



Financial Institution Assessment methodology 2022

How are the 150 financial institutions in the Forest 500 assessed?

About the Forest 500:

Forest 500, a Global Canopy project, identifies and ranks the most influential companies and financial institutions 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. Since 2001, we have been testing new approaches to tackling deforestation, and guiding companies, investors and governments worldwide to think differently about our planet's forests. See: www.globalcanopy.org

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INTRODUCTION

The Forest 500 financial institution assessment methodology is used to annually rank the 150 financial institutions that have the greatest influence within global forest risk commodity (FRC) supply chains. The financial institutions included within the Forest 500 have the power to influence the sustainability of forest risk commodity supply chains through their investments and lendings into the companies with the greatest influence on forest-risk commodity supply chains. By setting clear expectations and engaging with companies involved in agricultural commodity supply chains, financial institutions can help to accelerate the transition towards sustainable production and procurement.

Each year, the below indicators are used to track the progress of financial institution commitments towards addressing deforestation risk in palm oil, soy, beef, leather, timber, and pulp and paper supply chains through their financing activities. For further explanation as to how financial institutions are selected, please see the Forest 500 Selection Methodology¹.

Financial institutions are assessed solely against the information which has been made **publicly available** on their websites. In all cases, only sources published publicly by the financial institution itself are accepted. Wherever possible financial institutions are assessed in their **native language** to allow for subjectivities in language.

The first Forest 500 methodology was created in 2014, and has been reviewed annually by Global Canopy and external experts working on these issues, to ensure that it continues to reflect best practice in company action on deforestation and associated human rights issues. The 2022 Forest 500 financial institution methodology is detailed in full below, and is aligned with the [Finance Sector Roadmap](#) which has been aligned with and endorsed by the Accountability Framework initiative².

¹ For further details, see the Forest 500 Selection Methodology available here: <https://forest500.org/about/how-do-we-rank-500>

² The Accountability Framework initiative (AFi) is a collaborative initiative to accelerate progress and improve accountability for ethical supply chains in agriculture and forestry. The Common Methodology is a methodology for assessment of company progress towards deforestation-free supply chains. to support common and aligned approaches to assessing corporate performance by buyers, investors, financial institutions, and civil society.

FINANCIAL INSTITUTION ASSESSMENTS

How are assessments conducted?

Forest 500 assessments are based solely on publicly available information to encourage greater transparency from financial institutions providing finance to companies operating in forest-risk commodity supply chains. Any information publicly available on the financial institution's websites during the assessment period, scheduled to run from July to September 2022, is considered within the Forest 500 assessments. The assessments will be made publicly available on forest500.org in early 2023.

What is the Forest 500 financial institution assessment methodology based on?

In 2022 the Forest 500 financial institution methodology was aligned with the [Finance Sector Roadmap](#), which defines the best practice approach for financial institutions working to eliminate deforestation, conversion, and associated human rights abuses from their portfolios by 2025. The Finance Sector Roadmap was aligned with and endorsed by the the Accountability Framework Initiative, which outlines the fundamental best practice for companies operating in forest-risk supply chains.

What are financial institutions assessed on?

Financial institutions are assessed against four categories. Their **overall approach, policy strength, associated human rights** (previously called social considerations), and **reporting and Implementation** section. Overall approach is assessed once per financial institution, with the three remaining policy areas assessed once for each of the four forest-risk commodities (cattle products, soy, palm oil, timber products). Scores are automatically calculated according to how answers are categorised by the assessor as per the methodology in this document.

Financial institutions are scored out of 100 points, with the following point breakdown forming each score:

COMMITMENT AREA		WHAT IS ASSESSED?	RELEVANT INDICATORS	MAXIMUM POINTS	TOTAL SCORE
Overall approach (assessed once per financial institution)	Overall approach	The financial institution’s high-level approach on deforestation across the entire organisation.	1.1-1.6	10	10
Commodity score (assessed per commodity)	Policy strength	The ambition and scope of the organisation’s policies on deforestation applicable to their financing activities are assessed for each commodity. The scope of each policy is also assessed.	2.1-2.6, 3.1-3.4	28	90
	Associated human rights (previously called Social Considerations)	The strength of policies (applicable to their financing activities) on human rights issues associated with deforestation, including labour rights, customary rights to land, resources, and territory, and remediation. The scope of each policy is also assessed.	2.7-2.13, 3.1-3.4	27	
	Implementation and Reporting	The organisation’s approach to implementing their policies in their financial portfolios, including their transparency in reporting progress against their policies.	4.1-4.9	35	
Total score	Total			100	100

How are financial institution scores calculated?

Financial institutions receive both a **total Score** and a **commodity Score** for the commodities they are assessed for. The **commodity score** is made up of the answers to 2.1-4.9 for a specific commodity and thus these indicators are repeated once for each of the four commodities a financial institution is assessed for. In addition to the answers to the indicators themselves, which produce the scores for each financial institution, we also collect additional information, noted as ‘Extra Details’ for each indicator which does **not** impact the financial institution’s scores.

