Agri-Food Deforestation and Conversion Free (DCF) Sourcing Criteria

Climate Bonds Standard & Certification Scheme "Agri-Food Deforestation and Conversion Free Sourcing" Eligibility Criteria

Revision	Date	Summary of Changes
Rev. 2	12.04.2024	Final for Publication
Rev. 1	29.02.2024	Adjusting for feedback from Public Consultation and TWG members
Rev. 0	22.12.2023	Draft for Public Consultation

NOTE: *These Criteria can be used to certify Agri-Food Entities as Deforestation and Conversion Free under the Climate Bonds Standard*

Acknowledgements

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Special thanks are given to ***Dr Reyes Tirado***, Agri-Food Lead at Climate Bonds and Technical Lead in the Criteria, ***Dr Priyanka Agarwal,*** for coordinating the development of the Criteria through the Technical Working Group, and ***Mario Rautner***, Supply Chain Expert Consultant, for supporting the development of the Criteria.

The Industry Working Group provided critical and useability focused consultation and feedback on the Criteria, but this does not automatically reflect agreement of the criteria by all members.

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	Agri-Food DCF Sourcing Criteria Scope for:	In Scope	Out of Scope
1	**Agri-Food Entities**	-Entities with at least 50 percent of revenue generated from agri-food supply chains. - Includes, but is not limited to, traders, processors, manufacturers, distributors and retailers. - Entities to be certified as 'Agri-Food DCF Sourcing' for 5 years.	- Entities at the producer (farmer or grower) level of agri-food commodities. - Entities that use agri-food commodities for non-food purposes such as (but not limited to) personal care, cleaning or industrial products including paints, glues, leather etc. - Entities engaged with bioenergy (see Table 1).
2	**Commodities**	- Any agri-food commodity that is produced on land or that is dependent on land-based production. - 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 product packaging and soy. - Includes animal products such as beef, chicken, and farmed seafood whose production includes embedded high-risk commodities such as soy or palm oil and other feed crops. - Low-risk commodities are also in scope.	- Timber, wood and other land-grown commodities in processed products not related to the agri-food supply chain (e.g. personal care, paints). - Production of bioenergy and leather are excluded since the criteria focus on agri-food commodities only.
3	**Materiality:** **Certification Threshold**	- 90% of the economic activities (agri-food net procurement spend) of an entity, and - All commodities that individually contributes 1% or more of the entity's total agri-food commodities net procurement spend.	
4	**Enabling services contributing to the goal of deforestation and natural ecosystem conversion free sourcing**	Agri-Food DCF Sourcing Criteria does not apply	Can be certified under Climate Bonds Standard as for eligible activities under Agriculture Criteria.

Summary Table 2. Summary table of Eligibility Criteria for Entities.

	Eligibility Criteria	Requirement	Details
1	Cut-off date	31 December 2020	Free from deforestation and conversion of natural ecosystems in the supply chain of certifiable entities since the cut-off date.
2	Risk Classification of Origin	- High-Risk[1] Origin - Low-Risk Origin	The criteria will follow agri-food commodity risk classification in EUDR[2]* for cattle, cocoa, coffee, palm oil, pulp and paper and soy and Climate Bonds list for deforestation risk for other commodities. *Until EUDR Risk Classification is published, follow Climate Bonds List (Appendix 1). For conversion risk, list will be updated once information is available.
3	Traceability	Full traceability of sourcing is required for all agri-food 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 < 4 ha[3]). - **Low-Risk Origin (except cattle, cocoa, coffee, palm oil, pulp and paper and soy):** traced to country of origin or primary processing facility.[4]	

[1] Under these Criteria any countries or parts thereof which are considered under 'standard risk' category for EUDR, they will be considered under the 'high-risk' category. According to EUDR, standard-risk is used to 'refers to countries or parts thereof which do not fall in either the category "high-risk" or the category "low-risk".'

[2] Regulation - 2023/1115 - EN - EUR-Lex (europa.eu)

[3] For less than 4 ha, the recommendation is to move towards sharing full polygon geolocation, as have done many smallholders (e.g. Indonesia) already.

[4] With the commitment that by 2030 all agri-food commodities sourced will be traced to the geolocated plot of production.

4	Due Diligence	Two levels of Due Diligence requirements depending on Agri-Food Commodity Origin: - **High-Risk Origin:** systems in place to obtain sufficient evidence that demonstrate that agri-food commodities are traceable to their production units and free from deforestation and conversion since December 31st, 2020. This includes having risks assessment and risk mitigation systems in place, where needed. - **Low-Risk Origin:** systems in place to obtain sufficient evidence that demonstrate that agri-food commodities originate from low-risk countries.[5]	
5	Monitoring	**High-Risk Origin:** systems in place to monitor the geolocated production land plots for deforestation and the conversion of other natural ecosystems.	
6	Reporting	Publicly disclose on an annual basis: -Annual verification reports under these Criteria and Climate Bonds Standard. -Tier 1 supplier lists for each agri-food commodity originating from high-risk countries.	
7	Verification	Climate Bonds Approved Verifiers should have access to full documentation of evidence (checklist to be provided).	Guidance on selective sampling by verifiers is also provided under the Criteria.

