



Forest Footprint Disclosure calls on businesses and investors to act to protect our forests

At the start of the UN International Year of Forests, Forest Footprint Disclosure urges more companies and investors to recognise the business risks of ignoring deforestation

27th January, 2011 Forest Footprint Disclosure (FFD) at the launch of their second Annual Review, calls on the private sector, the business and investment community, to play their part now to protect the world's forests.

Specifically FFD urges the business community to meet the following challenges:

- To identify where they source key forest-risk commodities from currently
- To buy certified product which is produced sustainably
- To map their supply chain and all of the relevant stakeholders in it
- To commit to sustainable sourcing and helping to build capabilities upstream to ensure that they can manage their existing business risk

FFD was launched in June 2009 and focuses on international companies that have direct exposure to forest risk commodities (FRCs), working with them to disclose their supply chain policy to the investors endorsing the FFD project . These FRCs have been shown to have links to deforestation pressures and include timber, soy, cattle products, palm oil and biofuels.

British companies performed well. British Airways, Drax Group, Greenergy International, Marks and Spencer, J Sainsbury plc and Reed Elsevier all lead their sectors, demonstrating the leadership role that Britain plc continues to play in the corporate social responsibility agenda. Overseas participation also increased substantially. Clearly the companies that are responding outside the UK are ones that already take deforestation risk seriously but many more companies need to understand why they should address this issue. The Disclosure Request structure helps companies work through the issues and analysis needed to understand their forest footprint.

Last year FFD approached 217 companies and achieved a 16% response rate (35 companies). This year the target list increased by 31% with the addition of primary producers in developing markets and buyers in the USA. In 2010, a total of 285 companies were approached and, despite the increase in reach, a 27% response rate was achieved (78 companies).

FFD called on more businesses to recognise the importance of changes in regulation and policy relating to protecting forested lands and the need for managements to assess their risk exposure in more detail.

Tracey Campbell, Director of the FFD Project said, “It’s not just environmental good sense, it makes increasingly sound business sense to understand and reduce deforestation pressures driven by agricultural expansion right now - to prepare for both future legislation and market opportunities.”

The Review highlighted the business impact of not engaging on this important issue:

1. **Stoppage in Supply:** With a rapid increase in national regulations relating to product acceptability the challenge to a purchasing manager of delivering a continuous supply of forest-risk commodities is growing. If a company doesn’t know where its raw materials are coming from it cannot manage this risk effectively, leading to threat of supply stoppages or even prosecution.
2. **Land Shortages:** existing agricultural practices in cleared forest areas tend to have low productivity: more crops can only be produced by clearing more hectares. In order to stop this relentless land grab better use must be made of land already cleared through investments in productivity. This may require additional investment but without yield improvements the eventual result will be long term food price inflation as well as the destruction of important forest habitats and livelihoods.
3. **Climate Change:** The Stern Report commented that deforestation accounted for almost one-fifth of global greenhouse gas emissions: more than all forms of transport combined. It is impossible to conceive of a solution to climate change if deforestation is not reduced. Companies saving energy and carbon need to include their commodity sourcing policy if their climate change mitigation policy is to be credible and coherent.
4. **Missing the Carbon Opportunity:** The Cancun meeting encouraged the development of a market scheme for Reducing Emissions from Deforestation and Degradation (REDD+). This could generate commercial opportunities for companies who understand their forest impact. Work done now to understand these issues could pay dividends as this new market evolves. On the downside REDD+ could change the arbitrage between land clearance and leaving forests standing – are companies currently aware which of their suppliers may be affected?

Andrew Mitchell, Chairman of FFD said, “190 Governments have now recognised halting deforestation is a key world priority – businesses should do the same. Engaging with Forest Footprint Disclosure is one small step through which companies can make sure their supply chain choices are not destroying the natural capital on which their future wealth creation depends. It is also a significant leap towards a much wider transformation; one which will identify the sustainable businesses of tomorrow that incorporate the true costs of using natural capital into their future business models - before regulation catches up with them. Not doing so will expose companies to greater reputational risk, increasing costs of supply, and contribute to climate change”.

The Parliamentary Under Secretary for International Development, Stephen O'Brien MP, speaking at the launch said, "Stephen O'Brien MP said:

"Forests are the lungs of the earth. They provide vital carbon storage and support more than half of the world's biodiversity. About 1.2 billion poor people depend on forests for their livelihoods - wood, food, fodder, fuel and medicines. It is in the interests of everyone to protect them.

"The private sector has a key role to play in how forests are conserved, run and used. I am encouraged that more companies are taking the opportunity to be part of this project - and sending a signal to others that they are happy to be transparent with investors on the sustainability of their business."

Investors endorsing forest footprint disclosure now represent over \$5 trillion in assets under management and FFD seeks more supporters, especially in Asia and the Americas to drive their message home to local companies. FFD called on the investment community to promote the importance of identifying forest footprints in order to recognise and manage the business risk.

"Deforestation is a key risk for long term investors" said Freddie Woolfe, of Hermes Equity Ownership Services Limited, "Deforestation is responsible for around a fifth of global carbon emissions and for long-term investors such as pension funds, climate-related effects will structurally and systematically affect the markets in which we invest and therefore the underlying value of our portfolios."

However, certain sectors continue to disappoint, with only one respondent from the oil and gas sector. Tracey Campbell, Director of FFD said, "In an age when millions of marketing dollars are spent on promoting renewable fuels to the consumer it is a great disappointment that the same companies won't disclose how they manage the sustainability of their biofuel supply chains." She continued, "In the US many companies approached were reluctant to engage straight away but we hope that as they gain familiarity with the FFD project and we add US-based investors that this topic will be brought into Board Rooms. Asian companies have also been slow to respond on these issues even though for many of the names we approach the loss of rainforest we are trying to prevent is happening right on their doorstep. We hope to see greater response rates from all these areas in 2011."