To calculate the **total score** for a financial institution, a financial institution’s **commodity scores** (for sections 2-4) are averaged across all four commodities they are assessed for - allowing us to gauge the level of ambition and progress across a financial institution’s entire portfolio.

How does Forest 500 assess different branches of financial institutions?

Forest 500 always assess financial institutions at the parent level first, as we expect these large institutions to have deforestation policies which they apply to all of their financing activities. If we find the parent financial institution does not have any publicly available policies, we will then look to the subsidiaries/branches of the financial institution. The financial institution will lose points for the scope of policies relevant to indicators 2.1-2.13 if the policy is only applicable to a subsidiary or branch of the financial institution.

How are certification schemes considered?

Indicator 2.1 refers to the use of 'credible' certification schemes. For the purpose of this assessment, 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. The credibility of certification schemes are reviewed annually as part of the methodology update.

Global schemes considered credible are FSC and PEFC (for timber and pulp and paper), RTRS (for soy), RSPO, MSPO and Rainforest Alliance (for palm oil).

CHANGES TO THE METHODOLOGY SINCE LAST YEAR

Changes in score

In 2022, the score for **reporting and implementation** was increased, now making up 35% of the score for both individual **commodity scores**, and the **total score** for the financial institution. This change reflects the importance of effective implementation and transparent reporting on that implementation in achieving deforestation-free commodity supply chains and portfolios. The scores for **commitment strength** and **associated human rights** (previously called Social Considerations) decreased slightly correspondingly.

Updated terminology

The Forest 500 financial institution assessments score financial institutions on the policies which they apply to their financing activities. In previous years, the Forest 500 methodology has used the term ‘companies’ to encompass all of a financial institution’s financing activities. From 2022, the Forest 500 financial institution assessment methodology will instead use the term ‘clients/holdings’ to better describe a financial portfolio.

New indicators

This year, the Forest 500 financial institution methodology has added **6** new indicators, which align with the Finance Sector Roadmap and the Accountability Framework. The indicators **added** this year are summarised in the table below:

New Forest 500 financial institution indicators in 2022

2022 INDICATOR NUMBER	INDICATOR TEXT	SCORE
1.5	Is the financial institution involved in any collaborative finance sector initiatives or advocacy for legislation focused on deforestation?	2
1.6	Does the financial institution have a commitment to increase nature- and people- positive investment?	0
2.13	Does the financial institution require the client/holding to have a zero tolerance approach to violence and threats against Forest, Land and Human Rights Defenders?	3
4.1	Does the financial institution assess the client/holdings' exposure to deforestation, conversion, and associated human rights abuse risk in their portfolios at the point of onboarding?	5
4.8	Does the financial institution have a publicly accessible grievance mechanism through which grievances relating to the financial institution or its clients/holdings can be reported?	2
4.9	Does the financial institution require the client/holding to remediate any present or past environmental or social harms related to deforestation, conversion, or associated human rights abuses?	4

Changed Indicators

This year, the Forest 500 financial institution methodology has significantly changed **4** indicators, which continue to align with the Finance Sector Roadmap and the Accountability Framework. The indicators significantly **changed** this year are summarised in the table below.

Changed Forest 500 financial institution indicators in 2022

2022 INDICATOR NUMBER	2021 INDICATOR NUMBER	INDICATOR TEXT		SCORE	HOW HAS THIS INDICATOR CHANGED?
1.2	1.2	2022	Does the financial institution recognise deforestation, conversion, and associated human rights abuses as a business risk?	1pt	The scope of this indicator has been extended to also assess whether financial institutions also identify conversion of natural ecosystems and associated human rights abuses as a business risk.
		2021	Does the financial institution recognise deforestation as a business risk?		
2.3	2.3	2022	Does the financial institution require clients/holdings to trace their commodities back to a point where they can guarantee compliance with their commitments, or to monitor their own operations or suppliers for compliance to ensure that commodities are sourced without impacting priority forests?	3pts	This indicator now explicitly assesses whether financial institutions require clients/holdings to trace their commodities back through the supply chain, as well as assessing for compliance.
		2021	The financial institutions requires companies to monitor their own operations or suppliers for compliance to ensure that commodities are sourced without impacting priority forests.		
2.6	4.1	2022	Does the financial institution have a target date for the full implementation of their policy, or require their clients/holdings to have timebound commitments?	3pts	This indicator now also includes whether the financial institution has its own target date to meet the requirements of indicator 2.1, as opposed to solely requiring this of clients/holdings.
		2021	Does the financial institution have a policy that requires companies' policies to be timebound?		
4.2	4.2, 4.3	2022	Does the financial institution require clients/holdings in its financial portfolios to disclose financed projects/subsidiaries operating in soft commodity supply chains, and/or disclose the locations of the clients/holdings production sites/land holdings or client/holding-owned processing facilities and/or suppliers?	4pts	Indicator 4.2 has merged the 2021 4.2 and 4.3 indicators into one indicator, but the same information is recorded and assessed.
		2021	(4.2) Financial institutions require companies to disclose subsidiaries operating in soft commodity supply chains.		