[5] A simplified due diligence can be followed for products or commodities from low-risk origins. For reference, under the EU Deforestation Regulation (EUDR), as defined in Article 13 of EUDR '*the obligations under Articles 10 and 11 [Risk Assessment and Risk Mitigation] where, after having assessed the complexity of the relevant supply chain and the risk of circumvention of this Regulation or the risk of mixing with products of unknown origin or origin in high-risk or standard-risk countries or parts thereof, they have ascertained that all relevant commodities and relevant products have been produced in countries or parts thereof that were classified as low risk*.' In short, for low-risk origin, due diligence needs to show evidence that the commodity originating from low risk has not been mixed with commodities from high, standard or unknown risk origins.

8	Third-party certification	Proxy for compliance of commodities within the supply chain.	Third-party certification can only be used as a proxy if any given label meets or exceeds all Climate Bond Agri-Food DCF Sourcing Criteria including segregated and traceable supply (e.g. no mass balance).
9	Human Rights	Only Agri-food Entities with existing programs that contain producer-level human rights and IPLC safeguards can qualify for certification.	At a minimum this will need to include the recognition of several principles and conventions including: FPIC, IBHR, ILO, UN and OECD principles. In the context of suppliers operating with vulnerable groups and smallholders, these provisions shall include investments and capacity building.

Definitions

Agri-food Entity
Entities with at least 50% of revenue generated from agri-food supply chains.

Agri-food Commodities
Agricultural commodities, including those consumed directly (such as beef or cocoa), those used in processing or embedded in meat, farmed seafood, and dairy products (such as oil palm and soy in livestock feed), and those used in the packaging of food products (such as pulp and paper).

Buyer[6]
A company that purchases raw materials, processed materials, or finished products from a supplier.

- Buyers can include processors (e.g., mills or slaughterhouses), traders, manufacturers, and retailers. Traders buy raw or processed materials from farms or processing mills, while retailers buy consumer products from manufacturers.

- A given company can be both a supplier and a buyer.

Certified Entity[7]
The entity which is certified under the Climate Bonds Standard and Agri-Food Deforestation and Conversion Free Sourcing Criteria.

Climate Bonds Certification
Certification is awarded by Climate Bonds if all the requirements under the Climate Bonds Standard that apply at the time of Certification are met. Certification allows the applicant to use the Climate Bond Certification Mark. Climate Bond Certification is provided once the independent CBSB is satisfied that the Entity conforms with the CBS.

Climate Bonds Initiative (Climate Bonds)
An investor focused not-for-profit UK based organisation, promoting large-scale investments that will deliver a global low-carbon and climate-resilient economy. Climate Bonds seeks to develop mechanisms to better align the interests of investors, industry, and governments to catalyse investments at a speed and scale sufficient to avoid dangerous climate change.

Climate Bonds Standard (CBS)
A robust framework based on international best practice in green finance which defines the processes to be followed and Sector Criteria that must be met to achieve certification under the Climate Bonds Standard. The current version of the Climate Bonds Standard is published on the Climate Bonds website.

Climate Bonds Standard Board (CBSB)

[6] AFi, 2020 *Accountability Framework: Terms and Definitions*
[7] Climate Bonds Standards v.4, 2023

An advisory committee set up to review the Standard, Sector Criteria, applications for certification under the Standard and applications by prospective verifiers and to make recommendations to the Trustees and the executive management of the Climate Bonds Initiative.

Conversion[6]
Note: The Criteria follow the definition from AFi (2020), with regards to requirements and verification for ecosystem conversion different from deforestation (i.e. deforestation-free requirements follow EUDR definitions).

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

- Deforestation is one form of conversion (*in these Criteria, following the EUDR definitions*).
- Conversion includes severe degradation or the introduction of management practices that result in a 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.

Cut-off date[6]
The date after which deforestation or conversion renders a given area or production unit non-compliant with no-deforestation or no-conversion commitments, respectively.

Deforestation[8]
The conversion of forest to agricultural use, whether human-induced or not.

Note: For the purpose of these Criteria, this includes forest degradation for wood products (ie. pulp and paper), as in EUDR. See definition of 'Forest Degradation'.

Deforestation Free
The relevant products contain, have been fed with or have been made using, relevant commodities that were produced on land that has not been subject to deforestation or the conversion of other natural ecosystems after 31 December 2020.

Due diligence[6]
A risk management process implemented by a company to identify, prevent, mitigate, and account for how it addresses environmental and social risks and impacts in its operations, supply chains, and investments.

