Accountability Framework

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CONTRIBUTING PAPER

DEFORESTATION AND SUPPLY CHAINS

Clarifying definitions, approaches and implications

United Nations Development Programme

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THE CONTEXT

During the last decade and accelerated by multiple initiatives and consumer demand, momentum has grown to address deforestation. This move toward action includes commitments by hundreds of companies to reduce or eliminate deforestation from their commodity supply chains as well as government policies in countries across the world to address deforestation through regulation and trade. Through these commitments and policies, companies and countries show support for the idea that changes to **sourcing practices** can shift the trajectory of agricultural production towards a more **sustainable pathway** – one that protects forests and other natural ecosystems as well as the long-term viability of agriculture. This pathway has the potential to improve the resilience of agricultural production systems, increase producer incomes, reduce negative impacts to the environment, and mitigate companies' exposure to risk while also strengthening their commitments towards more sustainable production.

Given the positive signals emerging from these commitments, it is critical to **clarify the different interpretations of terminology** and concepts to be properly integrated in the operationalization and implemention processes throughout supply chains, geographies, scales, and regional and national contexts. This clarification and alignment can support companies overcome the barriers to implementing these commitments on the ground, as well as increase accountability and responsibility associated with them.

This contributing paper serves to address and clarify definitions and terminology for **deforestation-free and zero-deforestation concepts** related to commodity production and it was a joint effort by UNDP, NYDF (New York Declaration on Forests), AFi (Accountability Framework Initiative), and the Collaboration for Forests and Agriculture.

Corporate commitments

Since 2014, corporate and political commitments towards the elimination of deforestation from commodity supply chains have multiplied and spread geographically, becoming a key potential solution in the global fight to mitigate climate change and conserve biodiversity. These commitments vary widely, including their own criteria, scope, and mechanisms for implementation, but ultimately all are designed to contribute to global, national, and local outcomes. As a result, multilateral initiatives and platforms supporting the implementation of these commitments have started to assess associated progress and effectiveness.

KEY GLOBAL INITIATIVES

The **New York Declaration on Forests** is non-legally binding political declaration that grew out of dialogue among governments, companies and civil society, spurred by the UN Secretary-General's Climate Summit in 2014. The NYDF has nearly 200 endorsers across governments, companies, indigenous peoples and local communities, and NGOs striving to halve deforestation by 2020 and to end it by 2030. Companies in particular pledge to eliminate deforestation from supply chains, including third party suppliers, as soon as possible, and collectively by no later than 2020. The Declaration sends important signals to markets and producers, though in some countries a critical gap between pledges and effective implementation may prove challenging to fill.

The Tropical Forest Alliance 2020 (TFA 2020) is a global public-private partnership in which partners take voluntary actions, individually and in combination, to reduce the tropical deforestation associated with the sourcing of commodities such as palm oil, soy, beef, and paper and pulp.

The Consumer Goods Forum (CGF) has committed to mobilize resources to help achieve zero net deforestation by 2020 both by individual company initiatives and by working collectively, and has released sourcing guidelines for soy and paper, packaging and pulp to help companies move forward. Initiated by international buyer companies, the initiative has strong ties with companies but fewer with governments.

Cocoa & Forests Initiative (CFI) is a commitment launched by cocoa-producing countries Côte d'Ivoire, Ghana and Colombia in partnership with leading chocolate and cocoa companies. Each country and associated companies have developed and signed Frameworks for Action to end deforestation and restore forest areas. These Frameworks for Action pledge to prevent further conversion of any forest land for cocoa production, eliminate illegal cocoa production in national parks, strengthen enforcement of national forest policies, and support local farmers and communities in developing alternative livelihoods.

SHIFTS IN TRADE POLICY

Beyond these corporate commitments, there are also initiatives that call for changes to trade policy such as the **Amsterdam Declaration** "Towards Eliminating Deforestation from Agricultural Commodity Chains with European Countries" (December 2015), which is a political statement of Denmark, France, Germany, UK, and the Netherlands focused on:

- Supporting The New York Declaration on Forests
- Supporting FAO-OECD Guidance for Responsible Agricultural Supply Chains
- Inviting the European Commission to include elimination of deforestation from agricultural commodity supply chains in current dialogues and agreements with producer countries
- Supporting the European Commission in exploring options to integrate eliminating deforestation in relation to agricultural commodity trade in the Chapter on Trade and Sustainable Development in bilateral EU trade and investment agreements

From a commercial perspective, countries that reduce deforestation could secure markets for exporting agricultural commodities in the future. For instance the Free Trade Agreement signed in 2016 between Ecuador, Peru, Colombia, and the European Commission pays special attention to a series of activities, including among other those related to the mitigation of climate change, REDD+ (Reducing Emissions from Deforestation and Forest Degradation), the determination of the legal origin of forest products, voluntary forestry certification schemes, and traceability of different forestry products and best practices for sustainable forest management. This agreement will gradually eliminate tariffs for all industrial and fisheries products, increase market access for agricultural products, improve access to public procurement and services, and further reduce technical barriers to trade.

The EU is negotiating a similar trade agreement with the four founding members of Mercosur (Argentina, Brazil, Paraguay, and Uruguay) as part of a bi-regional Association Agreement.

Moving forward, the European Union has indicated that it will refuse to sign trade deals with countries that do not ratify the Paris climate change agreement and take steps to combat global warming, under a new Brussels policy. In February 2018, Cecilia Malmstrom, the EU's trade chief, emphasized that a binding reference to the Paris agreement would be "needed in all EU trade agreements" from now on, noting that it had been included in a deal with Japan. She reiterated that the upcoming deals with Mexico and the South American trade bloc Mercosur will also include the clause.

Photo Credits: Ecuador. UNDP Climate and Adaptation

EXAMPLES ON PRIVATE SECTOR COMMITMENTS

CARGILL

CARGILL states to be committed to protect forests and end deforestation, while respecting people and human rights. Pledging to eliminate deforestation from their agricultural supply chains, Cargill has committed to work in partnership with suppliers, customers, NGO´s and governments to innovate and scale real solutions. Their work will focus on transforming their entire agricultural supply chain to be ***free of deforestation*** through prioritized policies and time-bound actions plans.

https://www.cargill.com/sustainability/deforestation

https://www.cargill.com/doc/1432136544508/cargill-policy-on-south-american-soy.pdf

- ✓ In 2018, Cargill Cocoa & Chocolate outlined plans to eliminate deforestation from its cocoa supply chain. https://www.cargill.com/2018/cargill-outlines-plan-to-end-cocoa-deforestation
- ✓ In 2018, Cargill established a **Forest and Land Use Steering team** to ensure executive-level engagement in the development of an integrated approach to forest protection across priority supply chains.
- ✓ In 2017, released its first report on forests to describe the progress they are making on their action plans to protect forests and promote sustainable land use

https://www.cargill.com/doc/1432081204529/cargill-forests-report-2017.pdf

- ✓ In 2016, Cargill worked with the World Resources Institute (WRI) to develop a global deforestation baseline for four regions of our priority deforestation-risk commodities.
- ✓ In 2015, established the first global Policy on Forests.

https://www.cargill.com/doc/1432136544290/cargill-policy-on-forests.pdf

- ✓ In 2014, Cargill was the first global agricultural commodities company to endorse the New York Declaration on Forests, which they remain committed to delivering.
- ✓ In 2014, also issued its palm oil policy. They have worked on sustainable palm oil since joining the Roundtable on Sustainable Palm Oil (RSPO) in 2004. https://www.cargill.com/sustainability/palm-oil/palm-policy-committment
- ✓ Since 2006, Cargill has partnered with industry and environmental organizations to uphold the Brazilian Soy Moratorium in the Amazon. The Moratorium was extended indefinitely in 2016.

