FOREST-RELATED DISCLOSURES: CDP

HOW TO ACHIEVE LEADERSHIP

Executive summary

Consumers and investors are increasingly concerned about the risks of deforestation in global supply chains. The high profile clearance of the Amazon rainforest late last year made headlines around the world and put deforestation at the top of the agenda. Together with NGOs, investors are pushing for greater transparency and action on this issue from businesses.

Despite the growing concern, leadership on the issue is limited. **At present, the most standardised and recognisable disclosure format for forest-related supply chain risks and activities is the Forests segment of CDP.** This short paper looks into the annual CDP reporting process and what is required of a company to be considered a leader.

What is CDP?

CDP is a charity which runs a global environmental disclosure system, called the Carbon Disclosure Project. The platform requires companies to annually report on risks and opportunities related to their impact on climate change, water security and deforestation. The resulting data is used by a range of stakeholders, including other companies and investors, to assess the environmental credentials of the companies involved. More than 8,400 companies reported through CDP last year at the request of 525 investors and 120 major buyers/purchasers.

What is the CDP Forest category?

Every year, CDP requires over 1,500 companies to disclose their forest-related supply chain activity to CDP's reporting platform. Companies are selected if their activities are deemed by investors or purchasers to have a significant impact on deforestation or to be susceptible to deforestation risk. Companies are asked to disclose on four commodities linked to deforestation: timber, palm oil, cattle and soy.

Who reports on Forests?

In 2019, 543 companies disclosed to CDP on Forests, compared to 2,435 for Water and 8,362 for Climate Change. Far fewer companies are asked to disclose against Forests than the other categories, as climate change and water are more widely applicable to different industries and supply chains.

The number of companies choosing to disclose information has consistently increased every year (455 reported against Forests in 2018), although it remains around 30% of the number originally requested.

Some major companies have consistently failed to report, including Mondelez, Next, and Sports Direct.

How is the CDP Forests questionnaire scored?

CDP scoring is like a step ladder: each rung of the ladder must be tackled before you can progress to the next step.

Score	Level
A and A-	Leadership level
B and B-	Management level
C and C-	Awareness level
D and D-	Disclosure level
F	Failure to provide enough information to be evaluated

To get all the way up to Leadership level, companies must first disclose relevant information in the questionnaire they are asked to fill out, whether that be Water, Climate Change or Forests. The content of the disclosure must then demonstrate awareness, management and then finally leadership in specific areas. Companies must score highly in each area of the questionnaire, achieving a minimum level of points in one level (which can be 100%), before they are scored on the next one. Of the 543 companies that disclosed to CDP on Forests in 2019, only 8 achieved the highest score of A for leadership. These were: UPM, Tetra Pak, L'Oréal, HP Inc, Unilever, Danone, Firmenich Sa and Fuji Oil Holdings.

While all questions offer disclosure points, fewer questions offer awareness or management points, and fewer still offer leadership points. For example, a company fully reporting its timber consumption data will be awarded disclosure points, but not leadership points. If the company discloses that data fully, and then reports that it is also set targets to remove deforestation risks from its supply chain related to that commodity, and can demonstrate progress with a case study, that company will receive leadership points.

Disclosure	Awareness	Management	Leadership
Points are awarded for answering each section of a question, regardless of the content of the answer.	Points are awarded for answering each section of a question, regardless of the content of the answer. Sometimes, specific sections of the question must be answered for points to be awarded.	Specific sections of a question must be answered for points to be awarded. Points are then awarded for the content of the answer. For example, if a definition of impact is asked for, it might set out specific aspects that the definition must cover e.g. its geographical scale, what measurement tool is used, and what section of a supply chain it relates to.	Points are awarded for the content of a specific answer. For example, it might be awarded for a 'yes' to a yes or no question, if a certain threshold is met (e.g. 90%+ of your timber is traceable rather than 60-70%), or for specific requirements around the content of policies or definitions etc.