Note: This definition of due diligence pertains to environmental and social issues in commodity supply chains, consistent with the scope of the Accountability Framework. Other forms of business due diligence — such as financial and legal due diligence — are not included in this definition.

Forest[8]
Land spanning more than 0.5 hectares with trees higher than 5 metres and a canopy cover of more than

[8] EUDR, 2023: *European Union Deforestation Regulation*

10%, or trees able to reach those thresholds in situ, excluding land that is predominantly under agricultural or urban land use.

Forest Degradation[8]
Structural changes to forest cover, taking the form of the conversion of: (a) primary forests or naturally regenerating forests[9] [*including secondary forests, coppice, and those with non-native species*]* into plantation forests or into other wooded land; or (b) primary forests [*including native or natural forests*]* into planted forests.[10]

*This definition applies to degradation in wood production (ie. pulp and paper). For other non-forest ecosystems, the AFi definition of Natural Ecosystem Degradation applies. *Clarifications introduced for the Agri-Food DCF Sourcing Criteria verification procedures. Verifiers are required to annually check the HCV status and area under management in plantation, planted, native, natural forest cover and* other natural ecosystems, *including peatland subsidence, erosion and compaction.*

Geolocation[8]
The geographical location of a plot of land described by means of latitude and longitude coordinates corresponding to at least one latitude and one longitude point and using at least six decimal digits; for plots of land of more than four hectares used for the production of the relevant commodities other than cattle[11], this shall be provided using polygons with sufficient latitude and longitude points to describe the perimeter of each plot of land.

Industry Working Group (IWG)
A group of key organisations that are potential applicants, verifiers, investors and other stakeholders convened by Climate Bonds. The IWG provides feedback on the draft Sector Criteria developed by the TWG before they are released for public consultation.

Natural ecosystem[6]

An ecosystem that substantially resembles — in terms of species composition, structure, and ecological function — one that is or would be found in a given area in the absence of major human impacts. This

[9] As per EUDR (2023), Article 2: "*'naturally regenerating forest' means forest predominantly composed of trees established through natural regeneration; it includes any of the following: a) forests for which it is not possible to distinguish whether planted or naturally regenerated; b) forests with a mix of naturally regenerated native tree species and planted or seeded trees, and where the naturally regenerated trees are expected to constitute the major part of the growing stock at stand maturity; c) coppice from trees originally established through natural regeneration; d) naturally regenerated trees of introduced species.*"
[10] As defined in EUDR, 2023, Article 2: *'planted forest' means forest predominantly composed of trees established through planting and/or deliberate seeding, provided that the planted or seeded trees are expected to constitute more than 50 % of the growing stock at maturity; it includes coppice from trees that were originally planted or seeded; 'plantation forest' means a planted forest that is intensively managed and meets, at planting and stand maturity, all the following criteria: one or two species, even age class, and regular spacing; it includes short rotation plantations for wood, fibre and energy, and excludes forests planted for protection or ecosystem restoration, as well as forests established through planting or seeding, which at stand maturity resemble or will resemble naturally regenerating forests.*
[11] *Establishments where cattle are kept can be described with a single point of geolocation coordinate. Operators (or traders that are not SMEs) who place on the market cattle products must geolocate all establishments associated with raising the cattle, encompassing the birthplace, farms where they were fed, grazing lands, and slaughterhouses. Frequently Asked Questions - Deforestation Regulation - European Commission (europa.eu)*

includes human-managed ecosystems where much of the natural species' composition, structure, and ecological function are present.

For these Criteria, this definition of natural ecosystems includes:

- Largely 'pristine' natural ecosystems that have not been subject to major human impacts in recent history.
- Regenerated natural ecosystems that were subject to major impacts in the past (for instance by agriculture, livestock raising, tree plantations, or intensive logging) but where the main causes of impact have ceased or greatly diminished and the ecosystem has attained species composition, structure, and ecological function similar to prior or other contemporary natural ecosystems
- Managed natural ecosystems (including many ecosystems that could be referred to as 'semi-natural') where much of the ecosystem's composition, structure, and ecological function are present.
- Native grasslands or rangelands that are, or have historically been, grazed by livestock.
- Natural ecosystems that have been partially degraded by anthropogenic or natural causes (e.g., harvesting, fire, climate change, invasive species, or others) but where the land has not been converted to another use and where much of the ecosystem's composition, structure, and ecological function remain present or are expected to regenerate naturally or by management for ecological restoration.

Natural Ecosystem Degradation[6]
Changes within a natural ecosystem that significantly and negatively affect its species composition, structure, and/or function and reduce the ecosystem's capacity to supply products, support biodiversity, and/or deliver ecosystem services.

Degradation may be considered conversion if it:

- is large-scale and progressive or enduring.
- alters ecosystem composition, structure, and function to the extent that regeneration to a previous state is unlikely; or
- leads to a change in land use (e.g., to agriculture or other use that is not a natural forest or other natural ecosystem).

