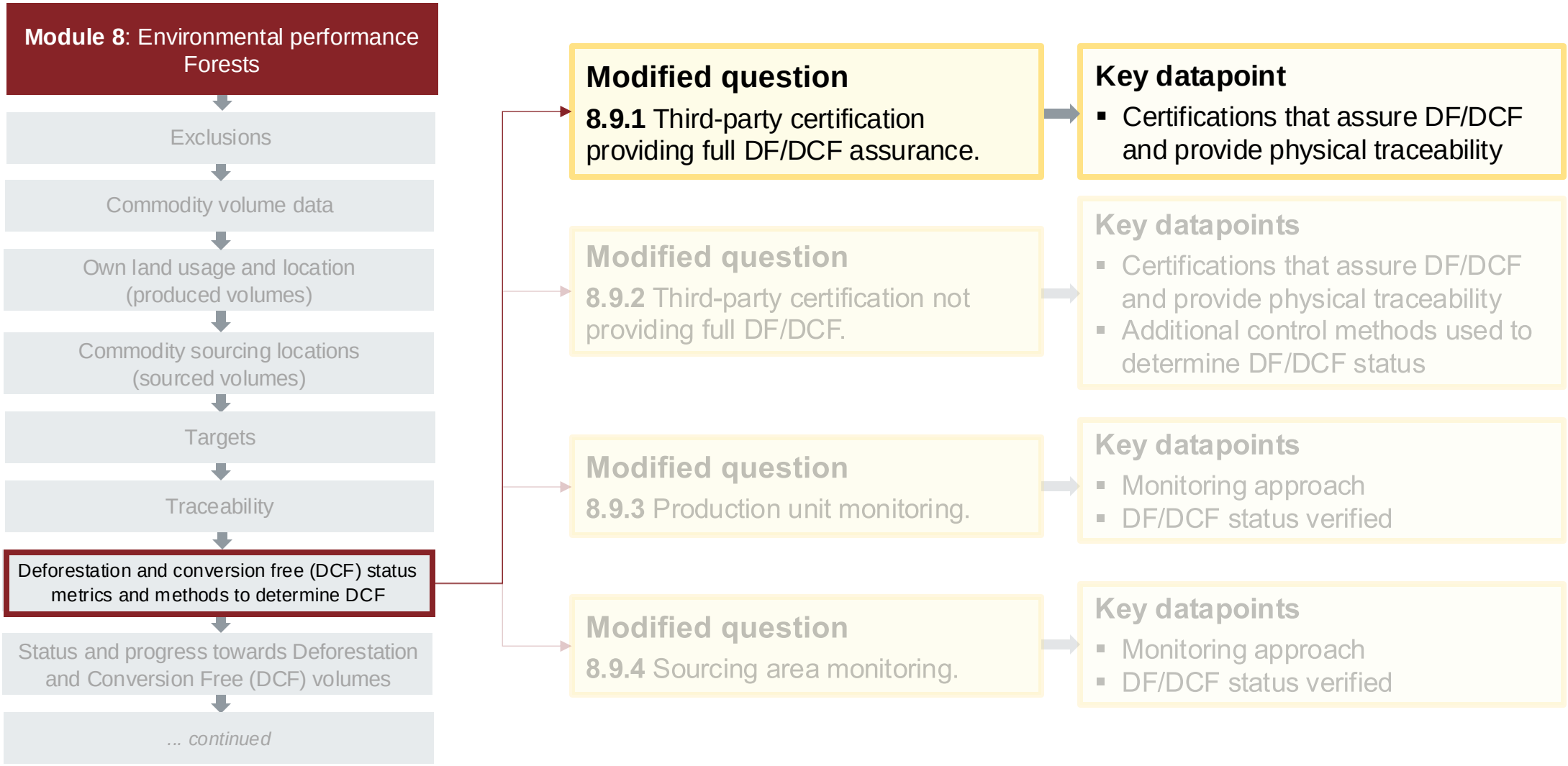
Key datapoints

- DF/DCF status assessed
- % of disclosure volume determined as DF/DCF in the reporting year
- % of disclosure volume determined as DF/DCF through:
  - third-party certification scheme providing full DF/DCF assurance
  - monitoring of production unit
  - monitoring of sourcing area