General requirements to reach the Leadership level:
- **100% disclosure** – A company's CDP response should be made publicly available on the CDP platform so that investors and other stakeholders can make use of the information.

- **Full coverage of all business areas and supply chains** – If a company only reports data from 5 out of its 6 key regions or business units, and the 6th was deemed to be relevant to the topic area, the company will lose points. This also applies to reporting on the different forest-related commodity areas.

For the full Forests questionnaire, as well as details of the requirements to score each point available, see here. For a detailed list of which questions are scored against which level, please see the CDP Forests Methodology document here. To see the latest round of company scores, see here.

What constitutes leadership AND how can the Book Chain Project help?

Below are some of the responses CDP is looking for in order to designate a company as a Forests leader. These are the areas we have identified where projects delivered through the Book Chain Project can be referenced in support of your answer.

Certification and production/procurement standards

90%+ is certified, you describe actions you have taken to improve or maintain certification in the past year, you have provided a case study of these actions
Refer to your brands listed on the BCP database and how you use the star rating system to keep up to date on levels of certification

Which publishers from the BCP completed a CDP Forests report in 2019?

- Pearson
- Wiley
- RELX
- Sage Group
- Macmillan
- Informa

Traceability
91-100% of your total production/consumption volume of timber is traceable
Identify the portion of your products that are available on the BCP database

You have described the research method or technology used to trace the timber
A description of the Book Chain Project and our methodology for forest risk assessment and conducting fibre tests, can be found on the public facing website

You have provided an example or case study of your traceability system
Use one brand on the BCP database as the focus of a case study

Forest-related Risks and Impact Assessment
You have provided details on tools and methods used to identify and assess risks
Risks covered by the BCP include illegal wood species, regionally specific deforestation risk, transhipment risk and environment risk

You have explained how effective they are at assessing forest-related risk and giving a case study
The methodology for our forest and wood species risk assessment is available online

You have detailed your response to the risks identified with a timeframe for response and how effective the response has been
See the Mill Assessment Framework reports for example of supplier engagement and how actions have been followed up

Governance – policies and commitments

You have a forest related policy which contains at least 3 of the following:

- *commitments beyond regulatory compliance*
- *description of business dependency on forests*
- *recognition of potential business impact on forests and other natural habitats*
- *reference to international standards and widely recognized forests-related initiatives*

Refer to the gap analysis we conducted recently for each participant's forest sourcing policy and the discussions we had around what a good policy looks like

You provide a company specific reason why these aspects are included; it is publicly available, demonstrates action towards any deforestation and forest degradation related commitments/targets

What have companies reported so far?

Of the companies that reported for Forests in 2018:

- 24% showed no or limited action to reduce deforestation
- Over 1/3rd were not yet working with their suppliers to tackle deforestation
- Nearly a third of companies did not include forest-related issues in their risk assessments
- Of those that did, 92% reported that the risk was substantial
- Up to US$30.4 billion in losses were reported due to deforestation risks, such as brand damage and crop failures
- Damage to brand reputation from links to deforestation was the most commonly cited risk
- Up to US$26.8 billion in forest related business opportunities were reported, such as increased brand value from sustainable products

Where to start?

Many of the activities that we cover as part of the Book Chain Project will allow you to provide in depth responses to the CDP Forests questionnaire, helping your company to reach the Leadership stage. In order to understand the type of information you could use in your answers, consider the following questions:

- How many of your brands are on the BCP database?
- How do you use the information on the BCP database internally?
- How do you engage with your suppliers through BCP?
- Who completes your CDP submission? Are they aware of the work of the Book Chain Project?
- Have you set any targets related to the number of your brands with 1*, 3* or 5* grades on the system?
- How have you used the information from our forest sourcing policy and modern slavery gap analysis exercises?
- Are you signed up to the BCP Publishers newsletter? (Nb. We include recommendations of BCP activity that you can pick out and refer to in various reports and internal communications throughout the year)