



Company Assessment Methodology 2017

How are the 250 companies in the Forest 500 assessed?

About the Forest 500:

The Forest 500 is the world's first rainforest rating agency. It identifies and ranks the most influential companies, financial institutions and governments in the race towards a deforestation-free global economy.

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About Global Canopy:

Global Canopy is an innovative environmental organisation that targets the market forces destroying tropical forests. Our mission is to accelerate progress towards a deforestation-free global economy - through improved transparency, innovative finance and strategic communications. Since 2001, we have catalysed new thinking and action by leading governments, companies and investors worldwide. The contents of this report may be used by anyone providing acknowledgement is given to Global Canopy. No representation or warranty (express or implied) is given by Global Canopy or any of its contributors as to the accuracy or completeness of the information and opinions contained in this report. Global Canopy sits under The Global Canopy Foundation, a United Kingdom charitable company limited by guarantee, charity number 1089110

COMPANY ASSESSMENTS

The Forest 500 company assessment methodology is used to annually rank the 250 companies that have the greatest influence within global forest risk commodity (FRC) supply chains. Each year, the below indicators are used to track policy progress towards addressing potential deforestation in palm oil, soy, beef, leather, timber, pulp and paper supply chains, as relevant to each company's operations. For further explanation as to how companies are selected, please see the Forest 500 Selection Methodology^a.

Companies are assessed against four categories. The overall **intent and awareness** of each company is assessed, before the clarity and robustness of **commodity policies** scored. The scope of applicability of commodity policies is subsequently examined along with important social considerations applicable more broadly to each company's **operations**. Finally, the **transparency** of each company in reporting progress against commodity policy implementation is reviewed. Companies are scored out of 100 points, with the following point breakdown forming each score:

POLICY AREA	MAXIMUM POINTS
Intent and Awareness	18
Commodity Policies	50
Operations	16
Reporting and Transparency	16
TOTAL	100

Companies are assessed against the information publicly available on their websites, with the exception of indicators 4.2 and 4.3 which allow progress to also be reported to external sites such as CDP Forests and certification schemes.

CHANGES TO THE ASSESSMENT METHODOLOGY

The methodology has been reviewed by sector experts and the following questions have been refined or added to capture current thinking as to the policies that should be expected of financial institutions investing in or lending to companies involved in agricultural commodity supply chains.

NUMBER	ORIGINAL INDICATOR	CHANGE TO INDICATOR	NEW INDICATOR (IF APPROPRIATE)
2.0	The company has made a commitment to use sustainably produced paper in its office operations.	Original indicator removed.	
2.3 Commodity-specific questions	Timber: Policy commits the company to phase out or exclude the use of all tropical timber, or commits to sourcing all timber from plantations	Original indicator removed.	
4.1	NEW INDICATOR	New indicator added to capture whether commodity policies are quantifiable i.e. time-bound and measurable. Other indicators in the section removed so points not reweighted.	Commodity policies include quantifiable targets.
4.3	The company has a public Code of Conduct for Suppliers	Original indicator removed.	

^a For further details, see the Forest 500 Selection Methodology available here: <http://forest500.org/reports>

INTENT AND AWARENESS

NUMBER	INDICATOR	MAX. POINTS
1.1	Company-wide policy to achieve zero or zero net deforestation for all high risk commodity supply chains	12
Guidance	<p><i>The commitment must be company-wide and apply to at least all relevant high risk commodities, namely soy, palm oil, beef, leather, timber, pulp and paper.</i></p> <p><i>Zero deforestation is understood as no loss of forest anywhere (zero gross deforestation), while zero net deforestation is understood as a commitment to offset forest loss through forest restoration. For timber, pulp and paper companies, whose business is dependent on timber felling, commitment to protect high priority forest areas including high carbon stock and high conservation value areas is sufficient to score points for 'zero' deforestation. Where companies are members of the Consumer Goods Forum or signatories to the New York Declaration on Forests, a commitment to address forest loss related to the company's own operations and supply chains must be stated. Some interpretation has been required where companies have not used the terms 'zero' or 'zero net' in their commitments; for example, commitments to 'eliminate' deforestation are interpreted as zero net.</i></p>	<p><i>Zero deforestation or, for timber, pulp & paper companies only, zero deforestation of HCV and HCS forests: 12 pts</i></p> <p><i>Zero net deforestation or, for soy, palm oil, leather and beef companies, zero deforestation of HCV and HCS forests: 8 pts</i></p> <p><i>No: 0 pts</i></p>
1.2	Awareness of the importance of protecting forest ecosystems	6
Guidance	<p><i>The company demonstrates an understanding of the services forests provide and risks associated with forest conversion, including, but not limited to, for communities, livelihoods, resource and land rights, ecosystems, climate regulation, water security, health security, biodiversity, and/or habitats. Use of the term 'high conservation value forest' is accepted as it implies an understanding of the importance of forests.</i></p>	<p><i>Yes: 6 pts</i></p> <p><i>No: 0 pts</i></p>