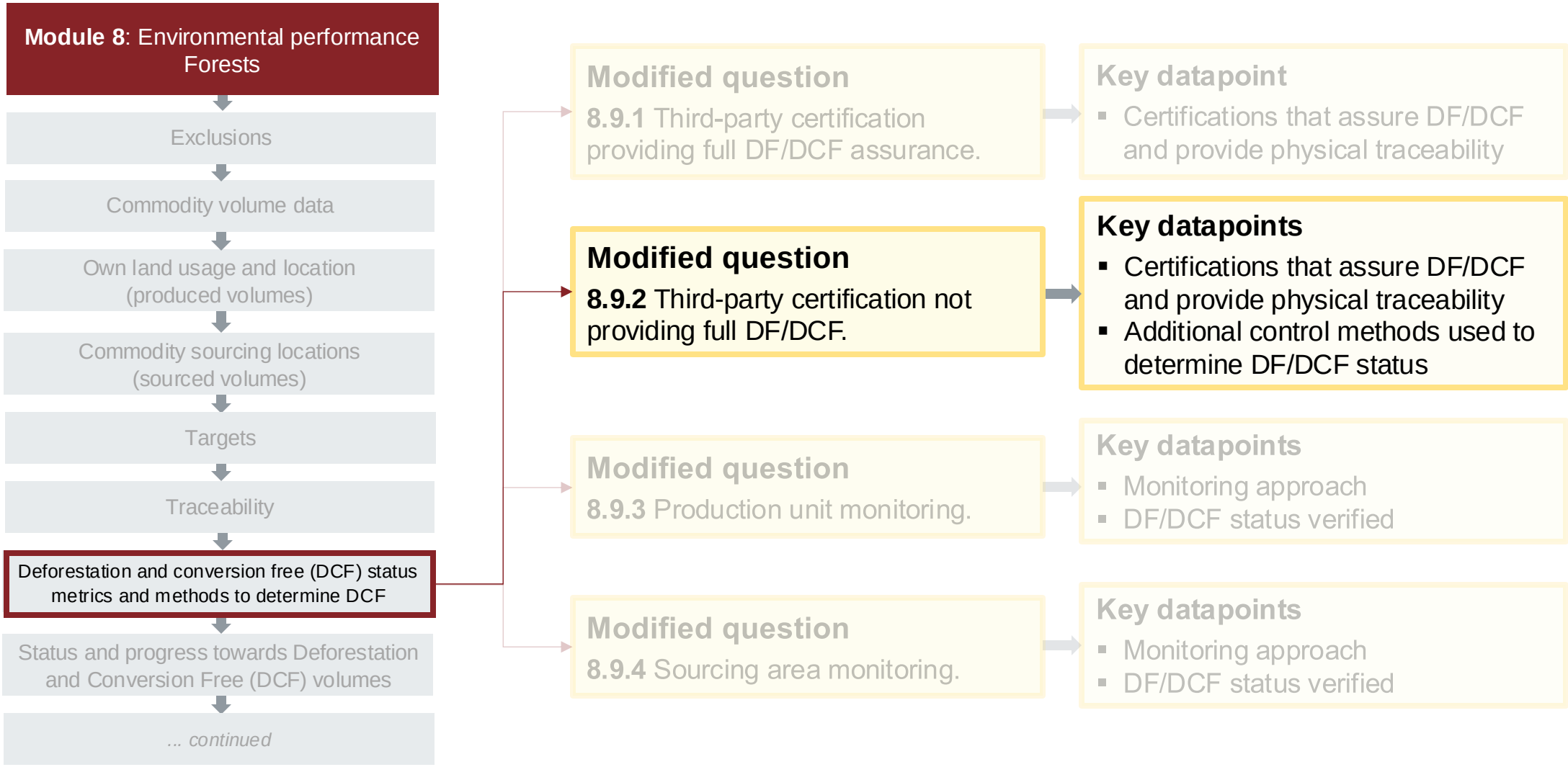
Module 8 – DCF status, metrics, and methods



