The need for spatial data transparency in the tropical forestry sector

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About SPOTT

Developed by the Zoological Society of London (ZSL), SPOTT is a free online platform supporting sustainable commodity production and trade. By tracking transparency, SPOTT incentivises the implementation of corporate best practice.

SPOTT assesses commodity producers and traders on the public disclosure of their policies, operations and commitments related to environmental, social and governance (ESG) issues. SPOTT scores tropical forestry and palm oil companies annually against over 100 sector-specific indicators to benchmark their progress over time. Investors, buyers and other key influencers can use SPOTT assessments to inform stakeholder engagement, manage ESG risk, and increase transparency across multiple industries.

For more information, visit SPOTT.org.

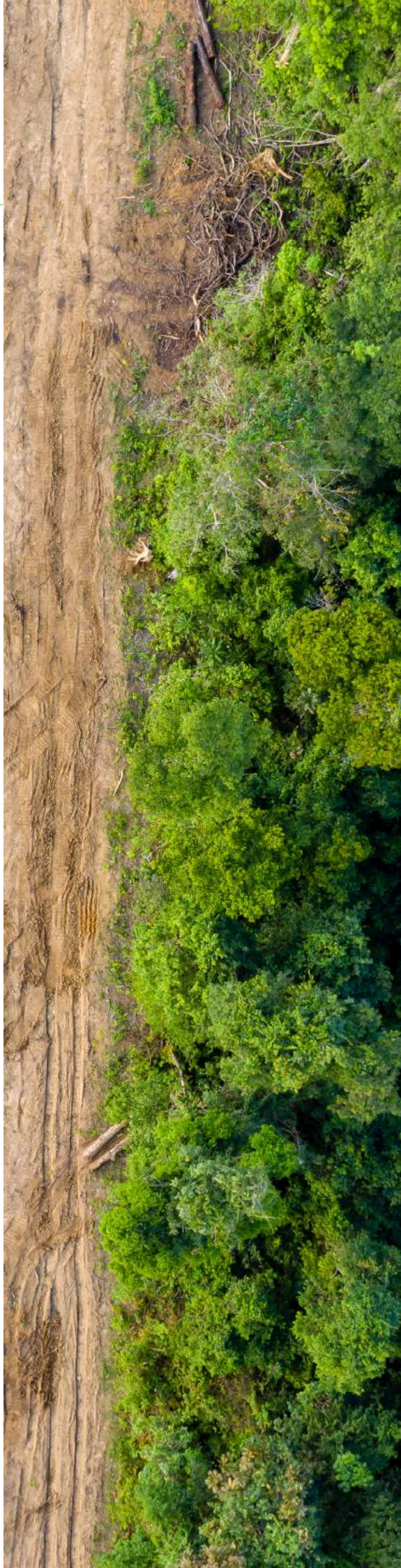
About ZSL

ZSL (Zoological Society of London) is an international conservation charity working to create a world where wildlife thrives. From investigating the health threats facing animals to helping people and wildlife live alongside each other, ZSL is committed to bringing wildlife back from the brink of extinction. Our work is realised through our ground-breaking science, our field conservation around the world and engaging millions of people through our two zoos, ZSL London Zoo and ZSL Whipsnade Zoo.

For more information, visit www.zsl.org.

Executive summary

- The forest products industry is a major driver of forest degradation and loss, with commodity-driven deforestation and forestry the two leading causes of forest disturbance globally between 2001 and 2015. Ensuring the sustainability of forestry operations is critical to preserve the biodiversity of forests and their capacity to provide natural resources, livelihoods, and other ecosystem services locally and globally.
- From the mapping of complex supply chains across multinational companies through to local level monitoring of activities in the field, spatial data is a key tool to improve our understanding of drivers of forest degradation and biodiversity loss.
- This report provides guidance on the collection, disclosure and use of spatial data, and highlights the benefits of spatial data transparency to companies and wider stakeholders, including financial institutions and buying companies.
- In 2019, SPOTT assessed 88 timber and pulp producers which together control more than 46.6 million hectares of land. SPOTT assessments found that only 11/88 companies (13%) had georeferenced maps of all their forestry operations publicly available. As a result, the precise location of more than almost 39 million hectares of forestry operations of SPOTT-assessed companies is unclear or not available
- Forestry companies should disclose data on the location of their operations. This data should be publicly available, easily accessible to all, up-to-date, clear and comprehensive.
- Financial institutions and downstream buyers should ask for increased spatial data transparency from their suppliers and clients and should support companies in their efforts to disclose robust spatial data through informed engagement.
- Governments should require and facilitate public spatial data disclosure by concession holding companies. Through monitoring activities using spatial information, civil society and other external stakeholders can support the private sector in their efforts towards more transparency and sustainability.