FERRERO

Ferrero signed the New York Declaration on Forests and endorsed the **HCS Approach (HCSA**), a methodology enabling companies to understand forest areas to be protected for their high carbon and biodiversity values. Additionally, Ferrero signed the **Cocoa and Forests Initiative** letter of intent in March 2017. This framework involves key industry members and is organized by the International Sustainability Unit, the World Cocoa Foundation and the Dutch Sustainable Trade Initiative. Ferrero expects the Cocoa and Forests Initiative to commit to a clear cut off date by which industry will have implemented traceable sourcing to farm level. Furthermore, by 2018 Ferrero will have mapped 100% of its cocoa supply chain to farm-gate level. This allows us to identify areas of intervention such as reforestation and the distribution of local shadow trees. Moreover, they are working together with Airbus Defense and Space on a project, already successfully launched in our palm oil supply chain that uses satellite maps to closely monitor land-use change over time.

With a vision towards sustainability, improving the conditions of rural areas and the communities where raw materials are born, Ferrero has launched **the Ferrero Farming Values (FFV) program** within the Ferrero Agricultural Commitment to Sustainability (F-ACTS), in order to achieve the goal of sustainable supply chains. https://www.ferrerocsr.com/glocal-care-/our-goals/for-2020

- ✓ 100% cocoa certified as sustainable by 2020
- ✓ 100% sustainable palm oil certified RSPO as segregated Reached in December 2014
- ✓ 100% refined cane sugar from sustainable sources by 2020
- ✓ Implementation of the traceability plan for 100% of hazelnuts By 2020
- ✓ 100% of eggs from barn hens with respect for animal welfare EU plants: reached in September 2014 Global levelby 2025
- ✓ Self-produced electricity totalling 70% (instead of 75%) of electrical consumption of all European plants, of which 18% (instead of 25%) from renewable sources Partially met in September 2014
- ✓ Group ISO 50001 certification for the 17 current production sites active in August 2014 – excluding the plants of Michele Ferrero Entrepreneurial Project – including power generation plants By 2020
- ✓ Implementation of a global action plan on energy, according to local needs of existing and future plants, aimed at reducing emissions By 2020

	✓ 40% reduction of CO2 emissions from production activities (compared to 2007) By 2020 ✓ 30% reduction of greenhouse gas emissions (tonnes of CO2eq) in transport and storage activities (compared to 2009 By 2020 ✓ Use of packaging made from renewable sources (+10% compared to 2009) By 2020 ✓ 100% virgin cardboard* from certified sustainable supply chain Reached in December 2014 ✓ 100% virgin paper** from certified sustainable supply chain Reached in December 2017 https://www.ferrero.com/group-news/Ferrero%E2%80%99s-dedication-to-a-deforestation-free-Global-Cocoa-Supply-Chain
McDONALDS McDonalds states to be committed to eliminating deforestation from its global supply chains and promoting responsible forestry and production practices that benefit people, communities and the planet, bringing on board their suppliers on board with clear principles and programs. Aiming to eliminate deforestation from their global supply chains, the Company's 2015 Commitment on Forests[1] and its supporting addendum[2] set out a vision to achieve this, starting by 2020 with raw materials that they buy in the greatest volume and where they can have the biggest impact – beef, chicken (including soy in feed), palm oil, coffee and the fiber used in customer packaging. Their commitment also extends beyond forests, to areas of high conservation value, and to the individuals and communities around the world who depend on forests.	McDonald's is a signatory to the New York Declaration on Forests which aims to end deforestation by 2030. As a responsible company and leading global brand, aims to leverage its size and position to help protect forests and biodiversity, reduce its carbon footprint and respect human rights while focusing on the areas where we can deliver the greatest benefit. McDonald's expect their suppliers to operate their businesses ethically and abide by all applicable laws and regulations. Additionally, they work throughout our supply chains to ensure the following principles: ✓ No deforestation of primary forests or areas of high conservation value. ✓ No development of high-carbon stock forest areas. ✓ No development on peatlands, regardless of depth, and the use of best management practices for existing commodity production on peatlands. ✓ Respect human rights. ✓ Respect the rights of all affected communities to give or withhold their free, prior and informed consent for plantation developments on land they own legally, communally or by custom. ✓ Resolve land rights disputes through a balanced and transparent dispute resolution process. ✓ Verify origin of raw material production. ✓ Support smallholders, farmers, plantation owners and suppliers to comply with this commitment. Their work on protecting forests supports the UN Sustainable Development Goals, a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically: ✓ Goal 13 – Climate action (specifically target 13.2). ✓ Goal 15 – Life on land (specifically targets 15.1, 15.2 and 15.5). ✓ Goal 17 – Partnerships for the goals (specifically target 17.16). ✓ As well as these, we've mapped our Scale for Good initiatives to all 17 goals.

[1] https://corporate.mcdonalds.com/content/dam/gwscorp/scale-for-good/McDonaldsCommitmentOnForests.pdf
[2] https://corporate.mcdonalds.com/content/dam/gwscorp/scale-for-good/McDonaldsCommitmentOnForestsAddendum.pdf

DEFINITIONS

Clear and consistent definitions and terminology regarding **deforestation-free commodity production** are essential to supporting unified action to address deforestation. Recognizing that the usage of terms such as net or gross deforestation is often inconsistent and reflects diverse, multifaceted, and complex agricultural production contexts and systems (Figure 2), the international community is working towards the development of common and accepted definitions for key concepts. This process of definition requires input and buy-in from governments, companies, producers, consumers, civil society, and academia. Defining forests and deforestation – legal or illegal, sectorial or jurisdictional, net or gross – has immense power, both to identify and exclude high-risk products from international markets and to develop appropriate incentives to reduce deforestation and build deforestation-free supply chains. Below are proposed definitions of key concepts, recognizing that the interpretation and application of these concepts can vary. In some cases, such as in the definition of 'forest', common definitions are designed to be adapted to specific commodity, geographic, and legal and regulatory contexts. These definitions are aligned with the **Accountability Framework initiative (AFi),** which will be formally released in June of 2019 and aims to provide a set of common norms, definitions, and guidance designed to align approaches the development of responsible supply chains to accelerate progress and improve accountability[3]. Under the UNFCCC, countries are required to establish their own country-specific definition on forests, and although most countries adopt FAO's definitions, there is not a single universal definition.

