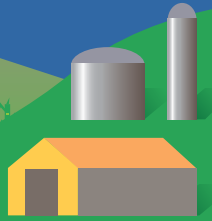




AGRIFOOD DEFORESTATION- AND CONVERSION-FREE SOURCING CRITERIA

Climate Bonds Standard



Why Agrifood Deforestation- and Conversion-Free Sourcing Criteria are necessary

- Deforestation is a major barrier to limiting global warming to 1.5°C.
- The agrifood supply chain is the driver of approximately 90% of the deforestation that has taken place.
- A halt to deforestation has the potential to reduce global emissions by 0.4 to 5.8 Gt CO₂ equivalent per year: an essential measure to limit warming to less dangerous levels.

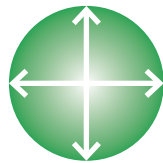
Entity Certification available now

Climate Bonds now expands Certification to entities sourcing agrifood commodities free from deforestation and conversion of natural ecosystems.



Criteria Scope

90% of an entity's economic activities related to agrifood net procurement spend **and** all commodities that individually contribute **≥1%** of the entity's total agrifood commodities net procurement spend.



Commodities in scope

- Any agrifood commodity that is produced on land or that is dependent on land-based production (for example, aquaculture dependent on feed crops, but not fishing).
- This includes but is not limited to commodities commonly associated with deforestation and conversion risks such as cattle, cocoa, coffee, palm oil, pulp and paper for food packaging, and soy, in addition to animal products and any other agrifood commodity.

Commodities out of scope

- Non-agrifood such as timber, wood, and other land-grown commodities in processed products (e.g., personal hygiene products, paint).
- Bioenergy and leather.

EU and global supply chains

- The Criteria focus on traceability to the land used to grow food crops to ensure the source is deforestation- and conversion-free and contributes to climate and biodiversity protection.
- The Criteria include safeguards to ensure human rights and those of indigenous people. They aim for a coherent standardisation to accelerate the transition towards 1.5°C aligned agrifood sourcing globally.

Alignment with Global Standards

- Deforestation requirements follow the European Union Regulation on Deforestation-Free Products (EUDR), aimed at aligning with the best practices and promoting cross-compliance of global entities to target deforestation.
- Conversion requirements are not currently covered by the EUDR so they follow guidelines set out by the Accountability Framework Initiative AFI, a global initiative aiming to reach sector-wide consensus.

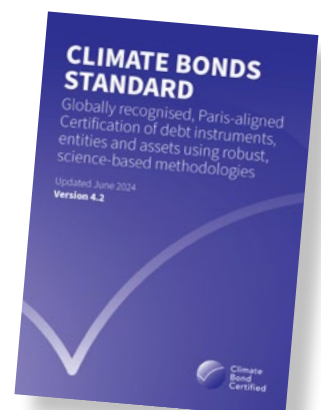
The Climate Bonds Standard

Gold-standard voluntary labelling scheme aims to drive the global financial markets towards investments consistent with the goal of the Paris Climate Agreement.



- **Ambitious**
- **Transparent**
- **Assured**
- **Science-based**

The [Climate Bonds Standard](#) provides any cross-sectoral requirements for UoP, SLD, Asset or Entity Certification which must be met in addition to the specific Entity Certification for Agrifood Deforestation- and Conversion-Free Sourcing requirements described in this document.



Who can be Certified?

- **Agrifood entities with at least 50%** of the revenue generated from agrifood supply chains can be certified under these Criteria.
- This includes but is not limited to traders, processors, and manufacturers.