Introduction

The world's remaining forests are being degraded and lost at a dramatic pace: it is estimated that each second, more than one hectare of tropical forest, an area slightly larger than a standard football pitch, is affected by forest loss or forest degradation[1] (Box 1).

The forest products industry is a major driver of forest disturbance. From 2001 to 2015, global forest disturbance was attributed to four main causes: commodity-driven deforestation (27%), forestry (26%), shifting agriculture (24%) and wildfire (23%).[2] Ensuring the sustainability of forestry operations is therefore critical to preserve the biodiversity of forests and their capacity to provide natural resources, livelihoods, and other ecosystem services locally and globally.

Transparency in the forestry sector – including publicly available and suitable spatial data about company operations – can play a key role in facilitating improved monitoring of forestry activities, increasing knowledge of supply chain impacts, and ultimately strengthening sustainability in the forestry sector.

This report presents the case for spatial data disclosure by forestry companies. It provides guidance on the collection, disclosure and use of data. It highlights the benefits of spatial data transparency to companies and wider stakeholders, including financial institutions and buying companies, who rely on accurate, consistent and transparent information to support their lending, investment and procurement decisions.

> *"With nearly a quarter of forest degradation and loss driven by forestry, more disclosures are needed to assess and manage the potential impacts of forestry activities on biodiversity and our climate. Accurate data regarding the extent, location and boundaries of a company's concessions is vital for monitoring environmental damage in and around company concessions, helping to ensure that companies are being good stewards of the land they are entrusted with."*
>
> **Robert-Alexandre Poujade,**
> **ESG Analyst, BNP Paribas Asset Management**

Read more about BNP's approach and expectations on page 8.

Box 1: Forest disturbance and its effects

- Forest loss and forest degradation

Forest degradation refers to changes in a natural forest ecosystem that significantly affect its composition, structure or functions. It results in the temporary loss of its capacity to provide goods and services to people and nature. **Forest loss, or deforestation,** refers to the permanent loss of natural forests as a result of the conversion of forests to non-forest uses, such as infrastructure or agriculture, or of severe and sustained degradation.[1,3]

- Forest biodiversity and regulation services

In both cases, forest disturbance is detrimental to the biodiversity and regulation functions of forests. As forests provide habitat for 80% of the world's terrestrial biodiversity,[1] forest loss and degradation can lead to species loss which can impact ecosystems at various scales. Forests are also critical for regulating the global water system and climate. They store large amounts of carbon, which can be released into the atmosphere when trees are cut down.

- Livelihoods

More than 240 million people live in forested regions and an estimated 1.6 billion people directly rely on forests for their livelihoods.[1] Access to food, shelter, forest-based activities and other ecosystem goods and services are threatened by forest loss and degradation, putting the livelihoods of these people at risk.

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[1] IUCN. (2017). Deforestation and forest degradation. Issues brief. https://www.iucn.org/sites/dev/files/deforestation-forest_degradation_issues_brief_final.pdf

[2] Curtis, P. G., Slay, C. M., Harris, N. L., Tyukavina, A., & Hansen, M. C. (2018). Classifying drivers of global forest loss. *Science*, 361(6407), 1108-1111.

[3] http://accountability-framework.org/definitions/

Missing maps in the tropical forestry sector

Spatial data transparency among companies assessed on SPOTT: area and location of concessions

SPOTT[4] is a free, online platform supporting sustainable commodity production and trade. SPOTT scores tropical forestry and palm oil companies annually against over 100 sector-specific indicators to assess their transparency. In 2019, SPOTT assessed 97 of the world's most significant tropical timber and pulp companies on the public disclosure of their policies, operations and commitments related to environmental, social and governance (ESG) issues. This includes the availability of spatial data, such as the location of company concessions and mills.

Companies assessed on SPOTT are some of the world's major producers, processors and traders of tropical wood or wood fibre products. Among the 97 companies assessed in 2019, 88 produce wood or wood fibre, controlling more than 46.6 million hectares of land, or the area of Papua New Guinea (Table 1).

Table 1. Area controlled by timber and pulp producers assessed on SPOTT in 2019 (data as of July 2019).

	Number of producers	% of all producers	Area controlled (hectares)	% of total area controlled
Producers which disclose the total area of their operations	63	72%	36,400,000*	78%
Producers which don't disclose the total area of their operations	25	28%	10,200,000**	22%
All producers assessed on SPOTT in 2019	88	100%	46,600,000	100%

* This figure is based on information publicly disclosed by the companies (e.g. on their website or in sustainability reports).
** This figure is based on estimates of the area controlled by the companies, using various external sources (e.g. Global Forest Watch, Open Timber Portal, NGO reports).