		(4.3) Does the financial institution require the companies in its financial portfolios to disclose the locations of its production sites/land holdings/company-owned processing facilities and/or its suppliers?		
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Overall Approach

Indicators 1.1 through 1.6 are assessed once per financial institution.

NUMBER	INDICATOR	POINTS
1.1	Does the financial institution have an overarching commitment to remove or reduce the amount of deforestation and/or conversion of all natural ecosystems caused by clients/holdings in their portfolio, or a clear statement of intent to tackle deforestation/conversion?	Total points available: 6 pts
Guidance	<i>Overarching commitments must be financial institution-wide (i.e. must apply to all financing). Conversion-free is understood as no conversion of natural ecosystems anywhere (also referred to as zero/zero gross conversion), deforestation-free is understood as no loss of natural forests anywhere (also referred to as zero/zero gross deforestation), while zero net deforestation is understood as a commitment to offset forest loss through forest restoration.</i>	
Answer options	Conversion-free commitment or a deforestation-free commitment that explicitly includes all other natural ecosystems	6
	Deforestation-free commitment	4
	Zero net deforestation commitment	2
	No overarching commitment	0
1.2	Does the financial institution recognise deforestation, conversion, and associated human rights abuses as a business risk?	Total points available: 1 pt
Guidance	<i>The financial institution recognises that deforestation, conversion, and associated human rights abuses pose a risk to the financial institution itself. Business risk can be recognised in multiple ways, including but not limited to financial, operational, competition, or reputational risk. This risk can be identified using terms including 'risk', 'threat', and 'impact', as well as through language acknowledging the potential future impact of deforestation on the financial institution, including those suggesting that the financial institution is adapting its financing activities to respond to environmental issues caused by deforestation.</i>	
Answer options	Yes	1
	No	0

Extra details	Is the financial risk recognised by the financial institution reputational, financial, material, etc.?	NA
1.3	Does the financial institution have a climate target which includes at least the scope 1 and scope 2 emissions of the clients/holdings in their financial portfolios?	Total points available: 0 pt
Guidance	<p><i>To score 'yes', the financial institution must have a target to reduce their impact on the climate, through greenhouse gas emissions, which explicitly includes the scope 1 and scope 2 emissions of the clients/holdings in their financial portfolios.</i></p> <p><i>To be considered a target, the commitment must have a numerical element, e.g. a measurable target or deadline.</i></p>	
Answer options	Yes	0
	No	0
Extra details	Is this climate target: -absolute zero emissions -net-zero emissions -other or unclear	NA
	What is the target date for the financial institution to achieve their climate target?	NA
	Is the financial institution's climate target aligned with SBTi?	NA
1.4	Does the financial institution require the clients/holdings to have an anti-corruption policy?	Total points available: 1 pt
Guidance	<p><i>To be awarded points, the financial institution must require that clients/holdings in their portfolios have an anti-corruption policy, as well as a policy prohibiting abusive tax arrangements.</i></p> <p><i>Requiring only one of these policies scores half points.</i></p>	
Answer options	Yes, both an anti-corruption policy and a policy on prohibiting abusive tax arrangements	1
	Yes, either an anti-corruption policy or a policy on prohibiting abusive tax arrangements	0.5
	No policy	0

1.5	Is the financial institution involved in any collaborative finance sector initiatives or advocacy for legislation focused on deforestation?	Total points available: 2 pts
Guidance	<i>To be awarded full points, the financial institutions must be involved in advocacy for legislation focused on deforestation, conversion, and associated human rights, and be involved in a collaborative finance-sector initiative focused on these topics. Financial institutions which are only involved in either legislative advocacy or a collaborative initiative can only score half points.</i>	
Answer options	Yes, involved in a collaborative finance sector initiative focused on deforestation	1
	Yes, involved in advocacy for legislation focused on deforestation	1
	No	0
Extra details	Which finance sector initiatives focused on deforestation are they part of?	NA
	In which location? e.g. EU, UK, Brazil, Indonesia, US, etc.	NA
	Does the financial institution engage ESG data providers on the need for better data on deforestation?	NA
	Is a 2025 target date encouraged within the collaborative initiative(s)?	NA
1.6	Does the financial institution have a commitment to increase nature- and people- positive investment?	Total points available: 0 pts
Guidance	<i>To score, the financial institution must commit to increasing nature- and people- positive financing as part of a just transition.</i>	
Answer options	Yes	0
	No	0
Extra details	Is due diligence conducted on these nature- and people- positive activities to ensure they respect the customary rights of Indigenous peoples and local communities?	NA

POLICY STRENGTH

Financial institutions are assessed on the following indicators for all four commodities.

