



GEF-6 REQUEST FOR PROJECT ENDORSEMENT/APPROVAL

PROJECT TYPE: Medium-sized Project

TYPE OF TRUST FUND: GEF Trust Fund

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PART I: PROJECT INFORMATION¹

| | | | |
|---|--|------------------------------|------------------|
| Project Title: Supply Change: Promoting Reduction of Deforestation Impacts of Commodity Supply Chains | | | |
| Country(ies): | Global | GEF Project ID: ² | 9858 |
| GEF Agency(ies): | UNEP (select) (select) | GEF Agency Project ID: | 01567 |
| Other Executing Partner(s): | Forest Trends | Submission Date: | October 27, 2017 |
| GEF Focal Area (s): | Biodiversity | Project Duration (Months) | 24 |
| Integrated Approach Pilot | IAP-Cities <input type="checkbox"/> IAP-Commodities <input checked="" type="checkbox"/> IAP-Food Security <input type="checkbox"/> Corporate Program: SGP <input type="checkbox"/> | | |
| Name of Parent Program | N/A | Agency Fee (\$) | 95,000 |

A. FOCAL AREA STRATEGY FRAMEWORK AND OTHER PROGRAM STRATEGIES³

| Focal Area Objectives/Programs | Focal Area Outcomes | Trust Fund | (in \$) | |
|----------------------------------|---------------------|------------|-----------------------|--------------|
| | | | GEF Project Financing | Co-financing |
| BD-4 Program 9 (select) (select) | | GEFTF | 1,000,000 | 2,000,000 |
| Total project costs | | | 1,000,000 | 2,000,000 |

B. PROJECT DESCRIPTION SUMMARY

| Project Objective: To increase the transparency and accountability of commodity production companies' commitments to sustainable, low- and zero-deforestation productions resulting in reduced pressures on globally significant biodiversity. | | | | | | |
|---|-----------------------------|--|--|------------|-----------------------|------------------------|
| Project Components/Programs | Financing Type ⁴ | Project Outcomes | Project Outputs | Trust Fund | (in \$) | |
| | | | | | GEF Project Financing | Confirmed Co-financing |
| Component 1: Upgrading and upscaling the online information and analysis platform for better tracking of sustainable commodity sourcing and production, and the impacts of company sustainability commitments to reducing deforestation and protecting globally significant forests and | TA | 1.1 Increased transparency on, awareness about, effective promotion of, and accountability for corporate sustainability commitments to low- or zero-deforestation, including the impacts and results of those commitments. Indicator: 2,000,000 or more | 1.1.1 Five or more new strategic partners for Supply Change tracking platform established through MOUs and partnership agreements 1.1.2 The effect and impact of Supply Change to monitor and report on progress of companies' commodity commitments improved and scaled-up | GEFTF | 910,000 | 1,500,000 |

¹ Supply Change is the name of a global project that is designed to support many stakeholders to track, add transparency to, and ultimately support the impact of nearly 500 commitments to low and zero deforestation by companies trading in forest-impacting commodities (palm, soy, cattle, and timber and pulp)

² Project ID number remains the same as the assigned PIF number.

³ When completing Table A, refer to the excerpts on [GEF 6 Results Frameworks for GETF, LDCF and SCCF](#) and [CBIT programming directions](#).

⁴ Financing type can be either investment or technical assistance.

| | | | | | | |
|--|--|--|---|----------|------------------|------------------|
| biodiversity. | | hectares of forests prevented from deforestation evidenced by tracking commodity production by selected companies in the alternative scenario versus the trajectory of deforestation trend under the baseline scenario of the same companies | Output 1.1.3 – Regular reports, papers, articles, newsletter issues, webinars and other information sources produced on the progress and impacts of companies in achieving their sustainability and low- and zero-deforestation commitments | | | |
| | | The target hectares of protected forests need to be confirmed and verified as protected as HCV or similar outright protection from cutting or production. | Output 1.1.4 – Creation and adoption across core partners on a common set of performance criteria for tracking and assessing the impact of company commitments | | | |
| Subtotal | | | | | 910,000 | 1,500,000 |
| Project Management Cost (PMC) ⁵ | | | | (select) | 90,000 | 500,000 |
| Total project costs | | | | | 1,000,000 | 2,000,000 |