SPOTT assessments found that only 11/88 (13%) companies assessed had georeferenced maps of all their forestry operations publicly available, either on the company's websites or reports or in external sources that are reviewed during SPOTT assessments.[5] Fifty-eight out of 88 (66%) companies disclosed incomplete spatial information, including data that was between two and five years old, static images that do not allow for the concessions to be located on Google Maps or in any other mapping tools, and/or information that did not cover the company's entire operations. The remaining 19/88 (22%) companies failed to publicly report any suitable spatial data for their operations.

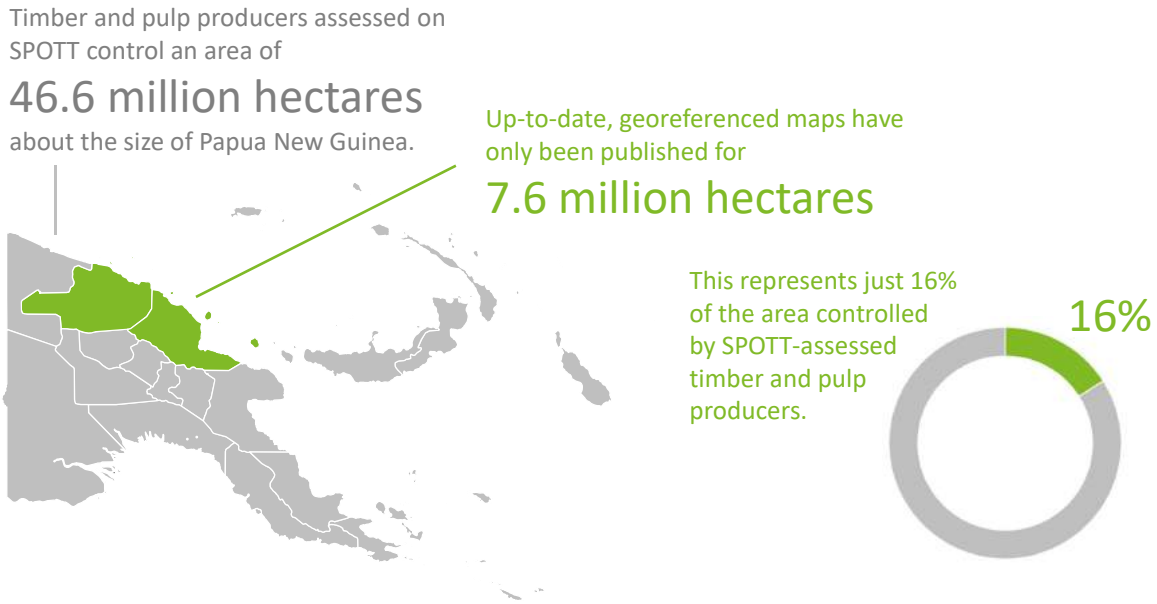
As a result, the precise location of more than 39 million hectares of forestry operations of SPOTT-assessed companies is unclear or not available (Table 2). This represents 84% of the total area covered by producers assessed on SPOTT.

[4] https://www.spott.org
[5] External sources that have been reviewed for SPOTT assessments include Global Forest Watch (https://www.globalforestwatch.org/map), the Open Timber Portal (http://www.opentimberportal.org/operators), the Forest Atlases of Congo Basin countries (https://www.wri.org/our-work/project/forest-atlases/countries-forest-atlases), the FSC database (https://info.fsc.org/certificate.php).

Table 2. The publication of company concession maps by tropical forestry producers assessed on SPOTT in July 2019.

	Number of producers	% of all producers	Area controlled (hectares)	% of total area* controlled
Producers which have published georeferenced maps of all their concessions within the last two years	11	13%	7,600,000	16%
Producers which have published incomplete spatial data about their concessions**	58	66%	31,700,000	68%
Producers which did not publish spatial data about their concessions or published data that is more than five years old or undated	19	22%	7,300,000	16%
All producers assessed on SPOTT in 2019	88	100%	46,600,000*	100%

* 46,600,000 hectares – total area controlled by eight producers assessed on SPOTT in 2019 (based on the public disclosure of 63 companies and external sources for 25 companies). ** Incomplete data refers to published data that does not cover a company's entire operations, data that is between two to five years old, or a static image that does not allow for the locations of concessions to be located on Google Maps or in any other mapping tools.



Spatial data transparency among companies assessed on SPOTT: location of company mills

The public disclosure of the location of company sawmills and pulp and paper mills was also assessed in the 2019 SPOTT assessments. Out of 88 companies which were known to have sawmills or pulp and paper mills, only 14 companies (16%) disclosed georeferenced maps, geographic coordinates, or clear information that enables external stakeholders to locate their mills.