Forests and Deforestation

IPCC's (Inter Governmental Panel on Climate Change) Good Practice Guidelines defines Forest Land as land spanning more than 0.5 hectare with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds in situ. It does not include land that is predominantly under agricultural or urban land use[4]. The FAO defines forests as land spanning more than 0.5 hectares with trees higher than 3-5 meters and a canopy cover of 10 percent or more, or trees able to reach these thresholds in situ.[5]

Each country has its own forest definition, some have used FAO's forest definition or the IPCC's Good Practice Guidelines, adapting the international definitions to their national context including social, economic, and political characteristics.

Deforestation: Loss of natural forest because of: i) conversion to agriculture or other non-forest land use; ii) conversion to a plantation forest; or iii) severe and sustained degradation. AFi states that the *loss of natural forest that meets this definition is considered to be deforestation regardless of whether or not it is legal*. For monitoring, official government remote sensing and geographical information systems data is typically preferred and could be used, and in the absence of official data consideration could be given to the use of the best available alternative.

Conversion: Change of a natural ecosystem to another land use or profound change in the natural ecosystem's species composition, structure, or function.

- *Deforestation is one form of conversion (conversion of natural forests).*
- *Conversion includes severe degradation or the introduction of management practices that result in substantial and sustained change in the ecosystem's former species composition, structure or function.*
- *Change to natural ecosystems that meets this definition is considered to be conversion regardless of whether or not it is legal.*

[3] The AFi represents the consensus of a number of civil society organizations and advances a globally applicable approach for establishing and implementing commitments on deforestation, ecosystem conversion, and human rights in agricultural and forestry supply chains. The AFi attempts to aid companies in making deforestation-free and conversion-free production by: 1) clarifying good practices and critical details for setting, implementing, monitoring, verifying, and reporting on supply chain commitments and their achievement; 2) helping companies to credibly demonstrate and communicate progress;3) helping to increase coherence and alignment among different implementation standards, tools, and systems; and 4) increasing the level of global consensus around responsible supply chains, particularly from civil society. The Framework is not meant to replace or duplicate existing initiatives or standards and asks companies to make deforestation-free commitments that are compatible with other international and regional frameworks including NYDF and CFA (see table). The Framework also advocates for the transition to to eliminating natural ecosystem conversion for agriculture or forestry commodity production, while recognizing that deforestation-free commitments are a critical step. In the Cerrado, the AFi recommends that companies use the concept of native vegetation (vegetação nativa) referenced in Brazilian law and in the PRODES Cerrado monitoring system, even if they have not made a conversion-free commitment. The AFi is currently analyzing specific localized definitions for a variety of contexts including the Brazilian Amazon, Hispanic Amazon, and Chaco in Argentina, Bolivia, and Paraguay.

[4] See: https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/4_Volume4/V4_04_Ch4_Forest_Land.pdf

[5] Forest do not include land that is predominantly under agricultural or other land use. Forest includes natural forests and forest plantations. For the purpose of implementing deforestation-free supply chain commitments, the focus is on preventing the conversion of natural forests.

DEFINITIONS

Net deforestation: The difference in forest area between two points in time, taking into account both losses from deforestation and gains from forest regeneration and restoration. Net deforestation is measured with reference to a given geographic area (e.g., a district, state, nation, or globe) and a given timeframes (AFi).

Gross Deforestation: total aggregate deforestation without deduction for gains from forest regeneration, restoration, or other offset. The AFi definition of deforestation signifies 'gross deforestation' of natural forest where 'gross' is used in the sense of 'total; aggregate; without deduction for reforestation or other offset.'

Zero net deforestation: No net loss in forest area between two points in time, taking into account both losses from deforestation and gains from forest regeneration and restoration. Zero net deforestation would typically be assessed with reference to a given geographic area (e.g., a district, state, nation, or globe) and a given timeframe.

Deforestation-free production (synonym: no-deforestation): Commodity production, sourcing, or financial investments that do not cause or contribute to gross deforestation of natural forests.

Cut-off date (related to deforestation-free and conversion-free commitments): The point in time when deforestation/conversion is no longer acceptable. After this date, deforestation or conversion renders a given area or production unit non-compliant with no-deforestation or no-conversion commitments. A cut-off date needs to be accompanied by a baseline map that serves as the benchmark for comparing future land-use change. The process to establish a cut-off date could consider the following guidance: set cut-off dates in the present time (future dates can accelerate clearing; apply equally to all actors in the same biome; give companies reasonable time to inform suppliers of new sourcing requirements; and set outside major burning seasons and during biome-specific mapping and data collection windows.

Target date: The date by which a given company (or other commitment- or policy-issuing entity) intends to have fully implemented its commitment or policy.

Remediation and remedy: Terms used interchangeably or in combination with one another to refer to both the process of providing redress for a negative impact and the substantive outcomes that can counteract, or make good, the negative impact. These outcomes may take a range of forms such as apologies, restitution, rehabilitation, restoration, financial or non-financial compensation, and punitive sanctions (whether criminal or administrative, such as fines), as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition.

Restoration: The process of assisting the recovery of an ecosystem, and its associated conservation values, that has been degraded, damaged, or destroyed.

Compensation: Actions taken and/or funds made available to remedy or counterbalance deforestation, conversion, degradation, or other harms to ecosystems and their conservation values with environmental and/or social gains at site(s) other than those where the harms occurred.

Verification and reporting

Verification: Assessment and validation of compliance, performance, and/or actions (as defined below) relative to a stated commitment, standard, or target. Verification processes typically utilize monitoring data but may also include other sources of information and analysis.

Reporting: Conveyance of information on compliance, performance, or actions from one party to another.

Disclosure: Public sharing of information by companies. This can include reporting that is available to the public as well as free public sharing of other information, such as company policies and commitments; company business structures, affiliates, and financial interests; supplier lists; conflicts of interest; or political action (lobbying, campaign contributions, etc.). Disclosure is a mechanism for transparency.

Transparent verification and reporting are critical elements of the effective implementation of deforestation and conversion-free commitments. This helps ensure credibility and accountability for commitments and implementation. The parameters to consider include: annual audits, conducted by credible independent third-party auditors, based on spatial compliance assessments using remote

sensing information and supply chain transaction data; results of the annual audits are publicly disclosed and made readily available online; and cost-sharing options distribute the financial burden of audits across the supply chain.

