

# Guidance for companies reporting on forest risk commodities on behalf of investors in 2016

# Version Control

Version Nr.	Revision Date	Released	Revision Summary
0.1	November 2015	December 2015	This version of the guidance has been prepared to allow companies to see the full format and requirements of the questionnaire in advance of the disclosure period in February 2016.
0.2	January 2016	February 2016	<p>This is the final version of the guidance prepared for the disclosure period of February 2016. Please note that minor amendments have been made since the publication of the advance version (released in December) for clarification purposes, including:</p> <p>Pre population in F1 was clarified to 'selected columns' for F1.1.</p> <p>Pre population in F2 was clarified, with the removal of F2.1b.</p> <p>The 'Risk driver' column in F3.1a was amended to include additional drop downs.</p> <p>The 'Volume' column in F5.2a was clarified as a Numeric text field, and the guidance was updated.</p> <p>The guidance for F5.2 was amended to make reference to the 'Soy Ladder' developed by The Consumer Goods Forum (CGF).</p> <p>The column headers for F9.4 were clarified.</p> <p>Pre population in F9 was clarified to 'selected columns' for F9.3 and F9.5.</p>

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# Introduction to the guidance

## Introduction to this document

This document should be read by anyone responding to the request for information on forest risk commodities in 2016, regardless of whether you have responded previously. It contains important links and information about this year's disclosure process plus key sources of information to assist in the preparation of your CDP forests response in 2016.

It is intended to provide a full practitioner's guide to completing the questionnaire. Other documents that may also be useful to you include the following, which can be accessed from CDP's guidance pages (<https://www.cdp.net/en-US/Pages/guidance-forests.aspx>):

- ▼ Guidance for first time responders – information on what happens to the response, what it means to respond publicly and privately and how and why companies respond
- ▼ Guide to the Online Response System (ORS) – a detailed guide to using the ORS to activate the questionnaire and input responses. If you have not responded to CDP before, it is advised that you read this document
- ▼ Scoring methodology – full details of how companies will be scored

This document has been prepared for companies responding to the request for information on forest risk commodities on behalf of investors. Separate guidance has also been prepared to assist companies that are responding to requests for information on climate change and water – see <https://www.cdp.net/en-US/Pages/guidance.aspx>.

## What has changed for 2016?

CDP's 2016 forests questionnaire seeks to achieve the following:

- ▼ Provide a logical structure that guides companies through the journey of removing commodity-driven deforestation from their value chain and improve their understanding of deforestation-related risks;
- ▼ Facilitate greater and more robust disclosure while reducing reporting burden, where possible;
- ▼ Provide structured disclosures that allow, to the extent possible, the automation of the forests scoring methodology;
- ▼ Produce responses that lend themselves to effective engagement between external stakeholders and companies, allow companies to demonstrate progress and good practice, and allow stakeholders to identify and engage with companies that do not take action.

CDP will be stabilizing the forests questionnaire, with no major changes introduced in 2016. Following the major re-structure in 2015, we received valuable feedback and suggestions from companies and investors for further updates of existing questions. Minor additions have been made to the drop down options within some tables or question wording amended to make the request for information more explicit. Please check the 'Key changes for 2016' section within the different chapters of this guidance document for further information on changes to individual questions.

The main guidance format remains the same and changes to the questions are limited to the following:

- A number of questions have been re-phrased slightly to align with CDP style guidelines and for clarification. These changes are minor and do not change the overall meaning of the questions or the data points required from responding companies.
- If you disclosed to CDP's forests information request in 2015, pre-population of several questions of the questionnaire is now available. If you would like to pre-populate the eligible questions, as specified under 'Pre-population' for each module in this guidance, click "copy from last year" at the bottom of the page in CDP's Online Response System (ORS) prior to entering any data on the page.
- Minor stylistic changes have been made to the column headers of the tables in the ORS. Explanatory columns are now titled either 'Please explain' or 'Comment' to indicate whether or not the information will be scored. Columns titled 'Please explain' will be scored in accordance with the 2016 scoring methodology, while columns titled 'Comment' are available for any additional information responding companies would like to provide in support of their response and will not be scored.

### CDP's approach to reporting on commodity driven deforestation risk

At present, CDP relies on relevant reporting principles from the GHG Protocol<sup>1</sup> to guide organizations reporting on deforestation risk related to the production or use of the forest risk commodities: timber products, palm oil, cattle products, and soy.

#### Application of GHG Protocol Principles

While various tools, methodologies, and initiatives have emerged to assist companies to report on deforestation risk related to forest risk commodities such as palm oil, soy and timber, no dominant methodology has yet been adopted. Therefore, widely-used sustainability standards such as the [Greenhouse Gas Protocol \(GHG Protocol\)](#), can be applied to the field of reporting on forest risk commodities. Where appropriate, this guidance incorporates definitions and approaches established by these bodies.

The GHG Protocol outlines five principles to ensure a true and fair account of a company's GHG emissions. CDP suggests that all of these principles be adopted for the purpose of reporting on forest risk commodities. These principles are as follows:

- **Relevance:** Ensure the commodity use inventory appropriately reflects actual commodity production or use and serves the decision-making needs of users – both internal and external to the company.
- **Completeness:** Account for and report on all activities with the potential for deforestation risk within the chosen inventory boundary. Disclose and justify any specific exclusion(s).
- **Consistency:** Use consistent methodologies to allow for meaningful comparisons of company's use of forest risk commodities over time.
- **Transparency:** Address all relevant issues in a factual and coherent manner, based on a clear audit trail. Disclose any relevant assumptions and make appropriate references to the accounting and calculation methodologies and data sources used. Transparently document any changes to the data, inventory boundary, methods, or

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<sup>1</sup> For more information, please see "[The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard \(Revised Edition\)](#)", (GHG Protocol), developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

any other relevant factors in the time series.

- **Accuracy:** Ensure the quantification of commodity production or use is sufficiently accurate to enable users to make decisions with reasonable assurance as to the integrity of the reported information.

Information is considered relevant if it contains the detail that users, both internal and external to the company, need for their decision-making. When considering what to disclose, please identify and report information that is likely to be of use and benefit to the audience requesting it (in this case the investment community).

## Working definitions

**Sustainably sourced:** Sustainable development, according to the Brundtland Commission of the United Nations, “is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”<sup>2</sup> In this context, **sustainable sourcing** can be understood as sourcing of materials that takes into account social and environmental responsibility to minimize resource depletion<sup>3</sup> and thus ensures the ability to continue sourcing them in future.

**Sustainable procurement** is the broader process concerned with the logistics of acquiring materials. According to the Sustainable Procurement Task Force (SPTF) “is a process whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst minimizing damage to the environment”.<sup>4</sup>

**Sustainable production** refers to a “productive, competitive and efficient way to produce agricultural products, while at the same time protecting and improving the natural environment and social/economic conditions of local communities”.<sup>5</sup> **Sustainable materials** are defined as materials that are independently certified or otherwise verified as sustainable, such as those that have third party certification from a credible scheme.

**Deforestation vs sustainably harvested:** Please note that for timber-based commodities deforestation by its most rudimentary definition, i.e. the process of cutting down trees, is part of the production process. In these instances, management processes may be articulated in terms of ‘sustainable’ rather than ‘deforestation’-free harvesting.

## What is the deadline for responses?

Companies will receive a request to participate and an activation link in the first week of February 2016. This will allow them to access the questionnaire and begin inputting their response. The deadline for response submissions is June 30, 2016.

## Commit to action

In 2015, hundreds of companies representing every major economy and sector took proactive steps to address key environmental issues by making a range of powerful

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<sup>2</sup> United Nations General Assembly. 1987. *Report of the World Commission on Environment and Development: Our Common Future*. Available online at: <http://www.un-documents.net/ocf-02.htm>.

<sup>3</sup> The Consumer Goods Forum. 2012. Available online at: <http://www.theconsumergoodsforum.com/download-sustainability-communications-glossary>.

<sup>4</sup> Department for Environment, Food and Rural Affairs. 2006. *Procuring the Future, Sustainable Procurement National Action Plan: Recommendations from the Sustainable Procurement Task Force*, Available online at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/69417/pb11710-procuring-the-future-060607.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/69417/pb11710-procuring-the-future-060607.pdf).

<sup>5</sup> The Consumer Goods Forum. 2012. Available online at: <http://www.theconsumergoodsforum.com/download-sustainability-communications-glossary>.

commitments to climate action. Collectively, their commitments formed a critical part of the package of solutions reached in Paris at the UN Climate Change Conference (COP21), helping elevate and unify the voice of business on the world stage for the first time.

In 2016, CDP and We Mean Business are renewing their invitation for companies to make public commitments to action, including around deforestation. Committed companies will continue to be profiled throughout the year to a wide range of stakeholders, from media to investors, to policymakers and governments.

For the more than 350 companies that have already made their commitments, 2016 will mark the start of the journey for turning those commitments into action. Companies who have made commitments can track progress against them via CDP's annual disclosure requests. Please see below for specific information on how the campaign's deforestation commitment can be tracked through CDP's forests questionnaire. To learn more visit [www.cdp.net/commit](http://www.cdp.net/commit) or [www.wemeanbusinesscoalition.org](http://www.wemeanbusinesscoalition.org).

- ▼ Commit to remove commodity-driven deforestation from all supply chains by 2020
  - Overview: Addressing deforestation, which accounts for approximately 10–15% of the world's greenhouse gas emissions, is a critical component of climate change mitigation. The business community can lead the agenda on how the commodities linked to deforestation can be sustainably sourced by committing to remove commodity-driven deforestation from their supply chains.
  - Reporting: Companies can report this commitment, and progress against it, by answering F8.2 and F8.2a in full.

## **Response changes**

### **Amendments to responses submitted prior to the deadline**

Responses submitted prior to the disclosure deadline of June 30 may be amended by the company and resubmitted by this date. If you need to make amendments to your submitted response prior to the above deadlines, please email [respond@cdp.net](mailto:respond@cdp.net).

### **Amendments to responses after the response deadline**

Amendments to responses after the above deadlines can be made only by CDP staff and may incur an administration fee. CDP will not accept amendments to all questions. Therefore, if you discover an error in your response after the above deadlines, please contact CDP (email [respond@cdp.net](mailto:respond@cdp.net)) to investigate whether it is possible to amend the error. Please note that these changes may not be reflected in the relevant annual reports and that CDP reserves the right to use the information already submitted.

## **Assistance in responding**

In addition to the guidance listed at the beginning of this document, there are a number of other sources of assistance for companies when preparing their response. Full details are available at <https://www.cdp.net/en-US/Pages/guidance.aspx>; some of the main resources are briefly described below.

### **Workshops and webinars**

Workshops and webinars are held at various stages in the reporting cycle. Recordings are made available on the website to assist companies with their response.

### **Spell check**

The CDP Online Response System (ORS) works best with Internet Explorer (IE). IE10 and IE11 both have built-in spell checking. Earlier versions of IE don't have spell check built in, but there are third party add-ons to do this for you. You can use your favorite search engine to search for a third party add on for spell checking.



**Character limit in text fields**

The maximum character allowance for text fields is stated in the question specific guidance throughout this document. Please note that this character limit includes spaces.

**Scoring**

The scoring methodology for 2016 is provided on the CDP website, within the forests guidance page. Please note that in order for top-scoring companies to achieve leadership level, the CDP forests response must be made public. Several questions also have leadership requirements associated with the response, although they are not scored for leadership points. Companies which do not meet the criteria detailed for these questions will not be awarded leadership status.

**Contact us**

If you are not able to resolve your query using any of the resources listed above, please contact us at [respond@cdp.net](mailto:respond@cdp.net).

**Providing feedback to CDP**

An opportunity will be given to provide feedback on CDP's forests questionnaire through a short online feedback form. A link to this feedback form will be sent to you by e-mail after you have submitted your response. Any feedback given will not be associated with your response and will not be shared publicly.

**Disclaimer**

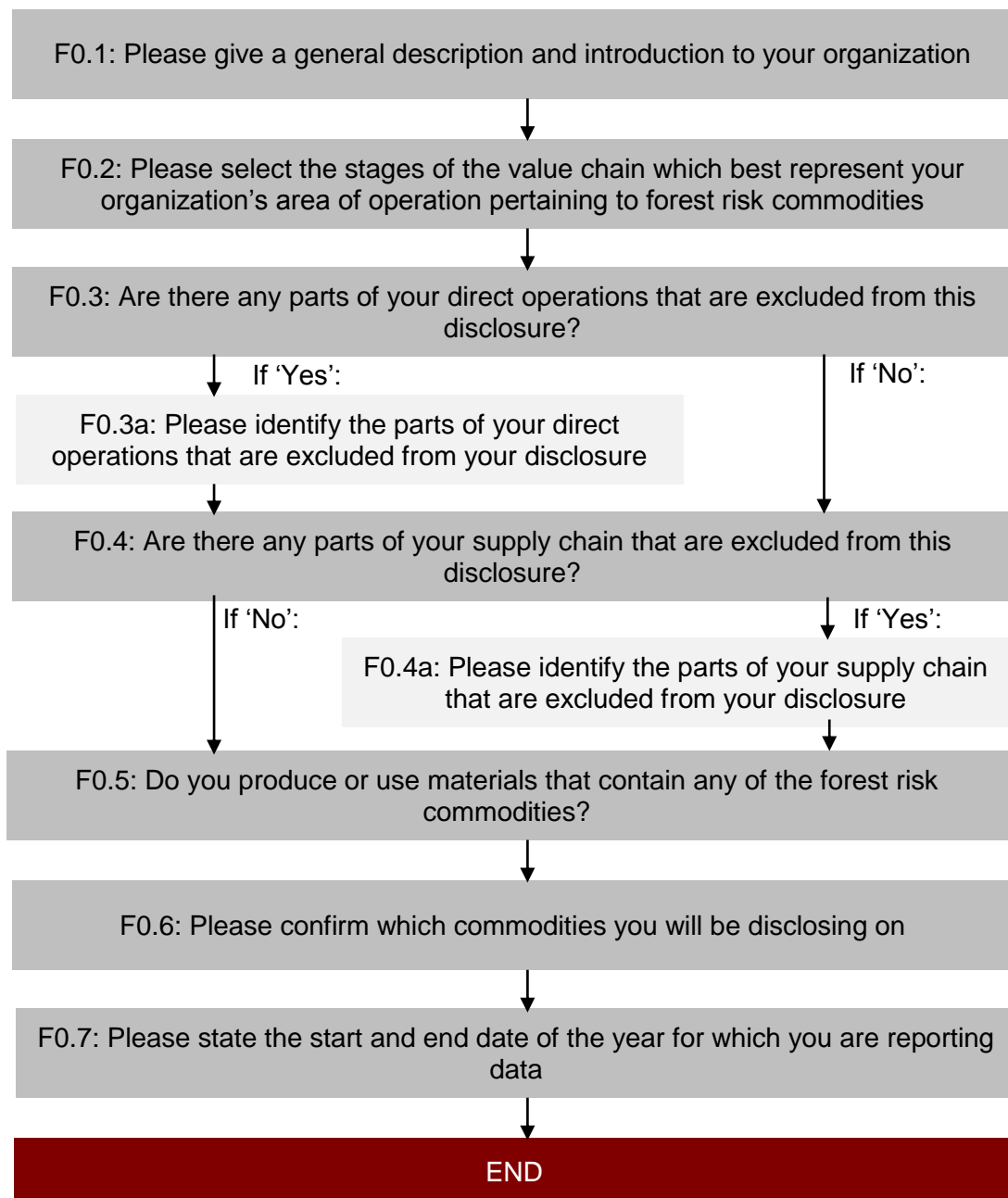
Sample responses are used throughout this document for illustration purposes only. These do not necessarily reflect the highest scoring answer. For full information on how responses are scored, please review the scoring methodology.

# Introduction Module

## F0. Introduction

### Question Pathway

The following questions are shown on the Introduction page.






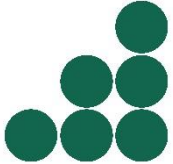
## General Guidance

Deforestation accounts for approximately 10-15% of the world's greenhouse gas emissions, equivalent to the entire transport sector.<sup>6</sup> Commodities which may be sourced, directly or indirectly, from recently deforested land represent a deforestation risk for a business.

Global demand for agricultural commodities is the primary driver of deforestation, as timber is extracted and land is cleared to produce beef, soy, and palm oil. These 'forest risk commodities' are the building blocks of millions of products traded globally and feature in the supply chains of countless companies ending up in food, fuel and other everyday products. International pressure is mounting to stop deforestation, a significant source of greenhouse gas (GHG) emissions. The loss of natural capital due to land use by the primary production and primary processing sectors is estimated to be costing the global economy US\$1.8 trillion annually.<sup>7</sup>

The commodities covered by this information request are timber, palm oil, cattle products, and soy.

### The forest risk commodities

Forest risk commodity	Explanation
	<b>Timber:</b> this includes all solid timber as well as products made from processed wood fiber such as paper, cardboard and specialty fibers such as viscose. It also includes timber products used for biomass.
	<b>Palm Oil:</b> this includes crude palm oil, and all of its chemical derivatives. It also includes palm kernel oil and its derivatives. Please note that palm oil used for biofuel production is now to be included in this category, if applicable (see below).
	<b>Cattle Products:</b> this includes all food products containing beef, all clothing, furniture and accessories that are made of leather, tallow and all other products derived from cattle. Please note that tallow used for biofuel production is now to be included in this category, if applicable (see below).
	<b>Soy:</b> this includes all meal or oil containing soy and any derivatives that are obtained from soy. Please note that soy used for biofuel production is now to be included in this category, if applicable (see below).

**Biofuels:** Biofuels are no longer included in the list of commodities companies can choose to disclose on. CDP's forests program continues to consider the production of commodities for biofuel production a significant contributor to deforestation. Biofuels should be included in the response only if a company has influence over the production of biofuels using the forest risk commodities listed above, and not if biofuels are purchased for use in the transport fleet. Furthermore, at present CDP's focus is on biomass produced from timber products as well as biofuels produced from oils, such as palm and soy, and not from crops such as corn or wheat, or algae.

<sup>6</sup> Van der Werf GR, et al. 2009. *CO<sub>2</sub> Emissions from Forest Loss*. Nature Geoscience 2, 737-738.

<sup>7</sup> Trucost. 2013. *Natural Capital at Risk: The Top 100 Externalities of Business*. Available online at: [http://www.naturalcapitalcoalition.org/js/plugins/filemanager/files/TEEB\\_Final\\_Report\\_v5.pdf](http://www.naturalcapitalcoalition.org/js/plugins/filemanager/files/TEEB_Final_Report_v5.pdf)

Please note, companies are asked to answer all questions in relation to those commodities which are present in their operations and/or supply chains. Commodity use which is not being disclosed should be identified in the introduction module under exclusions (Questions F0.3a, F0.4a, and F0.5). Common exclusions include in-house catering; office copy paper, unless it comprises a large part of the business; or biofuels consumed for transportation if they are blended with publicly available gasoline as a result of regulation.

On the Introduction page you are asked to list the commodities that you will be disclosing on throughout your response. Deforestation is a supply chain issue for most organizations and therefore most responders will be expected to provide information pertaining to their own operations as well as their supply chain activities, where applicable. On the Introduction page you will be asked to explain whether there are any parts of your business or supply chain that will not be covered in your response (exclusions). Any exclusions of forest risk commodities, parts of your business or supply chain should be highlighted on the Introduction page, and reasons for these exclusions should be provided. If the CDP response contains significant exclusions, your company will not be eligible for a leadership score. Examples of significant exclusions could include a company with very large global operations reporting information for only one relevant country, or a company choosing not to disclose data for a business area which is material to the business and simultaneously has the potential to have a large impact on deforestation. Please note, companies that exclude parts of their business or supply chain due to recent structural changes to the organization (within the reporting year), including mergers, acquisitions or divestments, will not be penalized. For the sake of transparency, this defined scope of coverage, as established on the Introduction page, should be used consistently to answer questions throughout your response.

Please apply the reporting principles set out in the introduction to this document to determine the scope of coverage of your disclosure. Your organization should report on all aspects of your direct operations and/or supply chain that is relevant to the management of deforestation risk. Based on the GHG Protocol's definition, information is considered relevant if it contains the detail that users, both internal and external to the company, need for their decision-making.<sup>8</sup> For the purpose of reporting on forest risk commodities, relevance should be interpreted as ensuring that the reported information appropriately reflects a company's dependence on a particular commodity for the provision of the goods and services it sells.

**The information entered on the Introduction page determines key aspects of the questionnaire. For this reason, until you have completed and successfully saved the introduction page at least once, you will not see the full set of questions.** Once the introduction page is saved, you will be able to navigate between pages of the information request using the navigation bar. You may also return to the Introduction page at any time to update information.

*General references to external sources such as sustainability reports should not be provided in your response. Instead, please respond to each question within the allocated text box in the ORS. If you feel you must reference a sustainability report or external document and attach it to the bottom of the page, please provide a specific page reference to allow investors and other data users to easily access the information.*

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<sup>8</sup> For more information, please see "[The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard \(Revised Edition\)](#)" (GHG Protocol), developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

## **Key changes from 2015**

No questions on this page have been changed.

## **Pre-population of responses from 2015**

If you responded to forests last year, you can automatically populate the following questions with last year's response by clicking the "copy from last year" button at the bottom of the relevant page in the ORS, prior to completing any fields. You can then modify last year's response as needed. You must click "copy from last year" before completing any fields on each page of the ORS where this function has been enabled.

- The copy from last year function has been provided for questions F0.1, F0.2, F0.3a, F0.4, F0.4a, and F0.5.

**Please always remember to review your pre-populated selections to make sure they are still appropriate for 2016.** This is particularly important if new data points have been added to questions or if drop down lists have been updated. Regarding the latter, if you selected 'Other' to provide a different category from the drop down list in 2015, you may find that your category has now been included in the 2016 drop down list. We request that companies use the categories provided for selection as much as possible as this greatly assists investors with data analysis.

## Specific Question Guidance

### F0.1 Please give a general description and introduction to your organization

Please provide a brief introduction to your organization.

You are not required to give an introduction to your organization, but please do so if you wish using no more than 5,000 characters.

### F0.2 Please select the stages of the value chain which best represent your organization's area of operation pertaining to forest risk commodities. If your organization is diversified or vertically integrated, please select all that apply

Please select the business activity listed below that best describes your organization's area of operation pertaining to forest risk commodities. You may select any number of business activities. Your selection(s) in this question will drive some questions specific to your organization's stage in the value chain on the Traceability, Standards and targets, and Engagement pages in the ORS.

Based on definitions from the Global Canopy Programme's *The Little Black Book on Big Deforestation Drivers*<sup>9</sup>, the value chain activities are broken down as follows:

- **Production:** Production can be defined as the process of transforming a resource or components into a product. Considered in the context of supply chains, production *per se* is only one of a number of stages and generally refers to the creation of raw materials. Companies whose activities include the conversion of land to establish oil palm or soy plantations, for cattle ranching, or for the timber industry, would select this activity. This includes vertically integrated companies with involvement in the upstream production of commodities. Companies utilizing the commodities in multiple forms for the manufacture of, for instance, cosmetics, cleaning, and food products do not fall into this stage and should select 'Manufacturing'.
- **Processing:** Processing can be characterized as a series of value adding activities to produce a finished product. For the purpose of this disclosure, it encompasses the initial transformative activities. Companies involved in the production of crude palm oil from crushed fruit or the production of soy bean oil and soy bean meal from soy bean would select this activity. Further processing activities in the form of refining and fractionation should be considered in the Manufacturing stage. In the case of timber, companies whose activities include the initial processing of timber products in mills (sawmills, plywood and veneer mills, pulp and paper mills) would select this stage. For cattle products, activities at this stage primarily involve the slaughtering of cattle and the processing of raw hide into leather.
- **Trading:** Forest risk commodities are supplied to either domestic or export markets for trading, which is influenced by factors such as fuel prices, shifts in demand, and global commodity prices. Global agricultural traders are crucial actors in the commodity supply chains. Internationally traded agricultural commodities are transported and traded via a range of methods and supply chain stages, for instance from plantations to mills, to refineries, and ultimately to global manufacturers and consumers. These supply chains contain multiple-level distribution channels, which may include wholesalers, retailers, distributors, agents, exporters, and importers.
- **Manufacturing:** Manufacturing includes the production of final ingredients for the food, feed and fuel sectors amongst others, as well as the manufacturing of the final

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<sup>9</sup> Rautner, M., Leggett, M., Davis, F. 2013. *The Little Black Book of Big Deforestation Drivers*. Global Canopy Programme. Available online at: [http://globalcanopy.org/sites/default/files/documents/resources/LittleBookofBigDeforestationDrivers\\_EN\\_0.pdf](http://globalcanopy.org/sites/default/files/documents/resources/LittleBookofBigDeforestationDrivers_EN_0.pdf)

goods for consumer or industrial use. For example, in oil palm and soy bean supply chains, this may include the refining of oil into shortening and use as ingredients in the manufacture of a bakery product. For timber, the manufacturing stage involves the secondary processing of wood into multiple products. This may include furniture, flooring, plywood and boards, as well as building materials, as well as the conversion of pulp to printing and writing paper, newsprint, tissue, and container board. At this stage of the value chain, companies may manufacture cattle products into products containing beef (retail meat products, fast food processed, byproducts including glycerin/gelatin) and leather products for various industries (footwear, clothing, furniture and car upholstery).

- **Retailing:** Retailers provide product manufacturers with consumer access. Retailing refers to the sale of goods to private consumers as well as users of industrial products.

Please note that it is not possible to save the Introduction page and progress to the remainder of the questionnaire without completing this question.

**F0.3 Are there any parts of your direct operations that are excluded from this disclosure?**

This question aims to clarify the coverage of your disclosure with regard to your direct operations, i.e. the group, companies, businesses or organizations that fall within your organizational boundary. Any groups, companies, businesses or organizations that fall within your organizational boundary but are not included in your disclosure should be disclosed here. References in the information request to “your organization” are to the entities within your organizational boundary for which you are providing information. Please apply this logic consistently when responding to questions.

Please note that if your CDP response contains significant exclusions your company will not be eligible for a leadership score. Examples of significant exclusions, as defined by CDP, are included within the general guidance for this module.

You will have the opportunity to clarify the coverage of your disclosure with regard to your supply chain in question F0.4.

If you are reporting on all operations within your organizational boundary, i.e. all operations you own or control, please select ‘No’ in response to this question. However, if your disclosure excludes certain parts of your direct operations please select ‘Yes’ from the dropdown menu presented in the ORS. If you select ‘Yes’ you will be presented with question F0.3a, if you select ‘No’ you should move on to question F0.4.

**F0.3a Please identify the parts of your direct operations that are excluded from your disclosure**

*This question only appears if you select 'Yes' in response to question F0.3*

Please complete your response in the table provided in the ORS, reproduced below. If you wish to add exclusions, use the "Add Row" button to the bottom right of the table.

Exclusion	Description of exclusion	Potential for deforestation risk	Please explain
Select from: <ul style="list-style-type: none"> <li>Source/ country/ geographical area</li> <li>Business activity</li> <li>Facility</li> <li>Specific product line(s)</li> <li>Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.	Select from: <ul style="list-style-type: none"> <li>No potential</li> <li>Potential for deforestation risk but not evaluated</li> <li>Potential for deforestation risk, evaluated but not disclosing to CDP</li> <li>Don't know</li> </ul>	Text box  See table below for a sample response.  Enter text no more than 2,400 characters.