Twelve companies (14%) disclosed incomplete information, including data that was between two and five years old, that did not cover the company's entire operations, and/or static images that do not enable concessions to be located on Google Maps or other mapping tools. The remaining 62 companies (70%) failed to disclose any information regarding the location of their mills.

Collecting and disclosing spatial data

What spatial data should companies collect?

Companies should collect data about the **size and location, including precise boundaries**, of all the lands they own or manage for the production of wood or wood fibre.

This spatial data should also include the number, location and size of the following, where relevant:

- The areas of natural forests or plantations within the company's concessions currently designated for wood or wood fibre production;
- The areas within the company's concessions that are set aside for conservation, for local communities, for future development, or for any other use as relevant;
- The company's processing units, such as sawmills and pulp and paper mills.

How to disclose data?

Disclosed company data should be publicly available, readable and easily usable by relevant stakeholders. Specifically, spatial data disclosed should be:

Complete, accurate and clear – Companies should publish georeferenced maps for all their concessions and mills that enable stakeholders to locate their precise location on Google Maps or in other mapping tools. SPOTT only awards partial points when companies disclose static images of their concession maps, or when their spatial data does not cover all the company's operations, or when the information published is unclear.

Dated and up to date – Current data is necessary for informed decision making. This means that companies should publish information on their concessions and mills every two years at a minimum. SPOTT only awards partial points to companies when their data is between two and five years old. No points are awarded when information is undated or more than five years old.

Accessible to all stakeholders – Two complementary steps are required for companies to make their spatial data accessible to all relevant stakeholders:

- Spatial data can be disclosed online, on a company's website or within company reports. It can be made available as a georeferenced map (e.g. in KML or shapefile format), using geographic coordinates or by publishing the exact addresses in the case of mills.
- Spatial data can be made available to local populations within and surrounding the company's concessions using usual means of communication, which vary according to local contexts and may include organising meetings with local communities, making a printed version available (including a scale, orientation and coordinates) in a space that is shared and accessible to all the local populations, etc.

Box 2: Find forest maps online

Many initiatives are working to increase the availability of spatial data about forestry concessions and other information that is relevant to the forestry sector, including the following:

- Indonesia's One Map Initiative[6,7] https://geoportal.esdm.go.id/monaresia/home/
- The Forest Atlases[8] of Cameroon, Central African Republic, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Georgia, Liberia, Madagascar and the Republic of Congo https://www.wri.org/our-work/project/forest-atlases
- Global Forest Watch – global mapping and datasets including forest cover and land use https://www.globalforestwatch.org/map
- The Observatory of Central African Forests (Ofac) https://www.observatoire-comifac.net/ofac/observatory
- Protected Planet – A global map of protected areas https://www.protectedplanet.net/
- The World Database of Key Biodiversity Areas http://www.keybiodiversityareas.org/site/mapsearch

[6] Gokkon, B. (2018, December 13). One map to rule them all: Indonesia launches unified land-use chart. https://news.mongabay.com/2018/12/one-map-to-rule-them-all-indonesia-launches-unified-land-use-chart/

[7] Erdenesanaa, D. (2017, June 19). Indonesia Uses "One Map" to Resolve Land Conflicts: Q&A with Adi Pradana and Gita Syahrani. https://www.wri.org/blog/2017/06/indonesia-uses-one-map-resolve-land-conflicts-qa-adi-pradana-and-gita-syahrani

[8] Tessa, B. (2012, October 11). New, Interactive Atlas Can Improve Cameroon's Forest Management. https://www.wri.org/blog/2012/10/new-interactive-atlas-can-improve-cameroon-s-forest-management

Box 3: For further guidance, norms and protocols for collecting and making spatial data available online, refer to the following resources

- The Accountability Framework Initiative "Reporting, Disclosure and Claims" operational guidance https://accountability-framework.org/contents-of-the-framework/reporting-disclosure-and-claims/
- The Global Reporting Initiative provides a set of standards representing best practices for reporting on economic, environmental and social impacts https://www.globalreporting.org/standards/gri-standards-download-center/
- The RSPO provides general guidelines on collecting spatial data and creating files in its publication "Guidance on map submission for land use change analysis for independent smallholders" https://rspo.org/smallholders/smallholders-key-documents

How does spatial data transparency support increased sustainability in the forestry sector?

Collecting spatial data for internal use

The collection of spatial information by forestry companies can be useful internally to monitor forestry operations across a company's concessions. It can help companies prioritise actions to improve their sustainability, disprove or substantiate allegations of deforestation, illegal logging or fires, and help facilitate reporting to company stakeholders, including buyers and investors. It also allows companies and their stakeholders to share a common understanding of the landscape they operate in. A good shared knowledge of the extent and boundaries of the areas within and surrounding a company's concessions strengthens the company's capacity to manage and mitigate its operational, regulatory and reputational risks. Risks associated with the supply chain are further discussed in the next section of this report.