C. CONFIRMED SOURCES OF CO-FINANCING FOR THE PROJECT BY NAME AND BY TYPE

Please include evidence for co-financing for the project with this form.

| Sources of Co-financing | Name of Co-financier | Type of Cofinancing | Amount (\$) |
|---------------------------|----------------------|---------------------|------------------|
| GEF Agency | UNEP | In-kind | 200,000 |
| CSO | Forest Trends | Grants | 900,000 |
| CSO | Forest Trends | In-kind | 900,000 |
| Total Co-financing | | | 2,000,000 |

D. TRUST FUND RESOURCES REQUESTED BY AGENCY(IES), COUNTRY(IES), FOCAL AREA AND THE PROGRAMMING OF FUNDS

| GEF Agency | Trust Fund | Country Name/Global | Focal Area | Programming of Funds | (in \$) | | |
|------------------------------|------------|---------------------|--------------|------------------------|---------------------------|---|------------------|
| | | | | | GEF Project Financing (a) | Agency Fee ^{a)} (b) ² | Total (c)=a+b |
| UNEP | GEF TF | Global | Biodiversity | (select as applicable) | 1,000,000 | 95,000 | 1,095,000 |
| Total Grant Resources | | | | | 1,000,000 | 95,000 | 1,095,000 |

a) Refer to the Fee Policy for GEF Partner Agencies

⁵ For GEF Project Financing up to \$2 million, PMC could be up to 10% of the subtotal; above \$2 million, PMC could be up to 5% of the subtotal. PMC should be charged proportionately to focal areas based on focal area project financing amount in Table D below.

E. PROJECT'S TARGET CONTRIBUTIONS TO GLOBAL ENVIRONMENTAL BENEFITS⁶

Provide the expected project targets as appropriate.

| Corporate Results | Replenishment Targets | Project Targets |
|--|---|--------------------|
| 1. Maintain globally significant biodiversity and the ecosystem goods and services that it provides to society | Improved management of landscapes and seascapes covering 300 million hectares | 2,000,000 hectares |

F. DOES THE PROJECT INCLUDE A “NON-GRANT” INSTRUMENT? No

(If non-grant instruments are used, provide an indicative calendar of expected reflows to your Agency and to the GEF/LDCF/SCCF/CBIT Trust Fund) in Annex D.

PART II: PROJECT JUSTIFICATION

A. DESCRIBE ANY CHANGES IN ALIGNMENT WITH THE PROJECT DESIGN WITH THE ORIGINAL PIF⁷

Overview of What Changed since PIF Stage

| Topic | At PIF Stage | At CEO Endorsement Stage | Comments |
|--------------------|--|--|---|
| Outcome 1.1 | 1 M Ha of forest protected from deforestation (and verified) | 2 M Ha of forest protected from deforestation (and verified) | Target increased |
| Outputs | 1.1.1 Two or more new strategic partners for Supply Change tracking platform established through MOUs and partnership agreements as a means to strategically expand the capability of Supply Change to track company implementation steps and results and also to support companies and related entities to access and use Supply Change data. | Output 1.1.1 – Five or more new strategic partners for Supply Change tracking platform established through MOUs and partnership agreements | The output description shortened and the targeted number of MoUs increased to five. |

⁶ Update the applicable indicators provided at PIF stage. Progress in programming against these targets for the projects per the *Corporate Results Framework* in the [GEF-6 Programming Directions](#), will be aggregated and reported during mid-term and at the conclusion of the replenishment period.