Note: This definition applies to all natural ecosystems, except for forest degradation in pulp and paper production (which follows EUDR).

Parent Company/Group
A company is considered a parent company of another entity (a subsidiary) if it exercises control over the subsidiary. The terms 'control' and 'subsidiary' have the meaning assigned to them under International Financial Reporting Standard 10 (IFRS 10). A Parent Group consists of the Parent Company and all the companies that the Parent Company exercises control over. Where the Applicant does not belong to a group of companies, the term Parent Company in this Standard applies to the Applicant.

Risk assessment[6]
A systematic process of evaluating potential risk in a company's current or future operations, supply chains, and investments.

- In this context, this term refers to the assessment of risk of non-compliance with the company commitments or applicable law related to Climate Bonds Standard scope, as well as adverse impacts to internationally recognised human rights. This is different from the use of the term in a general business context, where it refers to the assessment of financial risks and the drivers of such risk (e.g., legal risk, credit risk, reputation risk, and others). The risk of adverse social and environmental impacts, including non-compliance with company commitments, can be an important element of broader business risk.

Supplier[6]
A producer or company that supplies raw materials, processed materials, or finished products to a buyer.

- Suppliers can include producers, processors, traders, and manufacturers. For instance, farms or processing mills supply raw or processed materials to traders, while manufacturers supply consumer products to retailers.
- A given company can be both a supplier and a buyer.
- A supplier may either be a direct (tier 1) supplier (selling directly to the buyer) or an indirect (tier 2 or beyond) supplier (selling to an intermediary that is one or more steps removed from the buyer).

Technical Working Group (TWG)
A group of key experts from academia, international agencies, industry, and NGOs convened by Climate Bonds. The TWG develops the Sector Criteria - detailed technical Criteria for the eligibility of projects and assets as well as guidance on the tracking of eligibility status during the term of the bond. Their draft recommendations are refined through engagement with finance and other industry experts in convened Industry Working Groups and through public consultation. Final approval of Sector Criteria is given by the CBSB.

Tier 1 Supplier
Immediate upstream business partner from which products or commodities are purchased directly.

Verification
Assessment and validation of compliance, performance, and/or actions relative to a stated commitment, standard, or target. Verification processes typically utilise monitoring data but may also include other sources of information and analysis. The verification process is overseen by Climate Bonds. And the resulting report is used in awarding the Climate Bonds Certification mark.

1. Introduction

1.1 The Climate Bonds Standard

Investor demand for climate bonds is strong and is expected to increase in line with the delivery of quality products onto the market. However, investor concerns about the credibility of green labelling are also growing. Standards, assurance, and certification will be essential to improve confidence and transparency, which in turn will enable further strong growth in the market.

The Climate Bonds Standard and Certification Scheme is an easy-to-use screening tool that provides a clear signal to investors and intermediaries on the climate integrity of Certified Climate Bonds. A key part of the Standard is a suite of sector-specific eligibility Criteria. Each sector-specific Criteria sets climate change benchmarks for that sector that are used to screen debt instruments, assets and/or entities, so that only those that have climate integrity, either through their contribution to climate mitigation, and/or to adaptation and resilience to climate change, will be certified.

These sector-specific Criteria are determined through a multi-stakeholder engagement process, including Technical Working Groups (TWG) and Industry Working Groups (IWG), convened and managed by Climate Bonds, and are subject to public consultation. Finally, they are reviewed and approved by the Climate Bonds Standard Board (CBSB).

The 'Agri-Food Deforestation and Conversion Free Sourcing' Criteria is applied within an Entity-level label under Climate Bonds Standard v4, designed to certify any entity within the agri-food value chain beyond the point of agriculture production, that can prove its sourcing of commodities is free from deforestation and conversion of natural ecosystems (including degradation, see definitions).

Specifically, the 'Agri-Food Deforestation and Conversion Free Sourcing' (Agri-Food DCF Sourcing) Criteria excludes any of these activities:
Purchasing, processing, trading, distributing or selling any agri-food commodities, products and derived ingredients whose production, after 31 December 2020, has been linked to:

- Conversion of any natural ecosystem to another land use, including, among others (see definitions):
    - Deforestation, including forest degradation.
    - Peatland drainage, development or peat burning.

The EU Deforestation Regulation[8] will require, starting 1 January 2025, that any trading of seven commodities (i.e. cattle, cocoa, coffee, palm oil, soy, rubber and wood) to/from the EU to comply with a set of requirements to ensure they are "Deforestation Free" since 31 December 2020. The present Climate Bonds Agri-Food DCF Sourcing Criteria aims to be in line with (and exceed in certain aspects) the EUDR framework, so that any entity certifying with this Climate Bonds Agri-Food DCF Sourcing Criteria has in place the necessary systems to potentially comply with the EUDR trading requirements.