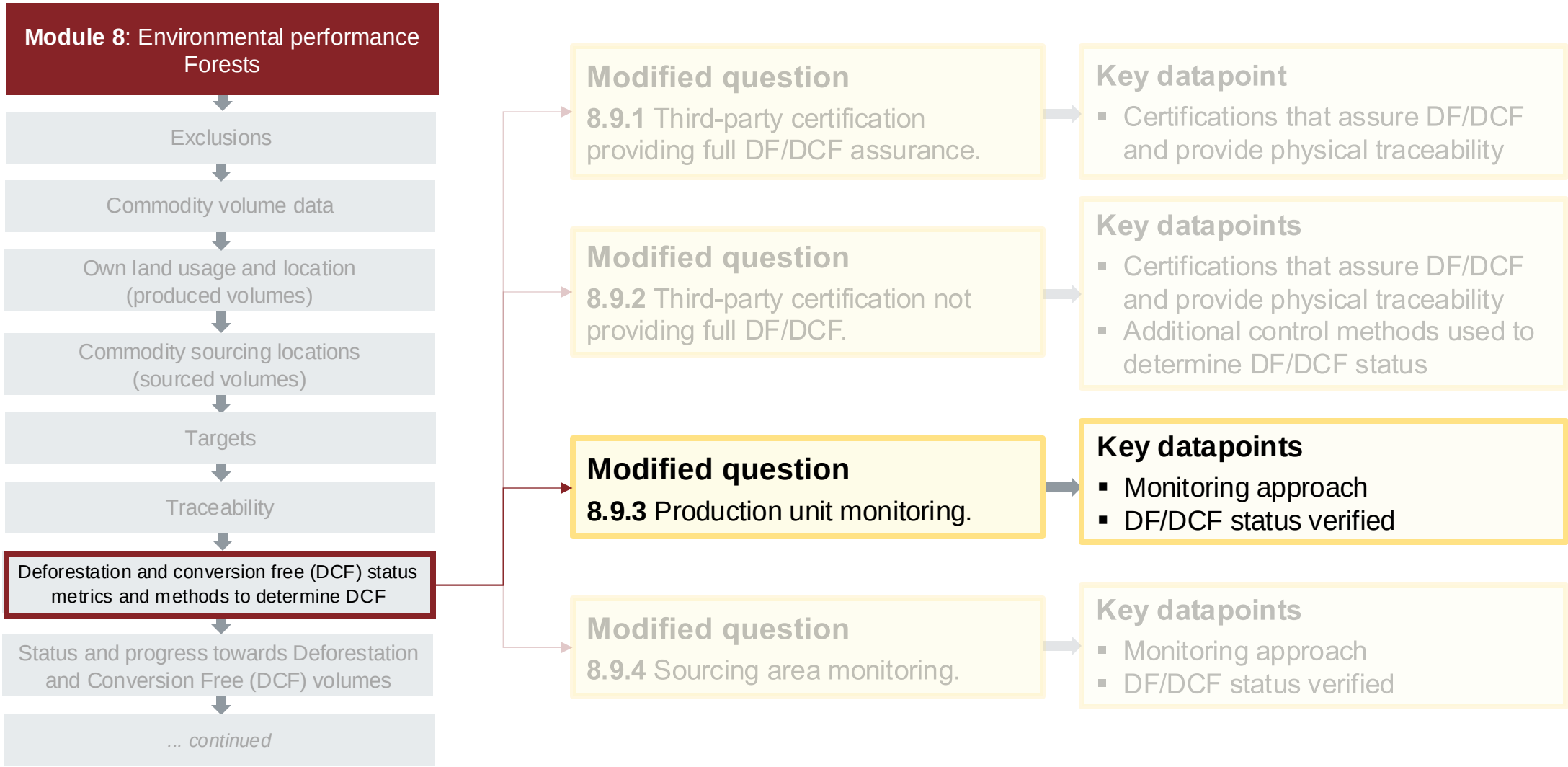
Module 8 – DCF status, metrics, and methods