NUMBER	INDICATOR	POINTS
2.1	Does the financial institution have a commodity-specific policy or explicitly states that their overarching policy applies to specific commodity supply chains?	Total points available: 8 pts
Guidance	<p><i>The financial institution must have a policy that applies to their financing of clients/holdings in these supply chains, which sets standards that the clients/holdings should meet in order to receive, or continue to receive financing. Policies under this indicator are classified under these categories to enable differentiation among financial institutions on the level of ambition of policies falling under this indicator.</i></p> <p><i>Policies are categorised into:</i></p> <ul style="list-style-type: none"> - Conversion-free policy/Zero conversion: policy that prevents clearing or conversion of any native vegetation, beyond just forests - Zero-net conversion policy - Deforestation-free policy/Zero deforestation - Zero-net deforestation - Protection of priority forest types (Primary/natural/intact forests or high conservation value forests) - Policy through credible certification schemes that protect one of more of the priority forest types (not enough to be a member) - Protects globally important landscapes (including UNESCO World Heritage Sites, RAMSAR wetlands, IUCN category 1-4 areas, protected areas) - Sustainability policy: commitments to produce or procure 'sustainably' or 'responsibly' produced commodities, or commitment to certification that is not listed as credible under this methodology. <p><i>If a financial institution has multiple policies under this indicator, only the strongest policy is scored. The financial institution must state the specific commodity by name. General statements will not score for this indicator.</i></p>	
Answer options	Zero-gross conversion	8
	Zero-net conversion	7
	Zero-gross deforestation	6
	Zero-net deforestation	5
	Protects priority forests	4
	Credible certification scheme	4
	Protects globally important landscapes (including UNESCO World Heritage Sites, RAMSAR wetlands, IUCN category 1-4 areas, protected areas)	2
	Sustainability policy	2

	No policy	0
Extra details	Does the policy have specific requirements/expectations of clients/holdings in line with the policy?	NA
2.2	Does the financial institution require clients/holdings to provide proof that their operations and business practices comply with all applicable local, national, and international laws and regulations?	Total points available: 2 pts
Guidance	<p><i>To be awarded points, the financial institution must require that clients/holdings in their portfolios provide evidence that all commodities that they use are legally produced along the entire supply chain. Half points are awarded if the client/holding is only required to provide evidence that their own business is legally operated. Fewer points are awarded if the financial institution does not require evidence but does encourage clients/holdings to comply.</i></p> <p><i>Policies in place for funds or bonds cannot score.</i></p>	
Answer options	Clients/holdings' entire supply chain - Required	2
	Clients/holdings' entire supply chain – Encouraged	1.5
	Clients/holdings' own operations – Required	1
	Clients/holdings' own operations – Encouraged	0.5
	No policy	0

2.3	Does the financial institution require clients/holdings to trace their commodities back to a point where they can guarantee compliance with their commitments, or to monitor their own operations or suppliers for compliance to ensure that commodities are sourced without impacting priority forests?	Total points available: 3 pts
Guidance	<p><i>Full points are awarded if the financial institution requires clients/holdings to have a traceability commitment/system and to also have a compliance monitoring mechanism in place to ensure commodities are produced without impacting HCV/HCS/primary/intact/natural forests. Financial institutions can score half points by requiring their clients/holdings to score for either a traceability system/commitment or a compliance monitoring mechanism.</i></p> <p><i>It is also recorded whether financial institutions encourage or require clients/holdings to:</i></p> <ul style="list-style-type: none"> <i>-commit to monitoring and/or auditing their operations or suppliers</i> <i>-have an assurance mechanism either through a credible third party certification scheme</i> <i>-or have a system to trace the origin of the commodity in order to be able to ascertain compliance (ask all companies to trace supplies back to plantation, or ask upstream companies (producers, processors, traders) to trace back to plantation and downstream companies (manufacturers and retailers) to trace back to at least first importer and conduct sufficient due diligence checks to ascertain that supplies from that importer are compliant with their commitment)</i> 	

	<i>Financial institutions must have scored for 2.1 to score for this indicator. Policies in place for funds or bonds cannot score.</i>	
Answer options	Yes, a mechanism to monitor compliance	1.5
	Yes, a traceability system	1.5
	No policy	0
Extra details	Yes, through a commitment to monitor or audit operations or suppliers Yes, through an assurance mechanism Yes, through a traceability system	NA
	Which assurance mechanism(s) does the financial institution use/accept?	NA
2.4	Does the financial institution require the clients/holdings in its financial portfolio to conduct commodity-specific risk assessments related to forest risk OR ESIA assessments for new site development or land acquisition?	Total points available: 3 pts
Guidance	<i>The financial institution must ask clients/holdings in its financial portfolio to commit to conducting risk-assessments for their operations (if upstream) or supply chains (if downstream), which explicitly includes forests or deforestation. This can include HCV/HCS assessments.</i>	
	<i>Financial institutions must have scored for 2.1 to score for this indicator. Policies in place for funds or bonds cannot score.</i>	
Answer options	Required	3
	Encouraged	1.5
	No policy	0
2.5	Does the financial institution require the clients/holdings in its financial portfolios to have specified an organisation-wide cut-off date for deforestation/conversion that would be considered non-compliant with their deforestation or conversion-free commitment?	Total points available: 3 pts
Guidance	<i>This indicator assesses whether the financial institution requires clients/holdings to set a specific cut-off date for deforestation or conversion in their supply chain. Clearance after the cut-off date would render a given area or production unit non-compliant with the client/holding's deforestation commitment.</i>	
	<i>Financial institutions must have scored for 2.1 to score for this indicator. Policies in place for funds or bonds cannot score.</i>	
Answer options	Required	3
	Encouraged	1.5
	No policy	0
Extra details	What cut-off date is specified?	NA
	Is the cut-off date set by the financial institution?	