Note: The separate Climate Bonds *Agriculture Criteria includes requirements for climate and other sustainability aspects of food production at the farm level, including land use change, mitigation of climate emissions, adaptation and resilience to climate impacts and issues around biodiversity, water, and just transition. The Agriculture Criteria is available for certification of Assets, UoP, Entities and SLDs for food production units (farms and farming operations).*

Box 1: EU Deforestation Regulation and Climate Bonds 'Agri-Food Deforestation and Conversion Free' Certified

Climate Bonds 'Agri-Food Deforestation and Conversion Free' Certification includes and expands the requirements under the EU Regulation on Deforestation-free Products (EUDR) that come into effect 1 January 2025.

The current Criteria set aims to be in line with the requirements set out by the EUDR, hence entities certifying with Climate Bonds has the systems in place to be compliant with EUDR. However, EUDR requirements are targeted at any trading happening across EU borders, at the operators and consignment level. In contrast, Climate Bonds 'Agri-Food Deforestation and Conversion Free' Certification takes place at the Entity level, encompassing any agri-food sourcing that the Certified Entity is engaging with, at the global scale.

Climate Bonds 'Agri-Food Deforestation and Conversion Free' Certification expands EUDR requirements principally in that: 1) it includes not only deforestation, but also the conversion of any other natural ecosystems, and 2) it includes all agri-food commodities being sourced by a company, including those from High-Risk Origin as well as those from Low-Risk Origin.

For Deforestation requirements, Climate Bonds has followed requirements set out by EUDR (2023) to ensure alignment and to facilitate harmonisation and cross-compliance of global entities. Hence, definitions and rules for the deforestation element of Climate Bonds 'Agri-Food Deforestation and Conversion Free' Certification, always follows EUDR.

For Conversion requirements, which are not currently part of EUDR, Climate Bonds has followed guidelines set out by AFi (2020), a global initiative aiming to reach sector-wide consensus. This is reflected in the definitions and throughout these Criteria.

1.2 What can be certified under the DCF Sourcing Criteria

These Criteria are targeted at Agri-Food Entities: Companies operating within the food value chain which source agriculture commodities that are land-based and whose production might involve land use change from natural ecosystems (e.g. forests, peatlands, savannas).

1.3 Documents supporting these Criteria.

- Climate Bonds Standard 4. Section E for 'Agri-Food Deforestation and Conversion Free Sourcing' Label for Agri-Food Entities
- European Union Regulation on deforestation-free products (EUDR, 2023)
- European Union EUDR Frequently Asked Questions
- Accountability Framework initiative Core Principles and Operational Guidance documents.
- Accountability Framework initiative Terms and Definitions, 2020. Accountability Framework: Terms and Definitions

2. Scope

2.1 Entities and commodities in scope

Entities can be certified under these Criteria if more than 50 % ~~percent~~ of their revenue is linked to agri-food commodity supply chains. This includes but is not limited to traders, processors, manufacturers, distributors, and retailers.

Agri-food commodities that are in scope include any commodity that is produced on land or that is dependent on land-based production. 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 (when used in the production of paper and packaging materials or as a food ingredient) and soy. However, the scope of these Criteria is not limited to any specific commodities associated with deforestation risks, and hence entities sourcing commodities from low-risk origin can also be certified.

If entities source animal products such as beef, dairy, pork, chicken, or farmed fish that were produced using feed containing agri-food commodities, certification of those entities will include assessment of those embedded commodities as well.

2.2 Products in scope

The Criteria apply to all agri-food products derived from agri-food commodities independently of their processing level. Highly processed food products, pulp and paper and livestock-based food products (and their feed inputs) are also within the scope of these Criteria.

2.3 Entities out of scope

- Entities at the producer (farmer or grower) level of agri-food commodities (these are covered by the Agriculture Criteria, updated in 2024).
- Entities that use agri-food commodities for non-food purposes such as (but not limited to) personal care, leather, cleaning or industrial products including paints, glues, fuel feedstocks, etc.

Note: Assets, Use of Proceeds, Entities and Sustainability-Linked Debt instruments that enable or service the goal of sourcing free of deforestation and natural ecosystem conversion (e.g., entities operating in the land-use change monitoring or traceability system space) can be certified under Climate Bonds *Standard v.4 as 1.5°C Aligned for eligible activities under the Agriculture Criteria.*

2.4 Materiality: Certification Threshold

Any agri-food commodity (including its derivates and fractions) within the supply chain of the entity that accounts for 1% or more of the entity's net procurement spend on agri-food commodities, food products, and food product ingredients is within scope of these Criteria.

In addition, the 'Certification Threshold' where compliant activities represent at least 90% of agri-food net procurement spend of an entity, also applies.

In practice this means that very small (<1% of procurement spend) purchases of agri-food commodities fall outside the scope of these Criteria as long as 90% of the entity's total agri-food net procurement spend is included.