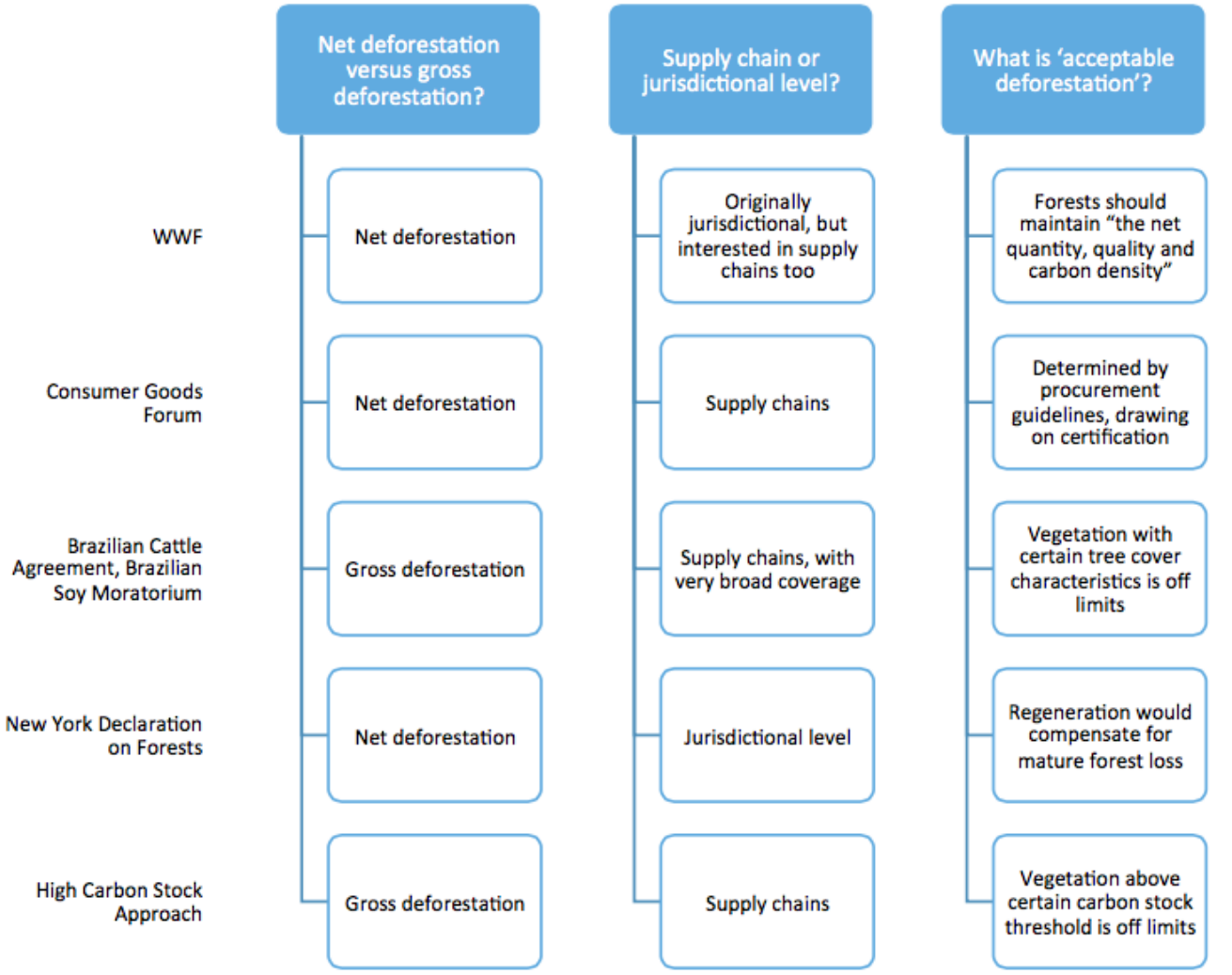


Figure 2: Overview of definitional issues in several zero-deforestation initiatives (FAO)[6]

[6] FAO, 2016. "Zero deforestation initiatives and their impacts on commodity supply chains: Discussion paper prepared for the 57th Session of the FAO Advisory Committee on Sustainable Forest-based Industries, 22 June 2016"

National or jurisdictional approaches

National or jurisdictional approaches to reducing and ending deforestation offer strategic pathways to achieve company commitments by prioritizing commodity sourcing from jurisdictions where deforestation is decreasing across the landscape (e.g., countries, states, provinces, or other political boundaries one-level below the national level).

Commodities jurisdiction approach

The Commodities/Jurisdictions approach[7] can be used by companies to identify jurisdictions that demonstrate ambitious, verified decreases in deforestation and associated emissions. These results are achieved through the **implementation of REDD+ National Strategy or Action Plans** sub-national comprehensive programs, that are supported by diverse stakeholders and meet social and environmental safeguards. Regular monitoring, reporting, and verification ensures the accountability and transparency of results. Sourcing from these geographies can support pioneering place-based initiatives striving to end deforestation at broad geographic scales, reduce business risks, and therefore be an important component of company strategies to achieve their 2020 commitments.

This approach is the easiest to align with the international REDD+ mechanism given that it uses the same metrics, tools, and processes to demonstrate progress. Given this, countries that are firmly engaged in the REDD+ process and expect to report REDD+ results to the UNFCCC could take advantage of the opportunity to participate in this initiative.

Jurisdictional RSPO

Aside from the conventional approach to certification where the focus is on the mill and its supply base, RSPO is looking to upscale this approach to a jurisdictional level. In the context of sustainable oil, this will involve the **certification of the production and processing of oil palm products** at the jurisdictional level that uses a model of jurisdictional landscape development. Due to the scale and complexity of this approach, the proposed system shall be credible and robust enough to enable the whole jurisdiction to comply with RSPO standards. A working group has been created in May 2018 to define precise standards aiming to certify entire jurisdictions rather than focus certification efforts on individual companies and plantations, which has tended to be the norm before. This approach is being piloted in Ecuador, where jurisdictional RSPO is designed to help the country's palm oil sector gain better access to world markets, which are increasingly requiring sustainability certification for their products.

Achieving Zero illegal deforestation

One approach is to focus on **achieving zero illegal deforestation** over a given country/jurisdiction over a given timeframe. This could be a major step on the path to zero net deforestation, providing an enabling environment stimulating further action by the private sector towards zero deforestation (Figure2). According to Forest Trends (2014), nearly half of all recent tropical deforestation is the result of illegal clearing for commercial agriculture.