Add Row

Guidance on responding to each of the columns is provided below:

- Exclusion:** Please select the category that best describes the part of your direct operations that is being excluded from your disclosure. Elements of your business may be excluded for a number of reasons:
  - A geographical location may be excluded if there is no commodity usage or a current lack of visibility over management practices which makes reporting infeasible for operations in that country or region until systems have been put in place;
  - An activity (e.g. type of business process, or type of supplier) may be excluded due to limited data or reporting feasibility;
  - A facility may be excluded due to recent business mergers, acquisitions of another company/subsidiary/facility and divestment of certain aspects of the business, outsourcing and in-sourcing of activities; and
  - A specific product line may be excluded due to limited data or reporting feasibility. Please note that retailers are only expected to report on their own-branded products.
- Description of exclusion:** Please clearly outline these exclusions, including details such as the exact geographical location, activity, and the name of the business unit, product line, or facility.
- Potential for deforestation risk:** Potential for deforestation risk refers to any operation that may directly or indirectly contribute to deforestation. Please indicate whether you have evaluated whether there is potential for such a risk for the excluded location, activity, facility, product line, etc. and whether there is potential risk present or not.
- Please explain:** Please use this column to explain your exclusions and their (potential) linkage to deforestation, and provide an indication of the percentage of sales that these represent.



### F0.3a Sample Response – for guidance only

Exclusion	Description of exclusion	Potential for deforestation risk	Please explain
Source/ country/ geographical area	All of our operations outside of Latin America	Potential for deforestation risk but not evaluated	Our preliminary scoping indicates that our Latin American operations are most significant with regards to deforestation risk; therefore we are focusing most of our efforts in this area to begin with. Our operations account for 80% of our sourcing of beef. We have started considering, but have not yet fully evaluated, deforestation implications in some of our other regions, therefore this disclosure only includes our Latin American operations. We plan to incorporate the other regions into our disclosure once the scoping activities have been completed in 2016.

### F0.4 Are there any parts of your supply chain that are excluded from this disclosure?

This question aims to clarify the coverage of your disclosure with regards to operations taking place outside of your organizational boundary- in your supply chain- and explain whether any supply chain exclusions may directly or indirectly drive deforestation.

Please note that if your CDP response contains significant exclusions your company will not be eligible for a leadership score. Examples of significant exclusions, as defined by CDP, are included within the general guidance for this module.

If your disclosure includes all aspects of your supply chain please select 'No', however if your disclosure excludes certain aspects of your supply chain please select 'Yes'.

If you select 'Yes' you will be presented with question F0.4a, if you select 'No' you should move on to question F0.5.

### F0.4a Please identify the parts of your supply chain that are excluded from your disclosure

*This question only appears if you select 'Yes' in response to question F0.4*

Please complete your response in the table provided in the ORS, reproduced below. If you wish to add exclusions, use the "Add Row" button to the bottom right of the table.

Exclusion	Description of exclusion	Potential for deforestation risk	Please explain
Select from: <ul style="list-style-type: none"> <li>Source/ country/ geographical area</li> <li>Business activity</li> <li>Facility</li> <li>Specific product line(s)</li> <li>Specific supplier(s)</li> <li>Other, please specify</li> </ul>	Text box Enter text no more than 2,400 characters.	Select from: <ul style="list-style-type: none"> <li>No potential</li> <li>Potential for deforestation risk but not evaluated</li> <li>Potential for deforestation risk, evaluated but not disclosing to CDP</li> <li>Don't know</li> </ul>	Text box See table below for a sample response. Enter text no more than 2,400 characters.

Add Row

Guidance on responding to each of the columns is provided below:

- Exclusion:** Please select the category that best describes the part of your supply chain that is being excluded from your disclosure. Elements of your business may be excluded for a number of reasons:
  - A geographical location may be excluded if there is no commodity usage or a current lack of visibility over management practices which makes reporting

infeasible for operations in that country or region until systems have been put in place;

- An activity (e.g. type of business process, or type of supplier) may be excluded due to limited data or reporting feasibility;
  - A facility owned or controlled by your supplier may be excluded due to recent business mergers, acquisitions of another company/subsidiary/facility and divestment of certain aspects of the business, outsourcing and in-sourcing of activities; and
  - A specific product line may be excluded due to limited data or reporting feasibility. Please note that retailers are only expected to report on their own branded products.
- **Description of exclusion:** Please clearly outline these exclusions, including details such as the exact geographical location, activity, and the name of the business unit, product line, or facility.
  - **Potential for deforestation risk:** Potential for deforestation risk refers to any operation that may directly or indirectly contribute to deforestation. Please indicate whether you have evaluated whether there is potential for such a risk for the excluded location, activity, facility, product line, etc. and whether there is potential risk present or not.
  - **Please explain:** Please use this column to explain your exclusions and their (potential) linkage to deforestation, and provide an indication of the percentage of sales that these represent.

#### ***F0.4a Sample Response – for guidance only***

<i>Exclusion</i>	<i>Description of exclusion</i>	<i>Potential for deforestation risk</i>	<i>Please explain</i>
<i>Business activity</i>	<i>Branded products sold in our retail stores</i>	<i>Potential for deforestation risk but not evaluated</i>	<i>We feel at this time our efforts are best concentrated where we have most leverage with our supply chain i.e. the suppliers of our own branded products.</i>
<i>Facility</i>	<i>A single supplier of processed beef from Brazil</i>	<i>Potential for deforestation risk, evaluated but not disclosing to CDP</i>	<i>We buy some processed beef from one supplier in Brazil, where we know there is potential for deforestation. This processed beef accounts for less than 0.1% of our global sales and so we have prioritized sourcing sustainable unprocessed beef at this time.</i>

## F0.5 Do you produce or use materials that contain any of the forest risk commodities? Please complete the table

Please complete your response in the table provided in the ORS.

Forest risk commodity	Produce/use forest risk commodity	Explanation if not disclosing but produce/use the commodity
Timber Palm Oil Cattle Products Soy Other	Select from: <ul style="list-style-type: none"> <li>Yes</li> <li>No</li> <li>Don't know</li> </ul>	Text box  See table below for a sample response.  Enter text no more than 2,400 characters.

This question aims to clarify your organization's exposure to any of the four forest risk commodities. For more details on forest risk commodities see the general guidance section at the beginning of this chapter.

Please respond to this question by completing the row for each of the forest risk commodities in the table provided in the ORS. In 2016, you have the option to indicate which other forest risk commodity you may wish to disclose on through CDP's forests information request in the future. Please list any such commodities in the explanation column of the last row of this table. Please note, however, that you will not be required or able to disclose any further information on these commodities in 2016.

Guidance on responding to each of the columns is provided below:

- **Produce/use forest risk commodity:** Production or use refers to the presence of forest risk commodities in raw materials or product lines that your organization may produce, process, trade, manufacture or sell. Please identify whether or not you produce or use the commodities listed in column 1 by selecting an option from the dropdown menu.
- **Explanation:** If you produce or use a commodity but will not be disclosing on it as part of this information request, please explain why. Common exclusions include in-house catering or office copy paper, unless it comprises a large part of the business.

### F0.5 Sample Response – for guidance only

Forest risk commodity	Produce/use forest risk commodity	Explanation if not disclosing but produce/use the commodity
Timber	Yes	
Palm Oil	Yes	
Cattle Products	Yes	We are aware that certain product lines contain leather but up to now our focus has been on our packaging and palm oil policies and targets. We are planning on conducting a full risk assessment with regards to leather and will report on this commodity in next year's disclosure.
Soy	Yes	
Other	Yes	Coffee

#### **F0.6 Please confirm which commodities you will be disclosing on**

In order to populate the tables throughout the questionnaire, please confirm which of the commodities you are disclosing on. Tick all that apply. **Only your selected commodities will feature throughout the rest of the questionnaire.** If you wish to add a commodity, you will need to return to this question and add it by ticking the relevant commodity. Please note that if you select a commodity in this question and then deselect it at a later date, any information completed for that commodity will be lost.

- ☐ Timber
- ☐ Palm Oil
- ☐ Cattle Products
- ☐ Soy

Please note that it is not possible to save the Introduction page and progress to the remainder of the questionnaire without completing this question.

#### **F0.7 Please state the start and end date of the year for which you are reporting data**

Please state your reporting year, which should be the most recent twelve month period for which you have data available. Please note that the dates selected must be one year apart. Please state the start and end date of the year for which you are reporting data, using the following format: day(DD)/month(MM)/year(YYYY), i.e. 31/01/2001.

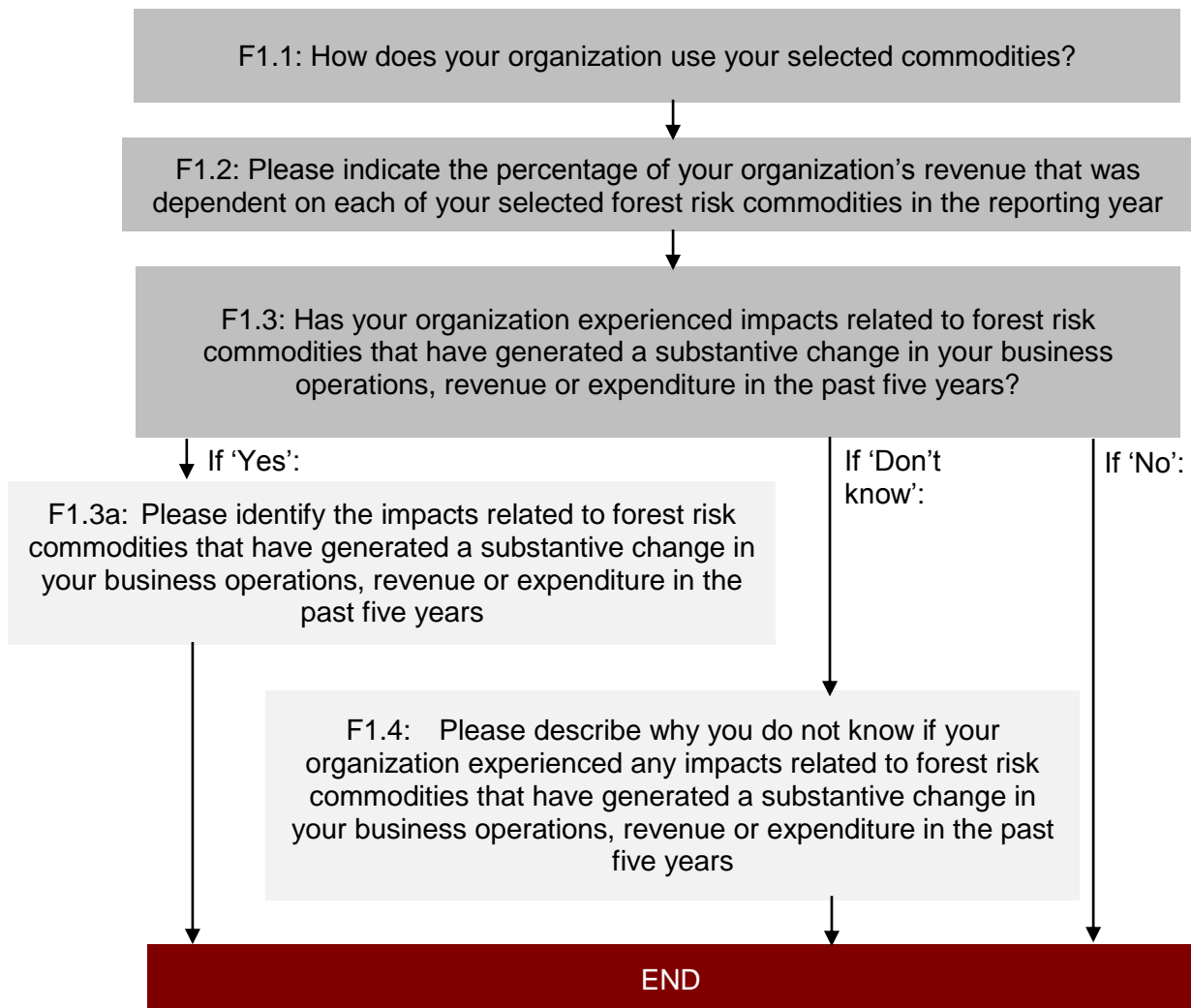
Please note that it is not possible to save the Introduction page and progress to the remainder of the questionnaire without completing this question. This reporting year should be applied to your answers for the entire questionnaire.

# Current State Module

## F1. Context

### Question Pathway

The following questions are shown on the Context page.



## General Guidance

This section asks organizations to provide information about the current state in which they operate. The questions establish the context of your organization's deforestation-related trends and conditions, and highlight those that are important to both your organization and its stakeholders.

To ensure that a deforestation risk assessment is robust it is important to first understand how forest risk commodities are used across an organization and supply chain and how the organization may have been impacted by changes in the availability or quality of forest risk commodities in the past. This will help provide insight into the future deforestation risks a company may be exposed to, the potential solutions available to mitigate these risks and which stakeholders and contextual issues to consider in a risk assessment.

Tables in this module feature the commodities that you have selected in question F0.6 on the introduction page. If you wish to add a commodity please go back to the introduction page, tick the commodity you wish to add and click save. Please note, however, that if you untick one of the commodities in question F0.6 for which you have already added data in fixed row tables, this data will be lost. If you have added rows in any tables for this commodity, you must return to those tables and delete the row manually to remove the data.

## Key changes from 2015

- The fifth column header for question F1.1 has been changed from 'Source location' to 'Country of origin' to indicate that this selection should refer to the country in which your selected forest risk commodities are grown, harvested or reared. The drop down menus for the 'Activity', 'Form of commodity', and 'Country of origin' columns have also been updated.
- Question F1.2 has been reworded to clarify that your company is required to report on the revenue dependent on each of your selected forest risk commodities *in the reporting year*. This has been changed to improve the comparability and ease analysis of data.

## Pre-population of responses from 2015

If you responded to forests last year, you can automatically populate the following questions with last year's response by clicking the "copy from last year" button at the bottom of the relevant page in the ORS, prior to completing any fields. You can then modify last year's response as needed. You must click "copy from last year" before completing any fields on each page of the ORS where this function has been enabled.

- The copy from last year function has been provided for questions F1.3, F1.3a, F1.4 and selected columns in F.1.1.

**Please always remember to review your pre-populated selections to make sure they are still appropriate for 2016.** This is particularly important if new data points have been added to questions or if drop down lists have been updated. Regarding the latter, if you selected 'Other' to provide a different category from the drop down list in 2015, you may find that your category has now been included in the 2016 drop down list. We request that companies use the categories provided for selection as much as possible as this greatly assists investors with data analysis.

## Specific Question Guidance

### F1.1 How does your organization use your selected commodities? Please provide details on the form and source of the commodities you use or produce

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding each of the commodities you selected in F0.6 by adding a new row for each activity for which the commodity is used. To add a row, use the “Add Row” button to the bottom right of the table.

Forest risk commodity	Activity	Form of commodity	Source	Country of origin	% of procurement spend	Comment
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>• Growing/ production of raw materials</li> <li>• Harvesting</li> <li>• Milling</li> <li>• Crushing</li> <li>• Slaughtering</li> <li>• Tanning for leather</li> <li>• Rendering for tallow</li> <li>• Refining &amp; processing</li> <li>• Refining &amp; fractionation</li> <li>• Export/ trading</li> <li>• Input into manufacturing process (e.g. power generation)</li> <li>• Input into product manufacturing</li> <li>• Construction</li> <li>• Buying manufactured product</li> <li>• Distribution packaging</li> </ul>	Select all that apply: Timber <ul style="list-style-type: none"> <li>• Hardwood logs</li> <li>• Sawn timber, veneer, chips</li> <li>• Unprocessed wood fiber</li> <li>• Pulp</li> <li>• Paper</li> <li>• Boards, plywood, engineered wood</li> <li>• Primary packaging</li> <li>• Secondary packaging</li> <li>• Tertiary packaging</li> <li>• Cellulose-based textile fiber</li> <li>• Wood-based bioenergy</li> <li>• Goods Not For Resale (GNFR)</li> </ul> Palm oil <ul style="list-style-type: none"> <li>• Palm oil fruit</li> <li>• Crude palm oil (CPO)</li> <li>• Crude palm kernel oil (CPKO)</li> <li>• Palm kernel meal (PKM)</li> <li>• Refined palm oil</li> <li>• Palm oil derivatives</li> <li>• Palm kernel oil derivatives</li> <li>• Palm biodiesel</li> </ul>	Select all that apply: <ul style="list-style-type: none"> <li>• Own concessions</li> <li>• Smallholders</li> <li>• Single contracted producer</li> <li>• Multiple contracted producers</li> <li>• Trader/broker/ commodity market</li> <li>• Contracted suppliers (processors)</li> <li>• Contracted suppliers (manufacturers)</li> <li>• Other, please specify</li> </ul>	Select all that apply: <ul style="list-style-type: none"> <li>• Don't know</li> <li>• Other, please specify</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• &lt;1%</li> <li>• 1-5%</li> <li>• 6-10%</li> <li>• 11-20%</li> <li>• 21-30%</li> <li>• 31-40%</li> <li>• 41-50%</li> <li>• 51-60%</li> <li>• 61-70%</li> <li>• 71-80%</li> <li>• 81-90%</li> <li>• 91-99%</li> <li>• 100%</li> <li>• Don't know</li> <li>• Not applicable</li> </ul>	Text box  Enter text no more than 2,400 characters.

	<ul style="list-style-type: none"> <li>Retail/ onward sale of commodity or product containing commodity</li> <li>Other, please specify</li> </ul>	Cattle products <ul style="list-style-type: none"> <li>Cattle</li> <li>Tallow</li> <li>Beef</li> <li>By-products (e.g. glycerin, gelatin)</li> <li>Hides/ leather</li> <li>Tallow biodiesel</li> </ul> Soy <ul style="list-style-type: none"> <li>Whole soy beans</li> <li>Soy bean oil</li> <li>Soy bean meal</li> <li>Soy derivatives</li> <li>Soy biodiesel</li> </ul> Other, please specify				
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Add Row

This question aims to build a high level understanding of how forest risk commodities are used across an organization, in order to add context to the actions taken to manage potential risks associated with their production or consumption. The question refers to raw material inputs to your direct operations and to goods that are bought in for use within the business or for onward sale to customers. Please include direct and indirect commodity use. For example, please include soy used for animal feed if applicable.

Guidance on responding to each of the columns is provided below:

- Activity:** Please select the value chain activity that best describes how you use the commodity selected in column 1. If your organization uses the selected commodity in more than one *value chain activity*, please use the “Add Row” button on the bottom right of the table to add a new row for each activity.
  - For example, a processor may use palm oil fruit in the production process of crude palm oil. The same processor may use palm oil derivatives produced as a by-product of the crushing process as an input into the manufacturing process.
- Form of commodity:** Please select the form in which your organization uses your selected commodities. If you use more than one form of a commodity for the same value chain activity, you will be able to select multiple forms.
  - For example, a manufacturer of personal products may use both palm oil derivatives and palm kernel oil derivatives.



- **Source:** The source refers to the type of supplier you source the commodity from for the activity and in the form selected in the previous columns. If you source the commodity from more than one type of supplier, you may select all that apply. For example, a processor may source timber for the production of pulp from their own concessions as well as smallholders.
- **Country of origin:** Country of origin refers to the country in which your selected forest risk commodities are grown, harvested or reared. CDP has provided a list of countries, selected based on the highest production volume per commodity<sup>10</sup>. Please select all countries applicable to your selected commodity for the activity and form specified in the previous columns. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete. Please select "Don't know" if you are unsure about the country of origin of the selected commodities. The list of countries is provided below:
  - **Timber:** Russian Federation, China, United States of America, Brazil, Canada, Indonesia, Malaysia, Thailand, India, South Africa, Venezuela, Chile, Republic of Korea, Japan, New Zealand, Australia, Turkey, Ukraine, Romania, Poland, Italy, Spain, Germany, France, Switzerland, Austria, Czech Republic, Sweden, Norway, Finland, United Kingdom.
  - **Palm Oil:** Indonesia, Malaysia, Thailand, Nigeria, Colombia, Papua New Guinea, Côte d'Ivoire, Honduras, Ecuador, and Brazil.
  - **Cattle Products:** Brazil, China, Argentina, Australia, India, France, Mexico, Russian Federation, United Kingdom, and United States of America.
  - **Soy:** Brazil, Argentina, China, India, Paraguay, Canada, Uruguay, Ukraine, Bolivia, and Russian Federation.
  - **Don't know**
  - **Other, please specify**
- **% of procurement spend:** For the activity and form(s) selected in the previous columns, please indicate what percentage of your total procurement spend the purchase of the selected commodity represents, by selecting a percentage range. CDP expects all responding companies to provide this estimation. For producers, if an estimation of procurement spend is not applicable for your business activity please select 'Not applicable' in this column and explain this in the 'Comment' column.
- **Comment:** Please use the text box to add any additional information you wish to provide on how your organization uses your selected commodities using no more than 2,400 characters.

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<sup>10</sup> The Food and Agriculture Organization of the United Nations Statistics Division (FAOSTAT). 2013. Available online at: <http://faostat3.fao.org/home/E>.

**F1.2 Please indicate the percentage of your organization's revenue that was dependent on each of your selected forest risk commodities in the reporting year**

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	% of revenue dependent on commodity in the reporting year	Comment
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"> <li>• &lt;1%</li> <li>• 1-5%</li> <li>• 6-10%</li> <li>• 11-20%</li> <li>• 21-30%</li> <li>• 31-40%</li> <li>• 41-50%</li> <li>• 51-60%</li> <li>• 61-70%</li> <li>• 71-80%</li> <li>• 81-90%</li> <li>• 91-99%</li> <li>• 100%</li> </ul>	Text box See table below for sample responses.  Enter text no more than 2,400 characters.

This question aims to establish the relevance of your selected commodities to your organization by highlighting the company's dependence on the commodity during the reporting year. CDP has chosen the metric of "percentage of revenue dependent on commodity" in collaboration with stakeholders participating in CDP's technical consultation. This metric was found to be representative of the importance of the commodity to the business, readily quantifiable, and comparable.

For each of your selected commodities, please indicate the percentage of your organization's revenue that was dependent on the commodity in the reporting year by selecting a percentage range, and enter any additional information you wish to provide to your stakeholders in the 'Comment' column. Additional information should include, where possible, an explanation of how this figure was calculated, the exact percentage of revenue dependent on the commodity, or any factors that may have contributed to how the percentage was estimated. Your reporting year is the time period you stated in response to [question F0.7](#) in the introduction module.

### ***F1.2 Sample Responses – for guidance only***

A retailer disclosing on palm oil, soy and timber products

<i>Forest risk commodity</i>	<i>% of revenue dependent on commodity in the reporting year</i>	<i>Comment</i>
<i>Palm oil</i>	<i>11-20%</i>	<i>To calculate this figure, we determined that palm oil and palm oil derivatives are found in 576 of our own branded products. In financial year 2014, our revenue from these products, which contain palm oil represented approximately 14% of our company's total revenue in the same year.</i>
<i>Soy</i>	<i>1-5%</i>	<i>Soy oil and soy derivatives are used as an ingredient in a number of our products, including as animal feed for our own brand meat and dairy products. As such, the percentage of our company revenue dependent on soy has been estimated at 5%.</i>
<i>Timber</i>	<i>11-20%</i>	<i>Our company sells a high proportion of fiber-based packaged products. We use timber products in our primary, secondary and distribution packaging in the form of paper, cartonboard, and pallets. Paper is also used in communication and marketing materials. It is estimated that approximately 11-20% of our revenue</i>

A materials company disclosing on timber products

<i>Forest risk commodity</i>	<i>% of revenue dependent on commodity in the reporting year</i>	<i>Comment</i>
<i>Timber</i>	<i>91-99%</i>	<i>Our company primarily manufactures fiber-based packaging, which is a central part of our business. Therefore, a large percentage of our products are dependent on timber products, including pulp, paper and board. To determine percentage of revenue dependent on timber, it has been calculated that in 2014, our packaging products made up approximately 94% of our sales revenue figure of 13 million Euros.</i>

An apparel company disclosing on cattle products

<i>Forest risk commodity</i>	<i>% of revenue dependent on commodity in the reporting year</i>	<i>Comment</i>
<i>Cattle products</i>	<i>31-40%</i>	<i>Cattle products are used primarily in the form of leather. The percentage disclosed is based on revenues generated by our footwear and accessories product lines which contain leather. These represented approximately 33% of our total 2014/2015 revenues.</i>

**F1.3 Has your organization experienced impacts related to forest risk commodities that have generated a substantive change in your business operations, revenue or expenditure in the past five years?**

- Yes
- No
- Don't know

Understanding how the organization may have been impacted by changes in the availability or quality of forest risk commodities in the past is key to contextualizing the actions undertaken to manage and mitigate them. This question will help provide insight into the future deforestation risks a company may be exposed to, the potential solutions available to mitigate these risks and which stakeholders and contextual issues to consider in a risk assessment. Please note that CDP is asking you to report only impacts that have generated a substantive change in your business operations, revenue or expenditure in the past five years. Please see **Box 1: Substantive change** for an explanation of the term 'substantive change'.

Please indicate whether your organization has experienced impacts related to forest risk commodities by selecting 'Yes', 'No', or 'Don't know'.

**Box 1: Substantive change**

What constitutes a substantive change will vary between companies. For example, a 1% reduction in profits will have different effects on different companies depending on their respective profit margins. Companies are therefore asked to determine "substantive change" in the way that they would use for their business decision-making. Factors to consider might include:

- (a) The proportion of business units affected;
- (b) The size of the impact on those business units, and
- (c) The potential for shareholder or customer concern.

A substantive risk of relatively high magnitude could occur or have occurred because of a large change in one of these aspects, or small changes in all three combining to create a larger impact.

**F1.3a Please identify the impacts related to forest risk commodities that have generated a substantive change in your business operations, revenue or expenditure in the past five years**

*This question only appears if you select 'Yes' in response to question F1.3*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding each of the commodities you selected in F0.6 by adding a new row for each commodity and its impact(s) on your business operations, revenue or expenditure. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	Impact driver	Impact	Description of impact	Financial impact	Response Strategy	Description of response strategy
Select from:  Forest risk commodities selected in F0.6	Select from: Physical: <ul style="list-style-type: none"> <li>• Climate change</li> <li>• Change in mean (average) temperature or temperature extremes</li> <li>• Change in mean (average) precipitation or precipitation pattern</li> <li>• Change in precipitation extremes and droughts</li> <li>• Loss of ecosystem services</li> <li>• Tropical cyclones (hurricanes and typhoons)</li> <li>• Forest fires</li> <li>• Reduced crop yields</li> <li>• Change in herd sizes</li> <li>• Availability of certified sustainable material</li> <li>• Community opposition</li> <li>• Litigation/grievance procedures</li> <li>• Land tenure changes and disputes</li> </ul> Regulatory: <ul style="list-style-type: none"> <li>• International law and bilateral agreements</li> <li>• National legislation</li> <li>• Moratoria</li> <li>• Import tariffs</li> <li>• Changes in land tenure regulations</li> <li>• Lack of enforcement of regulations</li> <li>• Reporting obligations</li> </ul>	Select all that apply: <ul style="list-style-type: none"> <li>• Brand damage</li> <li>• Higher operating costs</li> <li>• Decrease in shareholder value</li> <li>• Loss of license to operate</li> <li>• Delays in operations</li> <li>• Closure of operations</li> <li>• Property damage</li> <li>• Supply chain disruption</li> <li>• Transport disruption</li> <li>• Fines/ penalties</li> <li>• Litigation</li> <li>• Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.	Select from: <ul style="list-style-type: none"> <li>• Low</li> <li>• Medium</li> <li>• High</li> <li>• No financial impact</li> <li>• Don't know</li> </ul>	Select all that apply: <ul style="list-style-type: none"> <li>• Alignment of public policy positions with sustainable forest management goals</li> <li>• Strengthening links with local community</li> <li>• Engagement with customers</li> <li>• Engagement with public policy makers</li> <li>• Engagement with other stakeholders</li> <li>• Engagement with suppliers</li> <li>• Tighter supplier performance standards</li> <li>• Establishment of site-specific targets</li> <li>• Supplier diversification</li> <li>• Infrastructure investment</li> <li>• Infrastructure maintenance</li> <li>• Greater due diligence</li> <li>• Increased capital expenditure</li> <li>• Increased investment in</li> </ul>	Text box  Enter text no more than 2,400 characters.