Note: The Criteria on materiality also apply to products or ingredients manufactured by third parties that are sold or distributed by certified entities (such as retailers for instance).

2.5 Alignment with other Climate Bonds Sector Criteria

Climate Bonds has developed other Criteria across various sectors. The most common examples related to land, and the appropriate Sector Criteria to use are summarized in **Table 1.**

Table 1: Assets or projects partially or wholly covered by other Sector Criteria.

Related land-use activities	Activities covered by other criteria	Climate Bonds Criteria
Production of agriculture commodities	Agriculture production	Agriculture Criteria
Forestry, land conservation and restoration	Forestry assets and projects	Forestry Criteria
Biomass for electricity production	Biomass crops or forestry for electricity production	Bioenergy Criteria
Waste management	Waste management	Waste Management Criteria

Source: Climate Bonds own elaboration

In addition to the current Agri-Food DCF Sourcing Criteria, the Climate Bonds Standard v.4[12] includes provisions for the Parent Company and Parent Group which seek certification under other Sector Criteria, which requires their commitment to being deforestation and conversion free across their activities.

Any entity certification requires that the Parent Company (which has control over the entity):

'The Parent Company has, within the last year, publicly (re)committed that as of 31 December 2020, no entity within the Parent Group has or will engage in deforestation or conversion of other natural ecosystems.'

[12] Climate Bonds Standard Version 4. *Globally Recognised, Paris-aligned certification of debt Instruments, Entities and Assets using robust, science-based methodologies.* Please assure that the latest version of Climate Bonds Standards is used. https://www.climatebonds.net/standard/the-standard

3. Eligibility Criteria

3.1 Cut-off date

No deforestation or conversion of other natural ecosystems[13] has taken place on farms or production units where the agri-food commodities within the supply chains of certified entities were produced from **31 December 2020**.

3.2 Risk classification of origin

Entities that source or use commodities, products or ingredients originating from countries with high-risk of deforestation or natural ecosystem conversion are required to carry out additional due diligence and monitoring activities (see section 3.4 and 3.5 below).

For cattle, cocoa, coffee, palm oil, pulp and paper, and soy the risk classification provided by the European Union for deforestation risk will be used (once published) to differentiate between high- and low-risk origin.

Until the publication of the risk classifications by the EUDR and for commodities not included by the EUDR, Appendix 1 contains a list developed by Climate Bonds for classification of countries into high- and low-risk of deforestation, including the methodology used to compile it. Based on data availability for tree cover[14] and tree cover loss, this list is completed for 58 countries. For the countries that are not covered in the list, the categorisation will have to be carried out by the Climate Bonds Approved Verifier (as explained in Appendix 1) using the same methodology. This list will be reviewed, consulted on, and updated as appropriate; the methodology will evolve as more data becomes available.

For conversion of natural ecosystems, a risk classification could not be carried out due to data unavailability at the global scale. Entities are expected to carry out their own risk classification of origin in line with these Criteria´s methodology, which will be evaluated by Approved Verifiers during the certification process.

3.3 Traceability

Full traceability of sourcing is required for all agri-food commodities representing at least 1% of net procurement spend by the entity on agri-food commodities (and at least 90% of their agri-food net procurement spend), with two levels:

[13] Forests: use EUDR, Other Natural Ecosystems: use AFi definitions.

[14] https://www.globalforestwatch.org/blog/data-and-research/global-forest-watch-and-the-forest-resources-assessment-explained-in-5-graphics-2/

- **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 < 4 ha).[15]

- **Low-Risk Origin (except cattle, cocoa, coffee, palm oil, pulp and paper and soy)**: traced to country of origin or primary processing facility.[16]

Agri-food commodities and their derivatives (including feed embedded in animal products) from high-risk origin (see list in Appendix 1) are required to be traceable to the geolocation of the original production land plot. This applies to any agri-food commodities and products from high-risk origin, irrespective if currently not included in the EUDR. Likewise, the traceability requirement of geolocation applies to cattle, cocoa, coffee, palm oil, pulp and paper and soy from both high-risk and low-risk origins, as per EU legislation requirement.[8]

Agri-food commodities from low-risk origin (except for cattle, cocoa, coffee, palm oil, pulp and paper and soy) are required to be traced to a level that ensures the country of origin of the production of commodities can be determined. In many cases this may be the primary processing facility. From 1 January 2030, all commodities are required to be traceable to the geolocation of the original production land plot independent of the risk classification of their country of origin.

Commodities and products that are demonstrably in compliance with, and included under the EUDR are considered traceable and in compliance with these Criteria for the deforestation part. To be certified with these Climate Bonds Criteria they would also need to comply with the Conversion element, i.e., free of natural ecosystem conversion, beyond forests.