⁷ For questions A.1 –A.7 in Part II, if there are no changes since PIF , no need to respond, please enter “NA” after the respective question.

| | | | |
|--|---|---|--|
| | 1.1.2 Ability of Supply Change to monitor and report on progress of companies' commodity commitments improved and scaled-up. Specifically, by utilizing new partners and data sources, SC will track and document actual results in terms of company actions, shifts in supply sourcing, changes in producer or supplier behavior, and/or reduction in deforestation and other impacts on the land. | Output 1.1.2 The effect and impact of Supply Change to monitor and report on progress of companies' commodity commitments improved and scaled-up | The output clarified |
| | 1.1.3 Reports, papers and articles published on impacts of companies' sustainability commitments on conservation of forests and reduction of deforestation produces for a range of important and engaged stakeholders. | Output 1.1.3 – Regular reports, papers, articles, newsletter issues, webinars and other information sources produced on the progress and impacts of companies in achieving their sustainability and low- and zero-deforestation commitments | Increased both the number and variety of intended reports, fact sheets, briefing papers, webinars and events |
| | 1.1.4 Progress toward a common agreement across core partners on common set of performance criteria for tracking and assessing impact of company commitments. This Output will also be achieved by working with a range of partners | Output 1.1.4 – Creation and adoption across core partners on a common set of performance criteria for tracking and assessing the impact of company commitments | Output is clarified that this is for creation and adaptation of commons set of performance criteria for tracking and assessing the impact. |

A.1. *Project Description*. Elaborate on: 1) the global environmental and/or adaptation problems, root causes and barriers that need to be addressed; 2) the baseline scenario or any associated baseline projects, 3) the proposed alternative scenario, GEF focal area⁸ strategies, with a brief description of expected outcomes and components of the project, 4) [incremental/additional cost reasoning](#) and expected contributions from the baseline, the GEFTF, LDCF, SCCF, CBIT and [co-financing](#); 5) [global environmental benefits](#) (GEFTF) and/or [adaptation benefits](#) (LDCF/SCCF); and 6) innovativeness, sustainability and potential for scaling up.

1.1. The Global Environmental Problem, Root Causes and Barriers that need to be addressed

Global Environmental Problem

Commercial agriculture is the most important driver of deforestation worldwide, followed by subsistence agriculture.⁹ Agriculture accounts about 80% of deforestation worldwide.¹⁰ In Latin America, commercial agriculture is the main direct driver, responsible for 2/3 of all cut forests, while in Africa and tropical Asia commercial agriculture and subsistence agriculture both account for one third of deforestation.¹¹ A Forest Trends report recently documented 71% of tropical deforestation is caused by worldwide demand for critical commodities such as soy, palm oil, timber and

⁸ For biodiversity projects, in addition to explaining the project's consistency with the biodiversity focal area strategy, objectives and programs, please also describe which [Aichi Target\(s\)](#) the project will directly contribute to achieving..

⁹ Hosonuma, Noriko, et al. "An assessment of deforestation and forest degradation drivers in developing countries." *Environmental Research Letters* 7.4 (2012): 044009.

¹⁰ Boucher, D. et al. (2011) *The Root of the Problem: What's Driving Deforestation Today?* Union of Concerned Scientists and Kissinger, G. et al. (2012) *Drivers of Deforestation and Degradation: A Synthesis Report for REDD+ Policy Makers*. Exeme Consulting.

¹¹ Kissinger, G., M. Herold, V. De Sy. *Drivers of Deforestation and Forest Degradation: A Synthesis Report for REDD+ Policymakers*. Lexeme Consulting, Vancouver Canada, August 2012

paper products, and cattle production. Food and fiber production from both industrial as well as subsistence agriculture and ranching, and the resulting land conversion, represents the second largest anthropogenic source of Greenhouse Gas (GHG) emissions on the planet, behind fossil fuel combustion.