The Review highlights that companies need to act today, as regulation to protect the world's forest assets is increasing and they are at risk of being caught unprepared and losing value for their shareholders as a result.

Ends

Notes to Editors

Key highlights from the report

- In 2009 35 out of 217 disclosures were completed
- In 2010 78 out of 285 disclosures were completed
- 56 investors endorsing disclosure now represent \$5 trillion of assets under management
- Deforestation accounts for more greenhouse gas emissions than all forms of transport put together.
- The timber industries are particularly well-represented among respondents since they have the longest standing certification systems and now face the introduction of regulation in the US (The Lacey Act) and the EU Due Diligence regulation which will increase the penalties for non-compliance
- British companies were sector leaders in 6 of the 13 areas
- 12 compared to 2 North American companies disclosed this year and 10 compared to 4 Developing market companies
- A full list of those contacted and respondents can be found at <http://www.forestdisclosure.com/page.asp?p=4713>
- The philanthropists funding the FFD project are: The philanthropists funding the FFD project are: The Waterloo Foundation, The Esmee Fairbairn Foundation, The Rufford Maurice Laing Foundation and CLUA, plus the UK Department for International Development

Table of Results

Sector	Leader
Basic Materials	Stora Enso Oyj
Biofuels	Greenergy International
Clothing, accessories and footwear	adidas AG and Nike Inc
Farming and Fishing	IOI Group
Food and Drug Retailer	Carrefour and J Sainsbury Plc
Food Products and Soft Drinks	Danisco
General Retailers	Marks and Spencer
Industrials and Autos	Dalhoff, Larsen and Horneman and

	Weyerhaeuser Company
Media	Reed Elsevier
Oil and Gas	Neste Oil
Personal and Household	Kimberly-Clark
Travel and Leisure	British Airways
Utilities	Drax Group

Geography	Percentage of Target Companies Responding to Disclosure Request
UK	52%
Continental Europe	39%
Developing Markets	19%
North America	14%
Mature Australasia	12%

Forest Footprint Disclosure is a not-for-profit organisation and a special project of the Global Canopy Foundation, a UK-registered charity. Initiated in 2008 and launched in June 2009. The project is designed to improve corporate understanding of a 'forest footprint' generated by the use of key forest risk commodities: soy, palm oil, timber, cattle products and biofuels.

FFD designed a disclosure request asking about company policy on sustainable supply chains for these products and in 2010 sent it out to 285 international companies in June. Each company participating receives a feedback report to encourage higher scoring in future years.

The second Annual Review describes the findings of the disclosure request and provides some context on the current issues and concerns for forest risk commodities.

For more information, interviews or pictures please contact Claire Barry on 07939 844614, claire@heathcroft.co.uk or Craig Leviton on 07958 437952, craig.leviton@heathcroft.co.uk

After the 'Year of Biodiversity', The United Nations General Assembly declared 2011 as 'The International Year of Forests' to raise awareness on sustainable management, conservation and sustainable development of all types of forests. For more information please visit <http://www.un.org/en/events/iyof2011/index.shtml>

SUPPORTIVE QUOTES

Many leading international businesses are beginning to recognise the importance of managing the potential business risk of deforestation. Here are some quotes for media use from some of the participants.

adidas Group, Frank Henke, Global Director Social and Environmental Affairs

“In 2010, the adidas Group has been pleased to host a key meeting of the Leather Working Group in September with over 65 companies attending. This again underpinned our company’s commitment and track record in promoting collaborative efforts to drive sustainable development in our industry. The discussion focused on the Tannery Environmental Audit Protocol, published in November which will help establish higher sustainability standards in the leather industry. By working together in this way clear messages can be delivered to suppliers as to what standards they should aim to achieve.’

Sainsbury plc, Judith Batchelar, Director of Sainsbury’s Brand

“We’ve invested a great deal of effort in our palm oil sourcing policy this year, taking us further on our journey towards meeting our target of 100 per cent certified sustainable palm oil in our own brand products by 2014. We are absolutely committed to maintaining a sustainable supply chain and our work in this area is a great example of how we are putting sustainability at the top of the agenda.”

Marks and Spencer, Laila Petrie, Sustainability Manager

“We know that deforestation is a serious problem, threatening biodiversity and communities and contributing to climate change. Forests are an incredibly valuable natural resource, helping to regulate the climate, water cycles and prevent soil erosion. It is vital that businesses play their role in protecting forests around the world. The Forest Footprint Disclosure project is an important way to raise awareness of deforestation and the role that businesses can play in preventing it.”

British Airways, Patrick Spink, Environment Executive

“As part of ‘One Destination’ – British Airways Corporate Responsibility programme – we are proud to have been one of the first companies, and indeed the first airline, to take part in the FFD programme. This participation marks a step change in the way we do business and is the beginning of a new journey to drive sustainability into our supply chain. There is still much to improve on but the FFD has been a superb arena to encourage companies to work with suppliers and other FFD participants to identify best practice and share knowledge and experience. This has

already enabled us to introduce more sustainable working practices and adopt new policies that will have a significant impact on reducing our forest footprint.”

Drax Power Limited, Nigel Burdett, Head of Environment

“Drax has a clear strategic goal of reducing its ‘carbon footprint’ through investments in biomass infrastructure and, in so doing, becoming a leading player in the development of sustainable, biomass-fired, generating plant. We have therefore implemented comprehensive sustainability criteria into our biomass procurement activities, aiming to assure both the availability and sustainability of biomass supplies.”