To be compliant with these Criteria all traceable DCF agri-food commodities need to be segregated from commodities of unknown origin or from non-DCF commodities at every step of the supply chain. Mass-balanced supply chain models that allow for the mixing of DCF with non-DCF commodities are non-compliant with these Criteria.

3.4 Due diligence

For agri-food commodities originating from high-risk origin and for any cattle, cocoa, coffee, palm oil, pulp and paper and soy, supply chain actors are required to have due diligence systems in place to obtain sufficient evidence that demonstrate that commodities are traceable to their production units and have been free from deforestation and conversion as of 31 December 2020.

Conversely, for any other agri-food commodities originating from low-risk countries, supply chain actors would need to provide sufficient evidence that sourced agri-food commodities are traceable to country of origin or production facility.

[15] consistent with the definitions and processes of the EUDR, 2023. For plots < 4 ha, Climate Bonds recommends presenting polygon geolocation.
[16] With the commitment that by 1 January 2030 all agri-food commodities sourced will be traced to the geolocated plot of production.

Entities can decide which due diligence systems to use depending on their context and needs. Companies can put in place their own due diligence systems as long as full and verifiable traceability to production geolocation is ensured. Due diligence systems can follow the requirements of the EUDR (to avoid replication of procedures), and similar systems can be used for commodities and products that are not currently included in the EUDR or for commodities and products that are not placed on the EU market.

Due diligence should include sufficient information, risk assessment and risk mitigation, where needed.

3.5 Monitoring

For agri-food commodities originating from high-risk origin, entities are required to demonstrate that systems are in place that monitor the geolocated production land plots for deforestation and the conversion of other natural ecosystems.

Entities can put in place their own monitoring systems to ensure full and verifiable traceability to production geolocation.

3.6 Reporting

Entities are required to publicly disclose on an annual basis:

- Annual verification reports under these Criteria.
- Tier 1 supplier lists for each agri-food commodity originating from high-risk origin.

3.7 Verification

The verification of entities is carried out annually by Climate Bonds approved verifiers.

Verifiers will carry out verification of traceability data through randomly selected sampling:

A. For agri-food commodities from high-risk origin:
Verification of geolocation of production units free of deforestation and no conversion since 31 December 2020, of at least 10% of the procured volume and at least 10% of the total number of suppliers of the combined high-risk agri-food commodities (including for any processed products).

For entities that have livestock products in their supply chains, it is a requirement that in addition to the geolocation of where the animals were raised, the agri-food commodities used in the feed are also geolocation-verified to originate from deforestation and conversion free land plots. At least 25% of the samples selected for such companies are required to consist of livestock supply chains (in both sampled procured volume and total number of suppliers).

B. For agri-food commodities from low-risk origin:

Verification of low-risk country of origin of at least 10% of the procured volume and at least 10% of the total number of suppliers of the combined non-high-risk agri-food commodities (including for any processed products).

For entities that have livestock products in their supply chains, it is a requirement that the animals were raised in low-risk countries and that agri-food commodities used in the feed were grown in low-risk countries. Any feed that includes agri-food commodities from high-risk countries has to be verified at geolocation of land plots. At least 25% of the samples selected for such companies are required to consist of livestock supply chains.

To enable the verification process, certified entities are required to give Climate Bonds verifiers access to:

i. Supplier lists and associated purchasing volumes per commodity per country of origin.

ii. Due diligence statements from their suppliers consistent with the requirements under the EUDR.

iii. Geolocation data for all agri-food commodities and their derivatives as per the requirements set under these Criteria.

iv. Calculations and source data for companies claiming that individual agri-food commodities fall below the 1% commodity procurement spend.

v. If a third-party certification proxy is used, access to all communication with the certification body, including but not limited to chain of custody certificates as well as evidence that all eligibility Criteria are met.

vi. Any deforestation monitoring reports carried out by the entity or provided to the entity by a supplier including any deforestation alerts and actions taken.

VII. Evidence of programmes that contains producer-level human rights and IPLC safeguards.

3.8 Using existing third-party certification.

Existing schemes certifying no deforestation or conversion of natural ecosystems since 31 December 2020 or earlier can be used as 'proxy' to support compliance, in relation to due diligence and risk assessments with the Agri-Food DCF Sourcing Criteria only for fully segregated or identity persevered supply chains and if they meet all other eligibility Criteria in this document, including traceability requirements to the level set here (Section 3.3).

3.9 Human rights requirements

Only Agri-food Entities with existing programmes that contain producer-level human rights and IPLC safeguards can qualify for certification.

At a minimum this will need to include the recognition of several principles and conventions including:

- Free, Prior and Informed Consent (FPIC)
- International Bill of Human Rights
- ILO Declaration on the Fundamental Principles and Rights at Work and Social Policy
- UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises
- ILO Declaration on the Fundamental Principles and Rights at Work and the ILO Tripartite
- Declaration of Principles concerning Multinational Enterprises and Social Policy.