2.6	Does the financial institution have a target date for the full implementation of their policy, or require their clients/holdings to have timebound commitments?	Total points available: 3 pts
Guidance	<p><i>Financial institutions must either impose a deadline on their portfolio clients/holdings in their policy or ask clients/holdings to have timebound policies in place to meet the requirements in indicator 2.1. Financial Institutions also score points here if their policies are prerequisites for financing, as these are interpreted as timebound, current policies.</i></p> <p><i>Financial institutions must have scored for 2.1 to score for this indicator. Policies in place for funds or bonds cannot score.</i></p>	
Answer options	Required	3
	Encouraged	1.5
	No policy	0
Extra details	What is the target date for the full implementation of the financial institution's policy?	NA
	What is the deadline for the portfolio clients/holdings to become compliant with the policy?	NA
	What is the length of time the portfolio clients/holdings are given to meet their timebound plans?	NA

ASSOCIATED HUMAN RIGHTS

Financial institutions are assessed on the following indicators for all four commodities.

2.7	Does the financial institution require the clients/holdings to test for the Free, Prior and Informed Consent of indigenous peoples and local communities prior to acquiring new interests in land or resources and prior to new developments or expansions, not proceeding with these operations unless consent has been given?	Total points available: 3 pts
Guidance	<p><i>Use of the term FPIC (Free, Prior, Informed Consent) in reference to Indigenous people and local communities is required to score points under this indicator. The policy should apply to the specific commodity policy, or to the overall sustainability policy for the forest-risk commodities or for general lending and investment criteria.</i></p> <p><i>Policies in place for funds or bonds cannot score.</i></p>	
Answer options	Required	3
	Encouraged	1.5
	No policy	0
Extra details	Does the financial institution require the client/holding to cease acquisition/expansion unless FPIC is given?	NA
2.8	Does the financial institution require clients/holdings to have thorough and transparent mechanisms for grievances in relation to their operations and supply chains to be reported?	Total points available: 3 pts
Guidance	<p><i>To be awarded full points the financial institution must require clients/holdings to have grievance mechanisms in place to identify and remedy adverse social and/or environmental impacts linked to their operations related to forest-risk commodities.</i></p> <p><i>Policies in place for funds or bonds cannot score.</i></p>	
Answer options	Required	3
	Encouraged	1.5
	No policy	0
2.9	Does the financial institution have a policy that requires clients/holdings to ensure their business operations and supply chains meet key labour standards?	Total points available: 3 pts
Guidance	<p><i>Key labour standards include those laid out in the United Nations (UN) Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, IFC Performance Standard 2 and the ILO core conventions: ILO Convention 87 on Freedom of Association and Protection of the Right to Organize, ILO Convention 98 on the Right to Organize and Collective Bargaining, ILO Convention 29 on Forced Labor, ILO Convention 105 on the Abolition of Forced Labor, ILO Convention 138 on Minimum Age (of Employment), ILO Convention 182 on the Worst Forms of Child Labor, ILO</i></p>	

	<p><i>Convention 100 on Equal Remuneration, ILO Convention 111 on Discrimination (Employment and Occupation), UN Convention on the Rights of the Child, Article 32.1 UN Convention on the Protection of the Rights of all Migrant Workers and Members of their Families.</i></p> <p><i>Policies in place for funds or bonds cannot score.</i></p>	
Answer options	Clients/holdings' entire supply chain - Required	3
	Clients/holdings' entire supply chain – Encouraged	2
	Clients/holdings' own operations – Required	1.5
	Clients/holdings' own operations – Encouraged	1
	No policy	0
Extra detail	Does the financial institution ask the client/holding to protect the health and safety of its own operations or its supply chain workers?	NA
2.10	Does the financial institution have a policy that requires clients/holdings to address gender equality issues in relation to their operations and supply chains?	Total points available: 3 pts
Guidance	<p><i>Financial institutions must require the clients/holdings in their financial portfolios to address gender inequality in commodity supply chains including addressing gender related worker & human rights and encouraging the inclusion of women in commodity supply chains on equal terms.</i></p> <ul style="list-style-type: none"> <i>Labour and worker's rights commitments should address different risks of women and men with particular attention to sexual and gender-based harassment, equal pay and remuneration, and gender-based discrimination</i> <i>Commitments should encourage the inclusion of women in commodity supply chains on equal terms. This can include increasing sourcing of commodities from producers that are making an active effort to increase the participation of women in commodity supply chains, and addressing issues faced by women in agricultural supply chains including but not limited to securing land rights and increasing access to technology, financial services, training, and markets.</i> <p><i>Full points are awarded if the financial institution's policy requires companies in its financial portfolio to address both gender related worker and human rights and encourage the inclusion of women in commodity supply chains on equal terms. This can include an explicit commitment to apply the United Nations Women's Empowerment Principles. Half points are awarded if a financial institution's policy requires companies in its financial portfolios to address either gender related worker & human rights or encouraging the inclusion of women in commodity supply chains on equal terms.</i></p> <p><i>At Forest 500 we acknowledge that sex and gender are separate, and are not defined by the other. However, in the Forest 500 financial institution assessment methodology due to the global scope of the financial institutions we are assessing, we do accept references to either sex or gender for this indicator.</i></p> <p><i>Policies in place for funds or bonds cannot score.</i></p>	
Answer options	Clients/holdings must address gender related worker and labour rights AND the inclusion of women on equal terms across their whole supply chain - Required	3

