global canopy

Company Assessment Methodology 2018

COMPANY ASSESSMENTS

This methodology is designed to assess companies operating across all stages of forest-risk commodity supply chain. It expands upon Global Canopy's Forest 500 methodology[a], looking beyond company policies by systematically capturing data on a company's self-reported progress and their influence within the market.

The indicators are split into three categories: **Policy, Progress,** and **Power**. Policy and Progress indicators are closely aligned, and the scores for these two categories are combined for a maximum score of ten. The Policy category assesses publicly available company sustainability policies for their ability to address deforestation risks including their coverage of priority forest types[b], geographic and supply chain scope, and requirements for time bound actions. The Progress category assesses the incremental actions reported by companies to demonstrate their progress in implementing their sustainability policies. Indicators in this category are based on companies' own reported data and do not include any verification of company-reported progress or measures of on-the-ground impacts of policies.

The Power score is assessed independently of the company's policies and progress in implementation. It provides an indication of how much leverage the company has – in terms of size, supply chain control and geographical position – in relation to the other companies being assessed.

In order to clearly differentiate the scores for Policy and Progress from that for Power, companies are scored out of 10 points for the former, and ranked A, B or C for the latter. The maximum final score is thus broken down as follows:

CATEGORY	MAXIMUM POINTS
Policy	5
Progress	5
Power	A
TOTAL	**10A**

Companies are assessed against information publicly available on their websites and information on external platforms (including CDP Forests[c], Trase) in the first quarter of 2018. Information on company revenue or commodity-specific size (volumes, capacity, and market share) is also obtained from media reports when information is not available through the above sources. Where policies are included on the parent company's website and do not specifically exclude any operations, the policy is assumed to apply to all subsidiary companies. Where policies appear on a subsidiary company's website and the subsidiary covers the company's relevant operations, the policy is also interpreted as applying to all operations.

In order to simplify the assessment of companies across the entire supply chain, we use five supply chain categories - Producer, Processor, Trader, Manufacturer, and Retailer – which are grouped into upstream and downstream companies, as follows: **Upstream** – Producer, Processor, Trader; **Downstream** – Manufacturer, Retailer. If a company spans both upstream and downstream operations, it is assessed as an upstream company, as these operations are more directly linked to the impacts on the ground.

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[a] Global Canopy. 2017. The Forest 500: 2017 Company Assessment Methodology. Global Canopy, Oxford, UK. Retrieved from https://forest500.org/sites/default/files/2017_company_assessment_methodology.pdf
[b] Refers to intact forest landscapes, high conservation value (HCV) areas, primary and/or natural forests.
[c] CDP Forest disclosure reports. Retrieved from: https://www.cdp.net/en

POLICY AND PROGRESS

The focus is to assess company efforts to address deforestation risks across the supply chain.

The indicators are listed below, along with the guidance on how each one is scored. Each indicator receives a score of 1, 0.5 or 0. The 'key details' column indicates which information from the assessment is collected along with the score, and is useful for understanding the distinctions between companies on an individual indicators level which may not be captured by the score alone.

It should be noted that the lack of uniformity in definitions and company reporting around deforestation ultimately restricts the accuracy of assessment through policy wording alone. To reduce ambiguity in assessment, we interpret 'zero deforestation' commitments as being 'zero gross deforestation' commitments. Further interpretation is required where companies have not used the terms 'zero' or 'zero net' in their commitments. Commitments to 'zero conversion' of forests are treated as synonymous with 'zero deforestation' commitments. 'Zero conversion' is a stronger commitment, as it more clearly includes vegetation of ecological importance which are not forests, such as the savannah landscapes found in the Cerrado.

POLICY

NUMBER	INDICATOR	KEY DETAILS
1	**Overall deforestation-free policy**	
Guidance	*Must be the company's own policy, or an explicit commitment to use an external policy (e.g. 'support' for an external policy, or 'membership' of an external initiative is not sufficient).* ***Full point (1):*** *Clear overarching company policy of zero (gross) deforestation or zero (gross) conversion of vegetation in all of its supply chains. Commitments should be read in conjunction with other company documents, and interpretation is required, but generally, commitments to 'no deforestation' or 'deforestation-free' are included here.* ***Half point (0.5):*** *Company policy of no 'net' deforestation, or a deforestation policy which does not apply to all forests within company supply chain. Some interpretation has been required where companies have not used the terms 'zero' or 'zero net' in their commitments; for example, commitments to 'eliminate' deforestation are interpreted as zero net. Note that the commitments under the Consumer Goods Forum (CGF) and the New York Declaration on Forests (NYDF) are 'zero net commitments', but a company must explicitly commit to implementing these external initiatives in order to receive the point (e.g. 'support for' or 'member of' alone are not sufficient).*	*Commitment regarding deforestation/conversion* *Any external initiatives/commitments* *Which commodities it applies to*