	<ul style="list-style-type: none"> <li>• Product regulations and standards</li> <li>• Voluntary agreements</li> <li>• Lack of regulation</li> </ul> Reputational: <ul style="list-style-type: none"> <li>• Negative media coverage</li> <li>• Changing consumer behavior/ market demand</li> <li>• Consumer market campaigns</li> <li>• Community opposition</li> <li>• Litigation/grievance procedures</li> <li>• Land tenure changes and disputes</li> <li>• Uncertainty in market signals</li> </ul> Other, please specify				new technology <ul style="list-style-type: none"> <li>• New product development and/or market expansion</li> <li>• Sustainable forest management incentives</li> <li>• Other, please specify</li> </ul>	
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Add Row

Guidance on responding to each of the columns is provided below:

- **Impact driver:** CDP has provided a comprehensive list of impact drivers for responding companies to choose from. They are separated into three main impact indicators: physical, regulatory, and reputational. A full list of the options available is included in the table reproduced above. Please note that these impact drivers should relate to the commodity selected in column 1. If you have more than one substantive impact driver for the same commodity, you will need to add a new row for that commodity. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.
- **Impact:** CDP has included a comprehensive list of potential impacts your organization could face as a result of the impact driver. Please select the primary impact related to the production or consumption of forest risk commodities your organization felt in the past five years. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.
- **Description of impact:** Please use this text box to explain how the impact generated a substantive change in your business operations, revenue or expenditure in the past five years. If you are able to provide quantitative data, please do so. Please include details as to the length of time during which your business was impacted. For example, periods of drought have affected oil palm productivity in major growing regions, reducing production and thus revenue. For our refineries, this increased the price of crude palm oil.
- **Financial impact:** Please provide an estimation of the financial impact experienced by your organization by selecting an option from the drop down menu. If you don't know whether the impact described has had a financial impact or the impact has occurred recently, rendering you unable to provide this information, please select 'Don't know'.
- **Response strategy:** CDP has included a comprehensive list of response strategies your organization could have chosen to employ when faced with the impact described. Please select the response strategy your organization has used to address the impact. If you have

employed multiple strategies, please select all that apply. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.

- **Description of response strategy:** Please use the text box to provide any additional details required to explain your organization's response strategy.

#### 1.4 Please describe why you do not know if your organization experienced any impacts related to forest risk commodities that have generated a substantive change in your business operations, revenue or expenditure in the past five years

*This question only appears if you select 'Don't know' in response to question F1.3*

Please complete your response in the table provided in the ORS, reproduced below.

Primary reason for being unaware of impacts	Comment
Select from: <ul style="list-style-type: none"> <li>• Impacts related to forest risk commodities not recorded at the corporate level</li> <li>• Recording of impacts related to forest risk commodities not required by management</li> <li>• Judged to be unimportant</li> <li>• Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.

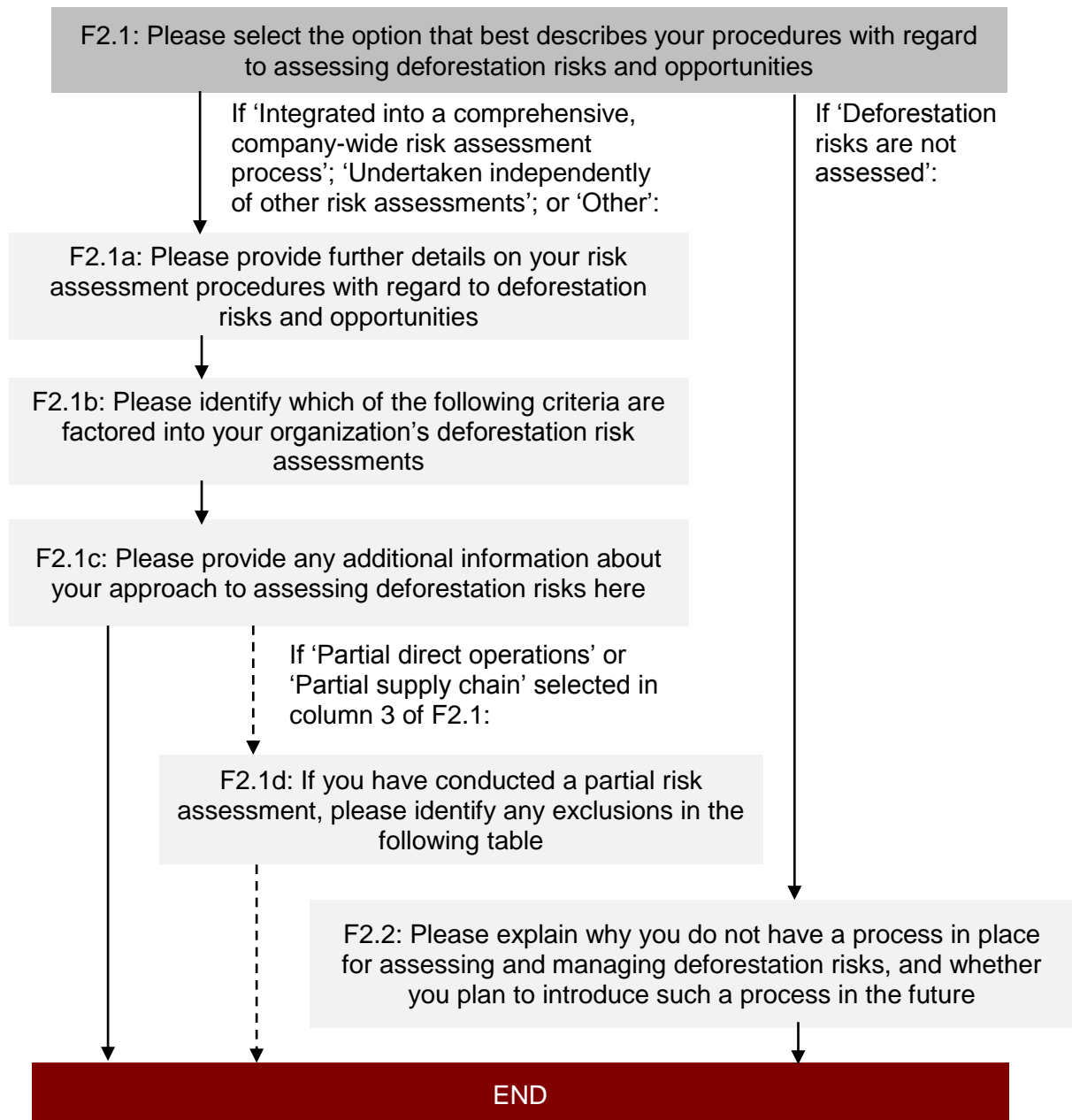
The aim of this question is to understand what challenges are preventing your organization from knowing whether you have experienced impacts related to forest risk commodities that have generated a substantive change in your business operations, revenue or expenditure. Please choose the option of the drop down menu that best describes the challenges you face and provide any additional information on these challenges in the 'Comment' column. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.

# Risk Assessment Module

## F2. Risk assessment

### Question Pathway

The following questions are shown on the Risk assessment page.





## General Guidance

The Risk assessment module asks organizations to provide details on their company wide risk assessment procedures and requirements.

After establishing the current state in which an organization operates, it is crucial to assess its exposure to deforestation risk based on its dependency on the key commodities that are driving deforestation: timber, palm oil, cattle products, and soy.

Your organization's commodity use and the relevance of each commodity to the business, which has been established in the current state section, should inform the risk assessment process in a way that ensures a comprehensive understanding of an organization's exposure to deforestation risk. To achieve this, companies should have a regular risk assessment procedure in place that covers a set of relevant risk factors. The fundamental business risks that organizations may be exposed to in relation to their production or sourcing of forest risk commodities are: physical, regulatory, and reputational risk.

- **Physical risk:** Organizations should consider how changing environmental conditions may impact (financially or otherwise) their ability to grow or source the key commodities, as well as how their business activity may impact on the continued viability of the land on which they depend. Deforestation contributes to climate change, and in turn will be exacerbated by climate change, which may impact your organization's ability to produce or source your selected forest risk commodities.
- **Regulatory risk:** Is there current legislation (or a risk of regulation being introduced) in response to deforestation which may increase costs, affect production/supply or place conditions upon the import of the commodity?
- **Reputational risk:** Is there a potential risk to your corporate reputation or brand profile based on continued use of this commodity? Specific risk factors might include: NGO campaigns and corporate exposés; high levels of media coverage around the issue; government concern in your consumer market, or the country of origin; and public boycotts of products. These risk factors will be magnified if your organization has a high public profile around CSR.

The outcome of these risk assessment procedures should inform the response strategy formulated by organizations to manage and mitigate the potential deforestation related risks identified.

Tables in this module feature the commodities that you have selected in question F0.6 on the introduction page. If you wish to add a commodity please go back to the introduction page, tick the commodity you wish to add and click save. Please note, however, that if you untick one of the commodities in question F0.6 for which you have already added data in fixed row tables, this data will be lost. If you have added rows in any tables for this commodity, you must return to those tables and delete the row manually to remove the data.

## Key changes from 2015

- The final column header for question F2.1 has been changed from 'Comment' to 'Please explain' to indicate that the response will be scored in accordance with the 2016 scoring methodology.
- In question F2.1b the drop down menu for the 'Criteria' column has been updated to include 'Corruption' as a high level risk criteria.

## Pre-population of responses from 2015

If you responded to forests last year, you can automatically populate the following questions with last year's response by clicking the "copy from last year" button at the bottom of the relevant page in the ORS, prior to completing any fields. You can then modify last year's

response as needed. You must click “copy from last year” before completing any fields on each page of the ORS where this function has been enabled.

- The copy from last year function has been provided for questions F2.1, F2.1a, F2.1c, F2.1d and F2.2.

**Please always remember to review your pre-populated selections to make sure they are still appropriate for 2016.** This is particularly important if new data points have been added to questions or if drop down lists have been updated. Regarding the latter, if you selected ‘Other’ to provide a different category from the drop down list in 2015, you may find that your category has now been included in the 2016 drop down list. We request that companies use the categories provided for selection as much as possible as this greatly assists investors with data analysis.

## Specific Question Guidance

### F2.1 Please select the option that best describes your procedures with regard to assessing deforestation risks and opportunities

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below. You will be given an opportunity to provide more detail on the process of the risk assessment in the subsequent questions.

Forest risk commodity	Deforestation risk assessment procedure	Operational coverage	Please explain
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"> <li>Integrated into a comprehensive, company-wide risk assessment process</li> <li>Undertaken independently of other risk assessments</li> <li>Deforestation risks are not assessed</li> <li>Other</li> </ul>	Select all that apply: <ul style="list-style-type: none"> <li>Direct operations</li> <li>Supply chain</li> <li>Partial direct operations</li> <li>Partial supply chain</li> </ul>	Text box  See table below for a sample response.  Enter text no more than 2,400 characters.

Guidance on responding to each of the columns is provided below:

- Deforestation risk assessment procedure:** Please select the option that best describes how deforestation risks related to each commodity are assessed within your organization. If none of the available options are suitable, please select 'Other' and provide further details in the 'Please explain' column.
- Operational coverage:** Please indicate the extent to which your risk assessment is undertaken for each commodity. You may select multiple options in this column to indicate, for example, that your risk assessment covers all of your direct operations and entire supply chain. If certain elements of your direct operations or supply chain are excluded from the risk assessment process, please select the applicable 'Partial' option and explain these in question F2.1d.
- Please explain:** Please use the text box to explain your organization's deforestation risk assessment process. If you selected 'Other' in column 2, please use this text box to provide further details using no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology. You will be required to provide more detailed information on the frequency, scale, timeframe, and oversight of the risk assessment process in question F2.1a.

*You will be required to answer questions F2.1a-F2.1c if any option in column 2 of question F2.1 is selected except 'Deforestation risks are not assessed', in which case you will proceed to question F2.2. If in F2.1 column 3 you have indicated that the operational coverage of your risk assessment is partial for any of the commodities, you will be asked to respond to an additional question, F2.1d.*

## ***F2.1 Sample Response – for guidance only***

<i>Forest risk commodity</i>	<i>Deforestation risk assessment procedure</i>	<i>Operational coverage</i>	<i>Please explain</i>
<i>Timber</i>	<i>Integrated into a comprehensive, company-wide risk assessment process</i>	<i>Direct operations; Supply chain</i>	<i>We have a risk management framework which is designed to identify, understand and address all the risks that could affect our entire company, including strategic, regulatory, financial, operational, and compliance-related risks. This framework is designed to gain a global perspective on the risks that could limit our ability to achieve our business objectives. This risk assessment covers all levels of our value chain, including supplier operations, is embedded in all decision making processes, and is reviewed frequently. We complete an annual assessment of specific risks related to the sourcing of timber, to measure progress towards our target of having 100% independently certified timber products by 2020.</i>

**F2.1a Please provide further details on your risk assessment procedures with regard to deforestation risks and opportunities**

*This question appears if you select any option in column 2 of question F2.1 except 'Deforestation risks are not assessed'*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding each of the commodities you selected in F0.6 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	Frequency of monitoring	To whom are results reported?	Scale of risk assessment	How far into the future are risks considered?	Please explain
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>Six-monthly or more frequently</li> <li>Annually</li> <li>Every two years</li> <li>Sporadically, undefined</li> <li>Never</li> </ul>	Select from: <ul style="list-style-type: none"> <li>Board or individual/ subset of the Board or committee appointed by the Board</li> <li>Other committee</li> <li>Senior manager/ officer</li> <li>Other manager/ officer</li> <li>Nobody</li> </ul>	Select all that apply: <ul style="list-style-type: none"> <li>Whole company</li> <li>Regional level</li> <li>Country level</li> <li>Facility level</li> <li>Specific business units only</li> <li>Tier 1 supplier(s)</li> <li>Tier 1 and tier 2 supplier(s)</li> <li>Other, please specify</li> </ul>	Select from: <ul style="list-style-type: none"> <li>Up to 1 year</li> <li>1 to 3 years</li> <li>3 to 6 years</li> <li>&gt;6 years</li> <li>Unknown</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

Guidance on responding to each of the columns is provided below:

- **Frequency of monitoring:** Please indicate how often your organization undertakes a deforestation risk assessment by selecting one of the options from the drop down menu.
- **To whom are results reported?** Select the option that best describes to whom the results of the deforestation risk assessment are reported at the highest level. Please note that you should only report the *highest* level to which results are reported. For example, if results are reported to senior management and the Board, please select 'Board or individual/ subset of the Board or committee appointed by the Board' only.
- **Scale of risk assessment:** Please indicate down to which level the risk assessment is undertaken. It may be that your organization undertakes a risk assessment at the corporate level, encompassing all regions, countries, facilities and tier 1 and tier 2 suppliers. Alternatively, it may be the case that you only assess deforestation risk for your tier 1 suppliers. If none of the available options are suitable, or you wish to add another option, please select 'Other' and a text box will appear for you to complete.
- **How far into the future are risks considered?** Please indicate how far into the future your organization assesses deforestation risks.
- **Please explain:** Please use the text box to include a company-specific explanation of why this approach has been taken, including the rationale for the risk assessment procedure chosen. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

**F2.1b Please identify which of the following criteria are factored into your organization's deforestation risk assessments**

*This question appears if you select any option in column 2 of question F2.1 except 'Deforestation risks are not assessed'*

Please complete your response in the table provided in the ORS, reproduced below.

Criteria	Timeframe	Relevance	Please explain
Changes in availability and quality of forest risk commodities	Select all that apply: <ul style="list-style-type: none"> <li>• Current</li> <li>• Future</li> <li>• Not applicable</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Relevant, included</li> <li>• Relevant, included for some suppliers, facilities, or product lines</li> <li>• Relevant, not yet included</li> <li>• Not relevant, included</li> <li>• Not relevant</li> <li>• Not evaluated</li> </ul>	Text box  Enter text no more than 2,400 characters.
Impact of activity on the status of ecosystems and habitats			
Regulation			
Tariffs or price increases			
Loss of markets			
Stakeholder conflicts concerning forest risk commodities			
Brand damage related to forest risk commodities			
Corruption			
Other			

The aim of this question is to understand which risk factors are considered in your organization's deforestation risk assessment process. The listed criteria are high level risk factors including potential physical, regulatory, and reputational impacts on your business.

Guidance on responding to each of the columns is provided below:

- **Criteria:** Please complete the row for each of the criteria listed in this column. If your organization considers other risk factors, please use the 'Other' row and provide further details in the 'Please explain' column.
- **Timeframe:** Please indicate whether these factors are considered as current or potential future risks, or both, by selecting all options that apply. If the listed criteria is not factored into your organization's risk assessment, please select 'Not applicable'.
- **Relevance:** Using the options provided, please indicate whether your organization considers the listed factor relevant to your assessment of the risks associated with the production or sourcing of forest risk commodities, and whether it is included in your risk assessment process. If "Relevant, included" is selected, CDP expects that means that the identified issue is always factored into your organization's deforestation risk assessment throughout the entire organization and is utilized for both direct operations and supply chain. If you selected 'Not applicable' in column 2, please indicate why this is the case.
- **Please explain:** For those organizations that have factored in the criteria, please use the text box to provide context as to why you include this information (why is it important to your business), how you assess this criteria, and how this information is used internally for decision-making. For those organizations that have said the criteria is not relevant, please provide an explanation as to why that is the case.

**F2.1c Please provide any additional information about your approach to assessing deforestation risks here**

*This question appears if you select any option in column 2 of question F2.1 except 'Deforestation risks are not assessed'*

Please use the text box to add any additional information you wish to provide on your organization's risk assessment process. You are not required to give additional information, but please do so if you wish using no more than 5,000 characters.

**F2.1d If you have conducted a partial risk assessment, please identify any exclusions in the following table**

*This question only appears if you select 'Partial direct operations' or 'Partial supply chain' is selected in column 3 of question F2.1*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you selected 'Partial direct operations' or 'Partial supply chain' in F2.1 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	Exclusion	Please explain
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"><li>• Source/ country/ geographical area</li><li>• Business activity</li><li>• Facility</li><li>• Specific product line(s)</li><li>• Specific supplier(s)</li><li>• Other, please specify</li></ul>	Text box  Enter text no more than 2,400 characters.

Add Row

If you have indicated in question F2.1 that your organization's risk assessment does not cover the full scope of your direct operations and/or supply chain for any of your selected commodities, please disclose and explain any exclusions in this table. **Please note** that you do not need to restate the exclusions listed in the introduction. Please only list additional exclusions, not already stated on the Introduction page, pertaining specifically to your risk assessment process.

**F2.2 Please explain why you do not have a process in place for assessing and managing deforestation risks, and whether you plan to introduce such a process in the future**

*This question only appears if you select 'Deforestation risks are not assessed' in column 2 of question F2.1*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you selected 'Deforestation risks are not assessed' in F2.1 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	Primary reason for not having a process	Do you plan to introduce a process?	Timeframe	Comment
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>Insufficient resources to complete risk assessment</li> <li>No requirement from management</li> <li>Insufficient data on operations</li> <li>Insufficient knowledge of deforestation impacts from forest risk commodities</li> <li>Other, please specify</li> </ul>	Select from: <ul style="list-style-type: none"> <li>Yes</li> <li>No</li> </ul>	Select from: <ul style="list-style-type: none"> <li>Next reporting year</li> <li>Next 24-36 months</li> <li>Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

The aim of this question is to understand what challenges are preventing your organization from undertaking a risk assessment to evaluate deforestation related risk.

Guidance on responding to each of the columns is provided below:

- **Primary reason for not having a process:** For any commodities for which you selected 'Deforestation risks are not assessed' in F2.1, please choose the option from the drop down menu that best describes the reason why you do not have a process in place. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.
- **Do you plan to introduce a process?** Please indicate if your organization has any plans to introduce a risk assessment process to evaluate deforestation related risk. Please select 'Yes' only if your organization has already developed plans or has agreed to a future evaluation. Otherwise please select 'No', even if your organization is looking to evaluate deforestation related risk at some point in the future but it is not within this reporting period.
- **Timeframe:** Please select the option that best describes the timeframe until your organization plans to implement a risk assessment process on deforestation related risk. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.
- **Comment:** Please use the text box to provide any additional information on these challenges or your plans to introduce a risk assessment process. Please use no more than 2,400 characters.

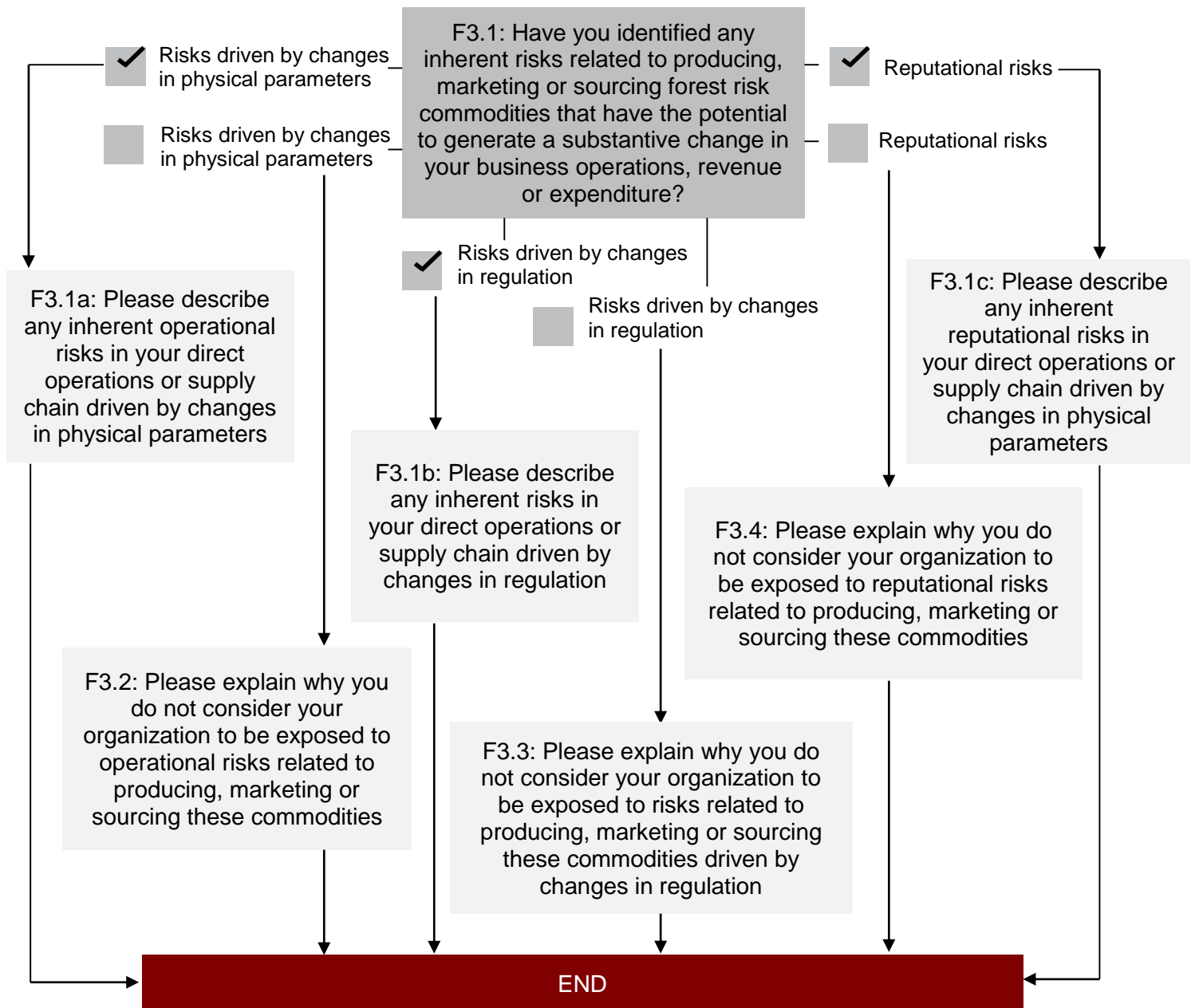


# Implications Module

## F3. Risks

### Question Pathway

The following questions are shown on the Risks page.



## General Guidance

The Implications module focuses on the interpretation of both the current state information and the deforestation risk assessment to better understand the potential risks and opportunities to both your organization and your stakeholders associated with producing or sourcing forest risk commodities.

It is broken down into two pages in the ORS:

- **F3. Risks:** how could your business be affected by physical, regulatory and reputational factors impacting your ability to produce, market or source forests risk commodities?
- **F4. Opportunities:** how could global deforestation related trends and challenges create opportunities for your organization?

Corporate reporting on risks can be challenging as it requires organizations to provide statements about their prospective condition. Some organizations, such as accountancy firms and their governing bodies, have published guidance on how to prepare statements that contain information about future projections.

Before answering the questions covering risk, you may wish to consult with the financial, legal and/or compliance departments for advice on your organization's general approach to the provision of statements and information of the risks to your direct operations and supply chains.

It is suggested, due to the structure of the questionnaire, that you complete this module after you have completed the second module of this questionnaire on your risk assessment. Organizations are more likely to be aware of substantive risk to their direct operations and/or supply chain once a comprehensive risk assessment has been completed.

Tables in this module feature the commodities that you have selected in question F0.6 on the introduction page. If you wish to add a commodity please go back to the introduction page, tick the commodity you wish to add and click save. Please note however that if you untick one of the commodities in question F0.6 for which you have already added data in fixed row tables, this data will be lost. If you have added rows in any tables for this commodity, you must return to those tables and delete the row manually to remove the data.

**Please ensure that you complete the rows for commodities selected in column 1 of F3.1 for all relevant follow-on questions (F3.1a-F3.4). If a question in this module appears in the ORS, a row must be added and completed for the commodity selection made in F3.1. If you have not ticked a risk type for any of your commodities, you are required to provide an explanation in questions F3.2-F3.4. If a row has not been completed for a selected commodity, in accordance with the 2016 forests scoring methodology, zero points will be awarded for that commodity in that question.**

## Box 2: Describing Risk

This box provides more detail on the different aspects of the description of risk. It should be noted that all risks should be considered as “inherent” risk, i.e. without taking into account any potential mitigation/management measures that have been or could be implemented.

**Risk driver:** the risk driver describes the source of the risk and will depend on the risk type (physical, regulatory, or reputational) chosen. More detail is provided in the Specific Question Guidance for the relevant risk types.

**Geographical scale:** the geographical scale refers to level at which the risk driver is currently or has the potential to occur. Please note that this field refers to the scale of the driver itself, not to the potential impact. For example, the geographical scale of the risk of negative media coverage may be ‘Country’ if the issue concerned is localized, or it may be ‘Global’ if it is likely to be picked up by media worldwide.

**Potential impact:** the potential impact is the effect that the risk could have on your business. This could be through increased costs, decreased revenue or through more limited access to capital. More detail is provided in the Specific Question Guidance for the relevant risk types.