	Clients/holdings must address gender related worker and labour rights AND the inclusion of women on equal terms across their whole supply chain – Encouraged	2.5
	Clients/holdings must address gender related worker and labour rights OR the inclusion of women on equal terms across whole SC – Required	2
	Clients/holdings must address gender related worker and labour rights OR the inclusion of women on equal terms across whole SC – Encouraged	1.5
	Clients/holdings must address gender related worker and labour rights only for own operations – Required	1
	Clients/holdings must address gender related worker and labour rights only for own operations - Encouraged	0.5
	No policy	0
2.11	Does the financial institution have a policy that requires clients/holdings to encourage the inclusion of small-scale farmers in their operations or supply chains?	Total points available: 3 pts
Guidance	<p><i>The financial institution should require the clients/holdings in its financial portfolio to encourage and/or increase small-scale farmer participation in commodity supply chains and/or increasing investments and/or capacity in improving the yields and livelihoods of small-scale farmers in regions companies source from. This can include increasing the number of small-scale farmers they/their operations source from and providing training, financial, and/or technical support to increase the productivity and quality of small-scale farmer commodity production, encourage product diversification, and/or facilitate greater market access from small-scale farmers they source from. Policies can also focus on developing long-term stable business partnerships with small-scale farmers and developing fair and transparent contracts that do not exploit small-scale farmers.</i></p> <p><i>Requiring/encouraging clients/holdings to conduct projects or one-off events focused on smallholder inclusion cannot score for this indicator.</i></p> <p><i>Policies in place for funds or bonds cannot score.</i></p>	
Answer options	Required	3
	Encouraged	1.5
	No policy	0
2.12	Does the financial institution require the clients/holdings to respect the customary rights of Indigenous peoples to lands, resources, and territories, and refrain from land acquisition or development until any existing land conflicts have been resolved?	Total points available: 3 pts
Guidance	<p><i>The financial institution should require the clients/holdings in its financial portfolio to refrain from any new land acquisition or new developments until any existing or potential land conflicts have been resolved. If financial institutions only encourage the clients/holdings in their financial portfolios to do so, then they receive half points.</i></p>	

	<i>Policies in place for funds or bonds cannot count for this indicator.</i>	
Answer options	Required	3
	Encouraged	1.5
	No policy	0
Extra details	Does the financial institution require clients to cease efforts to acquire, gain control of, or develop land or resources (and cease any support for such efforts via sourcing, financing, or other means) where there is any un-remediated land conflict or rights violation?	NA
2.13	Does the financial institution require the client/holding to have a zero tolerance approach to violence and threats against Forest, Land and Human Rights Defenders?	Total points available: 3 pts
Guidance	<i>In line with the Zero Tolerance Initiative, financial institutions should require clients/holdings to adopt a zero tolerance approach to violence and threats against Forest, Land and Human Rights Defenders.</i>	
	<i>Policies in place for funds or bonds cannot count for this indicator.</i>	
Answer options	Required	3
	Encouraged	1.5
	No policy	0

POLICY SCOPE

These indicators are asked once per policy strength indicator (2.1-2.13).