Disclosing spatial data to allow monitoring by third parties

When publicly disclosed, third parties can use spatial information to locate and monitor company activities on the ground and better understand the local context and stakeholders involved in a certain area. It can also highlight sustainable and unsustainable activities within a company's operations, providing incentives to companies to avoid environmental damage or illegal activities.[9,10,11] As a result, third parties can use transparent spatial data as an enforcement and monitoring tool, as well as to support companies and local stakeholders, including indigenous peoples and local communities, to improve social and environmental practices on the ground.

Monitoring environmental impacts

Monitoring the environmental impacts of the timber industry is an important step towards reducing the negative impacts forestry activities can have on the biodiversity of tropical forests. From the mapping of complex supply chains across multinational companies through to local level monitoring of activities in the field, spatial data is a key tool to improve our understanding of drivers of forest degradation and biodiversity loss. This data can help both companies and third parties understand how different stakeholders and their activities contribute to forest loss and degradation, hence allowing for root causes of deforestation and degradation to be addressed more effectively.

Verifying legality compliance

Publicly available spatial data can support the identification of illegal activities by governments, independent forest monitors, and other individuals or organisations. Transparency around spatial data can support governments in their efforts to ensure that lands are used in compliance with local laws and regulations. In various countries, including in the Congo Basin and Indonesia, independent forest monitoring plays an important role in ensuring legality compliance of forestry activities.[12,13] In this context, civil society organisations contribute to verifying the extent to which forestry operations comply with laws and policies. Their activities include field visits, stakeholder interviews and reporting to government and other stakeholders. For these efforts to be effective, independent forest monitors require comprehensive knowledge of land allocation in the area where they operate and sufficient access to information, including spatial data relevant to company operations.

[9] Webb, J., Petersen, R., Moses, E., Excell, C., Weisse, M., Bourgault, E., & Szoke-Burke, S. (2017). Logging, Mining, And Agricultural Concessions Data Transparency: A Survey Of 14 Forested Countries. World Resources Institute.

[10] RSPO. (2015). Who dunnit? Tracking the source of the haze using online maps. https://www.rspo.org/news-and-events/news/who-dunnit-tracking-the-source-of-the-haze-using-online-maps

[11] Climate Focus. (2015). Progress on the New York Declaration on Forests. An assessment Framework and Initial Report. http://forestdeclaration.org/wp-content/uploads/2015/10/NYDF-Progress-Report.pdf

[12] Programme UE-FAO FLEGT. (2012, April 2). Combattre l'illégalité dans le secteur forestier dans les pays d'Afrique, des Caraïbes et du Pacifique – Succès, défis et perspectives futures. http://www.fao.org/forestry/37832-0ed6914b035286590ab96b371c1b99e93.pdf

[13] Brack, D., & Léger, C. (2013). Exploring credibility gaps in Voluntary Partnership Agreements. A review of independent monitoring initiatives and lessons to learn. https://www.globalwitness.org/documents/10979/im-vpasfinalweb_en.pdf

Disclosing spatial data for increased inclusion of local populations

Forestry operations can be both an opportunity for local populations to gain employment and access to community services (e.g. education or health facilities) provided by logging companies, and detrimental to local communities' rights and livelihoods.[14] The inclusion of local communities and indigenous peoples in decision-making around land use within forestry concessions and the distribution of resources helps to ensure that forestry operations positively impact local populations.

Forestry concessions include areas used for forestry operations, protected areas, and lands that are used by local communities. A lack of transparency about land use within a forestry concession increases the likelihood of conflicts and the violation of local communities' and indigenous peoples' rights. Making spatial data available to local populations within and surrounding company concessions is therefore a critical first step towards greater inclusion.

Going further, local stakeholders affected by forestry activities can also be involved in the mapping processes of forestry concessions. Participatory mapping refers to mapping activities that include various stakeholders involved in the areas that are mapped. It is a tool that can be included in processes for obtaining Free, Prior and Informed Consent (FPIC) from local communities and can be used to increase the participation of a broad range of stakeholders in decision-making processes.[15]

Supporting commodity certification: the case of RSPO and FSC

Maps are also used by certification bodies to help monitor compliance and substantiate allegations against members. In 2013, a resolution was passed at the Roundtable on Sustainable Palm Oil (RSPO) General Assembly (GA10) requiring members to submit concession maps,[16] whether they are certified or not. These maps have been made publicly available on the GeoRSPO[17] portal since 2015. This transparency is important for several reasons including enabling the identification of fire hotspots and those potentially responsible,[18] and monitoring deforestation and the clearing of High Conservation Value (HCV) areas.