**Timeframe:** the timeframe refers to the timeframe you considered when evaluating whether the impact could materialize with the likelihood and magnitude reported in columns 8 and 9. It is acknowledged that risks further into the future are likely to have a higher degree of uncertainty associated with them. In this questionnaire time periods are defined as: Up to 1 year; 1 to 3 years; 3 to 6 years; >6 years; or Unknown.

**Direct/Indirect:** some risks will have a direct impact on your business, e.g. where extreme weather events have the potential to impact your facilities. However, others will only affect your business indirectly, because they either affect your customers (which in turn affects their need for your product/services) or because it affects your supply chain (and therefore their ability to supply goods/services to you at an appropriate price). You will be asked to define whether your risks relate to impacts on your direct operations, supply chain, or both.

**Likelihood of impact:** the likelihood of the impact occurring, along with the magnitude (see below) are the building blocks of a risk/opportunity matrix – a common method of identifying and prioritizing risk and opportunities. The likelihood refers to the probability of the impact to your business occurring within the specified timeframe, which in the case of an inherent risk might be similar to the probability of the climate or deforestation-related event itself. For example, if the risk relates to a piece of new legislation which has already been prepared in draft form, the likelihood of the impact associated with that risk occurring will be relatively high. The terms used to describe likelihood are taken from the Intergovernmental Panel on Climate Change’s (IPCC) 2013 reports. They are associated with probabilities, indicating the percentage likelihood of the event occurring. It is not necessary for respondents to have calculated probabilities for the risks they are considering, however, they can give an indication as to the meaning of the terms. The likelihood terms are: Virtually certain (greater than 99% probability); Very likely (greater than 90% probability); Likely (greater than 66% probability); More likely than not (greater than 50% probability); About as likely as not (between 33% and 66% probability); Unlikely (less than 33% probability); Very unlikely (less than 10%); Exceptionally unlikely (less than 1% probability); or Unknown.

**Magnitude of impact:** the magnitude describes the extent to which the impact, if it occurred, would affect your business. This should consider the business as a whole and therefore the magnitude can reflect both the damage that can be caused and the exposure to that potential damage. For example, two companies may have identical facilities located in an area which is vulnerable to forest fires. However if company A relies on that facility for 90% of its production capacity and company B relies on it for only 40% of its production capacity, the magnitude of a forest fire impact on company A will be much higher. Furthermore, the magnitude of impact may not necessarily depend on the quantity of the forest risk commodity

sourced, but rather on the company's reliance on the commodity to maintain its production capacity. It is not possible to accurately define terms for magnitude as they will vary from company to company. For example, a 1% reduction in profits will have different effects on different companies depending on the profit margins they work on. Therefore companies are asked to determine magnitude on a qualitative scale of high, medium-high, medium, low-medium, low and unknown. Factors to consider including are (a) the proportion of business units affected; (b) the size of the impact on those business units, and (c) the potential for shareholder or customer concern. An impact of relatively high magnitude could occur because of a large effect in one of these aspects, or small effects in all three combining to create a larger impact.

**Management method:** methods you are using or plan to use to manage the risk could include diversification of product/service offering, research and development in new product lines or lobbying of decision makers. In all cases please identify how this action has affected (or is expected to affect) the likelihood and/or magnitude of the risk and over what timeframe the risk is expected to or has been reduced. Where possible, please provide detail that is specific to your company.

### Key changes from 2015

- The drop down menus in the 'Geographical scale' columns for questions F3.1a, F3.1b, and F3.1c have been updated to include 'Tannery' and 'Slaughterhouse'.
- The final column headers for questions F3.2, F3.3, and F3.4 have been changed from 'Comment' to 'Please explain' to indicate that the responses will be scored in accordance with the 2016 scoring methodology.

### Pre-population of responses from 2015

If you responded to forests last year, you can automatically populate the following questions with last year's response by clicking the "copy from last year" button at the bottom of the relevant page in the ORS, prior to completing any fields. You can then modify last year's response as needed. You must click "copy from last year" before completing any fields on each page of the ORS where this function has been enabled.

- The copy from last year function has been provided for questions F3.1, F3.1a, F3.1b, F3.1c, F3.2, F3.3, and F3.4.

**Please always remember to review your pre-populated selections to make sure they are still appropriate for 2016.** This is particularly important if new data points have been added to questions or if drop down lists have been updated. Regarding the latter, if you selected 'Other' to provide a different category from the drop down list in 2015, you may find that your category has now been included in the 2016 drop down list. We request that companies use the categories provided for selection as much as possible as this greatly assists investors with data analysis.

## Specific Question Guidance

**F3.1 Have you identified any inherent risks related to producing, marketing or sourcing forest risk commodities that have the potential to generate a substantive change in your business operations, revenue or expenditure? Please select all that apply**

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	Risk
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select all that apply: <ul style="list-style-type: none"><li>• Operational risks driven by changes in physical parameters</li><li>• Risks driven by changes in regulation</li><li>• Reputational risks</li></ul>

Tick all categories of risks that apply to your business. Risks can be:

- Currently being experienced or expected to arise in the future;
- Already managed and therefore not expected to generate negative residual impacts (e.g. because of an insurance policy);
- Newly identified;
- Risks which cannot be managed;
- Well understood; or
- With high levels of uncertainty with regard to the likelihood of the risk materializing and the extent to which it will impact the business.

Physical risks may arise from dramatic extreme weather events or subtle changes in weather patterns. Further details are provided in the guidance for question F3.1a.

Regulatory risks arise from current and/or expected city, state, regional, national or global governmental policy related to deforestation e.g. legislation, commitments, trade relationships, etc. Further details are provided in the guidance for question F3.1b.

Reputational risks include changing consumer behavior, negative media coverage, and consumer market campaigns, amongst others. Further details are provided in the guidance for question F3.1c.

For the purposes of this response, the risks identified should only be those which may currently or potentially pose inherently substantive business impacts, regardless of whether or not the company has taken action to mitigate the risk(s). Please see **Box 1: Substantive change** for an explanation of the term 'substantive change'.

**Please note: F3.1 is a leading question, the selections made in response to this question determine the questions that will follow on the ORS page. Please note that if you enter details in the subsequent questions and then change your selection in question F3.1, the data provided for those questions will be lost. If any of the options in column 2 of question F3.1 are not selected, you will be required to answer the corresponding question from F3.2-F3.4.**

*This question only appears if you select 'Risks driven by changes in physical parameters' in question F3.1:*

**F3.1a For your selected forest risk commodities, please describe any inherent operational risks in your direct operations or supply chain driven by changes in physical parameters that have the potential to generate a substantive change in business operations, revenue or expenditure**

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you selected 'Risks driven by changes in physical parameters' in F3.1 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>Change in temperature or temperature extremes</li> <li>Change in precipitation or precipitation pattern</li> <li>Change in precipitation extremes and droughts</li> <li>Loss of ecosystem services</li> <li>Tropical cyclones (hurricanes and typhoons)</li> <li>Forest fires</li> <li>Reduced crop yields</li> <li>Change in herd sizes</li> <li>Availability of certified sustainable material</li> <li>Community opposition</li> <li>Litigation/grievance procedures</li> <li>Land tenure changes and disputes</li> <li>Uncertainty of physical risks</li> <li>Other, please specify</li> </ul>	Select from: <ul style="list-style-type: none"> <li>Global</li> <li>Region</li> <li>Country</li> <li>Province</li> <li>Forest (concession)</li> <li>Tannery</li> <li>Slaughterhouse</li> <li>Farm</li> <li>Mill</li> <li>Plantation</li> <li>Forest management unit</li> </ul>	Text box  Enter text no more than 2,400 characters.	Select all that apply: <ul style="list-style-type: none"> <li>Increased operational cost</li> <li>Increased capital cost</li> <li>Reduced demand for goods/service</li> <li>Reduction/ disruption in production capacity</li> <li>Reduction/ disruption of supply</li> <li>Reduction in capital availability</li> <li>Reduced stock price (market valuation)</li> <li>Inability to do business</li> <li>Wider social disadvantage</li> <li>Other, please specify</li> </ul>	Select from: <ul style="list-style-type: none"> <li>Up to 1 year</li> <li>1-3 years</li> <li>3-6 years</li> <li>&gt;6 years</li> <li>Unknown</li> </ul>	Select from: <ul style="list-style-type: none"> <li>Direct operations</li> <li>Supply chain</li> <li>Direct operations and supply chain</li> </ul>	Select from: <ul style="list-style-type: none"> <li>Virtually certain</li> <li>Very likely</li> <li>Likely</li> <li>More likely than not</li> <li>About as likely as not</li> <li>Unlikely</li> <li>Very unlikely</li> <li>Exceptionally unlikely</li> <li>Unknown</li> </ul>	Select from: <ul style="list-style-type: none"> <li>High</li> <li>Medium-high</li> <li>Medium</li> <li>Low-medium</li> <li>Low</li> <li>Unknown</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

Are there any actual or potential risks to your production or sourcing of forest risk commodities arising from climate change? These are most likely to have an impact where production of a commodity is concentrated in a single region and is heavily dependent on certain climatic conditions, for example rainfall or water supply.

Are there risks to your operations from producing or sourcing these commodities? Operational risks may refer to decreasing availability and/or quality of forest risk commodities due to changes in the physical parameters in which you operate. These risks could lead to increased costs or disrupted operations for your organization and therefore have the potential to generate a substantive change in business operations, revenue or expenditure. If your business owns or operates on land which is the subject of dispute, this presents an operational risk and should be disclosed here.

For guidance on describing risks, please see **Box 2: Describing Risk**. Detailed guidance on responding to some of the columns is provided below:

- **Risk driver**

- Change in temperature or precipitation patterns – change in mean (average) temperature and precipitation
- Change in extreme weather events – precipitation and temperature extremes, droughts, tropical cyclones
- Loss of ecosystem services – Ecosystem services are the benefits people obtain from ecosystems. These include provisioning services such as food and water; regulating services such as regulation of floods, drought, land degradation, and disease; supporting services such as soil formation and nutrient cycling; and cultural services such as recreational, spiritual, religious and other nonmaterial benefits.<sup>11</sup> Loss of these services, as a result of deforestation, may impact a company's ability to function efficiently in the ecosystem on which it depends for raw materials.
- Forest fires
- Reduced crop yields
- Change in herd sizes
- Availability of certified sustainable material
- Community opposition
- Litigation/grievance procedures
- Land tenure changes and disputes – Land tenure is the relationship, whether legally or customarily defined, among people, as individuals or groups, with respect to land. (For convenience, “land” is used here to include other natural resources such as water and trees.) Land tenure is an institution, i.e., rules invented by societies to regulate behavior. Rules of tenure define how property rights to land are to be allocated within societies. They define how access is granted to rights to use, control, and transfer land, as well as associated responsibilities and restraints. Land tenure relationships may be well-defined and enforceable in a formal court of

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<sup>11</sup> Millennium Ecosystem Assessment. 2005. *Ecosystems and Human Well-Being: A Framework for Assessment*. United Nations Environment Program (UNEP). Available online at: <http://www.unep.org/maweb/en/Framework.aspx#download>.

law or through customary structures in a community. Alternatively, they may be relatively poorly defined with ambiguities open to exploitation.<sup>12</sup>

- Uncertainty of physical risks – many physical changes are still considered speculative as the potential problems are interlinked. In a business context uncertainty can cause difficulties for forward planning and investment.
- Other, please specify
- **Description**
  - Use this text box to enter further details on the risk driver, e.g. the nature and location of the physical effect concerned. Where possible, please provide detail that is specific to the company. Please use no more than 2,400 characters for your answer.
- **Potential impact:** Please select all that apply.
  - Increased operational cost – an increase in the day to day costs of running the business.
  - Increased capital cost – an increase in the capital expenditure needed to maintain the company's competitiveness, e.g. it might be needed to buy equipment more frequently which implies a higher capital expenditure or the business might need to relocate to a new location which could imply investment in land, building and construction.
  - Reduced demand for goods/services – a decline in customer demand for your goods/services.
  - Reduction/disruption in production capacity – an inability to maintain maximum production levels.
  - Reduction in capital availability – you may need to make certain investments but you do not have access to capital or you only have access to capital with higher interest rates.
  - Reduced stock price (market valuation) – declining interest from investors in your goods/services.
  - Inability to do business – barriers to market participation may arise, for example, an insurance company may find that they are unable to offer insurance policies due to extremely high levels of uncertainty.
  - Wider social disadvantages – disadvantages which lie outside of the core financial objectives of a company.
  - Other, please specify
- **Geographical scale; Timeframe; Direct/Indirect; Likelihood; Magnitude of impact; Management method:** See Box 2: Describing Risk

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<sup>12</sup> The Food and Agriculture Organization of the United Nations (FAO). 2002. *FAO Land Tenure Studies 3: Land Tenure and Rural Development*. Available online at: <http://www.fao.org/docrep/005/y4307e/y4307e05.htm>.



*This question only appears if you select 'Risks driven by changes in regulation' in question F3.1:*

**F3.1b For your selected forest risk commodities, please describe any inherent risks in your direct operations or supply chain driven by changes in regulation that have the potential to generate a substantive change in business operations, revenue or expenditure**

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you selected 'Risks driven by changes in regulation' in F3.1 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>• International law and bilateral agreements</li> <li>• National legislation</li> <li>• Moratoria</li> <li>• Import tariffs</li> <li>• Changes in land tenure regulations</li> <li>• Lack of enforcement of regulations</li> <li>• Reporting obligations</li> <li>• Product regulations and standards</li> <li>• Voluntary agreements</li> <li>• Uncertainty surrounding new regulation</li> <li>• Lack of regulation</li> <li>• Other, please specify</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Global</li> <li>• Region</li> <li>• Country</li> <li>• Province</li> <li>• Forest (concession)</li> <li>• Tannery</li> <li>• Slaughterhouse</li> <li>• Farm</li> <li>• Mill</li> <li>• Plantation</li> <li>• Forest management unit</li> </ul>	Text box  Enter text no more than 2,400 characters.	Select all that apply: <ul style="list-style-type: none"> <li>• Increased operational cost</li> <li>• Increased capital cost</li> <li>• Reduced demand for goods/service</li> <li>• Reduction/ disruption in production capacity</li> <li>• Reduction/ disruption of supply</li> <li>• Reduction in capital availability</li> <li>• Reduced stock price (market valuation)</li> <li>• Inability to do business</li> <li>• Wider social disadvantage</li> <li>• Other, please specify</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Up to 1 year</li> <li>• 1-3 years</li> <li>• 3-6 years</li> <li>• &gt;6 years</li> <li>• Unknown</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Direct operations</li> <li>• Supply chain</li> <li>• Direct operations and supply chain</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Virtually certain</li> <li>• Very likely</li> <li>• Likely</li> <li>• More likely than not</li> <li>• About as likely as not</li> <li>• Unlikely</li> <li>• Very unlikely</li> <li>• Exceptionally unlikely</li> <li>• Unknown</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• High</li> <li>• Medium-high</li> <li>• Medium</li> <li>• Low-medium</li> <li>• Low</li> <li>• Unknown</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

Regulatory risk refers to actual or potential regulations, government incentives or policies introduced to address the problem of deforestation which may affect your ability to continue sourcing the commodity in question. These regulations may be introduced in the country of origin (e.g. limits on production in certain areas) or in the consumer market (e.g. import restrictions). An example of a relevant regulation would be the mandatory provision of evidence of due diligence under the European Union Timber Regulation (EUTR) for companies placing wood products on the European market.

For guidance on describing risks, please see **Box 2: Describing Risk**. Detailed guidance on the risk drivers is provided below:

- **Risk driver**

- International law and bilateral agreements – this can include internationally binding agreements negotiated within the frame of United Nations international conventions (e.g. Kyoto Protocol) or any other internationally recognized protocol
- National legislation
- Moratoria
- Import tariffs
- Changes in land tenure regulations – please see the guidance for question F3.1a for a definition of land tenure.
- Lack of enforcement of regulations
- Reporting obligations
- Product regulations and standards – regulations or standards that impose specific requirements on products, such as labelling requirements, or specific efficiency in the production or commercialization of a given product, e.g. Country of Origin Labeling (COOL) requirements in the United States.
- Voluntary agreements – voluntary agreements are a particular type of environmental instrument where contracts between state authorities and companies are agreed and specific targets are negotiated between the parties, e.g. the EU's Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan<sup>13</sup>.
- Uncertainty surrounding new regulation – although regulation can bring with it risks to business activities through additional costs needed for compliance, an uncertainty surrounding regulations can create difficulties in developing new products or initiatives for fear of future incompatibilities.
- Lack of regulation – as above, the lack of a clear policy framework can create risks with regard to future direction and an unbalanced market for business to operate in.
- Other, please specify

- **Description**

- Use this text box to enter further details on the risk driver, e.g. the nature and location of the effect concerned. Where possible, please provide detail that is specific to the company. Please use no more than 2,400 characters for your answer.

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<sup>13</sup> For more information, please see: <http://www.euflegt.efi.int/flegt-action-plan>.

- **Geographical scale; Potential impact; Timeframe; Direct/Indirect; Likelihood; Magnitude of impact; Management method:** See Box 2: Describing Risk and the guidance for question F3.1a

*This question only appears if you select 'Reputational risks' in question F3.1:*

**F3.1c For your selected forest risk commodities, please describe any inherent reputational risks in your direct operations or supply chain that have the potential to generate a substantive change in business operations, revenue or expenditure**

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you selected 'Reputational risks' in F3.1 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>• Negative media coverage</li> <li>• Consumer market campaigns</li> <li>• Community opposition</li> <li>• Litigation/ grievance procedures</li> <li>• Land tenure changes and disputes</li> <li>• Uncertainty in market signals</li> <li>• Other, please specify</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Global</li> <li>• Region</li> <li>• Country</li> <li>• Province</li> <li>• Forest (concession)</li> <li>• Tannery</li> <li>• Slaughterhouse</li> <li>• Farm</li> <li>• Mill</li> <li>• Plantation</li> <li>• Forest management unit</li> </ul>	Text box  Enter text no more than 2,400 characters.	Select all that apply: <ul style="list-style-type: none"> <li>• Increased operational cost</li> <li>• Increased capital cost</li> <li>• Reduced demand for goods/service</li> <li>• Reduction/ disruption in production capacity</li> <li>• Reduction/ disruption of supply</li> <li>• Reduction in capital availability</li> <li>• Reduced stock price (market valuation)</li> <li>• Inability to do business</li> <li>• Wider social disadvantage</li> <li>• Other, please specify</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Up to 1 year</li> <li>• 1-3 years</li> <li>• 3-6 years</li> <li>• &gt;6 years</li> <li>• Unknown</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Direct operations</li> <li>• Supply chain</li> <li>• Direct operations and supply chain</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Virtually certain</li> <li>• Very likely</li> <li>• Likely</li> <li>• More likely than not</li> <li>• About as likely as not</li> <li>• Unlikely</li> <li>• Very unlikely</li> <li>• Exceptionally unlikely</li> <li>• Unknown</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• High</li> <li>• Medium-high</li> <li>• Medium</li> <li>• Low-medium</li> <li>• Low</li> <li>• Unknown</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

Unresolved stakeholder concerns arising from the process of producing, marketing or sourcing of forest risk commodities could pose a reputational risk to your organizations. Damages to an organization's brand or reputation could lead to a decrease in consumer demand, boycotts, or legal action. Please note that even limited production or use of a forest risk commodity can expose your organization to reputational risk.

For guidance on describing risks, please see **Box 2: Describing Risk**. Detailed guidance the risk drivers is provided below:

- **Risk driver**
  - Negative media coverage
  - Consumer market campaigns

- Community opposition
- Litigation/ grievance procedures
- Land tenure changes and disputes – please see the guidance for question F3.1a for a definition of land tenure.
- Uncertainty in market signals – as markets, including commodity markets, respond to impacts and predictions linked to deforestation, volatility can be induced.
- Other, please specify
- **Description**
  - Use this text box to enter further details on the risk driver, e.g. the nature and location of the effect concerned. Where possible, please provide detail that is specific to the company. Please use no more than 2,400 characters for your answer.
- **Geographical scale; Potential impact; Timeframe; Direct/Indirect; Likelihood; Magnitude of impact; Management method:** See Box 2: Describing Risk and the guidance for question F3.1a

*If in column 2 of question F3.1 you have not ticked a risk type for any of your commodities, you are asked to answer the corresponding question from F3.2-F3.4.*

**F3.2 If you indicated in question F3.1 that you do not consider your organization to be exposed to operational risks related to producing, marketing or sourcing any of your selected commodities, please explain why in the table below**

*Please respond to this question only if you have not selected ‘Risks driven by changes in physical parameters’ in question F3.1 for one or more of your commodities.*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you did not select ‘Risks driven by changes in physical parameters’ in F3.1 by adding a new row. To add a row, use the “Add Row” button to the bottom right of the table.

Forest risk commodity	Primary reason for not identifying risks	Please explain
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>• Risks exist, but no substantive impact anticipated</li> <li>• Environmental risk assessments are incomplete at this time</li> <li>• Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

**F3.3 If you indicated in question F3.1 that you do not consider your organization to be exposed to risks related to producing, marketing or sourcing any of your selected commodities driven by changes in regulation, please explain why in the table below**

*Please respond to this question only if you have not selected 'Risks driven by changes in regulation' in question F3.1 for one or more of your commodities*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you did not select 'Risks driven by changes in regulation' in F3.1 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	Primary reason for not identifying risks	Please explain
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>• Risks exist, but no substantive impact anticipated</li> <li>• Environmental risk assessments are incomplete at this time</li> <li>• Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

**F3.4 If you indicated in question F3.1 that you do not consider your organization to be exposed to reputational risks related to producing, marketing or sourcing any of your selected commodities, please explain why in the table below**

*Please respond to this question only if you have not selected 'Reputational risks' in question F3.1 for one or more of your commodities*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you did not select 'Reputational risks' in F3.1 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

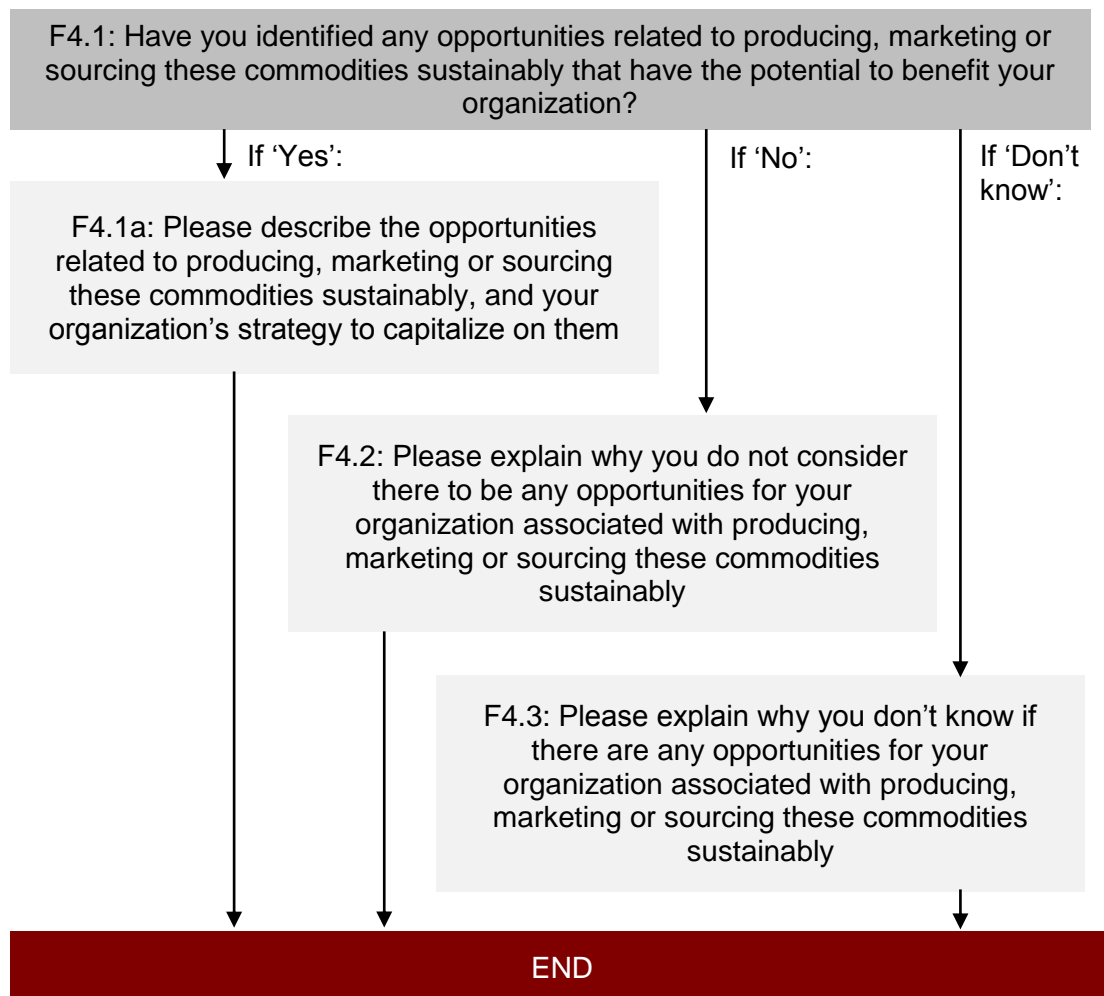
Forest risk commodity	Primary reason for not identifying risks	Please explain
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>• Risks exist, but no substantive impact anticipated</li> <li>• Environmental risk assessments are incomplete at this time</li> <li>• Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

# F4. Opportunities

## Question Pathway

The following questions are shown on the Opportunities page.



## General Guidance

The Implications module focuses on the interpretation of both the current state information and the deforestation risk assessment to better understand the potential risks and opportunities to both your organization and your stakeholders associated with producing or sourcing forest risk commodities.

It is broken down into two pages in the ORS:

- **F3. Risks:** how could your business be affected by physical, regulatory and reputational factors impacting your ability to produce, market or source forests risk commodities?
- **F4. Opportunities:** how could global deforestation related trends and challenges create opportunities for your organization?

It is suggested, due to the structure of the questionnaire, that you complete this module after you have completed the modules of this questionnaire on the current state of your commodity production and/or sourcing and your risk assessment, as an organization is more likely to be aware of opportunities associated with the sustainable production, marketing or sourcing of forest risk commodities once it is informed about the context within which it operates.

Tables in this module feature the commodities that you have selected in question F0.6 on the introduction page. If you wish to add a commodity please go back to the introduction page, tick the commodity you wish to add and click save. Please note however that if you untick one of the commodities in question F0.6 for which you have already added data in fixed row tables, this data will be lost. If you have added rows in any tables for this commodity, you must return to those tables and delete the row manually to remove the data.

### Key changes from 2015

- The final column headers for questions F4.2 and F4.3 have been changed from 'Comment' to 'Please explain' to indicate that the responses will be scored in accordance with the 2016 scoring methodology.

### Pre-population of responses from 2015

If you responded to forests last year, you can automatically populate the following questions with last year's response by clicking the "copy from last year" button at the bottom of the relevant page in the ORS, prior to completing any fields. You can then modify last year's response as needed. You must click "copy from last year" before completing any fields on each page of the ORS where this function has been enabled.

- The copy from last year function has been provided for questions F4.1, F4.1a, F4.2 and F4.3.

**Please always remember to review your pre-populated selections to make sure they are still appropriate for 2016.** This is particularly important if new data points have been added to questions or if drop down lists have been updated. Regarding the latter, if you selected 'Other' to provide a different category from the drop down list in 2015, you may find that your category has now been included in the 2016 drop down list. We request that companies use the categories provided for selection as much as possible as this greatly assists investors with data analysis.