[7] https://commoditiesjurisdictions.wordpress.com/

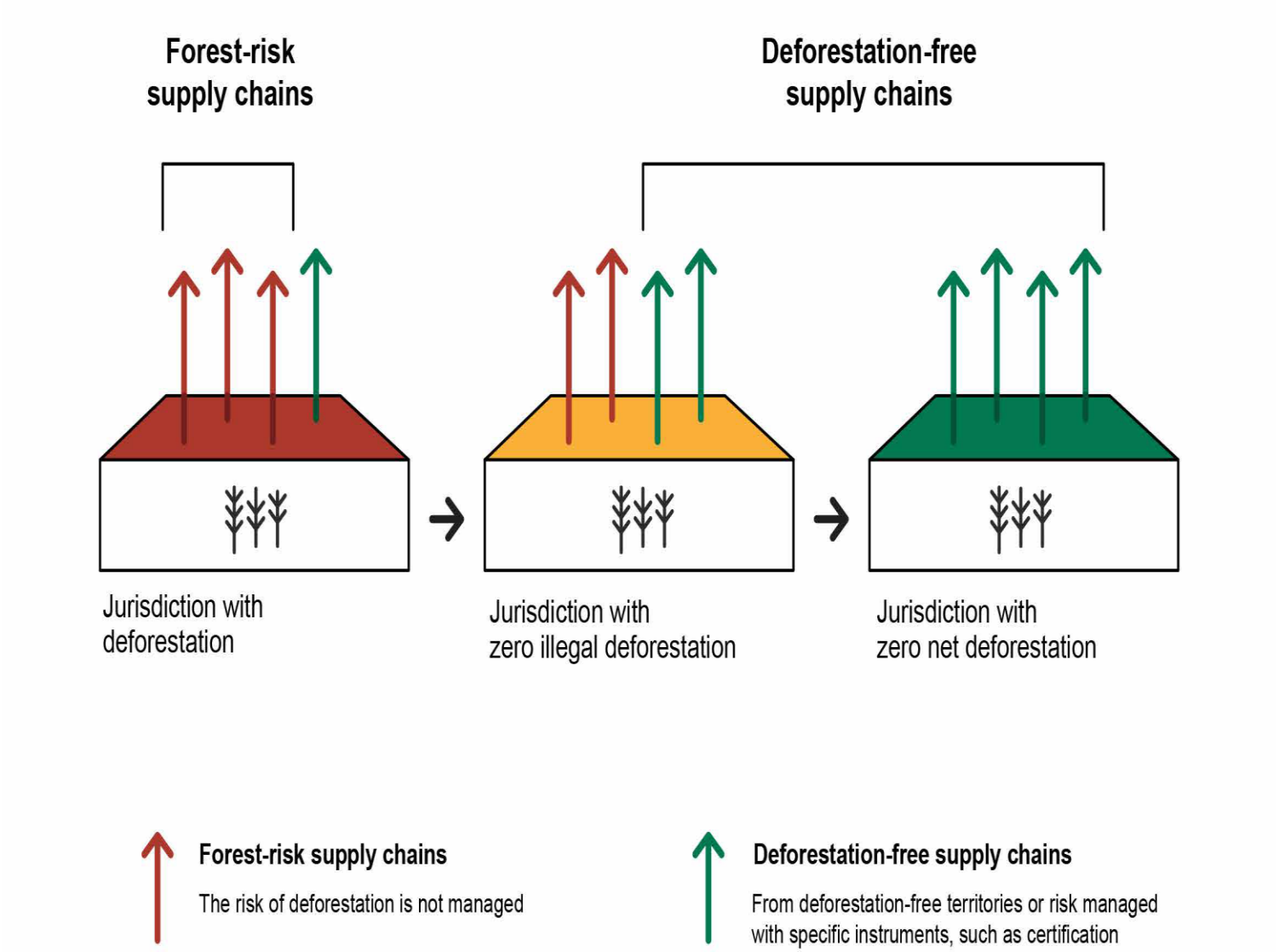


Figure 3: *Jurisdictional pathway towards zero net deforestation.* **Source**: *EU REDD Facility*

The starting situation, where the risk of deforestation is not managed in the jurisdiction, presents limited opportunities to source deforestation-free commodities (such as product certification). Jurisdictions seeking preferential access to emerging deforestation free markets can gradually progress towards eliminating illegal deforestation by improving land governance, law enforcement and land-use planning, before striving to achieve zero net deforestation at territorial level.

APPROACHES FOCUSED ON PRODUCER/PLANTATION (BY MANAGEMENT UNIT)

Below are producer-based approaches build on classical certification schemes that distinguishes between the performance of individual producers. These approaches require traceability down to the producer level or to the level of production groups and define areas.

RSPO (Roundtable on Sustainable Palm Oil)

Palm oil producers can be RSPO certified through verification of the production process to the RSPO Principles & Criteria for Sustainable Palm Oil Production through accredited Certifying Bodies. However, certification can be withdrawn at any time in case of infringement of these rules and standards. All organisations in the supply chain that use RSPO certified sustainable oil products are audited to prevent overselling and mixing palm oil with conventional (or non-sustainable) oil palm products. These organisations can claim the use of RSPO certified sustainable oil palm products "on pack" by using the RSPO Trademark. The Roundtable on Sustainable Palm Oil (RSPO) has released its proposed new Principles and Criteria (P&C) that includes 'no deforestation' stipulations, although there remain some exceptions which could see forest clearance still occurring[8].

Elements of the RSPO certification scheme

- **Standard:** This sets out the requirements which must be met and against which certification assessments are made. The RSPO Standard is the RSPO Principles and Criteria. Supply chain actors are audited against the RSPO Supply Chain Certification Standard.
- **Accreditation:** This is to ensure that the organisations, which undertake certification assessment — the Certification Bodies — are competent to undertake credible, consistent audits.
- **Process requirements:** This is the process for establishing whether a set of requirements (i.e. the Standard) has been met and is carried out by an accredited Certification Body. The RSPO systems are detailed in the RSPO Certification Systems (see section below) and RSPO Supply Chain Certification Systems documents.

High Carbon Stock/High Conservation Value

The High Conservation Value (HCV) approach is designed to maintain or enhance environmental and social values in production landscapes. HCV is not designed to prevent all deforestation, but to maintain environmental and social values of particular importance. HCV assessments are carried out for particular management units (MU), and in conversion contexts the assessments could be done before any land clearance or production activities start. The aim of an HCV assessment is to identify whether HCVs are present and if so where they are located. Assessors then recommend management and monitoring measures to ensure the identified HCVs are maintained or enhanced.

The main novelty of the High Carbon Stock (HCS) approach is its methodology for separating HCS areas (natural forest) from non-HCS areas (degraded land). The HCS approach defines a threshold between natural forest and degraded land using six vegetation classifications that can be identified using satellite imagery and field plot measurements (Annex III).

[8] The RSPO is the most widely used voluntary certification scheme for palm oil but has been under increasing pressure to improve its standards in line with the more advanced **'no deforestation, no peat, no exploitation (ndpe)' commitments** adopted by a multitude of companies. RSPO's requirements for certification (P&C) have undergone review and consultation. The new P&C are set to be adopted by RSPO members at its General Assembly in November and, ahead of this, the RSPO has released the final proposed P&C . The P&C now include new requirements towards ensuring the halting of deforestation and incorporate an agreed methodology for 'no deforestation' – the High Carbon Stock Approach (HCSA). After November 2018, High Carbon Stock (HCS) forests identified by using the HCSA will have to be protected.

IMPLICATIONS

The use of 'deforestation-free' vs 'zero-deforestation'

The Accountability Framework (AFi) uses the term "**no-deforestation**" in favor of "**zero deforestation**" because "zero" can imply an absolutist approach that may be at odds with the need sometimes to accommodate minimal levels of conversion at the site level in the interest of facilitating optimal conservation and production outcomes. Minimal levels are defined as a small amount of deforestation or conversion that is negligible in the context of a given site because of its small area and because it does not significantly affect the ecological values of natural ecosystems or the services and values they provide to people. To be considered consistent with no-deforestation or no-conversion commitments, minimal levels would ideally not exceed cumulative thresholds that are small both in absolute terms and relative to the area in question and should not result in the loss of important biological, social, or cultural values.