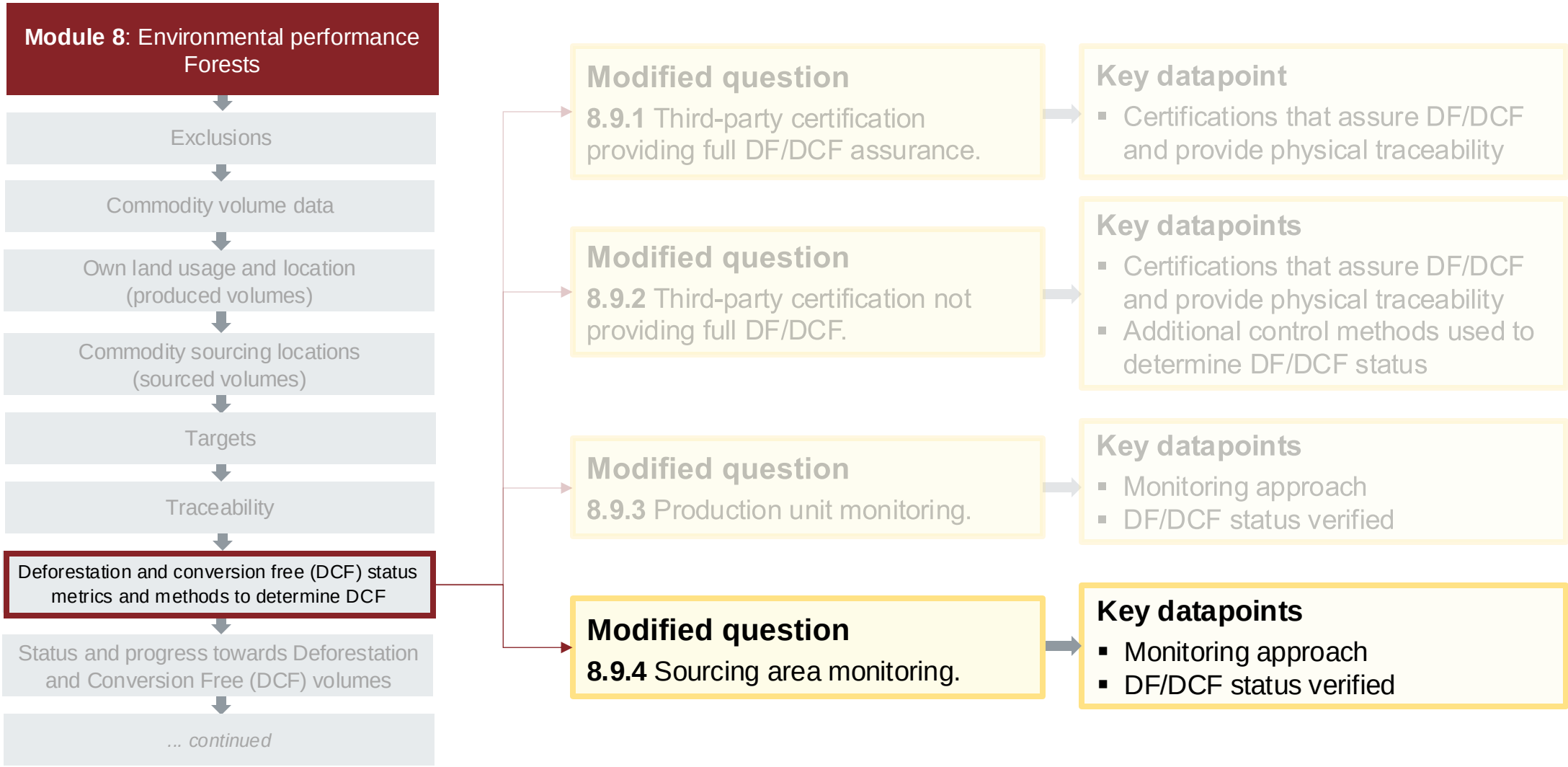
Module 8 – DCF status, metrics, and methods



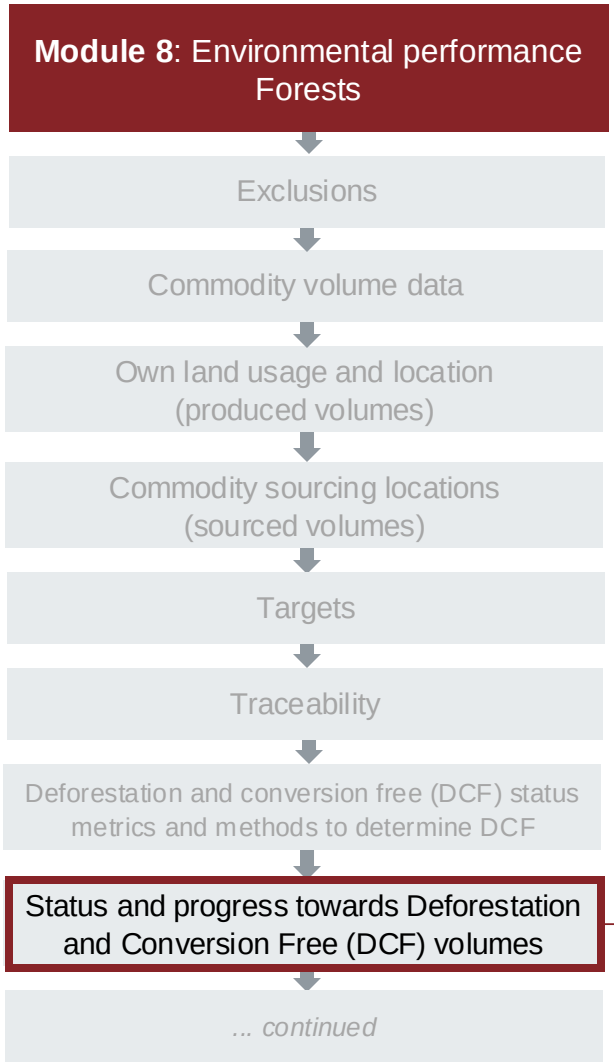
Module 8 – DCF status, metrics, and methods