## Specific Question Guidance

**F4.1 Have you identified any opportunities related to producing, marketing or sourcing these commodities sustainably that have the potential to benefit your organization?**

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	Opportunities?
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"><li>• Yes</li><li>• No</li><li>• Don't know</li></ul>

This question asks you to describe any opportunities you have identified relating to producing, sourcing, or marketing sustainable materials within your industry sector. You will be given an opportunity to provide more detail on these opportunities in the subsequent questions.



**F4.1a Please describe the opportunities related to producing, marketing or sourcing these commodities sustainably, and your organization’s strategy to capitalize on them**

*This question only appears if you select ‘Yes’ in question F4.1 for any of your selected commodities*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you selected ‘Yes’ in F4.1 by adding a new row. To add a row, use the “Add Row” button to the bottom right of the table.

Forest risk commodity	Opportunity	Scale of opportunity	Strategy to realize opportunity	Timeframe	Comment
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>• Increased brand value</li> <li>• Cost savings</li> <li>• Increased shareholder value</li> <li>• Staff retention/satisfaction</li> <li>• New market or product/service opportunities</li> <li>• Increased security of supply</li> <li>• Increased efficiency</li> <li>• Increased transparency</li> <li>• Increasing capacity of sustainable commodity markets</li> <li>• Driving demand for sustainable materials</li> <li>• Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.	Text box  Enter text no more than 2,400 characters.	Select all that apply: <ul style="list-style-type: none"> <li>• Last 3-6 years</li> <li>• Last 1-3 years</li> <li>• Within the last year</li> <li>• Up to 1 year</li> <li>• 1-3 years</li> <li>• 3-6 years</li> <li>• &gt;6 years</li> <li>• Unknown</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

Guidance on responding to each of the columns is provided below:

- Opportunity
  - Increased brand value – due to consumer interest in deforestation related issues, a company’s efforts to reduce deforestation might enhance its branding. For example, a company may choose to increase consumer confidence in its branded products by selling certified materials that ensure deforestation-free production. This action could positively impact consumers’ perception of other products associated with that brand which might provide a commercial advantage over a competitor, increase market share or help the company enter a new market, ultimately increasing sales and revenue.
  - Cost savings – working closely with suppliers can help reveal efficiencies and cost savings.
  - Increased shareholder value – taking action on deforestation makes your business more resilient to reputational, operational and regulatory risks, which may contribute directly or indirectly to increased shareholder value.
  - Staff retention/satisfaction – by associating a company’s brand in a positive way with deforestation related issues, the company can maintain a working

environment that supports current staff. By enhancing staff job satisfaction, a company can substantially reduce costs in hiring and training new staff.

- New market or product/service opportunities – deforestation related issues in certain markets, e.g. countries required to comply with the EU Timber Regulation (EUTR), may create greater demand for new products e.g. certified or traceable timber-based materials.
  - Increased security of supply – deforestation related challenges may provide greater impetus to invest in ensuring supply chain resilience and the long-term resilience of current and future growth strategies.
  - Increased efficiency – producing or sourcing commodities sustainably may improve business processes and production capacity.
  - Increased transparency – fostering customer (and other stakeholder) trust through public reporting and increased transparency may provide opportunities for increasing sales and revenue.
  - Increasing capacity of sustainable commodity markets
  - Driving demand for sustainable materials
  - Other, please specify
- **Scale of opportunity:** Please use the text box to describe the scale of the opportunity for your business using no more than 2,400 characters. Examples may include: company-wide opportunities, opportunities related to specific business activities (e.g. product lines, type of supplier, etc.), facilities or suppliers, or they may be sector or market wide opportunities that have the potential to benefit your organization through collaboration with your peers.
  - **Strategy to realize opportunity:** Please use the text box to describe the strategy your organization is employing realize the opportunity you have identified using no more than 2,400 characters.
  - **Timeframe:** the timeframe refers to the timeframe within which you expect the opportunities are likely to materialize. In addition, it may be possible that your organization is already doing work to realize opportunities identified in the past. Please select the period(s) that best describe when your organization has realized or will realize any opportunities associated with the production or sourcing of forest risk commodities.

#### **F4.2 Please explain why you do not consider there to be any opportunities for your organization associated with producing, marketing or sourcing these commodities sustainably**

*This question only appears if you select 'No' in question F4.1 for any of your selected commodities*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you selected 'No' in F4.1 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	Primary reason for not identifying opportunities	Please explain
Select from:	Select from:	Text box
Forest risk commodities selected in F0.6	<ul style="list-style-type: none"> <li>• Opportunities exist, but cannot currently capitalize on them</li> <li>• Opportunities exist, but not substantive</li> <li>• Other, please specify</li> </ul>	Enter text no more than 2,400 characters.

Add Row

Guidance on responding to each of the columns is provided below:

- **Primary reason:** For those commodity or commodities for which you selected 'No' in question F4.1, please indicate the primary reason why you do not consider there to be any opportunities for your organization associated with producing, marketing or sourcing them. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.
- **Please explain:** Please use the free text box to explain why there are no apparent opportunities for your organization associated with producing, marketing or sourcing these commodities using no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

**F4.3 Please explain why you don't know if there are any opportunities for your organization associated with producing, marketing or sourcing these commodities sustainably**

*This question only appears if you select 'Don't know' in question F4.1 for any of your selected commodities*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you selected 'Don't know' in F4.1 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	Primary reason for not knowing if there are opportunities	Please explain
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>• No requirement from management to seek out opportunities</li> <li>• Judged to be unimportant</li> <li>• Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

Guidance on responding to each of the columns is provided below:

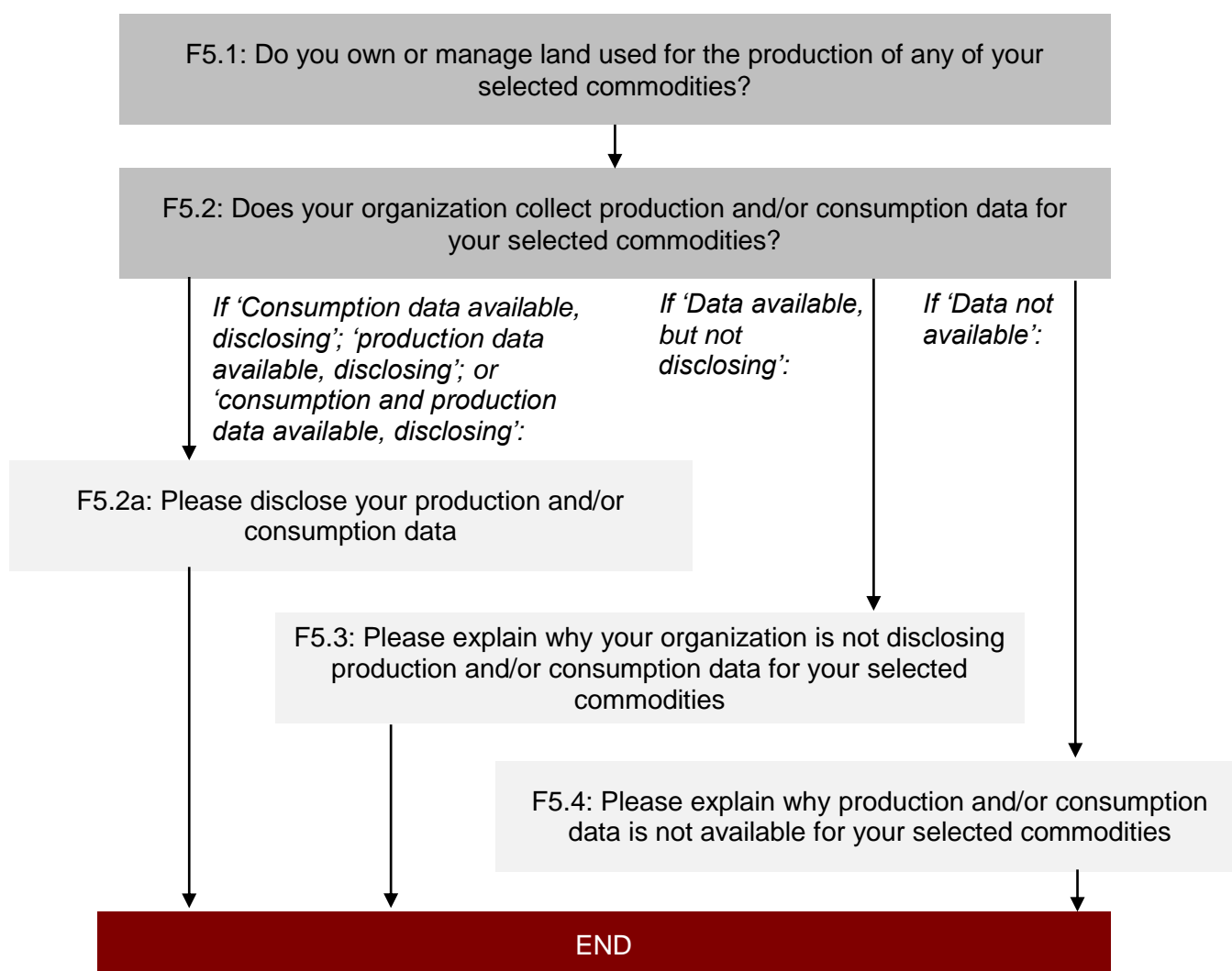
- **Primary reason:** For those commodity or commodities for which you selected 'Don't know' in question F4.1, please indicate the primary reason why you do not know if there are any opportunities for your organization associated with producing, marketing or sourcing them. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.
- **Please explain:** Please use the free text box to explain why you do not know if there are any apparent opportunities for your organization associated with producing, marketing or sourcing these commodities using no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

# Measuring and Monitoring Module

## F5. Measurement

### Question Pathway

The following questions are shown on the Measurement page.



## **General Guidance**

Tables in this module feature the commodities that you have selected in question F0.6 on the introduction page. If you wish to add a commodity please go back to the introduction page, tick the commodity you wish to add and click save. Please note however that if you untick one of the commodities in question F0.6 for which you have already added data in fixed row tables, this data will be lost. If you have added rows in any tables for this commodity, you must return to those tables and delete the row manually to remove the data.

## **Key changes from 2015**

- The final column headers for questions F5.1, F5.3 and F5.4 have been changed from 'Comment' to 'Please explain' to indicate that the responses will be scored in accordance with the 2016 scoring methodology.
- The drop down menu in the 'Metric' column for Question F5.2a has been updated to include 'Wood raw material equivalent (WRME)'.

## **Pre-population of responses from 2015**

None of the questions on this page are eligible for pre-population if you responded last year.

## Specific Question Guidance

### F5.1 Do you own or manage land used for the production of any of your selected commodities? Please complete the table

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	Own and/or manage land?	Size (Hectares)	Type of control	System in place to monitor deforestation?	Recent infractions?	Please explain
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"> <li>• Own land</li> <li>• Manage land</li> <li>• Own and manage land</li> <li>• Don't own or manage land</li> </ul>	Select from: Not applicable 1-500 500-1,000 1,000-5,000 5,000-10,000 10,000-20,000 20,000-50,000 50,000-100,000 100,000-150,000 150,000-200,000 200,000-250,000 250,000-300,000 300,000-350,000 350,000-400,000 400,000-450,000 450,000-500,000 500,000-600,000 600,000-700,000 700,000-800,000 800,000-900,000 900,000-1,000,000 1,000,000-1,500,000 1,500,000-2,000,000 >2,000,000	Select from: <ul style="list-style-type: none"> <li>• Financial</li> <li>• Operational</li> <li>• Equity share</li> <li>• Not applicable</li> <li>• Other, please specify</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Yes</li> <li>• No</li> <li>• Don't know</li> <li>• Not applicable</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Yes</li> <li>• No</li> <li>• Don't know</li> <li>• Not applicable</li> </ul>	Text box  Enter text no more than 2,400 characters.

Producing forest risk commodities sustainably should be part of your sustainable forest and land management practices. Deforestation on land owned or managed by your organization can pose operational or reputational risk to your business, e.g. you may lose the license to operate if found to be illegally deforesting land. Therefore, if your organization owns or manages land used for the production of your selected commodities, it is crucial that you have a system in place to monitor legal and illegal deforestation.

Guidance on responding to each of the columns is provided below:

- **Own and or/manage land?** Please indicate whether your organization owns or manages land for the production of your selected commodities. **If you do not own or manage land, please select 'Don't own or manage land' and select 'Not applicable' in all subsequent columns.**
- **Size:** Please disclose how much land you own or manage by selecting a size range. Please note that ranges are in hectares. If you do not own or manage land, please select 'Not applicable'.

- **Type of control:** If you do not own or manage land, please select 'Not applicable'. In line with the definitions used by other CDP programs, the understanding of control for this question will be based on the [GHG Protocol](#)<sup>14</sup> as follows:
  - An organization has **financial control** over an operation if it has the ability to direct the financial and operating policies of the operation with a view to gaining economic benefits from its activities. Generally an organization has financial control over an operation for defining land management responsibilities if the operation is treated as a group company or subsidiary for the purposes of financial consolidation.
  - An organization has **operational control** over an operation if the organization or one of its subsidiaries has the full authority to introduce and implement its operating policies at the operation.
  - Under the **equity share** approach, a company accounts for its operations according to its share of equity in the operation. The equity share reflects the economic interest, which is the extent of rights a company has to the risks and rewards flowing from an operation. Typically, the share of economic risks and rewards in an operation is aligned with the company's percentage ownership of that operation, and equity share will normally be the same as the ownership percentage.
- **System in place to monitor deforestation?** Please indicate whether you have a system in place to monitor deforestation on the land you own or manage. Systems may involve Geographical Information System (GIS) monitoring and assessment or regular audits, among others. If you do not own or manage land, please select 'Not applicable'.
- **Recent infractions?** Please indicate whether there have been any cases of illegal or unauthorized deforestation on the land you manage or own. If you do not own or manage land, please select 'Not applicable'.
- **Please explain:** Please use the text box to provide further details on the monitoring system in place and any recent infractions, if applicable, using no more than 2,400 characters.

## F5.2 Does your organization collect production and/or consumption data for your selected commodities?

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	Production and/or consumption data available?
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"> <li>• Consumption data available, disclosing</li> <li>• Production data available, disclosing</li> <li>• Consumption and production data available, disclosing</li> <li>• Data available, but not disclosing</li> <li>• Data not available</li> </ul>

While the aim of questions F1.1 and F1.2 in the Current state module is to provide context for the risk assessment and identification of risks and opportunities based on the relevance of your selected commodities to your business, this question aims to determine how far your organization has gone to quantify your consumption of the selected commodities.

<sup>14</sup> For more information, please see "[The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard \(Revised Edition\)](#)", (GHG Protocol), developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Subsequent questions will allow you to provide detailed production and/or consumption data and allows you to express the parameters your organization uses to create this data. If you are both a producer and buyer of forest risk commodities, please provide your production and consumption data as separate figures, if available.

For companies tracking soy consumption, the ‘Soy Ladder’ developed by The Consumer Goods Forum (CGF) in conjunction with KPMG, and available for download free of charge from the [CGF website](#), could be helpful. The document is designed to provide consumer goods companies with a framework to better understand soy usage within their supply chains, and the associated deforestation risk.

**F5.2a Please disclose your production and/or consumption data using the table below**

*This question only appears if you select ‘Consumption data available, disclosing’, ‘production data available, disclosing’, or ‘consumption and production data available, disclosing’ in question F5.2*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you selected the above options in F5.2 by adding a new row. To add a row, use the “Add Row” button to the bottom right of the table.

Forest risk commodity	Production/consumption data	Volume	Metric	Full/Partial data?	If partial data, please explain
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>Production data</li> <li>Consumption data</li> <li>Production and consumption data</li> </ul>	Numeric field	Select from: <ul style="list-style-type: none"> <li>Metric tons</li> <li>Liters</li> <li>Gallons</li> <li>Air dry metric tons</li> <li>Wet white metric tons</li> <li>Green metric tons</li> <li>Bone dry metric tons</li> <li>Logs</li> <li>Cunits</li> <li>Pallets</li> <li>Round wood equivalent (RWE)</li> <li>Wood raw material equivalent (WRME)</li> <li>Fresh fruit bunches</li> <li>Bushels</li> <li>Cubic meters</li> <li>Square meters</li> <li>Hides</li> <li>Heads</li> <li>Other, please specify</li> </ul>	Select from: <ul style="list-style-type: none"> <li>Full commodity production/consumption</li> <li>Partial commodity production/consumption</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

Guidance on responding to each of the columns is provided below:

- **Production/consumption data:** Please select whether you will be providing production or consumption data. If you both produce and buy a commodity and wish to provide a consolidated figure, please select the appropriate option. If you are able to provide production and consumption data as separate figures, please do so by adding a new row for the same commodity and selecting the appropriate option in this column.



- **Volume:** Please provide a figure in this column and select the metric that applies in the subsequent column. If the figure is an estimation, please state that it is. Please enter a number between 0-10,000,000,000,000,000 and up to 2 decimal places.
- **Metric:** For the figure provided in the previous column, please select the metric in which it has been given. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.
- **Full/Partial data?** Please indicate if the data provided covers your entire production and/or consumption of the commodity within the organizational boundary defined on the Introduction page by selecting an option from the drop down menu.
- **If partial data, please explain:** If the data you have provided excludes certain parts of your business or supply chain other than the ones reported on the Introduction page, e.g. a specific product line, please use the text box to provide an explanation of the exclusion, including what percentage of your total production and/or consumption of that commodity the figure represents. Please use no more than 2,400 characters.

### F5.3 Please explain why your organization is not disclosing production and/or consumption data for your selected commodities

*This question only appears if you select 'Data available, but not disclosing' in question F5.2*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you selected 'Data available, but not disclosing' in F5.2 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	Primary reason for not disclosing production/consumption data	Please explain
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>• Only partial scoping of forest risk commodities in products/supply chain completed</li> <li>• Data considered confidential</li> <li>• Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

If your organization collects production and/or consumption data but you are choosing not to disclose this information to CDP and your stakeholders for any of your selected commodities, please explain why by selecting an option from the drop down menu. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.

You should explain why this information is not being provided in the 'Please explain' column using no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

#### F5.4 Please explain why production and/or consumption data is not available for your selected commodities

*This question only appears if you select 'Data not available' in question F5.2*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you selected 'Data not available' in F5.2 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	Primary reason for not having production/consumption data	Please explain
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>• No requirement from management to collect production/consumption data</li> <li>• Production/consumption of forest risk commodities not recorded at the corporate level</li> <li>• Insufficient resources to complete collection of data</li> <li>• Insufficient data on operations</li> <li>• Scoping of forest risk commodities in products/supply chain not completed</li> <li>• Judged to be unimportant</li> <li>• Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

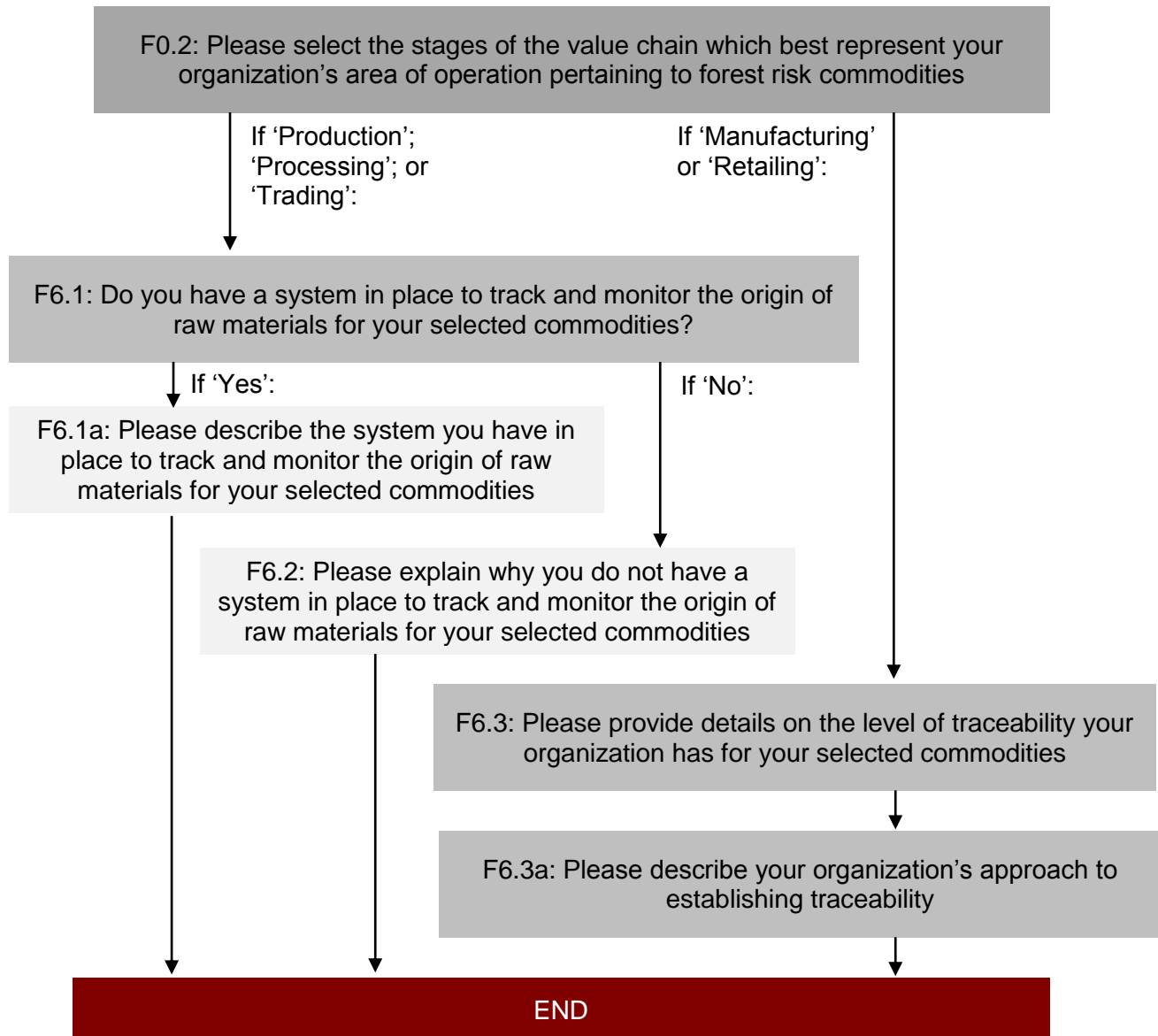
If production and/or consumption data is not available for any of your selected commodities, please outline the challenges your organization faces to collect and provide this data by selecting an option from the drop down menu. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.

You should explain why this information is not available in the 'Please explain' column using no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

# F6. Traceability

## Question Pathway

The following questions are shown on the Traceability page, and are driven by your selection in question F0.2 on the Introduction page.



## General Guidance

Traceability, according to an adaptation of the definition from the International Organization for Standardization (ISO) in the UN Global Compact's Guide to Traceability, is the ability to identify and trace the history, distribution, location and application of products, parts and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labor (including health and safety), the environment and anti-corruption.<sup>15</sup> A traceability system records and follows the trail of these products, parts and materials from the original extraction of raw materials, along the supply chain, to their ultimate distribution as final products to the customer. Traceability enables companies to demonstrate sustainable practice in their supply chain and to develop a strategy for improving practices.

Other strategies – such as certifying products, switching sources or substituting with alternative materials – may be open to you if traceability to point of origin has not yet been achieved, so make sure this is part of your strategic review process.

Consider each of the materials you use, including their constituent parts. Palm and soy oils, for instance, are often described on labeling as 'vegetable oil' or as derivatives or fractions. Palm and soy derivatives are found in a wide range of food and cosmetic ingredients. Paper and wood can be overlooked as linings, component parts in gifts and promotional items, and in advertising and marketing materials.

Start by reviewing what you know of the provenance of the commodities you use - are you able to identify the point of origin to a named supplier or to farm/forest/plantation level? If you are unable to identify point of origin, are you now considering working with your suppliers to improve traceability? E.g. by introducing systems to collect data on raw material sources and to establish a chain of custody linking each level in the supply chain.

Tables in this module feature the commodities that you have selected in question F0.6 on the introduction page. If you wish to add a commodity please go back to the introduction page, tick the commodity you wish to add and click save. Please note, however, that if you untick one of the commodities in question F0.6 for which you have already added data in fixed row tables, this data will be lost. If you have added rows in any tables for this commodity, you must return to those tables and delete the row manually to remove the data.

## Key changes from 2015

- The final column header for question F6.2 has been changed from 'Comment' to 'Please explain' to indicate that the responses will be scored in accordance with the 2016 scoring methodology.
- The drop down menu in the 'Point to which traceable' column for question F6.3 has been updated to include 'Tannery' and 'Slaughterhouse'.

## Pre-population of responses from 2015

None of the questions on this page are eligible for pre-population if you responded last year.

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<sup>15</sup> United Nations Global Compact (UNGC), BSR. 2014. *A Guide to Traceability: A Practical Approach to Advance Sustainability in Global Supply Chains*. Available online at: [http://www.bsr.org/reports/BSR\\_UNGC\\_Guide\\_to\\_Traceability.pdf](http://www.bsr.org/reports/BSR_UNGC_Guide_to_Traceability.pdf)

## Specific Question Guidance

*Please note that the questions on the Traceability page are driven by your response to question F0.2 on which stage(s) of the value chain best represent your organization's area of operation pertaining to forest risk commodities*

### **F6.1 Do you have a system in place to track and monitor the origin of raw materials for your selected commodities?**

*This question only appears if you select 'Production', 'Processing' or 'Trading' in question F0.2*

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	System to track and monitor origin of raw materials?
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"><li>• Yes</li><li>• No</li></ul>

The 'origin' or 'point of origin' is defined as a named farm (for cattle), paper or pulp mill (for paper and paper packaging), plantation or forest (for timber, palm oil and soy) that is identified as the original source of a product and its natural components. Please note that this is different to the point of manufacture. For paper or paper packaging, a named paper or pulp mill is an acceptable point of origin. It is acknowledged that producers, processors and traders of raw materials may be better placed to have visibility and/or control over activities on the ground than organizations further up the supply chain. For this reason, CDP considers it vital for these companies to have a system in place to track and monitor the origin of raw materials, both to understand their exposure to deforestation risk and to encourage the implementation of sustainable forest management practices.

Please note that this question is asking about whether there are formal systems in place within your organization to track and monitor the point of origin, not about third party certification.

**F6.1a Please describe the system you have in place to track and monitor the origin of raw materials for your selected commodities**

*This question only appears if you select 'Yes' in question F6.1*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you selected 'Yes' in F6.1 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	System	System coverage	If partial, % of total production/consumption tracked/monitored	Please explain
Select from:  Forest risk commodities selected in F0.6	Text box  Enter text no more than 2,400 characters.	Select from: <ul style="list-style-type: none"> <li>Full</li> <li>Partial</li> </ul>	Select from: <ul style="list-style-type: none"> <li>&lt;1%</li> <li>1-5%</li> <li>6-10%</li> <li>11-20%</li> <li>21-30%</li> <li>31-40%</li> <li>41-50%</li> <li>51-60%</li> <li>61-70%</li> <li>71-80%</li> <li>81-90%</li> <li>91-99%</li> <li>100%</li> <li>Don't know</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

Guidance on responding to each of the columns is provided below:

- **System:** Please use the text box to describe the system your organization has in place to track and monitor the origin of raw materials for your selected commodities. Please note that certain third party certification schemes allow information about the standard of commodity production to travel through the supply chain, thus permitting a level of traceability.
- **System coverage:** If you have a system to identify point of origin for only certain product lines or materials, you should select 'Partial'. If your suppliers have a system in place, either select 'Full' or 'Partial', depending on whether their system covers all or partial commodity consumption.
- **If partial % of total production/consumption tracked/monitored:** If you select 'Partial' in the previous column, please indicate what percentage of your organization's total production or consumption of the selected commodity is tracked or monitored by selecting a percentage range from the drop down menu.
- **Please explain:** Please use the text box to provide any additional information using no more than 2,400 characters. If you selected "Partial" in the "System coverage" column please always provide more information on which elements of your production or consumption are not covered by the traceability system and why.