The use of gross deforestation rather than net deforestation

The AFi advocates against the use of zero net deforestation as a target related to the forest and land-use footprint or outcomes of company operations, supply chains, or investments. The concept of **no net deforestation** implies a false equivalency between forest lost and forest gained, as newly regenerated forest typically lacks many of the ecological and cultural values of recently cleared forest. Therefore, a no-net approach is likely to lead to the loss of significant forest conservation values, such as carbon storage, biodiversity, and others. The concept of no-net deforestation can be applied only for fixed land areas (i.e., based on determinations of forest lost and forest gained within a specific areas). Thus, the concept is largely impracticable for company supply chains, which typically lack fixed footprints. No-net deforestation may be a relevant target at the landscape, jurisdictional, or national scale, considering all sectors and all land uses together. To the extent that such a target is set in these contexts, the AFi advocates that the target also be disaggregated to establish separate sub-targets for and tracking of natural forests and plantation forests purpose of prescribing the desired types of forest conservation, loss and/or gain.

In addition, there are few or no proven models for supply chain actors to restore forests to offset deforestation. Thus, no-net approaches are likely to fall short in practice, even if the preceding conceptual problems could be overcome.

Forest definitions in context

Generalized global definitions such as FAO's and IPCC GPG (Good Practice Guidance) are intended to provide a clear basis to determine which localized definitions comport with generally accepted concepts of deforestation-free and conversion-free in supply chains. The AFi's forest definition aligns with the FAO generic forest definition, which is the basis or reference point for many official (legal) forest definitions. Global definitions also establish coherence and comparability among localized definitions so that these can be linked to common measures of progress and outcomes. For companies that source from multiple contexts, these applications facilitate a coherent global approach to deforestation-free and conversion-free sourcing that can be appropriately contextualized to different commodities and regions while at the same time enabling overall management and reporting relative to a global sustainability strategy.

In many parts of the world, there are localized definitions that are congruent with the Accountability Framework definitions but provide greater context-appropriate specificity. When recognized national, sector-wide, or context-specific definitions or land cover classifications exist and are compatible with key elements of the Accountability Framework definitions, they are generally considered to fulfill the Accountability Framework and should be used where applicable. When context-specific definitions are absent, contradictory, or unclear, the AFi encourages the use of the Accountability Framework definitions as the basis for establishing, implementing, and monitoring commitments. In these contexts, the Accountability Framework definitions can also be used as a starting point to develop more nuanced context-specific definitions through government policy setting, sector initiatives, or other processes. New and ongoing sector initiatives, policy frameworks, voluntary standards, and similar initiatives are encouraged to apply or adapt the Framework definitions to create context-specific definitions that align with the Framework's common global approach.

Cutoff Dates

Clarity on cutoff dates is essential for enabling companies to establish precise, actionable, and monitorable commitments related to deforestation-free and conversion-free supply chains. At least as important, cutoff dates can send market signals – and ideally help establish sector-wide norms – that curtail land speculation, deforestation, and conversion in frontier areas. Robust no-deforestation and no-conversion commitments `specify a cutoff date for deforestation and conversion.

Cutoff date: The date after which deforestation or conversion renders a given area or production unit non-compliant with no-deforestation or no-conversion commitments, respectively.

Example

Company "A" has a 2015 cutoff date and a 2020 target date for their no-deforestation commitment. This signifies the following:

- The **cutoff date** indicates that the commodity covered by the commitment may not be produced on land that has been cleared via deforestation or conversion since 2015.
- The **target date** indicates that the company commits to have fully achieved its commitment – i.e., to have no commodity volume in its supply chain produced on land cleared since 2015 – by 2020.
- To fulfill its commitment, by no later than 2020 the company would need to manage its operations and supply chain to avoid inclusion of material produced on land cleared after 2015.

Target date: The date by which a given company (or other commitment- or policy-setting entity) intends to have fully achieved or adhered to its commitment.

The **Accountability Framework provides guidance on setting appropriate and effective cutoff dates**. For example:

- To **decrease incentives for additional deforestation** or conversion in advance of a cutoff date, company cutoff dates are recommended to be set no later than the date that the commitment is issued. In the event of new commitments issued after 2020, companies can align with global goals to halt commodity-linked deforestation by 2020, as specified in the New York Declaration on Forests and the UN Sustainable Development Goals. A cutoff date no later than January 1, 2020 would bring companies in line with these targets. Cutoff dates specified in company commitments should not cause them to be weaker (less protective) than legal requirements in any context where they apply.
- If a sector-wide cutoff date exists, companies making new commitments are encouraged to reference and utilize it in their own commitments and supply chain management.
- Cutoff dates could consider the seasonality of data-collection periods, regular periods of burning, harvest seasons, or other events that could impede monitoring.

ANNEX I: CASE STUDY

Regional Guidance for Advancing Deforestation-Free and Conversion-Free Beef, Leather, and Soy Supply Chains (Amazon, Cerrado, and Gran Chaco)

The **Collaboration for Forests and Agriculture (CFA) is a collaboration between World Wildlife Fund (WWF), The Nature Conservancy (TNC) and National Wildlife Federation (NWF) and funded by the Gordon & Betty Moore Foundation. CFA produced Deforestation and Conversion Free (DCF) Regional Guidance** for advancing deforestation-free and conversion-free supply chains for companies and financial institutions involved in the production, trading, processing, financing and use of soy, beef, and leather from the Brazilian Amazon and Cerrado, and the Gran Chaco in Argentina and Paraguay. The DCF Regional Guidance is an integral part of the Accountability Framework Initiative (AFi), which is developing global-level definitions and implementation guidelines to help companies deliver on their ethical supply chain commitments. The DCF Regional Guidance provides a strategic link between the global-level framework from AFi and important regional considerations needed to effectively operationalize company commitments for beef, leather and soy in the Brazilian Amazon and Cerrado. The guidance was produced through extensive literature reviews, as well as input from consultations in 2017 and 2018 with civil society, soy traders, meatpackers, manufacturers, retailers and financial institutions in Brazil and abroad. As such, it reflects the common position of the Collaboration, based on the best available science and input from key stakeholders, as well as a shared recognition that it is possible to increase commodity production without needing to clear more land. The DCF Regional Guidance is not intended for formal company sign-off or unilateral endorsement. It is intended to be used by companies and financial institutions as a resource for developing, updating, refining and implementing commitments, purchase policies, supplier codes of conduct, and other procurement management protocols.

Implementation involves actions in all segments of the supply chain. Several broad categories of activities are outlined below for consideration. The specific approaches to operationalize commitments, including risk assessments, step-wise processes, milestones, targets, and KPIs, will be established through direct company engagement. This provides the opportunity for companies to develop plans, educate and raise awareness among supply chain actors, and evaluate options in an effective way.