COMMODITY POLICIES

Companies are assessed for policies only for commodities relevant to their operations. For each commodity, indicators 2.1 to 2.5 are repeated to assess the content of commodity specific policies for palm oil, soy, leather, beef, timber, pulp and paper. The resulting commodity policy point score is weighted to equal 50% of each company's final score.

Commodity Assessment

Indicators for beef and leather are combined since these products both originate from cattle and therefore face the same sustainability issues. Pulp and paper products are assessed separately from timber, however, due to differences in how they are processed and traded.

Companies are assessed for the commodities relevant to the supply chain(s) for which they were identified as a powerbroker during the selection process plus other high forest risk commodities that the company produces, processes, or uses. In some cases, companies have not been assessed for commodity policies for which they only use very minor volumes. For example, cosmetics companies have not been assessed for soy procurement policies as even though they use soy derivatives, their use comprises too small a proportion of their total forest risk commodity usage to warrant consideration in their role as a powerbroker of zero deforestation within this supply chain. Equally, while all companies are exposed to paper usage through their daily office operations, individually these companies are not powerbrokers in terms of office paper consumption globally and have not, therefore, been assessed for office paper usage.

Additional Indicators

For some commodities, an additional, more specific question (Indicator 2.3) is included where certain issues are at the forefront of the sustainability debate. For example, assessments of palm oil policies include consideration of whether the company has a policy preventing new oil palm plantation development on peatlands.

Subsidiaries

Where holding companies have subsidiaries that operate in different forest risk commodity supply chains, these subsidiaries are assessed for the commodities relevant to their operations. For example, if a holding company operates separate subsidiaries in palm oil and timber, the palm oil subsidiary is assessed for palm oil and the timber subsidiary for timber.

Retailers

Retailers are assessed for private label products rather than products sold by the company but owned and branded by a third party. Retailers are included in the Forest 500 due to market share of own brand banner sales, while third party producers of products are assessed as manufacturers if the company does not directly retail its own goods.

Credible Certification Schemes

Indicator 2.2 refers to the use of 'credible' certification schemes. Credible schemes are defined as multi-stakeholder certification schemes that include civil society in decision-making and exclude the production of commodities from intact forest landscapes, high conservation value areas, primary forests, tropical natural forests, or similar. Global schemes considered credible are FSC, PEFC, RTRS, RSPO, and SAN/Rainforest Alliance.

NUMBER	INDICATOR	MAX. POINTS
2.1	Policy to produce and/or procure sustainably produced commodities	10
Guidance	<i>The company commits to producing or procuring commodities that are 'sustainably' or 'responsibly' produced, or similar language. Where production and/or procurement of a commodity is covered or is planned to be covered by a certification scheme or standard that ensures commodity production occurs in an environmentally and socially considered manner, this is understood as a policy to produce and/or procure sustainably produced products.</i>	Yes: 10 pts No: 0 pts
2.2	Policy to exclude production or use of products originating from intact forest landscapes, high conservation value areas, primary and/or natural forests	10
Guidance	<i>The policy states that the company will not source from any of the above forest definitions or similar. Policies that state the company will or plans to only source commodities whose production is certified by a credible certification scheme that protects one or more of these forest types are accepted. Companies relying on several certification schemes must state a preference for one that is credible. Policies that only apply to products from specific ecosystems or regions, for example the Amazon, to 'rainforests', or to 'high risk areas', are awarded half points.</i>	Yes: 10 pts Regional: 5 pts No: 0 pts
2.3 Commodity-specific questions	Pulp and paper: Policy commits to reduce the amount of virgin wood fibre content used for paper and board materials Palm oil: Policy excludes products originating from new developments of palm oil on high carbon stock areas and/or peatlands of any depth	10
Guidance	<i>Pulp and paper: The policy states the company will reduce the volume of virgin wood fibre used in paper and packaging products through usage of recycled content, efficient use leading to a reduction of material inputs, or use of alternative fibres that consider full life cycle, biodiversity and food security impacts.</i> <i>Palm oil: The policy states the company will not source palm oil produced on high carbon stock land and/or peatlands of any depth (i.e. setting no limit on depth).</i>	Yes: 10 pts No: 0 pts
2.4	Policy commits to develop and implement supply chain traceability systems	10
Guidance	<i>Traceability is considered a precursor for the ability to procure sustainably produced commodities. It is defined as the ability to follow a product back to at least one step removed from production (i.e. mill level for palm oil, paper, and timber products other than roundwood; crushing facility for soy beans; slaughterhouse for cattle), and ideally further. Where it is not clear how far back a company is committing to trace the commodities no points are awarded.</i> <i>To be awarded full points, companies must demonstrate a commitment to developing a company-specific system to achieve full traceability or, as a minimum, full traceability for all high risk tropical forest regions as defined by the company (due to the unique footprint of each company's operations).</i>	Yes: 10 pts Regional or, for retailers only, back to first importer: 5 pts No: 0 pts