		No point (0): No commitment, commitment does not cover all commodities, commitment is too unclear to be included under the scoring bands above, or commitment is weaker than 'zero net' - e.g. no illegal deforestation, 'reduce' or 'address' deforestation.	
2	**Commodity-specific forest policy**		
Guidance	*Must be the company's own policy, or an explicit commitment to use an external policy (e.g. 'support' for an external policy, or 'membership' of an external initiative is not sufficient).* ***Full point (1):*** *Either clear company policy of zero (gross) deforestation or zero (gross) conversion of vegetation in the specific supply chain being assessed, or the policy states that the company will exclude from the specific commodity supply chain production or use of products originating from intact forest landscapes, high conservation value (HCV) areas, high carbon stock (HCS) areas, primary and/or natural forests. Policies that state the company will only source commodities with production certified by a credible certification scheme, that protects one or more of these forest types, are accepted. Companies relying on several certification schemes must state a preference for one that is credible[d]. Commodity-specific moratoria (the Soy Moratorium or G4 Cattle Agreement) are included here, but a company must explicitly commit to implementing these external initiatives in order to receive the point (e.g. 'support for' or 'member of' alone are not sufficient).* ***Half point (0.5):*** *Forest policies of no 'net' deforestation in the specific commodity supply chain. Some interpretation has been required where companies have not used the terms 'zero' or 'zero net' in their commitments; for example, commitments to 'eliminate' deforestation are interpreted as zero net.* ***No point (0):*** *No commitment, commitment is too unclear to be included under the scoring bands above, or commitment is weaker than 'zero net' - e.g. no illegal deforestation, 'reduce' or 'address' deforestation.*	*Commitment regarding deforestation/conversion* *Any external initiatives/commitments*
3	**Geographic scope**		

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[d] Credible schemes here are defined as multi-stakeholder certification schemes that include civil society in decision-making and exclude the production of commodities from intact forest landscapes, high conservation value areas, primary forests, tropical natural forests, or similar. Global schemes considered credible are FSC, PEFC, RTRS, RSPO, and Rainforest Alliance.

Guidance	*This indicator is in relation to forest policies assessed in Indicator 2. If a company has no policy under Indicator 2, but does have an overarching deforestation commitment (Indicator 1), then it is assessed in relation to that instead.* ***Full point (1):*** *The policy explicitly applies to all geographies the company operates in/sources from, for the commodity supply chain being assessed.* ***Half point (0.5):*** *The policy applies to all company geographies the company operates in/sources from, but the geographic scope in relation to the assessed supply chain is not explicitly defined. Or, the policy applies explicitly to only part of the geographies the company operates in/sources from. Commodity-specific moratoria (e.g. the Soy Moratorium or G4 Cattle Agreement) are included here. If the geographic scope is stated but the full extent of the company's operations/sourcing is unclear, and it is therefore difficult to determine whether the policy covers all relevant geographies, companies are awarded a half point for this indicator.* ***No point (0):*** *The geographic scope is not specified, or is too unclear to be included under the scoring bands above.*	*Which policy is being assessed (Indicator 1 or Indicator 2)* *Geographic scope*
4	**Supply chain scope**		
Guidance	*This indicator is in relation to forest policies assessed in Indicator 2. If a company has no policy under Indicator 2, but does have an overarching deforestation commitment (Indicator 1), then it is assessed in relation to that instead.* ***Full point (1):*** *The policy explicitly applies to all parts of the company's supply chain for the commodity being assessed. This includes any and all company operations, direct and third-party suppliers. For retailers, this should cover sourcing for the company's own operations and private-label brands, but excludes products sold by the company that are owned and branded by third parties.* ***Half point (0.5):*** *The general policy on deforestation applies to all the company's operations and suppliers, but this scope is not explicitly defined in relation to the supply chain being assessed. Or, the policy applies explicitly to only part of the supply chain being assessed – e.g. only to company's own operations, or only to direct suppliers. If the scope is stated but the full extent of the company's supply chain is unclear, and it is therefore difficult to determine whether the policy covers its full scope, companies are awarded a half point for this indicator.* ***No point (0):*** *The supply chain scope is not specified, or is too unclear to be included under the scoring bands above.*	*Which policy is being assessed (Indicator 1 or Indicator 2)* *Supply chain scope*
5	**Time-bound target**		