NUMBER	INDICATOR	POINTS
3.1	Does the financial institution apply the policy to all of their operations and financial services provided, including to all asset classes?	Total points available: 3 pts
Guidance	<i>Policies that only apply to subsidiaries of the financial institution, or only apply to certain types of financing (e.g. corporate lending, project finance, asset management, advisory services), or branches of the financial institution based in specific locations, or only apply to a subset of financing do not score for this indicator.</i>	
Answer options	All financing	3
	No	0
3.2	Does the financial institution apply the policy to all deals regardless of size?	Total points available: 3 pts
Guidance	<i>For financial institutions to be awarded full points, they must apply their policies to all clients/holdings that they lend or invest in. FIs that only apply policies to clients/holdings where deal size is above or below a threshold do not score for this indicator.</i>	
Answer options	All financing	3
	No	0
3.3	Does the financial institution apply the policy to all clients/holdings regardless of their size?	Total points available: 3 pts
Guidance	<i>To score for this indicator, policies must apply to all clients/holdings regardless of their size. Policies that only apply to e.g. clients/holdings larger than a certain threshold, or exclude small-holders do not score for this indicator.</i>	
Answer options	All financing	3
	No	0
3.4	Does the financial institution apply the policy to all clients/holdings regardless of their position in soft commodity supply chains (including producers, processors, traders, manufacturers, retailers, and financiers)?	Total points available: 3 pts
Guidance	<i>To score for this indicator, policies must apply to clients/holdings in all segments of the supply chain. All financial institutions that aren't banks are assessed for whether their policy applies to producers, processors, traders, manufacturers, retailers and banks. Banks are assessed for whether their policy applies to producers, processors, traders, manufacturers, and retailers. Scores are weighted to ensure the total score for this indicator adds up to 3 points.</i>	

Answer options	All financing	3
	Some supply chains segments	-0.6/0.5 pts per supply chain segment not covered under policy
	No	0

IMPLEMENTATION AND REPORTING

Financial institutions are assessed on the following indicators for all four commodities.

NUMBER	INDICATOR	POINTS
4.1	Does the financial institution assess the client/holdings' exposure to deforestation, conversion, and associated human rights abuse risk in their portfolios at the point of onboarding?	Total points available: 5 pts
Guidance	<p><i>To score, the financial institutions must carry out assessments of their clients/holdings' exposure to deforestation, conversion, and associated human rights abuse risk at the point of onboarding into their portfolios. The financial institution can also score for this indicator if they have recently set commitments on deforestation, and are assessing the risk across their portfolio at the beginning of the process. Financial institutions can score half points if their risk assessment covers deforestation/conversion, but does not include associated human rights abuse risk, and vice versa.</i></p> <p><i>Financial institutions must have scored for 2.1 to score for this indicator.</i></p>	
Answer options	Yes, for deforestation/conversion and associated human rights abuse risk	5
	Yes, for only human rights abuse risk	2.5
	Yes, for only deforestation/conversion risk	2.5
	No	0
Extra details	Does the financial institution publish the risk assessment framework/tool used?	NA
	Does the financial institution publish the outcome of the risk assessment?	NA
4.2	Does the financial institution require clients/holdings in its financial portfolios to disclose subsidiaries and financed projects operating in soft commodity supply chains, and/or disclose the locations of the clients/holdings production sites/land holdings or client/holding-owned processing facilities and/or suppliers?	Total points available: 4 pts
Guidance	<p><i>To score full points, the financial institution must require its clients/holdings to publicly report both financed projects/subsidiaries in forest-risk commodity supply chains, and report the location of its owned/financed production/processing sites or suppliers. Points decrease if the client/holding is only required to partially report on the above, or if they are only required to report privately.</i></p>	
Answer options	Yes, both	4
	Yes, location of owned/financed production/processing sites or list of suppliers	2
	Yes, subsidiaries and financed projects	2
	No reporting	0

Extra details	Does the financial institution require the clients/holdings to disclose their exposure to commodity-driven deforestation annually?	NA
	Does the financial institution require the clients/holdings to report on their progress towards their commitments?	NA
	Are the clients/holdings required to report this information -publicly -privately	NA
4.3	Does the financial institution have a clear, time-bound process for reviewing its policy and updating it in line with best practice?	Total points available: 2 pts
Guidance	<i>Half points are awarded if policies are not reviewed at least annually.</i> <i>Financial institutions must have scored for 2.1 to score for this indicator.</i>	
Answer options	Annual or more frequent review	2
	Timeline for review unclear or review conducted less frequently than annually	1
	No	0
4.4	Does the financial institution have a clear public process to identify policy non-compliant clients/holdings?	Total points available: 5 pts
Guidance	<i>This indicator focuses on whether a financial institution has internal procedures to assess and monitor existing financial relationships with clients/holdings against their sustainability policies. Financial institutions can either specify details of a screening and monitoring process, which scores full points, or ad-hoc/less than annual audits, in which case, half-points are awarded.</i> <i>Financial institutions must have scored for 2.1 to score for this indicator.</i>	
Answer options	Screening and monitoring process	5
	Ad-hoc audits	2.5
	No	0
Extra details	Does the financial institution assess the severity of any non-compliance on the ground in forest-risk commodity supply chains in line with the guidance of the Accountability Framework?	NA
	Does the financial institution prioritise clients/holdings for engagement based on their compliance monitoring? If yes, do they use thresholds/cut offs to identify these clients/holdings?	NA
4.5	Does the financial institution have a clear public process to engage with clients/holdings to manage non-compliance?	Total points available: 5 pts
Guidance	<i>The financial institution should have a clear public process detailing how they will engage with clients/holdings in their financial portfolios who have been found to be non-compliant with either the financial institution's deforestation policy (indicator 2.1) or their own time-bound plan.</i>	