Module 8 – DCF status, metrics, and methods



Module 8 – Progressing to DCF



New question

8.11 Actions taken in the reporting year to increase production or sourcing of DCF volumes.

New question

8.11.1 Details of Actions taken in the reporting year to increase production or sourcing of DCF volumes.

Key datapoints

- Action type
- % of disclosure volume covered by action
- Barriers and challenges related to this action
- Main measures to manage or resolve challenges

Module 8 – Landscape & Jurisdictional approaches and initiatives

Module 8: Environmental performance Forests

…continued

Certified commodity volumes sold

Emissions

Legal compliance

Landscape and Jurisdictional approaches

External activities

Ecosystem restoration projects

Modified question

8.15.2 Provide details of your engagement with landscape/jurisdictional initiatives to sustainable land use during the reporting year.

New datapoints

- Name of initiative
- Attachment of public information on initiative
- Size of area covered by the initiative
- Claims

Meeting Nature Goals: Landscape/ Jurisdictional Approaches

What is LA/JA?

Landscape Approach
A place-based management approach that involves the collaboration of stakeholders in a landscape to advance shared sustainability goals and build resilience. It aims to reconcile and optimize multiple social, economic, and environmental objectives across multiple economic sectors and land uses. Such approaches are implemented through land-use plans, policies, initiatives, long-term investments, and other interventions.

Jurisdictional Approaches
A type of landscape approach to advance shared sustainability goals where the landscape is defined by administrative boundaries of subnational governments and the approach is implemented with a high level of government involvement.