In recognition of the importance of spatial data disclosure, the Forest Stewardship Council (FSC) announced in December 2018 the upcoming launch of "FSC on the Map".[19] This platform will gather maps of FSC Certified Forests which certified companies will be able to voluntarily submit. In New Zealand, FSC certified forests managers have already voluntarily created a map of their concessions.[20]

Box 4: Making spatial data available to local stakeholders – a case study

Precious Woods CEB is the holder of a 600,000 hectare FSC-FM certified forest in East Gabon.[21] In 2012, the company produced a map of customary territories within its concession in partnership with local communities and sociologists. Community territories shown on the map were defined with inhabitants from local villages. Local populations also agreed on the boundaries of areas within the concession which were not claimed by any community but shared for hunting. Precious Woods CEB have used this map to involve local communities in decision-making about local investments and benefit sharing in a way that is consistent with local customary rights. More generally, the map serves as a basis for developing a shared vision of the territory between all interested stakeholders.[22,14]

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[14] Karsenty, A. (2016). The contemporary forest concessions in West and Central Africa: chronicle of a foretold decline? FAO. http://www.fao.org/forestry/45021-04023cd52f4619cd28fe747b7e42c167f.pdf

[15] Rainforest Foundation UK. (2018). En désaccord : le moratoire sur l'exploitation forestière, la programmation géographique et la cartographie communautaire en RDC. Briefing. https://www.rainforestfoundationuk.org/media.ashx/en-desaccord-en-rdc-2018.pdf

[16] https://www.rspo.org/file/resolutions/GA10-Resolution6g.pdf

[17] https://rspo.org/geo-rspo

[18] RSPO. (2015). Palm oil concession maps of RSPO members to become publicly available. https://www.rspo.org/news-and-events/news/palm-oil-concession-maps-of-rspo-members-to-become-publicly-available

[19] https://www.linkedin.com/feed/update/urn:li:activity:6479366388665319424

[20] https://nz.fsc.org/en-nz/buy-fsc-certified/certified-forests

[21] https://www.preciouswoods.com/en/precious-woods-group/locations/gabon

[22] FAO, CIFOR, & CIRAD. (2017). Communautés locales et utilisation durable de faune en Afrique centrale (N. Van Vliet, J.-C. Nguinguiru, D. Cornelis, S. Le Bel). Libreville, Bogor, Montpellier.

How can spatial data help manage risks in the supply chain?

Forest product supply chains are complex: they involve many stakeholders across several geographies as logs are processed into timber and pulp, exported and further transformed several times before reaching the final consumers.

Timber and pulp producers and traders

Producers and traders are subject to several risks through the production and sourcing of timber and pulp. These include being associated with deforestation, land conflicts and other social and environmental issues which can result in reputational damage and loss of access to markets and capital. Without full traceability, producers and traders risk buying and selling timber products produced illegally or in non-compliance with their sustainability commitments and being exposed to prosecution and fines.[23,24]

Downstream buyers

Downstream companies are also at risk of sourcing illegal timber products and can be liable under legal instruments such as the European Union Timber Regulation (EUTR) or the Lacey Act in the United States. Greater supply chain traceability and exercising due diligence are essential to minimise these risks. However, the limited availability of robust spatial data makes it challenging for downstream buyers to understand their supply chain, manage associated risks, and identify suppliers which warrant increased attention or engagement.

In addition to managing their own risks, buyers should engage with their suppliers to make sure that they follow good practices. They can play a role in ensuring that new developments of their suppliers and of other companies upstream adhere to their commitments, thus increasing transparency and sustainability throughout the whole supply chain.[25]

Finance sector

Financial institutions are similarly exposed to numerous environmental, social and governance (ESG) risks when investing in the forestry sector because ESG issues may impact their investees' profitability, reputation or business environment in the short to long term.

Through investment, insurance and lending activities in the forestry sector, financial institutions are exposed to numerous environmental, social and governance (ESG) risks. As a result, they increasingly seek to ensure that the companies they invest in or lend to are taking sufficient action to identify and mitigate the ESG risks associated with their activities. For example, the Principles for Responsible Investment (PRI)[26] has seen its signatories increase by 21% between 2017 and 2018. In 2019, more than 2,400 asset owners, financial service providers and investment managers within the PRI commit – among other things – to incorporate ESG issues into their investment decisions and policies. To do so, they also commit to seeking ESG disclosures from investee companies.[27]

Beyond considering all material issues likely to impact investees' or clients' capacity to create value in the short, medium and long term (such as climate change), financial institutions are increasingly adopting sustainability commitments of their own, including no deforestation commitments. The fulfilment of these sustainability policies by financial institutions requires high quality information from investee and client companies about the location and nature of their land holdings.[28]

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[23] Rautner, M., Legett, M., & Davis, F. (2013). The Little Book of Big Deforestation Drivers. 24 catalysts to reduce tropical deforestation from 'forest risk commodities'. Global Canopy.