Tropical deforestation is thus one of the greatest challenges of our times, as it threatens a disproportionately large share of the biodiversity of the planet. Deforestation depletes biodiversity by destroying habitat, by separating contiguous areas of rainforest from each other, by interfering with plant reproduction, and by exposing organisms of deep forest to “edge” effects. When canopy trees are cut, many smaller forest trees and plants dependent upon them for shade or support or moisture vanish. Animals dependent upon trees or other vegetation for food, shelter, water, and breeding sites also disappear. Only those animals (generally the larger ones) which can migrate to contiguous forest areas survive. Plants in cut-over areas often cannot be pollinated. In addition to the species lost when an area is totally deforested, the plants and animals in the fragments of forest that remain also become increasingly vulnerable, sometimes even committed, to extinction. Moreover, the genetic diversity of tropical forests is basically the deepest end of the planetary gene pool. Hidden in the genes of plants, animals, fungi, and bacteria that have not even been discovered yet may be cures for cancer and other diseases or the key to improving the yield and nutritional quality of foods.

Tropical forests contain a large percentage of the planet’s biodiversity, and many of the global threatened species have their primary habitats and food sources forests. Tropical forests occupy a very small part of the overall land surface of the world (by one estimate, around 2 percent), but contain roughly half of the world’s plant and animal species, including the largest share of globally threatened and endangered species. For instance, plants (40,000 vascular plant species, of which 30,000 are endemic) make an extraordinary biodiversity in Amazonia. (Mittermeier et al., 2003). Amazonia harbors over 1,000 avian species: some 250 species of birds can be found in a single square kilometer of Amazonian forest and 43 to 50 million individual birds affected by deforestation.¹² In Borneo, deforestation and fragmentation have caused the Burmese brown tortoise, the rail babbler, and the four-striped ground squirrel, disappear from this area, and populations of ungulates, primates and hornbills (despite their protected status) significantly decrease.

The loss of forest, and the accompanying loss of ecosystems and the services they provide, also threatens the security and livelihoods of local communities, reduces access to clean water, decreases soil productivity and accounts for 12 percent of global greenhouse gas emissions. For developing countries, agriculture is critical in terms of employment, production and consumption; and increases in agricultural productivity are crucial ingredients of poverty reduction. Therefore, agriculture is important for countries’ development strategies.¹³ For example, in two of the world’s largest tropical forest countries, agricultural commodity production represents about a quarter of Indonesia’s economy¹⁴ while Brazil’s \$83 billion agribusiness trade surplus accounts for the majority of its trade surplus. Agriculture is particularly critical to new and unstable economies as well as rural and indigenous peoples in developing countries. This presents a great challenge to continue to find ways to sustainably produce key forest-impacting commodities to balance needed production with needed conservation and the preservation of benefits to local populations.

Global pressures that lead to deforestation are only going to get stronger. World population is projected to grow from the 6.6 billion of our base year to 8.0 billion, 9.15 billion and 10.5 billion in 2050 under the Low, Medium and High projections, and the world’s average daily calorie availability could rise to 3070 kcal per person.¹⁵ Incomes expected to rise, and food consumption is predicted to double. The size of the global middle class (which consumes a

¹² Viera et.al. Deforestation and threats to the biodiversity of Amazonia

¹³ World Trade Report, WTO, and from World Bank online databank <http://data.worldbank.org>

¹⁴ World Bank 2009; Badan Pusat Statistik, *Trends of Selected Socio-Economic Indicators of Indonesia*, May 2012 (UNEP Natural Capital sectors Food-agriculture and livestock; forestry and fisheries)

¹⁵ Alexandratos, N. and J. Bruinsma . 2012. World agriculture towards 2030/2050: the 2012 revision. ESA Working paper No. 12 -03. Rome , FAO

disproportionate share of agro-commodities) is set to almost triple by 2030, from 1.8 to 4.9 billion people.¹⁶ Significant production growth still occurs in the main palm oil producing countries: Indonesia (2.5% p.a.) and Malaysia (2.1% p.a.) Global meat production is projected to be 16% higher in 2025 than in the base period (2013-15). This compares with an increase of almost 20% in the previous decade.¹⁷

Root Causes – Commodities, Deforestation and Biodiversity Loss

Agribusinesses, increasingly producing for international markets (cattle ranching, soybean farming and oil palm plantations) were identified as main drivers of post-1990 deforestation (Rudel et al., 2009; Boucher et al., 2011), fragmentation and biodiversity loss in tropical forests. The largest-scale contributors to forest loss, degradation, fragmentation, loss of globally important biodiversity and associated greenhouse gas emissions are: palm oil, cattle, soy; and timber and pulp production (which continues to be a major driver of deforestation and forest degradation in all tropical forest countries including Brazil, Peru, Malaysia and Indonesia, both for industrial timber and paper production and for local and subsistence use of wood for cooking and heating).