**F6.2 Please explain why you do not have a system in place to track and monitor the origin of raw materials for your selected commodities**

*This question only appears if you select 'No' in question F6.1*

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the commodity or commodities for which you selected 'No' in F6.1 by adding a new row. To add a row, use the "Add Row" button to the bottom right of the table.

Forest risk commodity	Primary reason for not having a system in place	Please explain
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>No requirement from management</li> <li>Insufficient resources to complete collection of data</li> <li>Insufficient data on operations</li> <li>Judged to be unimportant</li> <li>Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.

Add Row

If your organization does not have a system in place to track and monitor the origin of raw materials for any of your selected commodities, please explain why by selecting an option from the drop down menu. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.

You should provide any additional information to further explain why such a system is not in place in the "Please explain" column using no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

**F6.3 Please provide details on the level of traceability your organization has for your selected commodities**

*This question only appears if you select 'Manufacturing' or 'Retailing' in question F0.2*

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	% of total production/ consumption traceable	Traceability system	Point to which traceable	Exclusions	Exclusion description, if applicable	Comment
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"> <li>None</li> <li>&lt;1%</li> <li>1-5%</li> <li>6-10%</li> <li>11-20%</li> <li>21-30%</li> <li>31-40%</li> <li>41-50%</li> <li>51-60%</li> <li>61-70%</li> <li>71-80%</li> <li>81-90%</li> <li>91-99%</li> <li>100%</li> <li>Don't know</li> </ul>	Text box  Enter text no more than 2,400 characters.	Select from: <ul style="list-style-type: none"> <li>Not applicable</li> <li>Region</li> <li>Country</li> <li>Province</li> <li>Forest</li> <li>Tannery</li> <li>Slaughterhouse</li> <li>Farm</li> <li>Mill</li> <li>Plantation</li> <li>Forest management unit</li> </ul>	Select all that apply: <ul style="list-style-type: none"> <li>Not applicable</li> <li>Source/ country/ geographical area</li> <li>Business activity</li> <li>Facility</li> <li>Specific product line(s)</li> <li>Specific supplier(s)</li> <li>Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.	Text box  Enter text no more than 2,400 characters.

Manufacturers and retailers of products containing forest risk commodities, although further removed from production practices on the ground, should strive to have visibility over their supply chains in order to meet the demand from customers for sustainably sourced materials, while also helping to drive demand for sustainable materials by sending market signals to their suppliers.

Guidance on response to each of the columns is provided below:

- **% of total production/consumption traceable:** Please indicate what percentage of your production or consumption of each selected commodity is traceable (to the point selected in column 4) by selecting a percentage range.
- **Traceability system:** Please use the text box to describe the system you have in place to trace your selected commodities using no more than 2,400 characters. Examples of systems include chain of custody systems, integrated management systems, or supply chain audit systems.
- **Point to which traceable:** Select the level down to which your organization is able to trace the origin of your selected commodities. The 'origin' or 'point of origin' is defined as a named farm (for cattle), paper or pulp mill (for paper products), plantation or forest (for timber, palm oil and soy) that is identified as the original source of a product and its natural components. Please note that this is different to the point of manufacture. For paper or paper packaging, a named paper or pulp mill is an acceptable point of origin.
- **Exclusions:** If you indicate in column 2 that you have 100% traceability for your commodity production or consumption, please select 'Not applicable'. If you indicate in column 2 that you do not have 100% traceability, please disclose which elements of your usage is not traceable to the point specified in column 4 by selecting all the options that apply. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.
  - For example, you may be able to trace the crude palm oil you purchase to plantation level, which represents 80% of your palm oil consumption, but may not have visibility over the origin of the palm oil derivatives you source, making up the remaining 20% of your consumption.
- **Exclusion description, if applicable:** Please use the text box to describe the exclusion(s) selected in the previous column, if applicable, including information on e.g. the geographical area or product line that is not traceable. Please use no more than 2,400 characters for your answer.

### **F6.3a Please describe your organization's approach to establishing traceability**

*This question only appears if you select 'Manufacturing' or 'Retailing' in question F0.2*

Please use the text box to add any additional information you wish to provide on your organization's approach to establishing traceability. For example, you may wish to explain how your organization prioritizes down to which level traceability is required for certain product lines or sourcing countries.

Please use no more than 5,000 characters for your answer.

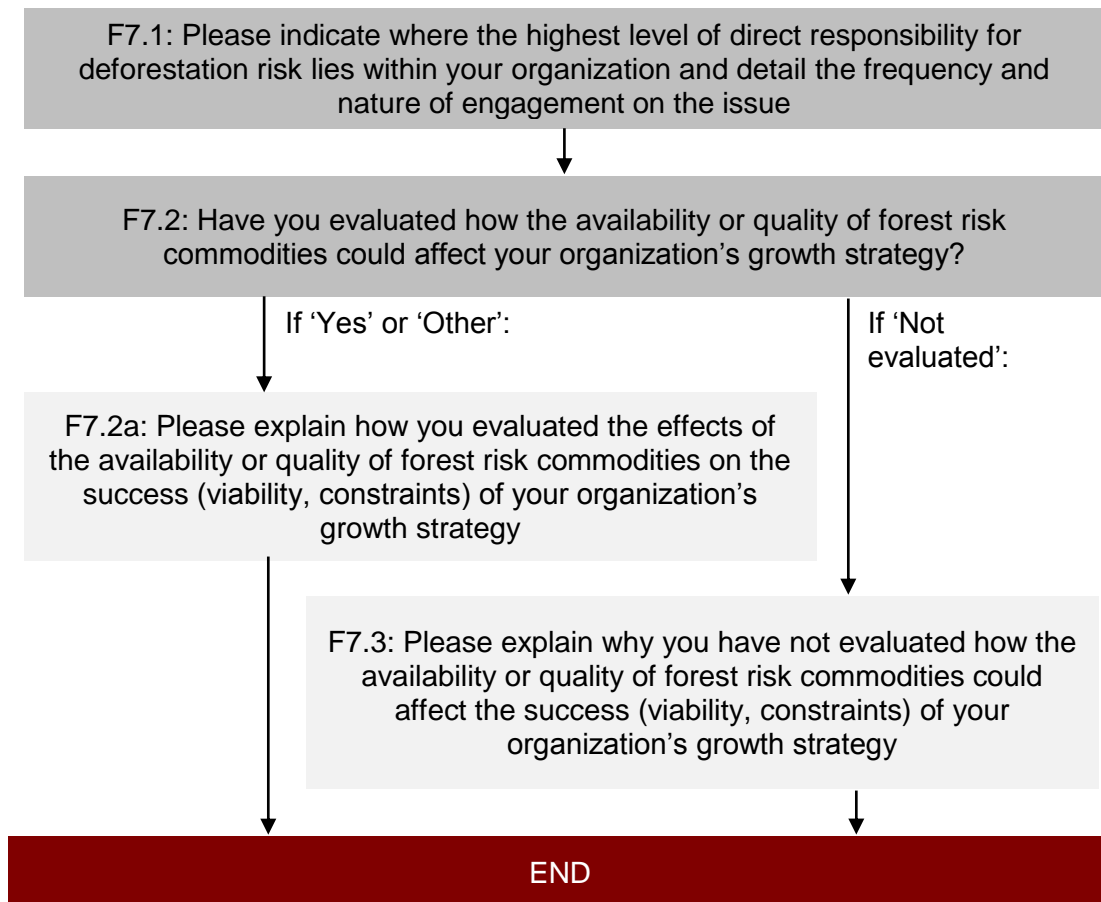


# Response Module

## F7. Governance and strategy

### Question Pathway

The following questions are shown on the Governance and strategy page.



## General Guidance

The questions in this module aim to establish how commodity related risks are governed within your organization, and whether deforestation related issues are integrated into your organization's strategy and planning.

The governance of these issues is crucial to formulating a response to manage and mitigate the risks and opportunities associated with producing or sourcing forest risk commodities, as identified in previous modules of the questionnaire.

### Key changes from 2015

- The final column header for question F7.3 has been changed from 'Comment' to 'Please explain' to indicate that the responses will be scored in accordance with the 2016 scoring methodology.

### Pre-population of responses from 2015

If you responded to forests last year, you can automatically populate the following questions with last year's response by clicking the "copy from last year" button at the bottom of the relevant page in the ORS, prior to completing any fields. You can then modify last year's response as needed. You must click "copy from last year" before completing any fields on each page of the ORS where this function has been enabled.

- The copy from last year function has been provided for questions F7.1, F7.2, F7.2a and F7.3.

**Please always remember to review your pre-populated selections to make sure they are still appropriate for 2016.** This is particularly important if new data points have been added to questions or if drop down lists have been updated. Regarding the latter, if you selected 'Other' to provide a different category from the drop down list in 2015, you may find that your category has now been included in the 2016 drop down list. We request that companies use the categories provided for selection as much as possible as this greatly assists investors with data analysis.

## Specific Question Guidance

### F7.1 Please indicate where the highest level of direct responsibility for deforestation risk lies within your organization and detail the frequency and nature of engagement on the issue

Please complete your response in the table provided in the ORS, reproduced below.

Highest level of responsibility	Name/position of individual or name of committee	Frequency of briefing	Nature of engagement
Select from: <ul style="list-style-type: none"> <li>Board or individual/sub-set of the Board or committee appointed by the Board</li> <li>Senior Manager/Officer</li> <li>Other Manager/Officer</li> <li>No individual or committee with overall responsibility for deforestation risk</li> <li>Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.	Select from: <ul style="list-style-type: none"> <li>Quarterly</li> <li>Bi-annually</li> <li>Annually</li> <li>Sporadic, as important matters arise</li> <li>Never</li> <li>Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.

Guidance on responding to each of the columns is provided below:

- Highest level of responsibility:** Using the drop down menu, please select the highest level of direct responsibility for commodity related risk management that applies. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.
- Name/position of individual or name of committee:** Please use the text box to provide the name and position of the individual with direct responsibility for commodity related risk management, or the name of the committee with such responsibility.
- Frequency of briefing:** Please select the drop down option that best describes the frequency of briefings on deforestation issues at your organization that incorporate the highest level of direct responsibility selected in the first column. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.
- Nature of engagement:** Please use the text box to provide information on the nature of this engagement, such as whether KPIs of the named individual or committee are directly linked to their management of these issues or if CSR targets are included in employee performance evaluation and remuneration programs. You may also wish to include additional details on the frequency and nature of the briefings described above. Please use no more than 2,400 characters for your answer.

### F7.2 Have you evaluated how the availability or quality of forest risk commodities could affect your organization's growth strategy?

- Yes, evaluated over the next 1 year
- Yes, evaluated over the next 5 years
- Yes, evaluated over the next 10 years
- Not evaluated
- Other

Please use the drop down menu to select the time frame for which your organization has evaluated how the availability or quality of forest risk commodities is currently affecting, or could potentially affect the success of your organization's growth strategy.

**F7.2a Please explain how you evaluated the effects of the availability or quality of forest risk commodities on the success (viability, constraints) of your organization's growth strategy**

*This question only appears if you select 'Yes' or 'Other' in question F7.2*

Please use the text box to provide details on what process and procedures were followed to evaluate how commodity related risk impacts your organization's growth strategy. Please note that this explanation should entail how the results of your risk assessment contribute to your organization's growth strategy. If you selected 'Other' in question F7.2, please use this text box to provide further details using no more than 5,000 characters.

**F7.3 Please explain why you have not evaluated how the availability or quality of forest risk commodities could affect the success (viability, constraints) of your organization's growth strategy**

*This question only appears if you select 'Not evaluated' in question F7.2*

Please complete your response in the table provided in the ORS, reproduced below.

Primary reason for not evaluating potential impact on growth strategy	Please explain
Select from: <ul style="list-style-type: none"> <li>• Insufficient resources to complete risk assessment</li> <li>• No requirement from management</li> <li>• Insufficient data on operations</li> <li>• Insufficient knowledge of deforestation impacts from forest risk commodities</li> <li>• Judged to be unimportant</li> <li>• Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.

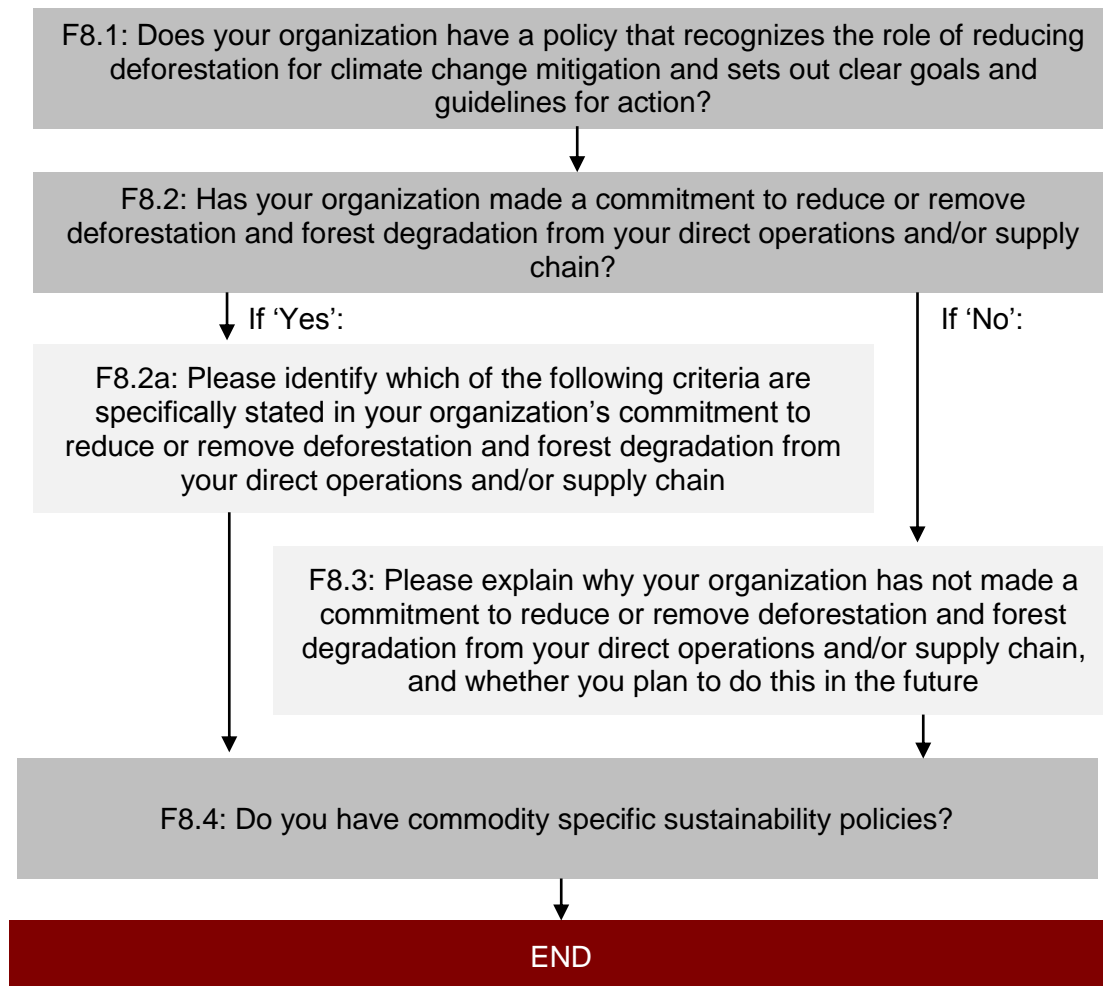
If your organization has not evaluated how the availability or quality of forest risk commodities is currently affecting, or could potentially affect the success of your organization's growth strategy, please select the primary reason as to why this is the case. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.

You should provide any additional information to further explain why it has not been evaluated in the 'Please explain' column using no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

# F8. Policies

## Question Pathway

The following questions are shown on the Policies page.



## General Guidance

When forests are burned down or decay due to land clearance, are degraded by logging, and when peatlands are cleared, significant GHG emissions are released and the ability of the ecosystem to act as a carbon sink in the future may be impaired, making deforestation a major contributor to climate change. Newly cleared land for agriculture, especially for forest risk commodities, is the leading driver of deforestation globally.

The questions on the Policies page allow you to outline your corporate position and policy on the use of forest risk commodities and their potential to contribute to deforestation. This may be part of an over-arching policy on climate change and mitigation measures or a detailed policy on forest risk commodities.

Policies and commitments can demonstrate an organization's awareness and dedication to address deforestation risks in the value chain, both of which provide assurances to investors and other stakeholders.

Tables in this module feature the commodities that you have selected in question F0.6 on the introduction page. If you wish to add a commodity please go back to the introduction page, tick the commodity you wish to add and click save. Please note, however, that if you untick one of the commodities in question F0.6 for which you have already added data in fixed row tables, this data will be lost. If you have added rows in any tables for this commodity, you must return to those tables and delete the row manually to remove the data.

*General references to external sources such as sustainability reports should not be provided in your response. Instead, please respond to each question within the allocated text box in the ORS. If you feel you must reference a sustainability report or external document and attach it to the bottom of the page, please provide a specific page reference to allow investors and other data users to easily access the information.*

## Key changes from 2015

- Question F8.1 has been amended for clarification.
- The final column headers for questions F8.1 and F8.3 have been changed from 'Comment' to 'Please explain' to indicate that the responses will be scored in accordance with the 2016 scoring methodology.

## Pre-population of responses from 2015

If you responded to forests last year, you can automatically populate the following questions with last year's response by clicking the "copy from last year" button at the bottom of the relevant page in the ORS, prior to completing any fields. You can then modify last year's response as needed. You must click "copy from last year" before completing any fields on each page of the ORS where this function has been enabled.

- The copy from last year function has been provided for questions F8.1, F8.2, F8.2a and F8.4.

**Please always remember to review your pre-populated selections to make sure they are still appropriate for 2016.** This is particularly important if new data points have been added to questions or if dropdown lists have been updated. Regarding the latter, if you selected 'Other' to provide a different category from the dropdown list in 2015, you may find that your category has now been included in the 2016 dropdown list. We request that companies use the categories provided for selection as much as possible as this greatly assists investors with data analysis.

## Specific Question Guidance

### F8.1 Does your organization have a policy that recognizes the role of reducing deforestation for climate change mitigation and sets out clear goals and guidelines for action?

Please complete your response in the table provided in the ORS, reproduced below.

Policy	Please explain
Select from: <ul style="list-style-type: none"><li>• Yes, a publicly available company-wide policy with performance standards for direct operations including supplier, procurement and contracting best practices</li><li>• Yes, a publicly available company-wide policy</li><li>• Yes, a company-wide policy that is not publicly available</li><li>• Yes, a policy for select facilities or suppliers only</li><li>• No</li><li>• Other, please specify</li></ul>	Text box  Enter text no more than 2,400 characters.

Please indicate whether your organization has set a policy that recognizes the role of reducing deforestation and forest degradation in climate change mitigation. Your policy may have been developed through a formal review of available strategic options and wide consultation with your suppliers and expert stakeholders, to determine the most appropriate way to articulate and achieve your objectives.

A policy may be published in an internal or external statement outlining your organization's position on deforestation in the value chain and the role of removing deforestation in climate change mitigation. For some companies, the policy may involve a time bound commitment including environmental and social indicators against which to measure success. If your policy involves a commitment to reduce or remove deforestation and forest degradation from your global value chains, please disclose this information in the subsequent questions.

In the text box in the 'Please explain' column please provide any additional information on your company policy, its scope, coverage, or reasons why it not publicly available, if applicable. This should include an explanation of the environmental criteria covered by your policy. Please use no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

### F8.2 Has your organization made a commitment to reduce or remove deforestation and forest degradation from your direct operations and/or supply chain?

- Yes
- No

Making a corporate commitment to reducing or removing deforestation and forest degradation from your value chains is a crucial step towards taking action on climate change. Unlike a company-wide or supplier policy recognizing the role deforestation in climate change mitigation (question F8.1), which may not include specific indicators to measure progress towards a specified goal such as deforestation free supply chains, a commitment entails time-bound targets to reduce or remove deforestation from global value chains.

If your organization has made an overarching commitment, which may cover any or all commodities or business activities which you have identified as having the potential to contribute to deforestation, please select 'Yes' and disclose it in the follow-on question F8.2a. If the commitment covers multiple commodities, please include this information in the 'Please explain' column of question F8.2a.

If you have any commodity specific policies or sourcing standards which stipulate the environmental criteria listed in question F8.2a, please disclose these in question F8.4.

**F8.2a Please identify which of the following criteria are specifically stated in your organization's commitment to reduce or remove deforestation and forest degradation from your direct operations and/or supply chain**

*This question only appears if you select 'Yes' in question F8.2*

Please complete your response in the table provided in the ORS, reproduced below.

Criteria	Commodity coverage	Operational coverage	% of total production/ consumption covered by commitment	Commitment timeframe	Please explain
Select all that apply: <ul style="list-style-type: none"> <li>• Zero deforestation and forest degradation</li> <li>• Zero net deforestation and forest degradation</li> <li>• High Conservation Value (HCV) management</li> <li>• High Carbon Stock (HCS) management</li> <li>• No peatland conversion</li> <li>• Avoidance of land area under conservation</li> <li>• Free, Prior and Informed Consent (FPIC)</li> <li>• Legality</li> <li>• Net positive impact</li> <li>• Certification</li> <li>• Avoidance of CITES listed species</li> <li>• Avoidance of IUCN Red List of Threatened Species</li> <li>• Other, please specify</li> </ul>	Select all that apply: <ul style="list-style-type: none"> <li>• Timber</li> <li>• Palm Oil</li> <li>• Cattle Products</li> <li>• Soy</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Direct operations</li> <li>• Supply chain</li> <li>• Direct operations and supply chain</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• &lt;1%</li> <li>• 1-5%</li> <li>• 6-10%</li> <li>• 11-20%</li> <li>• 21-30%</li> <li>• 31-40%</li> <li>• 41-50%</li> <li>• 51-60%</li> <li>• 61-70%</li> <li>• 71-80%</li> <li>• 81-90%</li> <li>• 91-99%</li> <li>• 100%</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• No timeframe</li> <li>• 2015</li> <li>• 2016</li> <li>• 2017</li> <li>• 2018</li> <li>• 2019</li> <li>• 2020</li> <li>• 2021</li> <li>• 2022</li> <li>• 2023</li> <li>• 2024</li> <li>• 2025</li> <li>• 2026</li> <li>• 2027</li> <li>• 2028</li> <li>• 2029</li> <li>• 2030</li> <li>• 2050</li> </ul>	Text box  Enter text no more than 2,400 characters.

The aim of this question is to understand the commitment your organization has made to reduce or remove deforestation and forest degradation from your direct operations and/or supply chains. A commitment articulates the strategic direction and level of ambition of your organization's deforestation risk management practices. For example, as a part of your membership of the Consumer Goods Forum, your organization may have endorsed the Board Resolution on Deforestation committing to zero net deforestation by 2020.

Guidance on responding to each of the columns is provided below:

- **Criteria:** Please select all criteria stipulated by your organization's commitment on deforestation. If none of the available options are suitable, or you wish to add another option, please select 'Other' and a text box will appear for you to complete.
  - Zero deforestation and forest degradation – although the term is contested, especially for the timber commodity, zero deforestation entails the absolute avoidance of deforestation and forest degradation. While this criteria may be stringent, it is often combined with other criteria in this list such as HCV or HCS management. For example, a company may commit to zero deforestation in areas of High Conservation Value (HCV) or High Carbon Stock (HCS) forests by 2020.
  - Zero net deforestation and forest degradation – unlike zero deforestation, zero *net* deforestation allows for strategies such as afforestation or



reforestation (e.g. replacing native forests with plantations) to achieve a zero net change in deforestation levels. While this may be more achievable for companies, it has come under scrutiny for issues such as not protecting irreplaceable ecosystems.

- High Conservation Value (HCV) management – the HCV Resource Network defines High Conservation Values as “biological, ecological, social or cultural values which are considered outstandingly significant or critically important, at the national, regional or global level.” The HCVs are further broken down into six values including biodiversity, large landscape-level as well as endangered or rare ecosystems, ecosystem services such as water catchment or the prevention of soil erosion, and sites or resources fundamental to local or indigenous communities as well as sites with cultural, historical, or archaeological significance.<sup>16</sup>
- High Carbon Stock (HCS) management – loosely defined as areas of an ecosystem that are of particular significance for the stock of carbon they represent. Methodologies and more detailed definitions for HCS are currently being developed by a number of initiatives and organizations.
- No peatland conversion – peatlands or water-logged soil layers represent an important carbon stock composed of partially decayed vegetation or organic matter that takes thousands of years to accumulate. When disturbed, peatlands can become a significant source of carbon emissions. For example, the drainage of peatlands has been linked to palm oil production in Indonesia.
- Avoidance of land area under conservation
- Free, Prior and Informed Consent (FPIC) – FPIC is a concept that has developed over a number of years in international law. It is defined by the Forests Peoples Programme as follows: a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use.<sup>17</sup>
- Legality
- Net positive impact – net positive approaches are emerging from businesses with an ambition to put more back into the environment or society than the company takes out.<sup>18</sup>
- Certification
- Avoidance of CITES listed species – the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), is an international agreement that entered into force in 1975 to ensure that international trade in specimens of wild animals and plants does not threaten their survival. Species are listed in Appendices I, II, and III according to the degree of protection that they need.<sup>19</sup>
- Avoidance of IUCN Red List of Threatened Species – International Union for Conservation of Nature (IUCN), produces The IUCN Red List of Threatened Species highlighting those plant, animal and fungi species evaluated to be

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<sup>16</sup> Brown, E., N. Dudley, A. Lindhe, D.R. Muhtaman, C. Stewart, and T. Synnott (Eds.). 2013. *Common guidance for the identification of High Conservation Values*. Available online at: <https://www.hcvnetwork.org/resources/cg-identification-sep-2014-english>

<sup>17</sup> For more information, please see: <http://www.forestpeoples.org/guiding-principles/free-prior-and-informed-consent-fpic>

<sup>18</sup> The Climate Group, Forum for the Future, WWF-UK. 2014. *Net Positive: A new way of doing business*. Available online at: <http://www.theclimategroup.org/assets/files/Net-Positive.pdf>.

<sup>19</sup> For more information, please see: <http://www.cites.org/eng/disc/what.php>

critically endangered, endangered or vulnerable and provide their taxonomic, conservation status and distribution information.<sup>20</sup>

- **Commodity coverage:** Please indicate which commodities your commitment covers by selecting all that apply. If your organization has made a general commitment to remove deforestation and forest degradation from your direct operations and/or supply chain across all commodity production and/or consumption, please select all commodities that this covers.
- **Operational coverage:** Please indicate the extent to which your commitment covers your direct operations and/or supply chain. You may select multiple options in this column to indicate, for example, that your commitment covers all of your direct operations and entire supply chain across the organization and the commodities you use.
- **% of total production/consumption covered:** Please indicate what percentage of your total production and/or consumption of your selected commodities is covered by your commitment. For example, if your commitment only covers your direct operations, please select the percentage range of total consumption (including consumption in the supply chain) that this represents.
- **Commitment timeframe:** The timeframe refers to the year in which you have committed to achieve the criteria specified. Please select the target year by selecting an option from the drop down menu. If your commitment is not time bound, please select 'No timeframe'.
- **Please explain:** Please use the text box to provide any additional information, including which commodities your organization's commitment covers, using no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

**F8.3 Please explain why your organization has not made a commitment to reduce or remove deforestation and forest degradation from your direct operations and/or supply chain, and whether you plan to do this in the future**

*This question only appears if you select 'No' in question F8.2*

Please complete your response in the table provided in the ORS, reproduced below.

