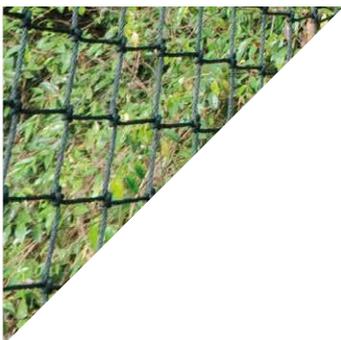


Realizing zero-deforestation:

Transforming supply chains for the future

North America perspective



69%

of reporting companies in North America have committed to reduce or remove deforestation and forest degradation from their supply chain.

With international efforts to address climate change accelerating, reducing deforestation and forest degradation is rising up the global agenda. Agriculture is the direct driver of up to 80% of deforestation worldwide.¹ Suppliers and buyers of key agricultural forest-risk commodities – cattle products, palm oil, timber products and soy – are therefore coming under growing pressure to ensure that their supply chains do not destroy forests.

That pressure is building from their consumers and their investors. This year, 298 investors with US\$19 trillion in assets have requested that companies report data about forest risks through CDP. North American investors are particular active, filing at least 35 shareholder resolutions related to forests since 2012.²

The business world is waking up to these risks in their supply chains. Of the 49 North American companies analyzed as part of the 171 responders in this year's global report, three-quarters (76%) recognize at least one deforestation-linked supply chain risk. Like their global peers, North American companies cite reputational risk more frequently than risks related to operations or regulation. In fact, two thirds of North American companies identify reputational risk related to palm oil.

With 69% of North American respondents reporting

some form of commitment to address forest loss, companies have come to understand the business case for tackling deforestation. Doing so presents opportunities to strengthen the business while managing risk: nearly 80% of North American companies report opportunities related to the sustainable production or sourcing of forest-risk commodities. But the challenge is translating these commitments into action.

CDP's data reveals that businesses are currently only meeting a fraction of the targets that contribute to these commitments. For example, nearly a quarter (22%) of North American companies with commitments to source certified palm oil have yet to get any into their supply chains. Where certified product is being sourced, it often makes up a small portion of a company's supply.³

Implementation is lagging behind

% of companies that run workshops or training for direct suppliers to support and improve their capacity to supply sustainable commodities:



¹ <http://www.sciencedaily.com/releases/2012/09/120925091608.htm>

² <http://www.ceres.org/investor-network/resolutions>

³ Just one third of N.A. companies and one fifth of global companies report that they source the majority of their palm oil from physically certified sources.

35%

of North American companies report Board-level oversight of deforestation risk, compared to 65% globally and more than 80% in Europe.

High-level commitments will not be delivered unless companies work to embed sustainable practices into their procurement processes, and buyers collaborate with their suppliers to build capacity to address the issue. While North American companies report commitments at the same rate as their global peers, they are lagging on implementation. Just one third say that they engage with their smallholder suppliers. Even in cattle supply chains, where North American companies identify increased risk, they are half as likely to engage their supply chain partners through workshops and training as global companies.

Those who are working to realize these ambitious commitments will also need backing from their leadership to do so. While 81% of European companies benefit from Board-level oversight

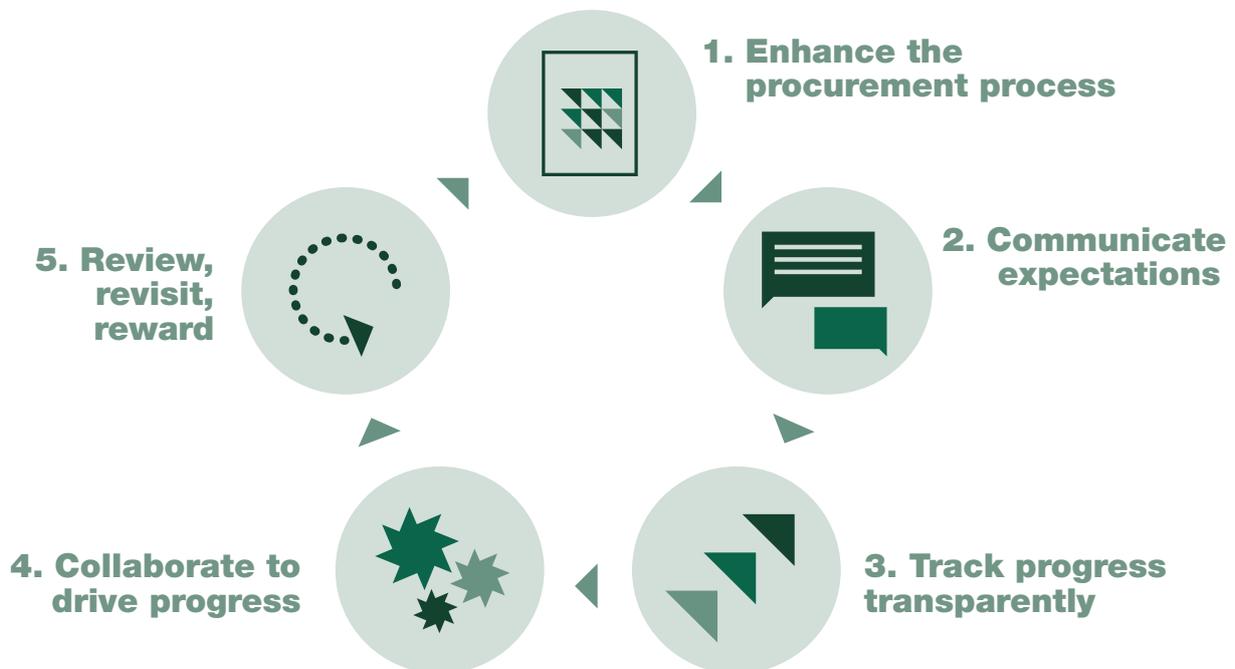
of forests issues, only 35% of North American companies report that their Board takes direct responsibility for deforestation risk.

Still, companies are moving in the right direction. The vast majority of North American manufacturers and retailers (82% across commodities) are reporting to have procurement standards for forest-risk commodities, and they are poised to use them as a factor in supplier selection.

The **global forests report** sets out a five-stage process for companies to help drive deforestation out of their supply chains. This involves enhancing procurement processes, communicating effectively, tracking progress, collaborating along the value chain and reviewing what's working, and what's not.

Supply chain performance plan

How might a buyer of forest-risk commodities ensure that a deforestation commitment is met? An effective supply chain performance plan should contain five components:



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