Oil palm accounts for over 30% of global vegetable oil production. In 2012, oil palm accounted for 5.5% of global land use for cultivation.¹⁸ In 2015, 58.8 million tons of palm oil was produced globally. Global production increased to 64.5 million tons in 2016.¹⁹ Annual global production is currently valued at \$50 billion. India, EU and China are the first three major importers of palm oil. Global demand is expected to grow more than 65% by 2020, fueled primarily by growing consumption in Asian markets and demand for biofuels and healthier alternatives to trans-fats.

Beef production accounts for 60% of the land use for agriculture and has contributed to deforestation due to the increased need for pasture and croplands for livestock in response to rising meat consumption, which has grown 25-fold since 1800 and averaged 42.8kg per capita in 2012.²⁰ Beef and veal meat production was about 60.4 million tons in 2016 and expected to grow to 61.3 million tons in 2017.²¹ China, EU and Brazil are the major consumers.²² China remains the fastest growing market for beef, reflecting the reopening of its market to Argentina and Brazil. Brazilian production will rise due to robust export demand.

Global soybean production is expected to continue its expansion. The continuously growing demand for protein meals has been the main driver behind the expansion of oilseed production in recent years. This has increased the share of protein meals in the returns from the crushing of oilseeds, and more so for soybeans over other oilseeds due to its higher protein content. Projected world output of soybean in 2014-2015 is a record 315.1 million metric tons, led by Brazil (94.5 mMT), Argentina (56 mMT) and Paraguay (8.5 mMT).²³ The major soybean exporters are Brazil, Argentina and Paraguay, and the United States, while the major importers are China, the European Union, Japan, and Mexico.²⁴ Soybean meal is also regularly produced for livestock feed purposes, while soybean oil represents 27% of worldwide vegetable oil production.²⁵

Timber and pulp harvesting are also a major driver of deforestation. In the countries that account for most of the deforestation caused by the four biggest forest-impacting commodities (timber/pulp, cattle, soy and palm) about 10% of total emissions from deforestation and forest degradation comes from timber and pulp. Exact numbers related to the

¹⁶ Forest Trends 2014

¹⁷ OECD/FAO (2016), OECD-FAO Agricultural Outlook 2016-2025, OECD Publishing, Paris.

¹⁸ Oil World 2013

¹⁹ USDA, World Agricultural Supply and Demand Estimates, 2016.

²⁰ Galloway et al. 2010; UCSUSA, Grade A Choice: Solutions for Deforestation Free Meat

http://www.ucsusa.org/sites/default/files/legacy/assets/documents/global_warming/Solutions-for-Deforestation-Free-Meat.pdf

²¹ USDA, Livestock and Poultry: World Markets and Trade, 2016, http://apps.fas.usda.gov/psdonline/circulars/livestock_poultry.pdf

²² Stehfest et al. 2009; FAOSTAT database, 2012

²³ USDA, World Agricultural Supply and Demand Estimates, March 10, 2015, available at <http://www.usda.gov/oce/commodity/wasde/latest.pdf>

²⁴ USDA, World Agricultural Supply and Demand Estimates, March 10, 2015, available at <http://www.usda.gov/oce/commodity/wasde/latest.pdf>

²⁵ <https://www.worldwildlife.org/industries/soy>

impact of timber/pulp are difficult to find due to the unique nature of deforestation by the pulp and timber sector and variances by each country.²⁶

It is not a coincidence that the richest, most fertile forests designated for agricultural and commodity production are also those with the greatest biological diversity and contain some of the world's most threatened and endangered species. Tropical forest systems in Borneo, Sumatra and neighboring Malaysia include critical forest habitat for orangutans, tigers, elephants and rhinos. The Amazon contains the greatest species diversity on the planet, and the neighboring savanna ecosystem of the Cerrado closely follows with rich and diverse arrays of insects, fauna and flora. The Central-African forested regions of the Congo and the nearby West African Guinean coastal forests also comprise some of the richest species habitat on the planet.