| Guidance | *This indicator is in relation to forest policies assessed in Indicator 2. If a company has no policy under Indicator 2, but does have an overarching deforestation commitment (Indicator 1), then it is assessed in relation to that instead. The 'target' refers specifically to the date by which the company commits to achieving its goal regarding deforestation, rather than to begin implementing it.*

 Full point (1): *The policy has a time-bound target date of 2020 or earlier, or the target has already been achieved.*

 Half point (0.5): *The policy has a time-bound target date between 2021 and 2030, or an earlier target was set but has been missed.*

 No point (0): *No time-bound target date, or date is beyond 2030.* | *Which policy is being assessed (Indicator 1 or Indicator 2)*

 Date and what target it is in reference to |

PROGRESS

NUMBER	INDICATOR	KEY DETAILS
6	**Regularly reports progress**	
Guidance	*This indicator considers self-reported progress specifically on the commodity being assessed, in relation to either and/or both forest policies assessed in Indicators 1 and 2. **Note:** This indicator is based on self-reported data from companies and does not include any verification of company reported progress or measures of on-the-ground impacts of policies.* *Some interpretation is required here as to what can be counted as a progress report – we are looking for a report, report section, or dashboard which is dedicated to reporting progress on the policy(ies) the company has made to address deforestation and protect forests. A few general sweeping sentences alone would not be included, nor would irregular anecdotal updates (such as a one-off comment in a press release). A sustainability report which did not refer to progress relating to the assessed policy(ies) would not receive points either.* ***Full point (1):** The company has reported on its progress within the last two reporting periods (2016/17).* ***Half point (0.5):** The company has not reported on its progress within the last two reporting periods (2016/17), but has within the last three (2015).* ***No point (0):** The company does not report on progress, or has not within the last three reporting periods (pre-2015).*	*How regularly progress is reported*
7	**Monitors compliance in the supply chain**	
Guidance	*This indicator considers self-reported progress specifically on the commodity being assessed, in relation to either and/or both forest policies assessed in Indicators 1 and 2. **Note:** This indicator is based on self-reported data from companies and does not include any verification of company reported progress or measures of on-the-ground impacts of policies.* ***Full point (1):** There is some reporting of evidence that the company is monitoring compliance with its policy on deforestation. For **upstream** companies, this might be, e.g., satellite monitoring or on-the-ground patrols and audits, and could cover both their own operations and those of suppliers. For **downstream** companies, this would not be expected to cover direct monitoring of producer operations, but instead might include, e.g., auditing of direct suppliers to ensure they have a robust monitoring strategy in place for their own operations/suppliers.* ***Half point (0.5):** There is no reported evidence of implementation, but the company does outline a strategy for monitoring compliance. Some interpretation is required here as to what constitutes a clear strategy – e.g. "we monitor our suppliers for compliance" alone would not be sufficient. The wording of reports can make assessment ambiguous, but if it is unclear whether a statement is reporting strategy or evidence (e.g. "under our no deforestation policy, our efforts include satellite monitoring of suppliers") then it is included under this score band.*	*Summary of monitoring actions taken/planned*