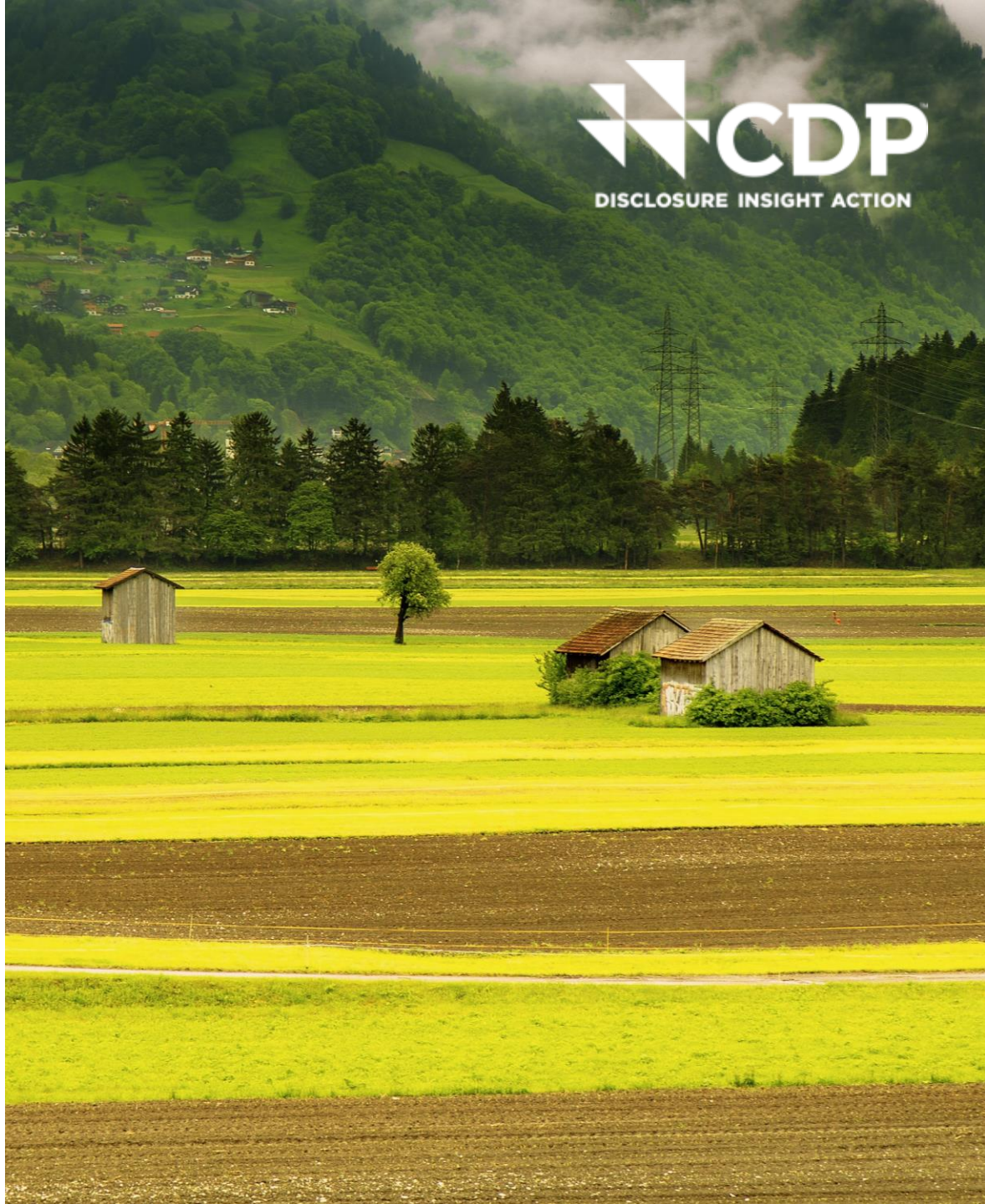
Multiple and collective goals

Multi-stakeholder governance

collective Monitoring

Collective benefits of LA/JA

- Long-term sustainable development with social and economic inclusion
- Resilience and cross-commodity impacts by addressing core issues across an entire landscape
- Coverage of multiple ESG & nature-related goals (land use, sustainable production, conservation, climate, water, biodiversity) while promoting positive impacts to local and Indigenous communities' livelihoods and well-being



Advancing Landscape Engagement

Prioritize geographic risk areas, identify and connect with existing initiatives/conveners*

Co-develop initiatives, goals, KPIs and implementation strategies for landscape engagement

Support initiatives through action and investment, making appropriate claims about actions taken

Engage with sectors, policy makers, coalitions and suppliers to encourage their LA/JA engagement

SCIENCE BASED TARGETS NETWORK
GLOBAL COMMONS ALLIANCE

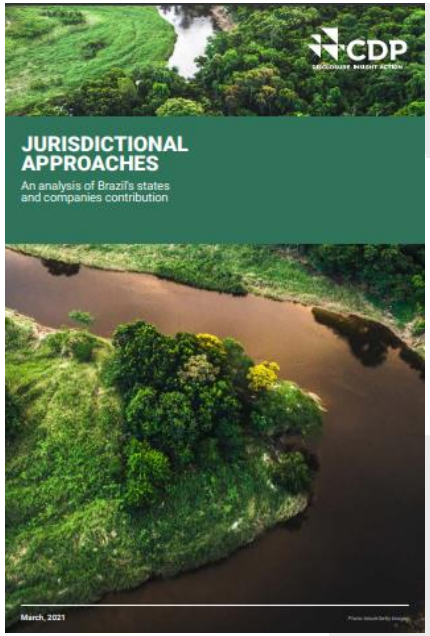
Set Science-based Targets for Land, monitor progress, claim contributions and landscape improvements

Annual CDP disclosure

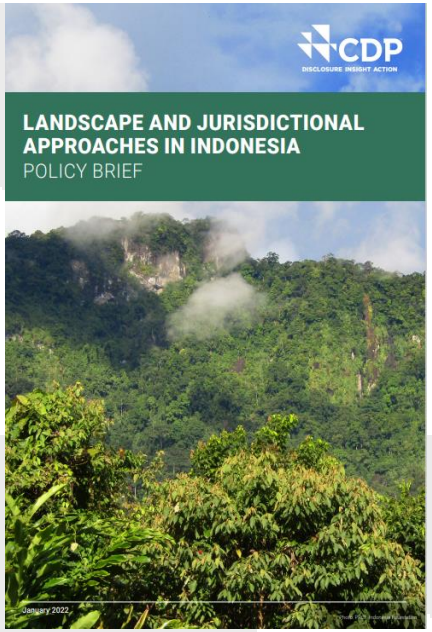
*See TFA, WWF, and Proforest – *Landscape scale action for forests, people, and sustainable production* for an interactive guide on key supporting actions companies can take within an initiative