	<p><i>Engaging with non-compliant clients/holdings with a clearly stated risk of redirecting finance within a set time-frame if progress is not made scores full points for this indicator. Committing to engage with non-compliant clients/holdings without a time-bound threat of redirecting finance scores half points.</i></p> <p><i>Financial institutions must have scored for 2.1 to score for this indicator.</i></p>	
Answer options	Engage with non-compliant companies, with a time-bound threat of redirection of finance	5
	Engage with non-compliant companies, without a time-bound threat of redirection of finance	2.5
	No	0
Extra details	Does the financial institution engage with the client/holding to support the remediation of any social or environmental non-compliance on the ground?	NA
	Does the financial institution have clear thresholds of non-compliance or thresholds of exposure to deforestation risk that trigger engagement processes for clients/holdings?	NA
	Does the financial institution engage with the client/holding to develop a time-bound plan for compliance with the policy?	NA
	Does the financial institution commit to actively monitor clients/holdings' progress towards their time-bound plans and remediation activities?	NA
	Does the financial institution engage with NGOs/CSOs/IPLCs/rightsholders on the ground as part of their engagement?	NA
4.6	Does the financial institution annually report the number or proportion of portfolio clients/holdings to which this policy applies, proportion which are compliant with their time-bound plans/in compliance with the financial institution's policy, and the number of companies/clients which have been engaged on deforestation-risk?	Total points available: 5 pts
Guidance	<p><i>The financial institution should report progress against its policy. For example, how many clients/holdings assessed as part of their due diligence are classified as high/low risk or how many clients/holdings have been engaged on deforestation risks. This can be included in ESG reporting as long as the proportion compliant with the commodity or deforestation policy can be ascertained.</i></p> <p><i>To score for this indicator, reporting must be from the last two reporting periods, either in 2020/2021, or 2021/2022. Financial institutions can score for reporting the following requirements:</i></p> <ul style="list-style-type: none"> <i>The number/proportion of portfolio clients/holdings covered by the deforestation policy</i> <i>The number/proportion/outcome of portfolio clients/holdings which have been engaged with on deforestation-risk or compliance with the policy/time-bound plans</i> <i>The number/proportion of portfolio clients/holdings compliant with the deforestation policy or their own timebound plans</i> <p><i>Financial institutions must have scored for 2.1 to score for this indicator.</i></p>	

Answer options	Reports all three criteria	6
	Reports two criteria	4
	Reports one criteria	2
	No reporting	0
Extra details	Proportion or value of financial portfolio which is compliant with the deforestation policy	NA
	Type of reporting	NA
	Does the financial institution report on engagement outcomes including the names and number or proportion of clients/holdings who were engaged with on the topic of deforestation within the last year to bring them into compliance with the policy or their time-bound plan?	NA
4.7	Does the financial institution have a green financing product with requirements on deforestation and/or conversion?	Total points available: 2 pts
Guidance	<i>The financial institution must have a green financing product, e.g. a green bond, a specific fund, which has specific requirements on deforestation and/or conversion of natural ecosystems.</i>	
Answer options	Yes	2
	No	0
Extra details	What does the green finance product cover e.g. financially, size of investment?	NA
	Is this a clear part of the transition to fully deforestation, conversion, and associated human rights abuse-free financing?	NA
4.8	Does the financial institution have a publicly accessible grievance mechanism through which grievances relating to the financial institution or its clients/holdings can be reported?	Total points available: 2 pts
Guidance	<i>To score, the financial institution must have a grievance mechanism that is open to everyone and allow environmental and/or social issues in their portfolio to be reported (i.e. not a system for their employees to report issues on their direct operations). The assessment team must be able to view and input into the grievance mechanism directly in order for the financial institutions to score for this indicator.</i>	
Answer options	Yes	2
	No	0
Extra details	Does the financial institution report/publish any of the grievances made against it and/or its clients/holdings in the past 12 months?	NA
	Does the grievance mechanism enable reports related to: <ul style="list-style-type: none"> ● deforestation/conversion ● associated human rights 	NA

4.9	Does the financial institution require the client/holding to remediate any present or past environmental or social harms related to deforestation, conversion, or associated human rights abuses?	Total points available: 2 pts
Guidance	<p><i>The financial institution must require clients/holdings to remediate for any past or present environmental or social harms related to deforestation, conversion, or associated human rights abuses. Providing remediation following an environmental or social harm can take vastly different forms depending on the harm. It can include remediation in the form of environmental restoration, payment, restoring polluted water supplies, but this list is non-exhaustive.</i></p> <p><i>The financial institution does not have to detail a remediation response they supported a client/holding to undertake in relation to a specific harm caused, but must commit to provide remediation in the instance of causing or contributing to harm.</i></p>	
Answer options	Yes require, and the financial institution supports the development of an implementation plan to remediate	4
	Yes encourage, and the financial institution supports the development of an implementation plan to remediate	3
	Yes, require	2
	Yes, encourage	1
	No	0



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