	<i>Companies referencing traceability systems for sourcing from a specific region or jurisdiction, where it is not clear whether this covers total sourcing, are awarded half points. Retailers that commit to establishing traceability to at least first importer are also awarded half points.</i>	
2.5	Date of final implementation	10
Guidance	<i>The date of final implementation refers to the date by which the company will achieve its policy assessed under indicator 2.2 (or under 2.3 for palm oil or pulp and paper). Policies with no date of implementation are awarded no points. Policies that are already achieved are considered 'current'.</i>	<i>Current: 10 pts. Then reduced annually to 2020. No points awarded post 2020.</i>

OPERATIONS

NUMBER	INDICATOR	MAX. POINTS
3.1	Policies apply to all company operations	4
Guidance	<p><i>This indicator only applies to existing commodity policies assessed in Section 2. Where policies are included on the parent company's website and do not specifically exclude any operations, the policy is assumed to apply to all operations. Where policies appear on a subsidiary company's website and the subsidiary covers the company's relevant operations, the policy has also been interpreted as applying to all operations. Policies limited in geographical scope i.e. only applying to the Amazon, lose points in section 2 but not here, policies only from one subsidiary or division lose points here.</i></p> <p><i>Companies are awarded full points if all policies apply across all their operations; three points if 50% or more of their policies apply to all their operations; and one point if only one policy applies universally. Where a company has only two policies and one policy applies to all operations, the company is awarded three points rather than one point (since 50% or more of policies apply to all operations).</i></p>	<p>100%: 4 pts ≥50%: 3 pts 1 policy: 1 pt None: 0 pts</p>
3.2	Policies apply to all third party suppliers of the company	4
Guidance	<p><i>This indicator only applies to existing commodity policies assessed in Section 2. It refers to sourcing for the company's own operations and private label brands, but excludes products sold by the company that are owned and branded by third parties.</i></p> <p><i>Policies which do not cover all operations but apply to all suppliers of the subset of operations are awarded points here. Commitments to less than 100% certification or reliance on non-segregated certifications are considered not to apply to all suppliers.</i></p> <p><i>Companies are awarded full points if all policies apply to all suppliers; three points if 50% or more of their policies apply to all suppliers; and one point if one policy applies to all suppliers. Where a company has only two policies and one policy applies to all suppliers, the company is awarded three points rather than one point (since 50% or more of policies apply to all suppliers).</i></p>	<p>100%: 4 pts ≥50%: 3 pts 1 policy: 1 pt None: 0 pts</p>
3.3	Policy to ensure the principles of Free, Prior and Informed Consent (FPIC) are applied for all new developments	4
Guidance	<p><i>For producers, this indicator applies directly to their operations. For operators at later supply chain stages, this is related to commodity sourcing. The policy must not necessarily use the term FPIC, but must outline a process through which all local stakeholders are actively involved and have a say in the decision-making process prior to any new development.</i></p> <p><i>Companies are not awarded points where a policy is associated with only one concession or area; is project-specific or refers to a philanthropic community initiative; or references human rights without any further indication of a process to address these rights. Full points are awarded where 100% of a company's commodity-specific policies have an FPIC requirement or where a company has an overarching policy applicable to all of its supply chains that includes an FPIC requirement; three points are awarded where 50% or more of a company's policies have an FPIC requirement; one point is awarded where only one of a company's policies has an FPIC requirement. Where a company has only two policies and one includes an</i></p>	<p>100%: 4 pts ≥50%: 3 pts 1 policy: 1 pt None: 0 pts</p>