Meatpackers and Soy Traders: To effectively operationalize commitments monitoring, traceability and purchase control systems should be developed that: (a) identify location of all suppliers; (b) monitor deforestation and conversion of natural vegetation using agreed definitions of which areas can and cannot be cleared; and (c) block non-compliant supply chain transactions prior to origination, based upon agreed definitions and terms of reference. This group should consider the following:

- **In Brazil**, require suppliers to have validated CARs to ensure consistent property-level monitoring.
- In **Argentina**, require suppliers to present their geospatial coordinates (polygon of the property) to ensure property-level monitoring, and demonstrate commitment compliance by presenting a Land Use Change Authorization, issued by Provincial Authorities.
- In **Paraguay**, require suppliers to have validated Environmental License (MADES) and Land Use Planning (INFONA) permits, and any additional permits including SIGOR (SENACSA) and RUC (MH), to ensure consistent property-level monitoring.
- Conduct regular checks of suppliers for post cut-off date deforestation or conversion. This should begin immediately after the annual monitoring data and maps are released. The interim period, from the start of the cut-off date to the first release of annual deforestation and conversion maps, should be used to communicate and clarify sourcing terms with suppliers, to refine property boundary data, and to set-up monitoring, traceability, and purchase control systems.
- Develop target dates and interim milestones for full implementation of monitoring, traceability, and purchase control systems. Rapid implementation is encouraged, and when combined with proactive communication, will minimize non-compliance.
- Adopt monitoring systems that are remote sensing-based (because they are robust, cheap, scalable and comparable) and regionally-appropriate, including optimization for vegetative cover with appropriate geo-spatial resolution.
- Prioritize areas with high deforestation/conversion rates in initial implementation efforts, such as the Matopiba region in Brazil.
- Rigorous monitoring of areas that are at more risk of encroaching on protected areas and indigenous lands, following all applicable policies and guidelines.
- Preferentially source from verified deforestation/conversion-free jurisdictions, or jurisdictions that are on the path to achieving that goal (when available).
- Work towards establishing longer-term contracts and preferential sourcing for key suppliers.
- Prioritize implementation with direct supplying farms and ranches, and progressively expand to indirect suppliers and intermediaries. Indirect suppliers should be incorporated into monitoring and purchase control systems once viable traceability solutions are in place.

- Use tools[9] and/or service providers to facilitate monitoring and traceability. Mapbiomas can be used for monitoring deforestation/conversion; Agroideal can be used for planning expansion on low risk/high opportunity areas; GFW-Pro can be used for uploading supplier maps, tracking supplier compliance, and generating consistent reports; and VISIPEC can be used for traceability and monitoring of indirect suppliers in Brazilian cattle supply chains.
- Select reputable service-providers with experience developing and managing systems consistent with these guidelines to help support implementation efforts.
- Ensure data collection and verification processes are well documented, transparent, and effectively communicated to customers.

Brands and Retailers: To effectively operationalize commitments, policies should be established to purchase exclusively from meatpackers and traders that can demonstrate effective implementation of policies and supply chain management systems that are consistent with the DCF Regional Guidance. This could occur via a process whereby brands and retailers progressively increase compliant volumes of soy, beef and leather over time. This group should consider the following:

- Identify relevant meatpackers and traders linked to existing supply chains and request the details of their commitments and implementation status.
- Establish a position on deforestation and conversion and communicate this to all relevant suppliers.
- Develop or enhance a sustainable supply chain management program, including clear implementation roadmaps, performance milestones, and KPIs to assess progress.
- Ensure commitments and sourcing policies are integrated into company governance structures.
- Work towards purchasing exclusively from suppliers that demonstrate transparent and verified implementation of aligned commitments.
- Request that suppliers demonstrate measurable improvements over time.
- Preferentially source from verified deforestation/conversion-free jurisdictions, when available.

Financial Institutions: To effectively operationalize commitments, it is important that lending and capital markets clients are assessed against the guidelines outlined in the DCF Regional Guidance. Financial Institutions (FIs) can work with relevant supply chain actors to help define appropriate timelines and implementation guidelines. This group should consider the following:

- Adopt a graduated approach, similar to brands and retailers. Start by requesting that clients develop and implement a plan consistent with the DCF Regional Guidance as a financing requirement, and then move to verified compliance with progressive increases over time.
- Prioritize financing in verified deforestation/conversion-free jurisdictions, when available.
- Global FIs will have the greatest role with brands, retailers, and traders given that many of these entities operate across multiple commodity producing regions.
- Local and Regional FIs (including Public FIs) will have the greatest role with Meatpackers and Traders given their support of domestic financing needs.

For the Brazilian Amazon, we encourage adoption and maintenance of the existing frameworks (Amazon Soy Moratorium and Cattle Agreement) and their respective definitions and cut-off dates. They could be strengthened and improved over time to minimize laundering and leakage and to improve the verification and audit procedures. For the Cerrado in Brazil and Gran Chaco in Argentina and Paraguay, we recommend that companies adopt a conversion-free approach. This approach is better aligned with existing legal frameworks and allows for the use of official government data (such as Prodes Cerrado in Brazil). For monitoring, this is a simpler option, compared to applying a forest-only framework in a region of mixed vegetation.

[9] CFA maintains a more detailed summary and description of relevant tools to support implementation, which are available upon request.

ANNEX II: CASE STUDY

The relationship between the Accountability Framework definition of deforestation and other key definitions, standards and targets