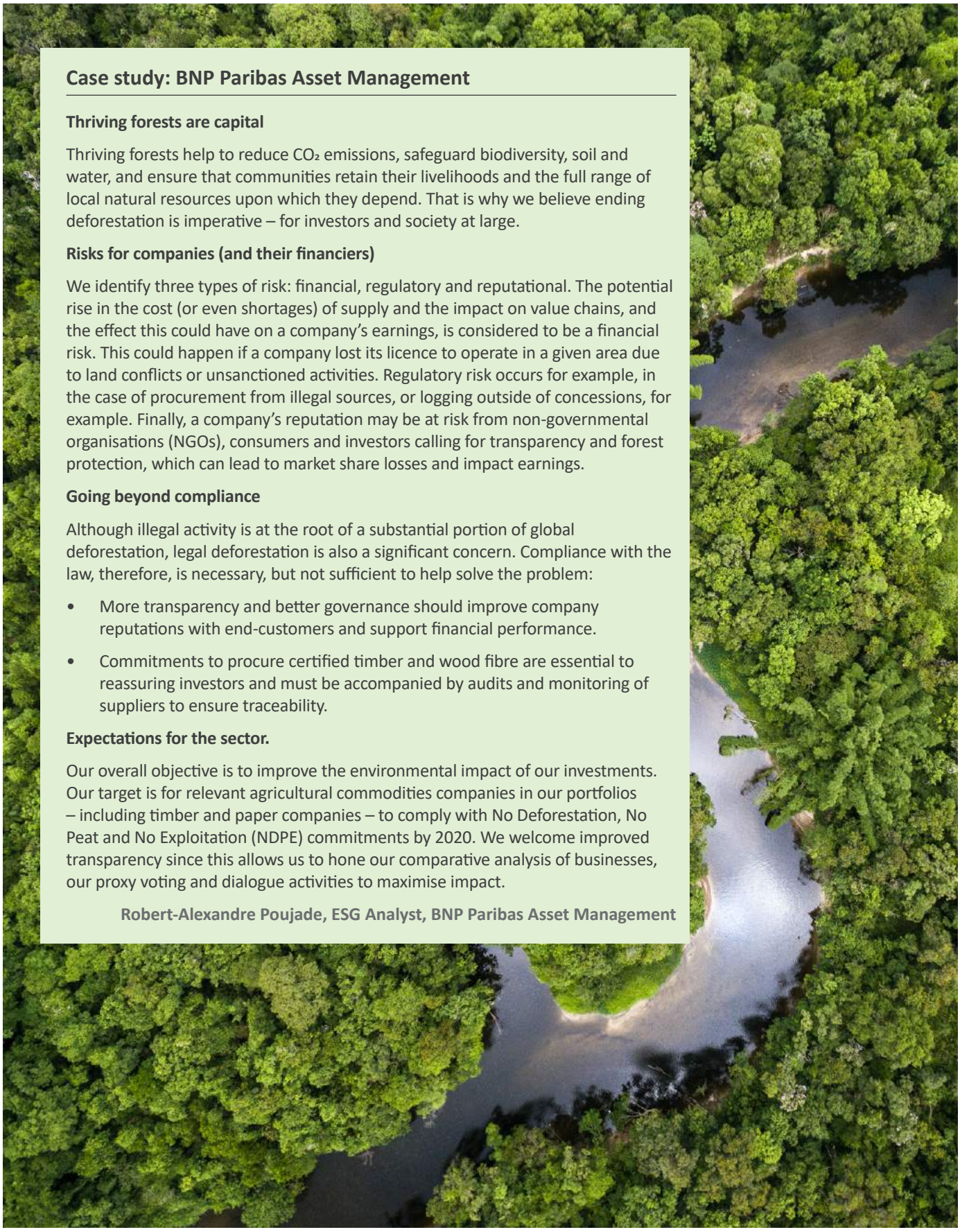
[24] Climate Focus. (2016). Progress on the New York Declaration on Forests: Eliminating Deforestation from the Production of Agricultural Commodities – Goal 2 Assessment Report. Prepared by Climate Focus in cooperation with the NYDF Assessment Coalition with support from the Climate and Land Use Alliance and the Tropical Forest Alliance 2020. http://forestdeclaration.org/wp-content/uploads/2015/09/2016-NYDF-Goal-2-Assessment-Report.pdf