In the context of suppliers operating with vulnerable groups[17] and smallholders, these provisions shall include investments and capacity building. It is recommended that investments in support and capacity building aim at re-investing 2% of profits (as currently done by some entities in the sector).

[17] According to IFC GN48 https://www.ifc.org/content/dam/ifc/doc/2021/20210614-ifc-ps-guidance-note-1-en.pdf

4. Enabling activities aligned with 1.5°C pathways

Assets and Use of Proceeds instruments that enable sourcing free of deforestation and natural ecosystem conversion (e.g. entities operating in the land-use change monitoring or traceability system space) can be certified under Climate Bonds Standard v.4 for eligible activities under Climate Bonds Agriculture Criteria.

Examples of such activities include, but are not limited to:

- Traceability software or hardware systems.
- Satellite monitoring systems.

Appendices

Appendix 1: High-risk countries

Methodology

The methodology used to identify high- and low-risk countries/jurisdictions of origin relies on Global Forest Watch.[18] For each jurisdiction, the Deforestation risk is assessed based on the ratio of total natural forest land lost for the last 5 years (2018-2022) relative to the total natural forest cover in 2000.

If this ratio is higher than 1%, then we consider the risk to be high. The risk is low for values below 1%.

Data used:

To indicate jurisdictions of high-risk, Global Forest Watch (GWF) data is used for jurisdictions where the GFW platform provides both data for natural forest cover and loss of natural forest (not including plantations). The data used in this calculation is for canopy density of 30% and predominantly available for tropical countries but currently, only available only for 58 jurisdictions.

Formula:

$$\frac{Total\ natural\ forest\ loss\ between\ 2018\ to\ 2022}{Natural\ forest\ cover\ in\ 2000} \times 100$$

If, > 1% = High-risk, if < 1% = Low-risk

[18] Global Deforestation Rates & Statistics by Country | GFW (globalforestwatch.org)

Table Appendix 1: List of countries/jurisdictions and their deforestation risk classification based on 10% canopy cover based on data from Global Forest Watch *(Source:* Global Deforestation Rates & Statistics by Country | GFW (globalforestwatch.org)*).*

Based on data for	Categories	Number of Jurisdictions	Jurisdictions
10% Canopy density	**High-Risk**	41	Australia, Åland, Argentina, Bangladesh, Belize, Brazil, Cambodia, Chile, China, Colombia, Côte d'Ivoire, Democratic Republic of the Congo, Ecuador, Ghana, Guatemala, Honduras, India, Indonesia, Laos, Liberia, Malawi, Malaysia, Mexico, Mozambique, Myanmar, Nicaragua, Nigeria, Panama, Paraguay, Peru, Philippines, Solomon Islands, South Africa, South Korea, Sri Lanka, Swaziland, Syria, Tanzania, Thailand, Turkey and Vietnam
	Low-Risk	17	Akrotiri and Dhekelia, Azerbaijan, Bhutan, Cameroon, Cyprus, Gabon, Georgia, Japan, Kenya, Kosovo, Nepal, New Zealand, Papua New Guinea, Rwanda, United States, Uruguay and Venezuela

Appendix 2: Technical and Industry Working Group Members

Climate Bonds Technical Lead:			
Reyes Tirado	Agri-Food Lead		
Climate Bonds Coordinator:		**Supply Chain Expert Consultant:**	
Priyanka Agarwal	Agri-Food Analyst	Mario Rautner	
TWG Members The TWG develops the Criteria by consensus. Each TWG member contributes to the Criteria development in their personal capacity and as a content expert in the field. This contribution does not imply endorsement either from Climate Bonds Initiative to the organisation the member is currently employed with, nor of the organisation to this work.			
Mark Day	South Pole	Alan Kroeger	Satelligence
Lifeng Fang	RSPO	Grant Rosoman	Greenpeace International
Xiaotian Fu	WRI China	Leah Samberg and Niall Robb	Rainforest Alliance (Accountability Framework Initiative)
Aida Greenbury	4F Foundation	Yu Xin	WWF China
Frank Hicks	Nature for Justice	Chunquan Zhu	World Economic Forum China
Lisandro Inakake	Imaflora	Mario Zenteno	WWF Bolivia

IWG Members Members of the following organizations have participated in the Criteria process, providing critical and useability focused feedback on the Criteria, but this does not automatically reflect agreement of the Criteria by all members.			
Emma Fourdan	CarbonSpace Tech	Flavia Pacheco	earthdaily
Caroline Busse	Nadar	Steven Ripley	SIM (Sustainable Investment Management)
Ingrid C Graziano	Cargill	Hernan Rodriguez Arias	Ucropit
Martina Favale	Unilever	Simi Thambi	FAIRR
Jingjuan Fan	Muyuan Foods	Ingrid van Beuzekom	BanQu
Julia Bolton	IFC	Matthew Watkins	Lombard Odier
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