Reference definition	Relationship to Accountability Framework definition
FAO (UN Food and Agriculture Organization)	• The Accountability Framework adopts the FAO's definition of *forest*. • For the purpose of implementing deforestation-free supply chains and commitments, the Framework clarifies that the focus is on the protection of natural forests. Therefore, natural forests are treated differently from plantation forests in the Framework's definitions of *deforestation* and *deforestation-free* (see Table 1). • To facilitate comparability between government forest definitions and monitoring (which are often based on the FAO definition) and supply chain definitions and monitoring, the AFi advocates that natural forests be distinguished from plantation forests for the purpose of monitoring forest loss and gain.
Consumer Goods Forum Deforestation Resolution	• The Accountability Framework concepts of *deforestation* and *deforestation-free* are congruent with, and may be used to operationalize, the CGF Deforestation Resolution. • Specifically, both initiatives specify no gross deforestation for commodity expansion and both consider deforestation to include the replacement of natural forest with plantation forest.[10]
New York Declaration on Forests (NYDF)	• The Accountability Framework concepts of *deforestation* and *deforestation-free* are congruent with, and may be used to operationalize, individual and collective pledges under the NYDF. • Specifically, the NYDF's targets are stated relative to *natural forests*: "world leaders endorse a global timeline to cut natural forest loss in half by 2020 and strive to end it by 2030." The NYDF also states that companies should eliminate deforestation from supply chains by no later than 2020.
UN Sustainable Development Goals (SDGs)	• SDG Target 15.2 (under SDG 15) states: "By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally." • Application of the Accountability Framework definitions can help companies and governments contribute to this target through protection of natural forests.
High Carbon Stock Approach (HCSA)	• The HCSA methodology provides a functional definition of deforestation for the context of fragmented moist tropical forests. Where this methodology has been tested and validated, the AFi considers it as an appropriate tool to apply the Framework's definitions. • Specifically, HCSA land-cover categories high density forest (HDF), medium density forest (MDF), low density forest (LDF), and young regeneration (YR) are all types of *natural forest*, as defined by the Accountability Framework. Deforestation-free activities generally must protect these land-cover categories, although some nuances and adjustments may be permitted in accordance with the HCSA's detailed site planning methodology.
Collaboration on Forests and Agriculture (CFA)	• The CFA is developing a deforestation-free and conversion-free (DCF) protocol for implementation of soy, beef, and leather supply chains in the Brazilian Amazon and Cerrado. The definitions of *deforestation* and *conversion* within this protocol are considered equivalent to those in the Accountability Framework. The CFA Protocol is being developed as a regionally-adapted application of the Accountability Framework with full cross-compatibility and mutual recognition. • The CFA's upcoming work to develop a similar protocol for the Gran Chaco biome in Argentina and Paraguay will similarly align with the Accountability Framework.
Global Forest Watch (GFW)	• GFW quantifies tree cover loss based on interpretation of Landsat satellite imagery. This dataset is generally suitable for applying the Accountability Framework definitions in the case of transitions from natural forest to agriculture. It may be less capable of reliably detecting various boundary cases (Table 2) or transitions from natural forest to plantation forest. • Ongoing upgrades to GFW and its underlying data will increase the range of scenarios and level of precision by which GFW can track deforestation and conversion. The Accountability Framework is working closely with GFW to incorporate the Framework's definitions into future GFW algorithms and tools. • Upcoming Operational Guidance will provide further information on specific metrics and uses of GFW to apply the Accountability Framework definitions.

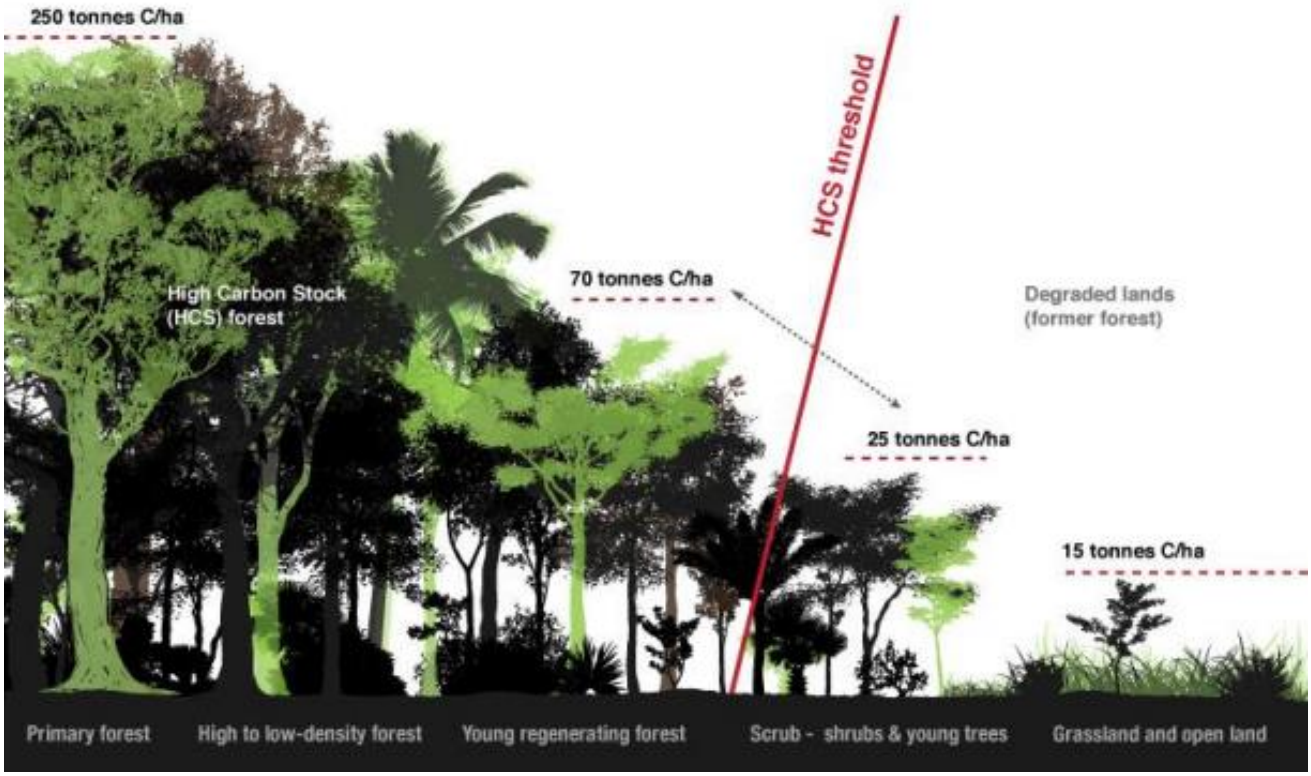
[10] These details are specified by means of the CGF having long made reference to WWF's "Zero Net Deforestation and Degradation" paper as the technical elaboration of its no-deforestation pledge.

Government definitions and monitoring systems	• Government definitions and monitoring systems related to deforestation vary from country to country. Further detail on the relationship between these and the Accountability Framework – including metrics for jurisdictional and supply chain monitoring – will be provided in upcoming Operational Guidance. • To facilitate comparability between government and supply chain monitoring, the AFi advocates that natural forests be distinguished from plantation forests for the purpose of tracking forest loss and gain.
Policies and voluntary standards	• The Accountability Framework definitions are generally compatible with policies and standards that specify no gross deforestation. • These include (but are not limited to) the Brazil Soy Moratorium, sustainability criteria for the EU Renewable Energy Directive, and the standards of the Forest Stewardship Council, Roundtable on Sustainable Biomaterials, and Round Table on Responsible Soy. • Details related to the Accountability Framework definition of deforestation (e.g., Tables 1 and 2, above) may be helpful for informing application, fulfillment, and monitoring/verification of these and other compatible policies and standards.

ANNEX III

The HCS Approach

The High Carbon Stock (HCS) approach identifies a threshold between natural forest and degraded land using six vegetation classifications. The classifications are: High Density Forest, Medium Density Forest, Low Density Forest, Young Regenerating Forest, Scrub and Cleared/Open Land (see GAR and SMART 2012). The (provisional) HCS threshold falls between young regenerating forest and scrub (Figure 1). These are respectively described as 'mostly young re-growth forest, but with occasional patches of older forest within the stratum' and 'recently cleared areas, some woody re-growth and grass-like ground cover'.



Source: *Proforest (2014)*