		No point (0): There is no strategy or evidence, or these are too unclear to be included under the scoring bands above.	
8		**Engages with non-compliant suppliers**	
Guidance		*This indicator considers self-reported progress specifically on the commodity being assessed, in relation to either and/or both forest policies assessed in Indicators 1 and 2. **Note:** This indicator is based on self-reported data from companies and does not include any verification of company reported progress or measures of on-the-ground impacts of policies.* ***Full point (1):** There is some reporting of evidence that the company is engaging with suppliers not in compliance with its policy on deforestation. For **upstream** companies, this might be discussion with/exclusion of suppliers found to be non-compliant, or the implementation of smallholder support programmes to reduce the risk of non-compliance. For **downstream** companies, engagement might include setting time-bound implementation plans for sourcing agreements, or discussion with/exclusion of non-compliant direct suppliers.* ***Half point (0.5):** There is no reported evidence of implementation, but the company does outline a strategy for engaging with non-compliant suppliers. Some interpretation is required here as to what constitutes a clear strategy – e.g. "we address non-compliance" alone would not be sufficient. The wording of reports can make assessment ambiguous, but if it is unclear whether a statement is reporting strategy or evidence (e.g. "under our policy, our efforts include blacklisting of non-compliant suppliers") then it is included under this score band.* ***No point (0):** There is no strategy or evidence, or these are too unclear to be included under the scoring bands above.*	*Summary of engagement actions taken/planned*
9		**Traceability for direct suppliers**	
Guidance		*This indicator considers self-reported progress specifically on the commodity being assessed, in relation to either and/or both forest policies assessed in Indicators 1 and 2. **Note:** This indicator is based on self-reported data from companies and does not include any verification of company reported progress or measures of on-the-ground impacts of policies.* *'Traceability' is defined here as the ability to follow a product back to at least one step removed from production (i.e. mill level for palm oil, paper, and timber products other than roundwood; crushing facility for soy beans; slaughterhouse for cattle), and ideally further. A company simply having knowledge of the locations or names of its suppliers is not considered equal to product traceability.* ***Full point (1):** The company has traceability at least to the level one step removed from production. If a company is a producer only, then traceability should be to production level. For companies which are retailers only, traceability is required only to first importer, and only for the company's own operations and private-label brands, excluding products sold by the company that are owned and branded by third parties.* ***Half point (0.5):** The company has a traceability system in place, but it is not to one step removed from production level (or further). For companies which are retailers only, efforts in place to map suppliers are included here, as long as clearly contributing to a future goal of implementing a traceability system.*	*Level of traceability*

	No point (0): There is no traceability system in place, or the company only demonstrates knowledge of its supply chain (e.g. names and locations of suppliers) but does not link this to product traceability (unless a retailer <u>only</u> – see score band above).	
10	**Other implementation efforts**	
Guidance	*This indicator considers self-reported progress specifically on the commodity being assessed, in relation to either and/or both forest policies assessed in Indicators 1 and 2.* **Note:** *This indicator is based on self-reported data from companies and does not include any verification of company reported progress or measures of on-the-ground impacts of policies.* **Full point (1):** *Reported evidence of implementation of other activities relating to company's forest policy(ies), beyond monitoring, ensuring compliance, and traceability (all captured in the indicators above). Interpretation is required as to what is relevant, but only activities which clearly support the company's forest policy(ies) are included, if under one of the following categories: certification of suppliers and/or own operations; collaboration with NGO(s), or; supporting implementation of relevant laws and government initiatives (e.g. the Brazilian Forest Code). Only credible external certification schemes are included here[e], and the company must be currently certified to receive the full point.* **Half point (0.5):** *Other activities planned, but no clear report of them being implemented currently. If a company provides a relevant certification certificate, but it is out-of-date, then a half point is awarded. Actions that do not involve any external parties (e.g. company's own certification scheme) can only receive a half point.* **No point (0):** *No other relevant activities or plans reported.*	*Summary of main implementation efforts not captured in the indicators above*

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[e] Credible schemes here are defined as multi-stakeholder certification schemes that include civil society in decision-making and exclude the production of commodities from intact forest landscapes, high conservation value areas, primary forests, tropical natural forests, or similar. Global schemes considered credible are FSC, PEFC, RTRS, RSPO, and Rainforest Alliance.

POWER

The Power score is assessed independently of the company's policies and progress in implementation. It provides an indication of how significant an influence the company has – in terms of size, supply chain control and geographical position – in relation to the other companies being assessed.

The Power indicators are listed in this section, along with the guidance on how each one is scored. The 'key details' column indicates which information from the assessment is reported along with the score, and is useful for understanding the finer distinctions between company power measures, which may not be captured by the score alone. Each indicator receives a score of 1 (high), 0.5 (medium) or 0 (low). The total score for Power is then translated to a letter (A, B or C), to allow differentiation from the Policy and Progress score when the overall assessment total is given. **The table to the right shows how the letter scores are allocated.**

The scores for a company under Indicators 11 and 12 are relative to the figures reported by other companies, and thus require benchmarking to set the scoring parameters: upper and lower quartiles of the data ranges were taken in order to determine the 'high', 'medium' and 'low' categories for these indicators. This was based on the total data found for all companies assessed, and thus scores for these categories were not allocated until all assessments were completed.