[25] See "Topic 6. Buyers' role in fostering responsible practices in site establishment" under the Accountability Framework operational guidance on "Supply Chain Management" https://accountability-framework.org/contents-of-the-framework/supply-chain-management/?guidance_topic=5

[26] https://www.unpri.org/

[27] The Principles for Responsible Banking, a similar initiative for banks, will be launched in September 2019: https://www.unepfi.org/banking/bankingprinciples/

[28] SPOTT. (2017). Hidden Land, Hidden Risks? The need for improved corporate reporting of land holdings associated with palm oil production. ZSL. https://www.spott.org/palm-oil/landbank/



Case study: BNP Paribas Asset Management

Thriving forests are capital

Thriving forests help to reduce CO_2 emissions, safeguard biodiversity, soil and water, and ensure that communities retain their livelihoods and the full range of local natural resources upon which they depend. That is why we believe ending deforestation is imperative – for investors and society at large.

Risks for companies (and their financiers)

We identify three types of risk: financial, regulatory and reputational. The potential rise in the cost (or even shortages) of supply and the impact on value chains, and the effect this could have on a company's earnings, is considered to be a financial risk. This could happen if a company lost its licence to operate in a given area due to land conflicts or unsanctioned activities. Regulatory risk occurs for example, in the case of procurement from illegal sources, or logging outside of concessions, for example. Finally, a company's reputation may be at risk from non-governmental organisations (NGOs), consumers and investors calling for transparency and forest protection, which can lead to market share losses and impact earnings.

Going beyond compliance

Although illegal activity is at the root of a substantial portion of global deforestation, legal deforestation is also a significant concern. Compliance with the law, therefore, is necessary, but not sufficient to help solve the problem:

- More transparency and better governance should improve company reputations with end-customers and support financial performance.
- Commitments to procure certified timber and wood fibre are essential to reassuring investors and must be accompanied by audits and monitoring of suppliers to ensure traceability.

Expectations for the sector.

Our overall objective is to improve the environmental impact of our investments. Our target is for relevant agricultural commodities companies in our portfolios – including timber and paper companies – to comply with No Deforestation, No Peat and No Exploitation (NDPE) commitments by 2020. We welcome improved transparency since this allows us to hone our comparative analysis of businesses, our proxy voting and dialogue activities to maximise impact.

Robert-Alexandre Poujade, ESG Analyst, BNP Paribas Asset Management

Conclusions and recommendations

Given the increased focus on due diligence among downstream companies and financial institutions, there is a strong business case for upstream companies to improve their transparency. Publishing high quality spatial data on the location of concessions and processing units is a first and essential step towards this. The disclosure of spatial data empowers external stakeholders to monitor the company's activities and can act as an informal early warning and risk identification system. Companies may ultimately benefit from this system if they engage with their stakeholders.

Widespread publication of concession maps, along with further information such as the location of protected areas or community lands, can also support the development of landscape and jurisdictional approaches that integrate multiple environmental and social issues. By adopting such approaches, upstream companies can ensure their long-term sustainability, communicate their activities and build trust among their buyers and capital providers.

Spatial data transparency allows **forestry companies upstream in the supply chain** to:

- Reduce business risks such as reputational risks or loss of access to markets and resources;
- Respond to increasing demand by other stakeholders and build trust among their buyers and financiers;
- Increase local stakeholder involvement in the development of activities, ensuring local community acceptance and minimising the occurrence of conflicts;
- Increase long-term business sustainability.

Forestry companies should disclose data on the location of their operations. This data should be publicly available, easily accessible to all, up-to-date, clear and comprehensive.

Spatial data transparency allows **financial institutions and downstream buyers** to:

- Increase knowledge of their supply chain, lending and investments, including associated risks and sourcing areas;
- Reduce reputational and other business risks associated with their investments;
- Identify high risk suppliers, sourcing areas and clients which warrant greater attention or engagement.

Financial institutions and downstream buyers should ask for increased spatial data transparency from their suppliers and clients and should support companies in their efforts to disclose robust spatial data through informed engagement.

Spatial data transparency allows **governments, civil society and other external stakeholders** to:

- Monitor forestry activities and support increased sustainability in the forestry sector, including supporting landscape level and jurisdictional approaches;
- Identify and prevent illegal activities and increase law enforcement;
- Ensure that local communities' legal and customary rights are respected, and monitor, prevent and address conflicts;
- Support engagement activities with forestry companies and local communities.

Governments should require and facilitate public spatial data disclosure by concession holding companies. Through monitoring activities using spatial information, civil society and other external stakeholders can support the private sector in its efforts towards more transparency and sustainability.