Resources for Landscape Engagement

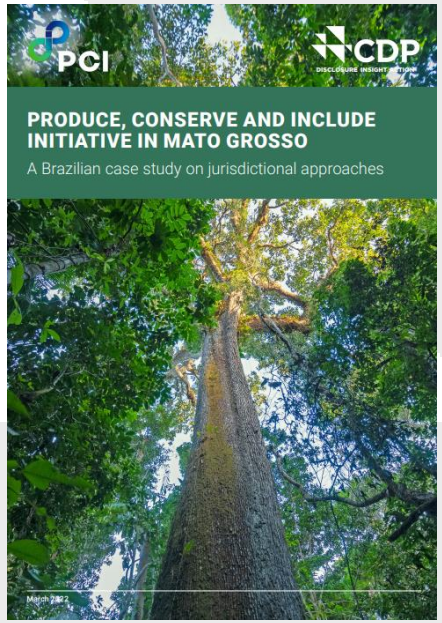
Global Report on LA/JA



Brazil Policy Brief



Indonesian Policy Brief

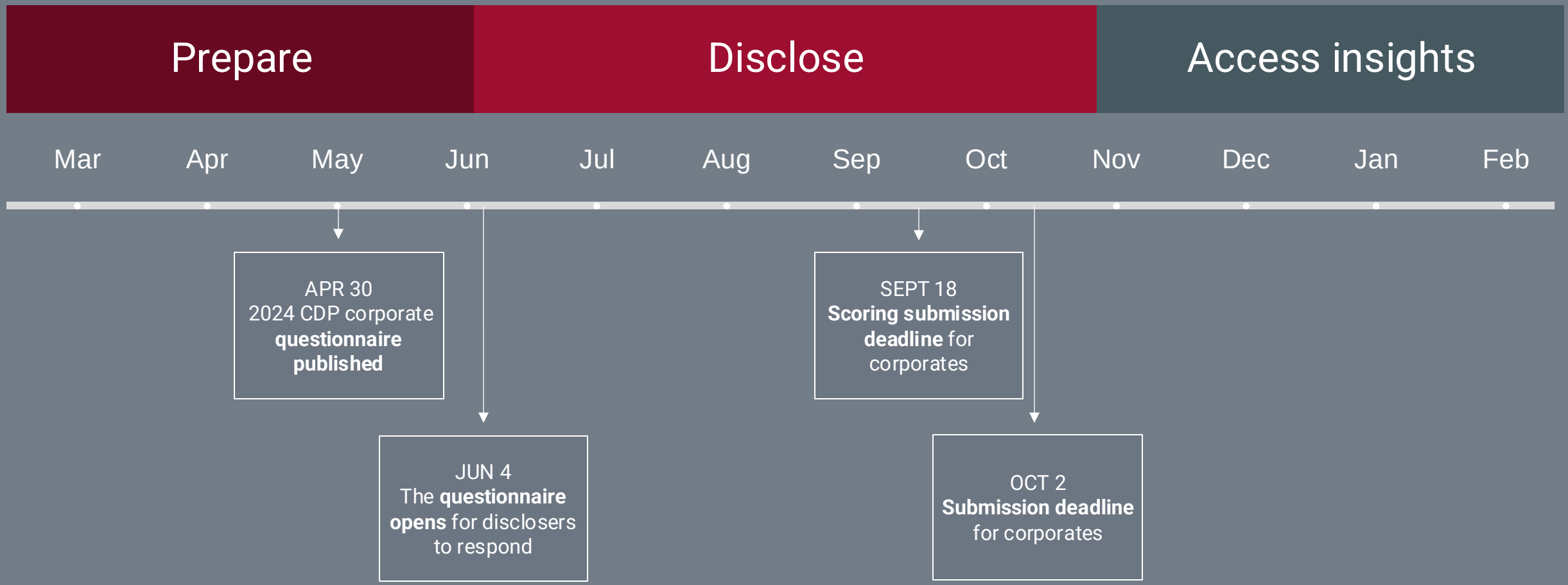


Mato Grosso Case Study

External Recommended Resources:

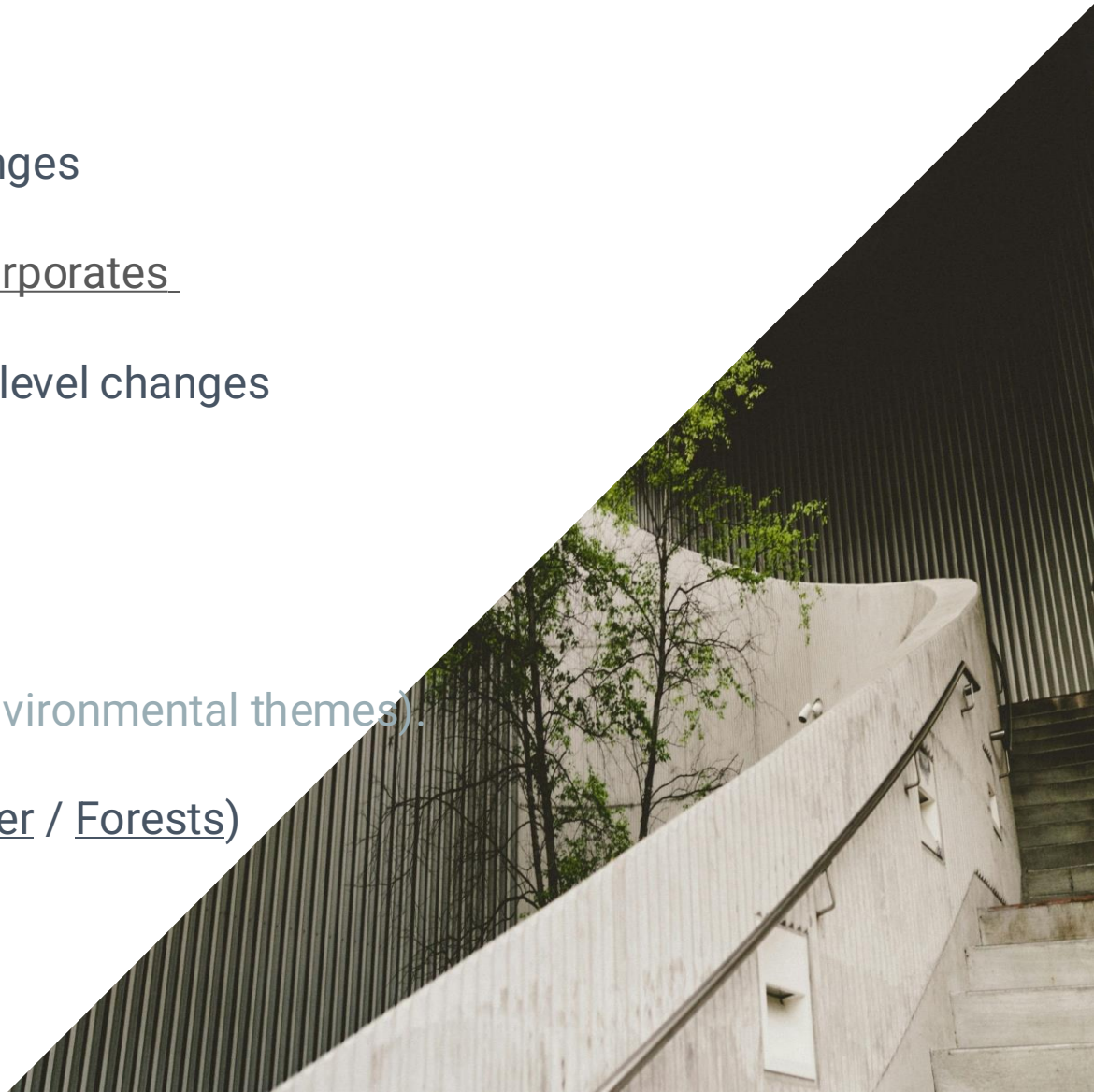
Theory of Change Jurisdictional Approaches (jaresourcehub.org)
Jurisdictional and landscape approaches | ISEAL Alliance

2024 disclosure timeline



Key Resources

- New Portal
- Information on 2024 Disclosure incl. overview on key changes
- FAQ for the integrated questionnaire & General FAQ for corporates
- Guidance for companies incl. document on CDP question level changes
- 2024 Questionnaire & Reporting Guidance
- Guidance on the questionnaire set-up
- 2024 Sample Setting Methodology (incl. assignment of environmental themes).
- First version of 2024 Scoring methodology (Climate / Water / Forests)
- Scoring FAQ
- HelpCenter Knowledge Articles



Polls

How do you rate the overall content of the Forests webinar?

In terms of USEFULNESS
1. Poor
2. Fair
3. Good
4. Excellent

In terms of METHODS
1. Poor
2. Fair
3. Good
4. Excellent

In terms of RELEVANCE
1. Poor
2. Fair
3. Good
4. Excellent

Following the webinar, how good is your understanding of forest-related risks/opportunities to your organization?

1. Very good
2. Good
3. Fair
4. Poor

How useful is this webinar in increasing your organization's awareness of LA/JA?

1. Not at all useful
2. Not very useful
3. Useful
4. Very useful

Questions?

Thank you

Contact us at asiapacific@cdp.net