There are four main indicators in the Power section, and thus a maximum score of four is possible in this section. The three indicators under 12 (12.1, 12.2, 12.3) are all measures of company size specifically in relation to the commodity being assessed, but each allows for a different form of data to be used to score this indicator (see indicator descriptions below for more details). This is done to facilitate assessment of companies in different supply chain roles.

Total numerical score	Final Power score
4	
3.5	A
3	
2.5	
2	B
1.5	
1	
0.5	C
0	

NUMBER	INDICATOR	KEY DETAILS
11	**Total revenue**	
Guidance	*Total (annual) revenue of the company. To facilitate comparison, all figures are converted to USD (using the official average exchange rate for the relevant year[f]), and obtained for the same calendar year where possible. If company-reported figures cannot be found or are unclear, externally reported figures are used.* **High (1):** *Over US $40 billion* **Medium (0.5):** *Between US $1 billion and US $40 billion.* **Low (0):** *Under US $1 billion.*	*Value*
12	**Commodity-specific size** The three indicators under 12 (12.1, 12.2, 12.3) are all measures of company size specifically in relation to the commodity being assessed, but each allows for a different form of data to be used to score points for this indicator. A company can only receive a point for one of the three indicators included in this section. If a company reports data under multiple categories (volume, capacity, and market share), the company is awarded points for their reported volumes (indicator 12.1) as this indicator provides the most accurate information of the amount of a particular commodity that a company uses. In instances where the quality of the reported volume information is low, companies are awarded points for their capacity (for upstream companies) and market share (for downstream companies) if this data is deemed to be more credible.	
12.1	**Volumes produced/handled**	
Guidance	*This data is taken from the Trase[g] database, as well as company reports and external sources. Volumes may be those produced, sourced, processed or traded. To facilitate comparison, all volumes are converted to 'equivalent tons' for the commodity being assessed (using the US (short) ton).* **High (1):** *Soy – over 1 million US tons.* *Cattle – over 50,000 US tons.*	*Value*

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[f] See http://stats.oecd.org/index.aspx?queryid=169

[g] See http://trase.earth

	Medium (0.5): *Soy – between 100,000 and 1 million US tons.* *Cattle – between 5,000 and 50,000 US tons.* *Low (0):* *Soy – under 100,000 US tons.* *Cattle – under 5,000 US tons.*	
12.2	**Capacity (upstream)**	
Guidance	*For soy, palm and timber/pulp and paper supply chains, this may be storage capacity (all converted to tons) or processing (milling/crushing etc.) capacity (converted to tons/day). For cattle supply chains, this will be head of cattle slaughtered per day.* *High (1):* *Soy – over 50,000 US tons per day.* *Cattle – over 5,000 head of cattle per day.* *Medium (0.5):* *Soy – between 5,000 and 50,000 US tons per day.* *Cattle – between 1,000 and 5,000 head of cattle per day.* *Low (0):* *Soy – under 5,000 US tons per day.* *Cattle – under 1,000 head of cattle per day.*	*Value*
12.3	**Market share (downstream)**	
Guidance	*Due to data availability, only retailers are assessed against this indicator. Data are obtained primarily from market reports, and company market share is calculated based on the global market share data for packaged foods, food service, or food grocery sectors depending on the company being assessed.* *High (1): Over 1%* *Medium (0.5): Between 0.1 and 1%*	*Percentage*

	Low (0): Under 0.1%	
13	**Supply chain role**	
Guidance	*High (1): Company is operating either at the producer level, or across three or more levels of the supply chain (e.g. processor, trader and manufacturer).* *Medium (0.5): Company is operating at the processor or trader level, or operates across two levels of the supply chain (manufacturer and retailer).* *Low (0): Company is a manufacturer only, or a retailer only.*	*Supply chain role(s)*
14	**Scale of operations**	
Guidance	*The highest level at which the company operates across its relevant supply chain is recorded.* *High (1): Multi-national. Any companies both exporting and importing internationally will be included here, even if all production and processing occurs in the same country.* *Medium (0.5): National. Companies which only operate in one country are included here. This includes companies which export from/import to the same country as their other operations, and nowhere else. For example, a company which exports from Brazil will still be considered 'national' if it does not export from/import to any other countries, or have any other operations outside Brazil.* *Low (0): Regional. This refers to anything below the national level, e.g. municipality- or state-level.*	*Highest level of company operations*

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