Primary reason for not having made a commitment	Do you plan to introduce a commitment?	Please explain
Select from: <ul style="list-style-type: none"> <li>• No requirement from management</li> <li>• Insufficient knowledge of deforestation impacts from forest risk commodities</li> <li>• Insufficient resources to implement or enforce a commitment</li> <li>• Judged to be unimportant</li> <li>• Other, please specify</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Yes</li> <li>• No</li> </ul>	Text box  Enter text no more than 2,400 characters.

The aim of this question is to understand the challenges that are preventing your organization from making a commitment to reduce or remove deforestation from your direct operations and/or supply chains.

Guidance on responding to each of the columns is provided below:

<sup>20</sup> For more information, please see: <http://www.iucnredlist.org>

- **Primary reason for not having made a commitment:** Please choose the option from the drop down menu that best describes the reason why your organization has not made a commitment. If none of the available options are suitable, please select 'Other' and a text box will appear for you to complete.
- **Do you plan to introduce a commitment?** Please indicate if your organization has any plans to introduce a commitment. Please select 'Yes' only if your organization has already developed plans or has agreed to a future commitment. Otherwise please select 'No', even if your organization is looking to formulate a commitment at some point in the future but it is not within this reporting period.
- **Please explain:** Please use the text box to provide any additional information on the challenges you face in implementing a commitment or your plans to introduce a commitment. Please use no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

#### F8.4 Do you have commodity specific sustainability policies?

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	Commodity specific sustainability policies?	Criteria	Cut-off date, if applicable	Please explain
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"> <li>• Yes</li> <li>• No</li> </ul>	Select all that apply: <ul style="list-style-type: none"> <li>• Not applicable</li> <li>• Zero deforestation and forest degradation</li> <li>• Zero net deforestation and forest degradation</li> <li>• High Conservation Value (HCV) management</li> <li>• High Carbon Stock (HCS) management</li> <li>• No peatland conversion</li> <li>• Avoidance of land area under conservation</li> <li>• Free, Prior and Informed Consent (FPIC)</li> <li>• Legality</li> <li>• Net positive impact</li> <li>• Certification</li> <li>• Avoidance of CITES listed species</li> <li>• Avoidance of IUCN Red List of Threatened Species</li> <li>• Other, please specify</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Not applicable</li> <li>• No cut-off date</li> <li>• Don't know</li> <li>• 1994</li> <li>• 1995</li> <li>• 1996</li> <li>• 1997</li> <li>• 1998</li> <li>• 1999</li> <li>• 2000</li> <li>• 2001</li> <li>• 2002</li> <li>• 2003</li> <li>• 2004</li> <li>• 2005</li> <li>• 2006</li> <li>• 2007</li> <li>• 2008</li> <li>• 2009</li> <li>• 2010</li> <li>• 2011</li> <li>• 2012</li> <li>• 2013</li> <li>• 2014</li> <li>• 2015</li> </ul>	Text box  Enter text no more than 2,400 characters.

To realize the overarching commitments to reduce or remove deforestation and forest degradation from global value chains, many organizations have commodity specific policies in place to govern their production or sourcing of these commodities.

Commodity-specific policies may be linked to time bound commitments, in which case you may have disclosed some of this information in F8.2a, or they may be open-ended policies. In this question, please disclose whether or not you have commodity specific policies in place for each of your selected commodities.

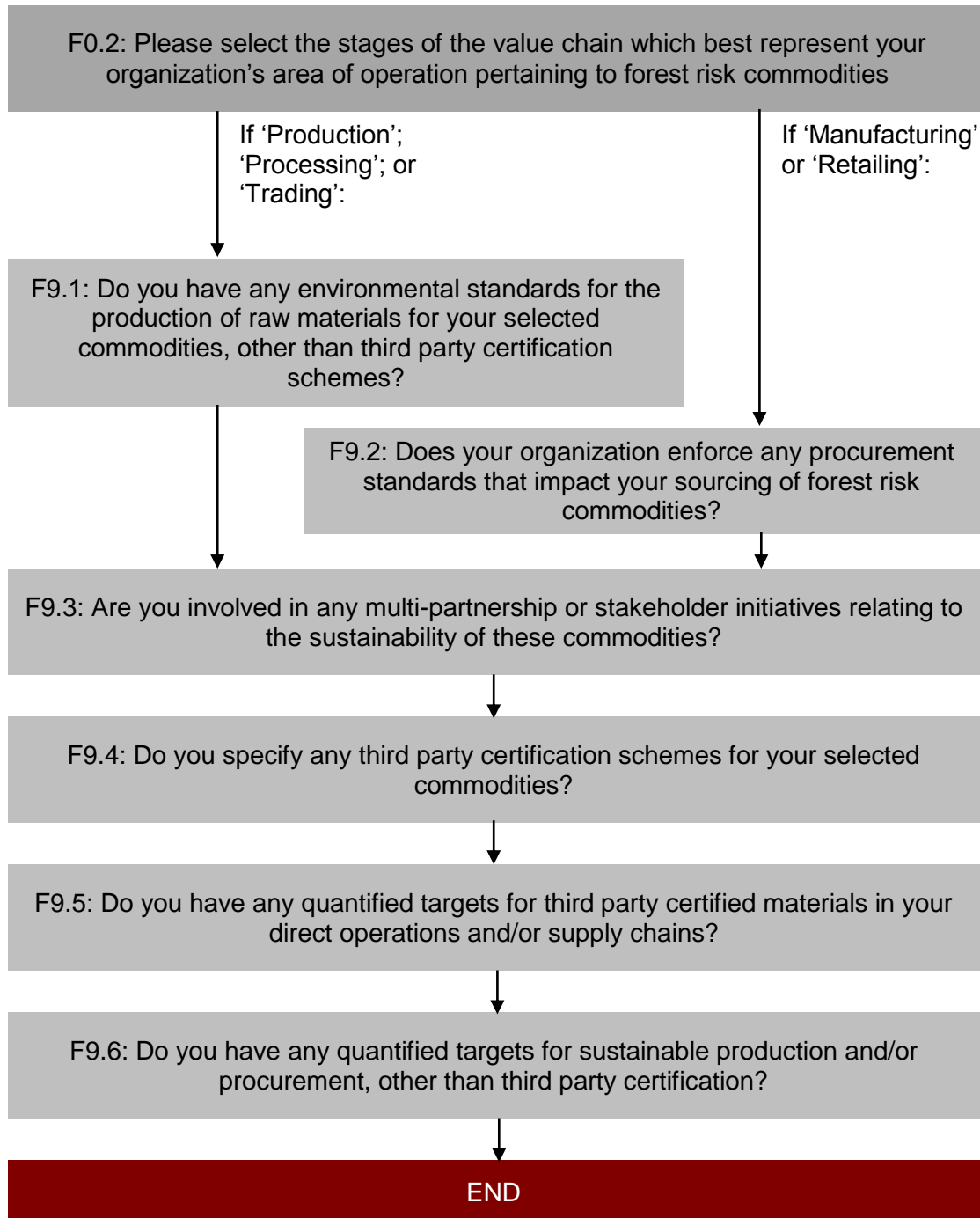
Guidance on responding to each of the columns is provided below:

- **Commodity specific sustainability policy?** Please select whether or not you have a commodity specific policy in place for each of your selected commodities. If you select 'No' in this column, please select 'Not applicable' in the subsequent columns.
- **Criteria:** Please see guidance for question F8.2a. If you do not have a commodity specific sustainability policy for any of your selected commodities, please select 'Not applicable'.
- **Cut-off date, if applicable:** the cut-off date refers to the date after which your commodity production or sourcing has been required to be compliant with the criteria specified for each commodity. If your organization is relying on third party sustainability criteria, such as being FSC or RSPO certified, you should use the cut-off date specified by that standard. For example, for paper to be FSC certified, it must have come from an area of land that has not been converted from natural forest since 1994, according to FSC principles and criteria.
- **Please explain:** Please use the text box to provide any additional information on your commodity specific policies. If you do not have commodity specific policies in place, please provide an explanation as to why not. Please use no more than 2,400 characters for your answer. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

# F9. Standards and targets

## Question Pathway

The following questions are shown on the Standards and targets page, and are driven by your selection in question F0.2 on the Introduction page.



## General Guidance

This module aims to identify whether your organization has specific production or procurement standards for each forest risk commodity that clearly define expectations from suppliers in terms of product specification, traceability and transparency, and commitment to improvement. This is particularly important for companies sourcing forest risk commodities from countries exposed to high risk of deforestation, such as Indonesia or Brazil. Commodities which may be sourced, directly or indirectly, from recently deforested land represent a deforestation risk for a business. Companies are more likely to be exposed to higher levels of deforestation risk if there is a lack of traceability in the value chain. This may result in higher levels of regulatory, operational, and reputational risks from sourcing forest risk commodities.

Credible third party certification processes can provide a valuable method of demonstrating responsible sourcing practices in areas exposed to high risk of deforestation. And while it is acknowledged that standards can be subject to controversy and that there are compromises involved in setting any global growing standards, they can be opportunities for collaboration that could benefit your organization through the improvement of your deforestation risk management strategy and practice

For some forest risk commodities, such as cattle products, third party certification schemes are at a very early stage of development. Alternatively, or as an interim measure, you may decide to implement a more tailored approach to manage and mitigate deforestation risk in your supply chain. This might involve avoidance of materials and/or sources originating from and/or located in areas exposed to high risk of deforestation; a shift towards local sourcing; development of bi-lateral trading with trusted suppliers; or new product development to support substitution with other, lower risk formulations.

Having quantified your commodity exposure in the Measuring and monitoring module and having set out your policies on the previous pages, the next step should be to set standards and targets and gather data to determine what proportion of your current operations or purchasing meets your policies and production or procurement standards.

This information, in addition to input from NGOs and other stakeholders, can help to inform your target setting. The targets you define should allow you to achieve your production or purchasing standards, ultimately aiming for 100% deforestation-free materials. Critically, putting in place systems for ongoing data-collection will enable you to track progress within your supply chain or operational systems.

Tables in this module feature the commodities that you have selected in question F0.6 on the introduction page. If you wish to add a commodity please go back to the introduction page, tick the commodity you wish to add and click save. Please note, however, that if you untick one of the commodities in question F0.6 for which you have already added data in fixed row tables this data will be lost. If you have added rows in any tables for this commodity, you must return to those tables and delete the row manually to remove the data.

*General references to external sources such as sustainability reports should not be provided in your response. Instead, please respond to each question within the allocated text box in the ORS. If you feel you must reference a sustainability report or external document and attach it to the bottom of the page, please provide a specific page reference to allow investors and other data users to easily access the information.*

## Key changes from 2015

- The final column headers for questions F9.2, F9.5, and F9.6 have been changed from 'Comment' to 'Please explain' to indicate that the responses will be scored in accordance with the 2016 scoring methodology.
- In question F9.4, the drop down menus for the 'Specify third party certification schemes?', '% of total production/ consumption certified', and the 'Certification scheme breakdown' columns have been updated.

- In question F9.5, the drop down menus for the 'Quantified targets for third party certification?', 'Certification scheme breakdown', and '% of materials third party certified in target year' columns have been updated.
- In question F9.6, the drop down menu for the '% of materials to meet requirements in target year' column has been updated.

### **Pre-population of responses from 2015**

If you responded to forests last year, you can automatically populate the following questions with last year's response by clicking the "copy from last year" button at the bottom of the relevant page in the ORS, prior to completing any fields. You can then modify last year's response as needed. You must click "copy from last year" before completing any fields on each page of the ORS where this function has been enabled.

- The copy from last year function has been provided for questions F9.1, F9.2, F9.6, and selected columns in F9.3 and F9.5.

**Please always remember to review your pre-populated selections to make sure they are still appropriate for 2016.** This is particularly important if new data points have been added to questions or if drop down lists have been updated. Regarding the latter, if you selected 'Other' to provide a different category from the drop down list in 2015, you may find that your category has now been included in the 2016 drop down list. We request that companies use the categories provided for selection as much as possible as this greatly assists investors with data analysis.

## Specific Question Guidance

Please note that questions F9.1 and F9.2 on the Standards and targets page are driven by your response to question F0.2 on which stage(s) of the value chain best represent your organization's area of operation pertaining to forest risk commodities

### F9.1 Do you have any environmental standards for the production of raw materials for your selected commodities, other than third party certification schemes?

This question only appears if you select 'Production', 'Processing' or 'Trading' in question F0.2

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	Production standards in place?	Please describe your production standards	Comment
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"><li>• Yes</li><li>• No</li><li>• Don't know</li></ul>	Text box  Enter text no more than 2,400 characters.	Text box  Enter text no more than 2,400 characters.

This question is asking for you to identify environmental production standards for your selected commodities rather than broader, overarching company policies or commodity specific policies relating to the reduction or removal of deforestation from your value chain. Standards are a set of measurable criteria defining good social and environmental practices for a product or industry.

Companies involved in the production and processing of these commodities can and should outline the environmental principles they will follow in the production process. Commodity traders may not have absolute control over the production or processing stages. However, they are able to dictate the quality of the product they buy and sell. Commodity markets are a crucial bottleneck for traceability and assurances of sustainable production given that, often, sustainable commodities are mixed with unsustainable commodities at this stage in the value chain. This has an impact further upstream, where retailers lose the ability to oversee their supply chain and its environmental impact. Producers, processors and traders can ensure that the commodities that reach the market are the product of sustainable forest management practices through the setting of production standards.

If your standards revolve around the specification of third party certification, please note that you will be able to disclose which schemes you specify and the proportion of your commodity production or use that meets this standard in detail in question F9.4. If there are no widely accepted certification schemes for your selected commodity or you have chosen an alternative standard (such as GMO), please explain your chosen standards in this question.



## 9.2 Does your organization enforce any procurement standards that impact your sourcing of forest risk commodities?

*This question only appears if you select 'Manufacturing' or 'Retailing' in question F0.2*

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	Procurement standards in place?	Monitor compliance?	Impact on sourcing activities	Please explain
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"> <li>• Yes</li> <li>• No</li> <li>• Don't know</li> </ul>	Select from: <ul style="list-style-type: none"> <li>• Yes</li> <li>• No</li> <li>• Don't know</li> </ul>	Select all that apply: <ul style="list-style-type: none"> <li>• Factored into supplier selection process</li> <li>• Impact on supplier engagement strategy</li> <li>• No impact</li> <li>• Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.

As manufacturers and retailers, unless you are a vertically integrated organization, your sphere of influence may not encompass the tier 3 suppliers producing the commodity inputs of the products you produce or sell. Nevertheless, the procurement standards set by your organization will send market signals to your suppliers, which will have an indirect impact on the production standards on the ground.

If you are a vertically integrated organization, and have therefore selected multiple stages of the value chain in F0.2, you may still have standards in place that impact on your supplier engagement or selection process. Please use question F9.1 in combination with this question to disclose your production and procurement standards.

Guidance on responding to each of the columns is provided below:

- **Procurement standards in place?** Please indicate if you have procurement standard(s) in place for each of your selected commodities by selecting an option from the drop down menu.
- **Monitor compliance?** Please indicate if you have a system or procedures in place to monitor whether your suppliers are in compliance with your procurement standards. Compliance monitoring can be undertaken through regular audits or on an ad hoc basis and may involve site visits or supplier questionnaires, among other strategies. It may also be that compliance with your procurement standards is a requirement in the supplier selection process. If this is the case, please select 'Yes' and select or provide the relevant impact on sourcing activities in the next column.
- **Impact on sourcing activities:** Please indicate if the outcome of monitoring of your suppliers for compliance with your procurement standard(s) has an impact on the way in which you source your selected commodities by selecting all options that apply. It may be factored into your supplier selection process or it may impact how you engage with your suppliers. For example, your organization may provide training for existing suppliers found to be noncompliant with your standards. If none of the available options are suitable, or you would like to add other options, please select 'Other' and a text box will appear for you to complete.
- **Please explain:** Please use the text box to provide any additional information on your procurement standards, such as the environmental and social criteria specified by the standards, or the frequency and system of monitoring compliance you have in place. Please use no more than 2,400 characters for your answer. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

The following questions will be presented to all responding companies, regardless of your response to question F0.2

**F9.3 Are you involved in any multi-partnership or stakeholder initiatives relating to the sustainability of these commodities? Please describe your role**

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the each of your selected commodities by adding a new row. To add a row, use the “Add Row” button to the bottom right of the table.

Forest risk commodity	Involved in initiatives?	Initiatives	Please explain
Select from:  Forest risk commodities selected in F0.6	Select from: <ul style="list-style-type: none"> <li>Yes</li> <li>No</li> </ul>	Select all that apply: <b>Timber</b> <ul style="list-style-type: none"> <li>FSC</li> <li>PEFC</li> <li>WWF Global Forest &amp; Trade Network (GFTN)</li> <li>The Consumer Good Forum (CGF)</li> <li>WBCSD Forests Solutions Group</li> <li>Forests Dialogue</li> <li>UN Global Compact</li> <li>Sustainable Packaging Coalition (SPC)</li> <li>Tropical Forest Alliance (TFA)</li> <li>Sustainable Forestry Initiative (SFI)</li> <li>AMERIPEN</li> <li>EUROPEN</li> <li>PREPS</li> <li>Global Environmental Management Initiative</li> <li>Sustainable Purchasing Leadership Council SPLC</li> <li>Timber Trade Federation (TTF)</li> <li>World Resource Group Customer Consultative Group</li> <li>Roundtable on Sustainable Biomaterials (RSB)</li> </ul> <b>Palm Oil</b> <ul style="list-style-type: none"> <li>Roundtable on Sustainable Palm Oil (RSPO)</li> <li>The Consumer Goods Forum (CGF)</li> <li>Roundtable on Sustainable Biomaterials (RSB)</li> <li>Tropical Forest Alliance (TFA)</li> <li>Palm Oil Innovation Group (POIG)</li> </ul> <b>Cattle</b> <ul style="list-style-type: none"> <li>Leather Working Group (LWG)</li> <li>Global Roundtable for Sustainable Beef (GRSB)</li> <li>Brazilian Roundtable on Sustainable Livestock (GTPS)</li> <li>Tropical Forest Alliance (TFA)</li> <li>Sustainable Restaurant Association</li> <li>Sustainable Agriculture Initiative (SAI)</li> <li>The Consumer Goods Forum (CGF)</li> <li>Sustainable Agriculture Initiative (SAI)</li> <li>Sustainable Apparel Coalition (SAC)</li> <li>Roundtable on Sustainable Biomaterials (RSB)</li> </ul> <b>Soy</b> <ul style="list-style-type: none"> <li>Roundtable on Sustainable Soy (RTRS)</li> <li>The Consumer Goods Forum (CGF)</li> <li>Sustainable Agricultural Initiative (SAI)</li> <li>Tropical Forest Alliance (TFA)</li> <li>Roundtable on Sustainable Biomaterials (RSB)</li> </ul>	Text box  See table below for a sample response.  Enter text no more than 2400 characters.

		Not applicable Other, please specify.	
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Add Row

For each of your selected commodities please indicate whether you are involved in any multi-partnership or stakeholder initiatives relating to the sustainability of these commodities, other than being third party certified. Getting involved in multi-stakeholder initiatives can offer opportunities for collaboration that could benefit your organization through the improvement of your deforestation risk management strategy and practice. They may also be opportunities to drive innovation in the market as well as for finding solutions to the challenges associated with the production and sourcing of sustainable materials.

Guidance on responding to each of the columns has been provided below:

- **Involved in initiatives?** Please indicate if your organization is involved in multi-stakeholder initiatives regarding each of your selected commodities by selecting 'Yes' or 'No'.
- **Initiatives:** CDP has provided an extensive, albeit non-exhaustive, list of initiatives for responding companies to choose from. A full list of the options available is included in the table reproduction above. If you are involved in more than one initiative for each selected commodity, you may select all that apply. If none of the available options are suitable, or you would like to add another initiative please select 'Other' and a text box will appear for you to complete. If you are not involved in initiatives for any of your selected commodities, please select 'Not applicable'.
- **Please explain:** Please use the text box to provide additional information on your involvement in the selected initiatives, using no more than 2,400 characters. Additional information might include information on your role within one of these initiatives, such as your role in developing the scheme or finding solutions for the provision of a sustainable supply of the commodities. If you selected multiple initiatives in the previous column, please address your role within each of them in this column. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

### ***F9.3 Sample Response – for guidance only***

<i>Forest risk commodity</i>	<i>Involved in initiatives?</i>	<i>Initiatives</i>	<i>Please explain</i>
<i>Cattle Products</i>	<i>Yes</i>	<i>Leather Working Group (LWG)</i>	<i>We have been a member of the LWG since January 2011. As a member, we audit the environmental practices of the tanneries within our supply chain and in 2012 received the Gold LWG tannery award.</i>

**F9.4 Do you specify any third party certification schemes for your selected commodities? Please indicate the percentage of total production and/or consumption currently certified**

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the each of your selected commodities by adding a new row. To add a row, use the “Add Row” button to the bottom right of the table.

Forest risk commodity	Specify third party certification schemes?	% of total production/ consumption certified	Certification scheme breakdown	Please explain
Select from:  Forest risk commodities selected in F0.6	Select all that apply: <b>Timber</b> <ul style="list-style-type: none"> <li>• FSC</li> <li>• PEFC</li> <li>• SFI</li> <li>• Cerflor</li> <li>• Rainforest Alliance (RA)</li> <li>• Canadian Standards Association (CSA)</li> <li>• Australian Forestry Standard (AFS)</li> <li>• American Forest Foundation Tree Farm System</li> </ul> <b>Palm Oil</b> <ul style="list-style-type: none"> <li>• RSPO</li> <li>• International Sustainability and Carbon Certification (ISCC)</li> <li>• RA Sustainable Agriculture Network (SAN) standard</li> <li>• Indonesian Sustainable Palm Oil Standard (ISPO)</li> </ul> <b>Cattle Products</b> <ul style="list-style-type: none"> <li>• RA Sustainable Agriculture Network Standard (SAN)</li> </ul> <b>Soy</b> <ul style="list-style-type: none"> <li>• RTRS</li> <li>• Identity Preserved</li> <li>• ProTerra certification</li> <li>• International Sustainability and Carbon Certification (ISCC)</li> <li>• No certification schemes specified</li> </ul> Other, please specify	Select from: <ul style="list-style-type: none"> <li>• &lt;10%</li> <li>• 10-20%</li> <li>• 21-30%</li> <li>• 31-40%</li> <li>• 41-50%</li> <li>• 51-60%</li> <li>• 61-70%</li> <li>• 71-80%</li> <li>• 81-90%</li> <li>• 91-99%</li> <li>• 100%</li> <li>• Don't know</li> <li>• Not applicable</li> </ul>	Select all that apply: <b>Timber</b> <ul style="list-style-type: none"> <li>• FSC Forest Management certification</li> <li>• FSC Chain of Custody</li> <li>• FSC Controlled Wood</li> <li>• FSC Group certification</li> <li>• FSC SMLIF (small or low-intensity managed forest)</li> <li>• FSC Recycled</li> <li>• PEFC Sustainable Forest Management certification</li> <li>• PEFC Chain of Custody</li> <li>• PEFC Project Chain of Custody</li> <li>• PEFC Group certification</li> <li>• SFI Forest Management certification</li> <li>• SFI Chain of Custody</li> <li>• SFI Fiber Sourcing certification</li> <li>• RA SmartWood</li> <li>• RA SmartLogging</li> </ul> <b>Palm Oil</b> <ul style="list-style-type: none"> <li>• RSPO producer/grower certification</li> <li>• RSPO GreenPalm</li> <li>• RSPO Mass Balance</li> <li>• RSPO Segregated</li> <li>• RSPO Identity Preserved</li> </ul> <b>Cattle products</b> <ul style="list-style-type: none"> <li>• RA SAN Standard for Sustainable Cattle Production Systems</li> <li>• RA SAN Chain of Custody</li> </ul> <b>Soy</b> <ul style="list-style-type: none"> <li>• RTRS Chain of Custody</li> <li>• RTRS Standard for Responsible Soy Production</li> <li>• RTRS certificate trading</li> </ul> Not applicable Other, please specify	Text box  See table below for a sample response.  Enter text no more than 2,400 characters.

Add Row

Guidance on responding to each of the columns is provided below:

- Specify certification schemes?** CDP has provided a list of certification systems for responding companies to choose from. A full list of the options available is included in the table reproduction above. If you specify more than one kind of certification system for each selected commodity, you may select all that apply. Please ensure that you respond to this question for each of your selected commodities by adding a new row for each. If you do not specify certification systems for one or more of your selected commodities, please add a new row and select 'No certification schemes specified'. If none of the available options are suitable, or you would like to add another scheme, please select 'Other' and a text box will appear for you to complete. Please note that as third party certification schemes vary in their ability to manage deforestation risk, CDP reserves the right to differentiate in how these schemes are scored.
- % of total production/consumption certified:** Please indicate how much of your production and/or consumption of the selected commodity is currently certified to the system(s) selected in the previous column by selecting a percentage range. If you select multiple certification schemes, please provide a breakdown of how much of the percentage indicated in this column is certified to each scheme in the 'Please explain' column. The % disclosed in this column should refer to the % of total production/consumption certified out of total production or consumption of all forms of your commodity, if applicable. Additional information, including distinct levels of certification for different commodity forms or uses, should be disclosed in the 'Please explain' column. If your organization is both a producer and consumer of the selected commodity, please use the "Add Row" button on the bottom right of the table to add a new row to separate each activity. A sample response is provided below.
- Certification breakdown:** Many certification systems offer multiple certification schemes, with varying levels of sustainability assurances and guarantees of traceability. For example, FSC certification can be to the Controlled Wood or to the Forest Management standard, which have different implications for the standard of production. Please select the certification schemes within the certification systems you selected in column 2 that you specify for each of your selected commodities. If none of the available options are suitable, or you would like to add another scheme, please select 'Other' and a text box will appear for you to complete. If you indicate in column 2 that you do not specify certifications schemes for any of your selected commodities, please select 'Not applicable' in this column.
- Please explain:** Please use the text box to provide an explanation of the level of certification of your materials in the reporting year. Details should include a breakdown of the percentage range selected by specific certification schemes, for example, if you specified RSPO certification for 70% of your palm oil use, including RSPO segregated and mass balance certification, you should provide a breakdown of how much of that 70% is RSPO segregated and how much is mass balance certified. A sample response is provided below. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

**F9.4 Sample Response 1 – for guidance only**

<i>Forest risk commodity</i>	<i>Specify certification schemes?</i>	<i>% of total production/ consumption certified</i>	<i>Certification break down</i>	<i>Please explain</i>
<i>Palm oil</i>	<i>RSPO</i>	<i>61-70%</i>	<i>RSPO Mass Balance, RSPO Segregated</i>	<i>Around 70% of our procured palm oil is RSPO certified, of this, 45% is RSPO Mass Balance certified and 25% is certified through RSPO Segregated supply.</i>

**F9.4 Sample Response 2 – for guidance only**

<i>Forest risk commodity</i>	<i>Specify certification schemes?</i>	<i>% of total production/ consumption certified</i>	<i>Certification break down</i>	<i>Please explain</i>
<i>Palm oil</i>	<i>RSPO</i>	<i>61-70%</i>	<i>RSPO producer/grower certification</i>	<i>Around 70% of our oil palm plantations are RSPO producer/grower certified.</i>
<i>Palm oil</i>	<i>RSPO</i>	<i>21-30%</i>	<i>RSPO Mass Balance</i>	<i>Approximately 30% of our sourced palm oil is Mass Balance certified.</i>

### F9.5 Do you have any quantified targets for third party certified materials in your direct operations and/or supply chains?