Benefits of Certification

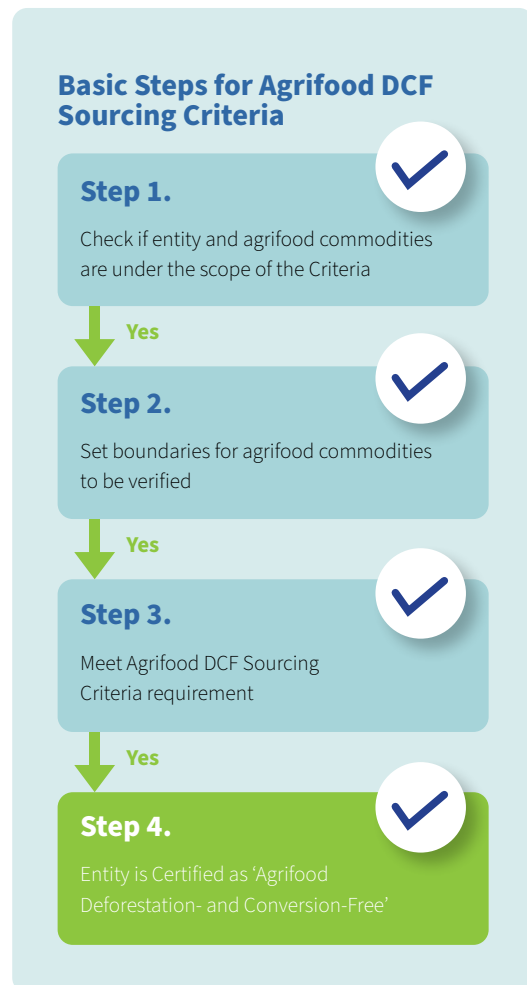
1. The Certification label is a globally recognised symbol of best practice in green finance.
2. The science-based eligibility Criteria are developed through a rigorous process, demonstrating credibility and robustness.
3. Includes and expands the requirements set out under the EUDR, also covering conversion of other natural ecosystems and all agrifood commodities.



4. Certification increases visibility to investors.
5. The validity of the Certification is 5 years.
6. Strong guidance on traceability and disclosure requirements is provided in conjunction with new policy regulations driving market changes.

The Certification Process

The basic pillars of Certification are standardised rules to identify the eligibility under the Criteria and to be verified through an external review by a Climate Bonds approved verifier.



Criteria Requirements

1. Cut-off date

31 December 2020, which indicates the agrifood entity applicant should be free from deforestation and conversion of natural ecosystems in its supply chain from the cut-off date.

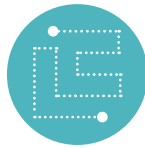


2. Risk classification of origin

- Agrifood commodities to be classified into high- and low-risk categories, based on deforestation-risk classification of origin.
- EUDR deforestation-risk classification to be followed for cattle, cocoa, coffee, palm oil, pulp and paper, and soy once published.
- Climate Bonds list of commodities in Appendix 1 of the Criteria document to be used in the interim. The conversion-risk list will be updated once information becomes available.

3. Traceability

Full traceability of sourcing is required for all agrifood commodities representing at least 1% of procurement spend by the entity, with two levels.



- **High-risk origin and for cattle, cocoa, coffee, palm oil, pulp and paper, and soy (of any origin):** geolocation to the original production land plot (polygon for > 4ha or single point for < 4ha).
- **Low-risk origin (except cattle, cocoa, coffee, palm oil, pulp and paper, and soy):** traced to country of origin or primary processing facility.

4. Due Diligence

Two levels of due diligence requirements are set depending on risk classification of origin to obtain sufficient evidence to demonstrate compliance and traceability.

- **High-risk origin:** information gathering followed by risk assessment and risk mitigation (if risk assessment carried out demonstrates any risk of deforestation and conversion associated with the commodities).
- **Low-risk origin:** simplified due diligence.

5. Monitoring

- Required only for high-risk origin.
- Systems in place to monitor the geolocated production land plots for deforestation and conversion of natural ecosystems.

6. Reporting

Applicant entity to publicly disclose the annual verification report and tier 1 supplier lists for each agrifood commodity originating from high-risk countries.



7. Verification

Applicant entity must provide full documentation of evidence to the Climate Bonds approved verifier.

8. Third-party certification

If third-party certification is used by the entity to demonstrate compliance with the Agrifood DCF Sourcing Criteria, this evidence will need to be provided and verified.

9. Human rights

Applicant entity should have programmes that contain producer-level human rights and IPLC safeguards.

Climate Bonds INITIATIVE

Climate Bonds Initiative

Reyes Tirado - Global Agrifood Lead

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