	<i>FPIC requirement, the company is awarded three points rather than one point (since 50% or more of policies include an FPIC component). Where a subsidiary commodity policy is awarded in section 2 points are awarded for an FPIC policy at the same subsidiary.</i>	
3.4	Policy that addresses workers' rights in relation to suppliers	4
Guidance	<p><i>For producers, this should also apply to smallholders or contractors (if applicable). Policies should state the company will require that the standards laid out in the United National International Labor Organization conventions and United Nations Declaration of Human Rights are upheld, or use similar language specifying the fundamental principles and rights at work. These include: freedom of association and recognition of collective bargaining; the elimination of forced labour; the abolition of child labour; and the elimination of discrimination.^b Where one subsidiary is responsible for the company's commodity-usage, the policy may appear on the subsidiary's website rather than the parent company's website.</i></p> <p><i>Full points are awarded where all commodity policies address workers' rights or the company has an overall policy for suppliers that includes workers' rights; three points are awarded where 50% or more of a company's policies address workers' rights; one point is awarded where only one policy addresses workers' rights. Where a company only has two commodity policies and one addresses workers' rights, the company is awarded three points rather than one point (since 50% or more of existing policies address workers' rights). Where a subsidiary commodity policy is awarded in section 2 points are awarded for a workers' rights policy at the same subsidiary.</i></p>	<p>100%: 4 pts ≥50%: 3 pts 1 policy: 1 pt None: 0 pts</p>

REPORTING AND TRANSPARENCY

NUMBER	INDICATOR	MAX. POINTS
4.1	Commodity policies include quantifiable targets	4
Guidance	<p><i>This indicator only applies to existing commodity policies assessed in Section 2. Policies are assessed for whether they include timebound and measurable targets, allowing progress towards implementation to be tracked.</i></p> <p><i>Full points are awarded where a company presents targets for all of its commodity policies; three points are awarded where a company presents targets for 50% or more of its policies; one point is awarded where a company publishes targets for only one commodity. Where a company only has two policies and targets are specified for one policy, it is awarded three points for transparently communicating its targets for 50% or more of its commodity policies.</i></p>	<p>100%: 4 pts ≥50%: 3 pts 1 commodity: 1 pt None: 0 pts</p>

^b ILO Labour Convention. [Online] Available from: <http://ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>

4.2	Progress on policy implementation is reported	4
Guidance	<p><i>This indicator only applies to existing commodity policies assessed in Section 2, progress is reported against the commodity policy implementation. Reporting can be available on the company's own site or via external portals such as CDP^c. To be awarded points, companies must have reported in at least one of the last two reporting periods for RSPO^d (2015 and/or 2016) and CDP (2015 and/or 2016; 2017 if the report has already been released).</i></p> <p><i>Full points are awarded where a company reports progress for all of its commodity policies; three points are awarded where a company reports progress for 50% or more of its policies; one point is awarded where a company reports progress for only one commodity. Where a company only has two policies and reports progress for one policy, it is awarded three points for reporting on 50% or more of its commodity policies.</i></p>	<p>100%: 4 pts ≥50%: 3 pts 1 commodity: 1 pt None: 0 pts</p>
4.3	The volume of commodity production or usage is reported	4
Guidance	<p><i>Reporting can be available on the company's own site or on external portals such as CDP or RSPO. To be awarded points, companies must have reported in at least one of the last two reporting periods for RSPO (2015 and/or 2016) and CDP (2015 and/or 2016; 2017 if the report has already been released).</i></p> <p><i>Full points are awarded where the company reports total volumes as well as proportions or volumes of sustainable commodities for all commodities for which it has commodity-specific policies. Half points are awarded where the company reports either only total volumes or only volumes of sustainable commodities for all commodities for which it has policies, or where the company reports total volumes and the volumes of sustainable commodities but not for all commodities for which it has policies or for all subsidiaries. Points are awarded if a subsidiary that represents the company's major commodity use reports usage and the parent company itself does not.</i></p>	<p>Full reporting: 4 pts Partial reporting: 2 pts None: 0 pts</p>
4.4	Publication of a sustainability report or a dedicated website section covering environmental reporting	4
Guidance	<p><i>The company has published a sustainability report (or joint annual and sustainability report) in 2015 and/or 2016, or has a dedicated CSR section on its website that includes a section that addresses environmental issues in relation to their operations. Points are also awarded where the company has already published a sustainability report in 2017. Report or website must be from the parent or key subsidiary, where the subsidiary covers the company's relevant operations.</i></p>	<p>Yes: 4 pts No: 0 pts</p>

^c CDP. 2017. CDP Forests. Search Responses. [Online] Available from: <https://www.cdp.net/en/forests#a8888e63070314c2285625253a462815>

^d RSPO. 2017. Roundtable on Sustainable Palm Oil. [Online] Available from: <http://www.rspo.org/>

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