Please complete your response in the table provided in the ORS, reproduced below. Please respond to this question regarding the each of your selected commodities by adding a new row. To add a row, use the “Add Row” button to the bottom right of the table.

Forest risk commodity	Quantified targets for third party certification?	Certification scheme breakdown	Baseline year	Target year	Coverage	% of materials third party certified in target year	Please explain
Select from:  Forest risk commodities selected in F0.6	Select all that apply:  Timber <ul style="list-style-type: none"> <li>FSC</li> <li>PEFC</li> <li>SFI</li> <li>Cerflor</li> <li>Rainforest Alliance (RA)</li> <li>Canadian Standards Association (CSA)</li> <li>Australian Forestry Standard (AFS)</li> <li>American Forest Foundation Tree Farm System</li> </ul> Palm Oil <ul style="list-style-type: none"> <li>RSPO</li> <li>International Sustainability and Carbon Certification (ISCC)</li> <li>RA Sustainable Agriculture Network (SAN) standard</li> <li>Indonesian Sustainable Palm Oil Standard (ISPO)</li> </ul> Cattle Products <ul style="list-style-type: none"> <li>RA Sustainable Agriculture Network</li> </ul> Soy <ul style="list-style-type: none"> <li>RTRS</li> <li>Identity Preserved</li> <li>ProTerra certification</li> </ul>	Select all that apply:  Timber <ul style="list-style-type: none"> <li>FSC Forest Management certification</li> <li>FSC Chain of Custody</li> <li>FSC Controlled Wood</li> <li>FSC Group certification</li> <li>FSC SMLIF (small or low-intensity managed forest)</li> <li>FSC Recycled</li> <li>PEFC Sustainable Forest Management certification</li> <li>PEFC Chain of Custody</li> <li>PEFC Project Chain of Custody</li> <li>PEFC Group certification</li> <li>SFI Forest Management certification</li> <li>SFI Chain of Custody</li> <li>SFI Fiber Sourcing certification</li> <li>RA SmartWood</li> <li>RA SmartLogging</li> </ul> Palm Oil <ul style="list-style-type: none"> <li>RSPO producer/grower certification</li> <li>RSPO GreenPalm</li> <li>RSPO Mass Balance</li> <li>RSPO Segregated</li> <li>RSPO Identity Preserved</li> </ul> Cattle products <ul style="list-style-type: none"> <li>RA SAN Standard for Sustainable Cattle Production Systems</li> <li>RA SAN Chain of Custody</li> </ul> Soy <ul style="list-style-type: none"> <li>RTRS Chain of Custody</li> </ul>	Numeric field	Numeric field	Select from:  Direct operations  Supply chain  Direct operations and supply chain	Select from: <10% 10-20% 21-30% 31-40% 41-50% 51-60% 61-70% 71-80% 81-90% 91-99% 100% Don't know Not applicable	Text box  See table below for a sample response.  Enter text no more than 2,400 characters.

	<ul style="list-style-type: none"><li>• International Sustainability and Carbon Certification (ISCC)</li><li>• No quantified targets</li><li>• Other, please specify</li></ul>	<ul style="list-style-type: none"><li>• RTRS Standard for Responsible Soy Production</li><li>• RTRS certificate trading</li><li>• Not applicable</li><li>• Other, please specify</li></ul>					
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Add Row



Effective implementation of a deforestation commitment requires a roadmap of specific targets, including interim targets. The level of ambition of these targets clearly needs to reflect the urgency of global environmental challenges, but using baseline and risk assessment data to prioritize action in different parts of the business helps to ensure that targets are effective and achievable. How these targets are subsequently embedded and incentivized within the company is key, and can be disclosed on the Engagement page following the Standards and targets page.

Guidance on responding to each of the columns is provided below:

- **Quantified targets for third party certification?** CDP has provided a list of certification systems for responding companies to choose from. A full list of the options available is included in the table reproduction above. If you have a target to specify more than one kind of certification system for each selected commodity, you may select all that apply. Please ensure that you respond to this question for each of your selected commodities by adding a new row for each. If you do not specify quantified targets for certification for one or more of your selected commodities, please add a new row and select 'No quantified targets'. If none of the available options are suitable, or you would like to add another scheme, please select 'Other' and a text box will appear for you to complete.
- **Certification breakdown:** Many certification systems offer multiple certification schemes, with varying levels of sustainability assurances and guarantees of traceability. For example, FSC certification can be to the Controlled Wood or to the Forest Management standard, which have different implications for the standard of production. Please select the certification schemes within the certification systems you selected in column 2 that you specify in your targets. If none of the available options are suitable, or you would like to add another scheme, please select 'Other' and a text box will appear for you to complete. If you indicate in column 2 that you do not have quantified targets for any of your selected commodities, please select 'Not applicable' in this column.
- **Baseline year:** Please enter a whole number between 1900 and 2015. If you have a year-on-year rolling target, your base year will be the previous reporting year. If you have a target based on financial years, please enter the year that applies to the end of your previous financial year. If you have a target based on an average (e.g. five year average), please enter the year that applies to the end of the average period.
- **Target year:** Please enter a whole number between 2015 and 2100. If you have a year-on-year rolling target, your target year will be the current reporting year. If you have a target based on financial years, please enter the year that applies to the end of your financial year. If you have a target based on an average (e.g. five years average), please enter the year that applies to the end of the average period.
- **Coverage:** Please indicate the extent to which your target covers your direct operations and/or supply chain. You may select multiple options in this column to indicate, for example, that your target applies all of your direct operations and entire supply chain across the organization.
- **% of materials third party certified in target year:** Please indicate the percentage of your total production and/or consumption which you aim to have third party certified in your target year by selecting a percentage range. The percentage in this column should be an overall target across all forms of the commodity, if applicable. Additional information, including distinct targets for different commodity forms or uses, should be disclosed in the 'Please explain' column.
- **Please explain:** Please use the text box to provide additional information on your targets using no more than 2,400 characters. Details should include a percentage breakdown of any specific certification schemes within your targets, for example, if

you aim to achieve RSPO certification for 100% of your palm oil use, but your target allows for multiple RSPO certification schemes (e.g. segregated and mass balance), please indicate how much of this target will be achieved through RSPO segregated, mass balance or GreenPalm certificates. You should also provide information on any interim targets. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

***F9.5 Sample Response – for guidance only***

<i>Forest risk commodity</i>	<i>Quantified targets for third party certification?</i>	<i>Certification scheme breakdown</i>	<i>Baseline year</i>	<i>Target year</i>	<i>Coverage</i>	<i>% of materials third party certified in target year</i>	<i>Please explain</i>
<i>Timber</i>	<i>Yes</i>	<i>FSC Chain of Custody, FSC Controlled Wood, FSC Group certification</i>	<i>2012</i>	<i>2016</i>	<i>Direct operations and supply chain</i>	<i>41-50%</i>	<i>We have a target to source 100% of our purchased paper and packaging materials across our entire product portfolio from recycled sources or sustainably managed forests by 2017. By 2016, we have a target for 50% of our purchased timber to be FSC certified.</i>

**F9.6 Do you have any quantified targets for sustainable production and/or procurement, other than third party certification?**

Please complete your response in the table provided in the ORS, reproduced below.

Forest risk commodity	Quantified targets for sustainable production/ procurement?	Type of target	Baseline year	Target year	Coverage	% of materials to meet requirements in target year	Please explain
Select from:  Forest risk commodities selected in F0.6	Select from: • Yes • No	Select from: • Sustainable production • Sustainable procurement • Traceability • Not applicable • Other, please specify.	Numeric field	Numeric field	Select from: • Direct operations • Supply chain • Direct operations and supply chain	Select from: <10% 10-20% 21-30% 31-40% 41-50% 51-60% 61-70% 71-80% 81-90% 91-99% 100% Don't know Not applicable	Text box  See table below for a sample response.  Enter text no more than 2,400 characters.

Add Row

In addition to or instead of targets for third party certification, as disclosed in question F9.5, you may have targets for bespoke requirements of sustainable production or procurement, or for traceability through your organization's own monitoring and verification systems. For working definitions of sustainable production and procurement, please refer to the introduction to this document.

Guidance on responding to each of the columns is provided below:

- **Quantified targets for sustainable production/production?** Please indicate if you have any other sustainability targets in place for your selected commodities by selecting 'Yes' or 'No'.
- **Type of target:** Please select the type of target your organization has set for sustainable production or procurement, other than third party certification targets. If none of the available options are suitable, or you would like to add another type of target, please select 'Other' and a text box will appear for you to complete. If you indicate in column 2 that you do not have quantified targets for any of your selected commodities, please select 'Not applicable' in this column.
- **Baseline year:** Please enter a whole number between 1900 and 2015. If you have a year-on-year rolling target, your base year will be the previous reporting year. If you have a target based on financial years, please enter the year that applies to the end of your previous financial year. If you have a target based on an average (e.g. five year average), please enter the year that applies to the end of the average period.
- **Target year:** Please enter a whole number between 2015 and 2100. If you have a year-on-year rolling target, your target year will be the current reporting year. If you have a target based on financial years, please enter the year that applies to the end of your financial year. If you have a target based on an average (e.g. five years average), please enter the year that applies to the end of the average period.
- **Coverage:** Please indicate the extent to which your target covers your direct operations and/or supply chain. You may select multiple options in this column to indicate, for example, that your target applies all of your direct operations and entire supply chain across the organization.

- **% of materials to meet requirements in target year:** Please indicate the percentage of your total production and/or consumption which you aim to have complying with your requirements in your target year by selecting a percentage range.
- **Please explain:** Please use the text box to provide additional information on your targets using no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

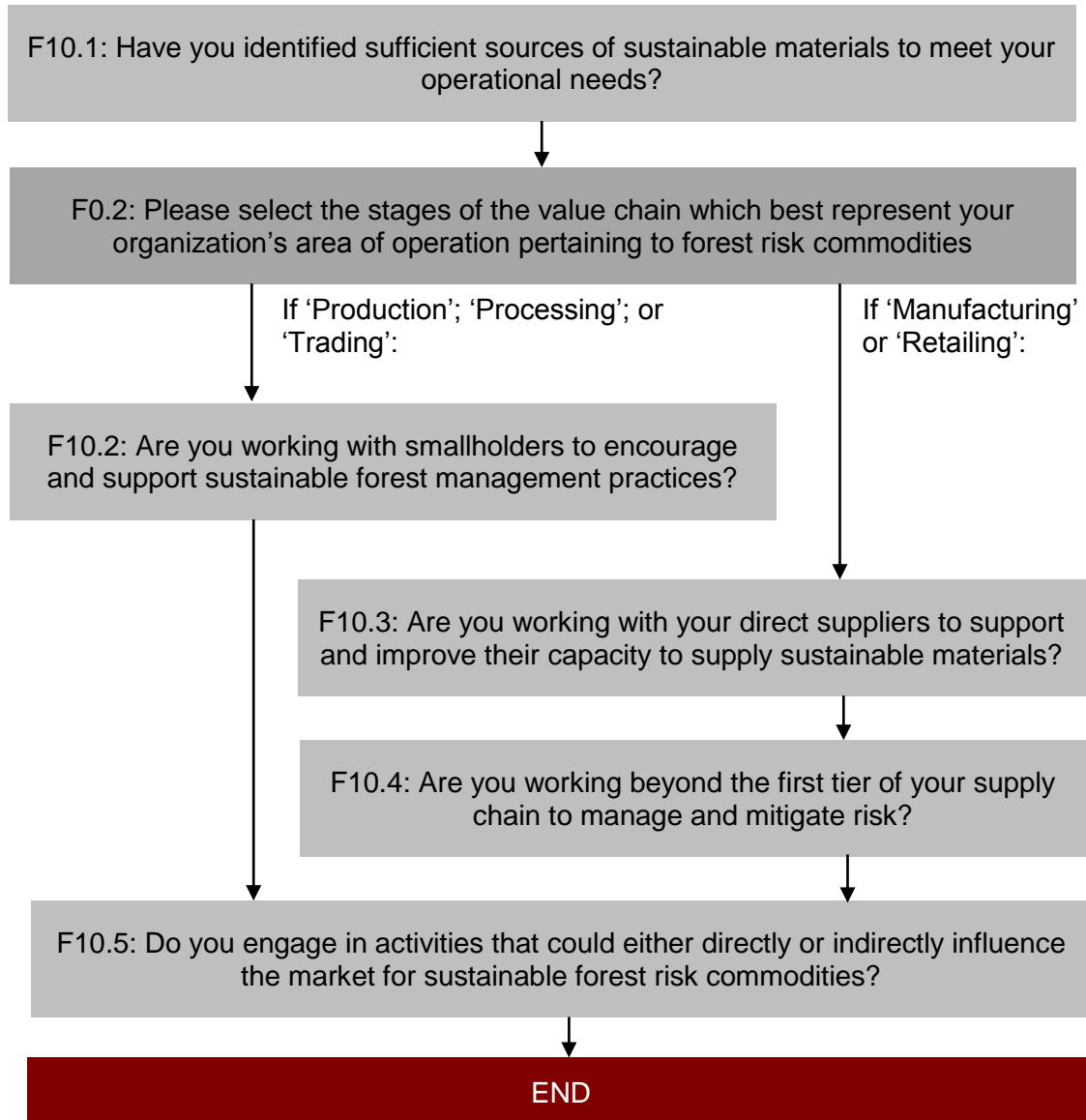
***F9.6 Sample Response – for guidance only***

<i>Forest risk commodity</i>	<i>Quantified targets for sustainable production/ procurement?</i>	<i>Type of target</i>	<i>Baseline year</i>	<i>Target year</i>	<i>Coverage</i>	<i>% of materials to meet requirements in target year</i>	<i>Please explain</i>
<i>Timber</i>	<i>Yes</i>	<i>Sustainable procurement</i>	<i>2014</i>	<i>2017</i>	<i>Supply chain</i>	<i>41-50%</i>	<i>We have a sustainable procurement target to source 100% of our purchased paper and packaging materials across our entire product portfolio from recycled sources or sustainably managed forests by 2017. This target includes a minimum of 50% recycled content.</i>

# F10. Engagement

## Question Pathway

The following questions are shown on the Engagement page, and are driven by your selection in question F0.2 on the Introduction page.



## General Guidance

Having quantified your commodity exposure in the Measuring and monitoring module, set out your policies, standards and targets, and determined what proportion of your current operations or purchasing meets your policies and production or procurement standards, it is crucial to engage with your growers and suppliers to encourage and support them to comply with your standards and meet your targets.

Engagement with growers and suppliers will help you to understand their plans: what steps are they undertaking to move towards meeting your targets? What do they perceive as the barriers? What support do they need?

If you have designed capacity building programs to help your growers and suppliers achieve your targets, please use this module to describe them. These may include specific action plans with individual companies, development of tools or educational information for your suppliers to use, and support for industry-wide or multi-stakeholder programs designed to stimulate the supply of sustainable materials.

Capacity building programs are designed to optimize the operations of an organization. They build on organizational learning to enhance the ability of individuals to evaluate future risk and adapt to change, such that the organization can improve its institutional structures and processes and meet its goals in a sustainable way.

Tables in this module feature the commodities that you have selected in question F0.6 on the introduction page. If you wish to add a commodity please go back to the introduction page, tick the commodity you wish to add and click save. Please note however that if you untick one of the commodities in question F0.6 for which you have already added data in fixed row tables, this data will be lost. If you have added rows in any tables for this commodity, you must return to those tables and delete the row manually to remove the data.

## Key changes from 2015

- The final column header for question F10.3 has been changed from 'Comment' to 'Please explain' to indicate that the responses will be scored in accordance with the 2016 scoring methodology.
- The drop down menu for the 'Criteria' column in question F10.3 has been updated to include 'Not applicable', 'Financial support' and 'Technical support'.

## Pre-population of responses from 2015

If you responded to forests last year, you can automatically populate the following questions with last year's response by clicking the "copy from last year" button at the bottom of the relevant page in the ORS, prior to completing any fields. You can then modify last year's response as needed. You must click "copy from last year" before completing any fields on each page of the ORS where this function has been enabled.

- The copy from last year function has been provided for questions F10.2, F10.3, F10.4, and F10.5.

**Please always remember to review your pre-populated selections to make sure they are still appropriate for 2016.** This is particularly important if new data points have been added to questions or if drop down lists have been updated. Regarding the latter, if you selected 'Other' to provide a different category from the drop down list in 2015, you may find that your category has now been included in the 2016 drop down list. We request that companies use the categories provided for selection as much as possible as this greatly assists investors with data analysis.

## Specific Question Guidance

### **F10.1 Have you identified sufficient sources of sustainable materials to meet your operational needs? Please explain what you are doing to ensure security/continuity of supply**

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	Current demand	Future demand	Actions to ensure security/continuity of supply	Please explain
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"> <li>Yes</li> <li>No</li> </ul>	Select from: <ul style="list-style-type: none"> <li>Yes</li> <li>No</li> </ul>	Select all that apply: <ul style="list-style-type: none"> <li>Supplier improvement plans to increase capacity of supply</li> <li>Engaging in capacity building activities in the value chain</li> <li>Other, please specify</li> </ul>	Text box  Enter text no more than 2,400 characters.

This question allows you to identify if there are any supply side challenges to moving your direct operations and/or supply chains to more sustainable sources of materials. Please consider if these challenges are affecting your organization already and if you have been able to identify sufficient sources to meet your future demands. Your response to this question should be built on your responses in the Current state, Risks, and Governance and strategy pages. If you have identified past or current impacts on your organization related to forest risk commodities, you have identified risks related to the availability or quality of the commodities you source, and consider how deforestation related risks may impact your growth strategy that should be reflected in your response to this question.

If you have identified current or future challenges with the availability of sustainable materials, please describe what your organization is doing to increase its own capacity and ensure the continuity and security of supply for your selected commodities.

Please select any or all actions that your organization has undertaken from the drop down list in column 4. If none of the available options are suitable, or you would like to add another action that you have undertaken, please select 'Other' and a text box will appear for you to complete.

Please use the text box to provide any additional information on your actions to ensure the current and future security of supply for your selected commodities using no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

*Please note that some questions on the Engagement page are driven by your response to question F0.2 on which stage(s) of the value chain best represent your organization's area of operation pertaining to forest risk commodities*

## F10.2 Are you working with smallholders to encourage and support sustainable forest management practices?

*This question only appears if you select 'Production', 'Processing' or 'Trading' in question F0.2*

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	Working with smallholders?	Please explain
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"><li>• Working with smallholders</li><li>• Not working with smallholders</li><li>• Do not source from smallholders</li></ul>	Text box  Enter text no more than 2,400 characters.

It is acknowledged that producers, processors and traders of raw materials are often better placed to have control over or impact activities on the ground. In addition, the production of commodities such as palm oil can compete with activities in forested ecosystems by other stakeholders, potentially increasing the risk of deforestation. The production of these commodities may also offer an opportunity for engaging with local stakeholders to drive economic development. It may also be the case the situation on the ground in many countries calls for work with smallholders to source your materials sustainably.

For a variety of reasons including those listed above, CDP considers it important for producers, processors, traders, as well as vertically integrated companies engaging in such activities to work with smallholders. While it is recognized that not all companies source from smallholders, it is crucial to engage with them both to understand your organization's exposure to deforestation risk and to encourage the implementation of sustainable forest management practices in the regions in which you operate.

Guidance on responding to each of the columns is provided below:

- **Working with smallholders?** Please indicate if you work with smallholders for each of your selected commodities by selecting an option from the drop down menu.
- **Please explain:** Please provide any additional information on your engagement strategy, any specific projects, and impacts of this work using no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.



**F10.3 Are you working with your direct suppliers to support and improve their capacity to supply sustainable materials?**

*This question only appears if you select 'Manufacturing' or 'Retailing' in question F0.2*

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	Working with direct suppliers?	Supplier engagement strategy	Please explain
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"> <li>• Yes</li> <li>• No</li> <li>• Don't know</li> </ul>	Select all that apply: <ul style="list-style-type: none"> <li>• Not applicable</li> <li>• Developing or distributing supply chain mapping tool</li> <li>• Data collection in central database</li> <li>• Encouraging certification</li> <li>• Encouraging work with multi-stakeholder groups</li> <li>• Supplier questionnaires on environmental and social indicators</li> <li>• Workshops and training</li> <li>• Supplier audits</li> <li>• Supplier charters</li> <li>• Contractual agreements</li> <li>• Joint projects</li> <li>• Financial support</li> <li>• Technical support</li> <li>• Other, please specify</li> </ul>	Text box Enter text no more than 2,400 characters

This question refers to efforts to build the capacity of your suppliers to provide you with sustainable materials/products. CDP encourages manufacturers and retailers to engage with their direct suppliers to ensure that the materials provided to them are produced sustainably, and to encourage the improvement of practices on the ground if suppliers are found to be noncompliant with policies, production or procurement standards.

Guidance on responding to each of the columns is provided below:

- **Working with direct suppliers?** Please indicate if you are working with your direct suppliers to build their capacity to meet your demand for sustainable materials in any way by selecting 'Yes' or 'No' from the drop down menu.
- **Supplier engagement strategy:** CDP has provided a list of engagement strategies for responding companies to choose from. A full list of the options available is included in the table reproduction above. If you are employing several strategies for engaging with your suppliers for each selected commodity, you may select all that apply. If none of the available options are suitable, or you would like to add another strategy, please select 'Other' and a text box will appear for you to complete.
- **Please explain:** You may provide any additional information on your supplier engagement strategies using no more than 2,400 characters. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

#### F10.4 Are you working beyond the first tier of your supply chain to manage and mitigate risk?

*This question only appears if you select 'Manufacturing' or 'Retailing' in question F0.2*

Complete the row for each of your selected commodities in the table provided in the ORS, reproduced below.

Forest risk commodity	Work beyond first tier of supply chain?	Please explain
Please note that only the commodities you have selected in response to question F0.6 will appear in this column.	Select from: <ul style="list-style-type: none"><li>• Yes</li><li>• No</li></ul>	Text box  Enter text no more than 2,400 characters.

This question aims to establish whether you are engaging your supply chain beyond your direct or tier 1 suppliers on any of your selected commodities in order to manage and mitigate risk.

Guidance on responding to each of the columns is provided below:

- **Work beyond first tier of supply chain?** Please indicate if you work with your tier 2 and 3 suppliers, or beyond by selecting 'Yes' or 'No' from the drop down menu.
- **Please explain:** Please provide a brief statement outlining what you are doing to engage suppliers and reduce risk, including suppliers beyond the first tier. Examples of work undertaken might include supplier conferences, undertaking factory or farm audits and demonstrating that sourcing agreements or supplier improvement plans are in place. Please use no more than 2,400 characters for your answer.

*The following question will be presented to all responding companies, regardless of your response to question F0.2*

#### F10.5 Do you engage in activities that could either directly or indirectly influence the market for sustainable forest risk commodities?

Please complete your response in the table provided in the ORS, reproduced below.

Activity	Please explain
Select all that apply: <ul style="list-style-type: none"><li>• Increasing demand for sustainable materials</li><li>• Increasing awareness of sustainable materials</li><li>• Raising awareness of the issue of deforestation</li><li>• Engaging with policy makers or governments</li><li>• Not engaging in activities to influence market for sustainable materials</li><li>• Other, please specify</li></ul>	Text box  Enter text no more than 2,400 characters.

A crucial challenge associated with the production and sourcing of sustainable materials is slow uptake by the markets. The costs associated with certified or sustainable materials and price premiums on sustainable or certified materials can have an impact on the ability of producers and retailers alike to stay competitive. It is therefore important to drive supply and demand in the market for sustainable forest risk commodities to encourage the continued production and uptake of sustainable materials.

Please indicate what your organization is doing to influence the market for sustainable materials, either directly or indirectly. CDP has provided a list of activities for responding companies to choose from. If you are employing several strategies, you may select all that

apply. If none of the available options are suitable, or you would like to add another activity, please select 'Other' and a text box will appear for you to complete.

Please provide additional information on your organization's actions to directly or indirectly influence the market for sustainable forest risk commodities. Information may include details of an awareness campaign your organization is running with consumers, or details on the work you are doing to increase demand for sustainable materials in your sector or industry. Please note, your response in this column will be scored in accordance with the 2016 scoring methodology.

# Challenges Module

## F11. Barriers and challenges

### Question Pathway

The following questions are shown on the Barriers and challenges page.

F11.1: Please describe any key barriers or challenges to achieving deforestation free direct operations and supply chains



F11.2: Please describe any measures that would improve your organization's ability to manage deforestation risk



END

## General Guidance

Changing the supply chain for commodities you produce or use is not an easy task and this module aims to gain an understanding as to what obstacles or problems you are facing.

### Key changes from 2015

No questions on this page have been changed.

### Pre-population of responses from 2015

If you responded to forests last year, you can automatically populate the following questions with last year's response by clicking the "copy from last year" button at the bottom of the relevant page in the ORS, prior to completing any fields. You can then modify last year's response as needed. You must click "copy from last year" before completing any fields on each page of the ORS where this function has been enabled.

- The copy from last year function has been provided for questions F11.1 and F11.2.

**Please always remember to review your pre-populated selections to make sure they are still appropriate for 2016.** This is particularly important if new data points have been added to questions or if drop down lists have been updated. Regarding the latter, if you selected 'Other' to provide a different category from the drop down list in 2015, you may find that your category has now been included in the 2016 drop down list. We request that companies use the categories provided for selection as much as possible as this greatly assists investors with data analysis.

## Specific Question Guidance

### **F11.1 Please describe any key barriers or challenges to achieving deforestation free direct operations and supply chains**

Please describe what your organization thinks are the main barriers or challenges to achieving sustainable commodity use. These barriers may be different for each commodity, and may even differ between companies in the same industry sector, but examples might be: a lack of regulation, which means there is currently an uneven playing field with some companies benefitting from making no commitments and paying no premiums; or a lack of supply of the sustainable commodity needed at the quality and price point required.

Please give a text answer using no more than 5,000 characters.

### **F11.2 Please describe any measures that would improve your organization's ability to manage deforestation risk**

Please describe what your organization feels would make the greatest difference in managing these issues and overcoming the barriers you have outlined in F11.1.

Examples might include: greater transparency in order to demonstrate best practice; support from your shareholders for your improved sourcing practices; increased availability; and decreased cost of certified goods.

Please give a text answer using no more than 5,000 characters.

# Sign Off Module

## F12. Sign off

### F12.1 Please provide the following information for the person that has signed off (approved) your CDP forests response

CDP asks companies to identify the person that has signed off (approved) your CDP forests response. This information signals to investors that responsibility is being taken for the response and the information contained therein.

Please provide your response in the table in the ORS and reproduced below.

Name	Job title	Corresponding job category
Text box Enter no more than 200 characters.	Text box Enter no more than 200 characters.	Select from: <ul style="list-style-type: none"><li>• Board chairman</li><li>• Board/Executive board</li><li>• Director on board</li><li>• Chief Executive Officer (CEO)</li><li>• Chief Financial Officer (CFO)</li><li>• Chief Operating Officer (COO)</li><li>• Business unit manager</li><li>• EHS manager</li><li>• Environment/Sustainability manager</li><li>• Facilities manager</li><li>• Process operation manager</li><li>• Procurement manager</li><li>• Public affairs manager</li><li>• Risk manager</li><li>• Other, please specify</li></ul>

This question is not enabled for pre-population.