According to the FAO's 2015 Global Forest Assessment, every one of these forested domains was impacted by forest loss, with the greatest loss occurring in South America and Africa (although the study also notes that the rate of forest loss in both continents has decreased in recent years). One third of all forests in the world are designated for production and more are designated in countries such as Indonesia as agricultural concessions, slated for future conversion. As the forests continue to be converted to agricultural commodity production and destroyed, the corresponding biodiversity diversity and richness is lost as well.

Barriers to Proposed Solution

In recent years, two developments have given hope to the effort to reverse these root causes, trends and forces, and begin to bring about low- and zero-deforestation sources of commodity supply. The first of these developments is at the global and developed economy level, and involves 460 companies representing the largest buyers and handlers of the four commodities in the world, that have made commitments to reduce or eliminate deforestation in their commodity supply chains (mainly in the biggest-impact commodities of soy, palm, timber/pulp, and cattle). In related and parallel efforts, a number of major producers, traders and buyers made pledges to remove deforestation from their supply chains through commitments made as part of the Consumer Goods Forum (CGF), the Tropical Forest Alliance (TFA) and, the New York Declaration on Forests. In total, if these commitments to low- and zero-deforestation commodity supply are fulfilled over time, nearly three fourths of the global supply of these commodities will be affected, and millions of hectares of forests and important biodiversity habitat will ultimately be protected by reduced impacts from deforestation and forest degradation.

The second development is the post-Paris climate agreement country pledges and plans (called Nationally Determined Contributions, or "NDCs") under which 60 countries have included forest or land use protection as part of their national strategy for meeting their greenhouse gas reduction goals. These commitments are largely voluntary, but nonetheless under the global spotlight and pressures as the Paris Agreement roles out, many of these agricultural and forest producing countries now face increasing global pressures to create the policies, frameworks and incentives through which low- and zero-deforestation commodities will increasingly be produced.

These two developments, if fulfilled, can bring about the protection of vast amounts of forests as well as the biodiversity residing within. These two developments are related as well. Companies needing to meet pledges for sourcing low- and zero-deforestation commodities will need to be connected with adequate, consistent supply. Countries facing public scrutiny or donor pressure to enact and fulfill their NDC goals will face pressure to create the national and jurisdictional (sub-national) frameworks from which the companies can source low- and zero-deforestation commodities. The two developments will eventually link.

In particular, the fulfilment of company commitments to low- and zero-deforestation – the subject of this particular project – represents a majority share of commodity trading and production, and will have enormous impact in protecting

²⁶ www.ucsusa.org/global-warming/stop-deforestation/whats-driving-deforestation

forests and biodiversity. However, in order to successfully bring about the promise of these commitments to forests, we must address several barriers and challenges to reversing more than 100 years of trends and practices to a point where commodity production takes place in areas and under new practices with less or no forest impacts. Three of these barriers include:

- A. **Lack of Transparency on, and Accountability for, Company Actions and Impacts:** Across the full supply chain of each commodity, and in particular at the individual company level, there is a lack of coherent information about current practices, traceability of sourcing, the nature of the commitments made by each company, and the resulting actions and on-the-ground impacts of each commitment. Stakeholders engaged in tracking, promoting and pressuring the companies making these commitments need open-access, free and available information on the nature of the companies' commitments, the actions they are taking (or not taking), and the results they are achieving to lower or eliminate deforestation and protect biodiversity in their respective supply chains.
- B. **Lack of an Adequate Tracking Mechanism and Platform:** Additionally, and critically, there is no current mechanism available or organization set up for tracking, assessing and publically displaying the actions taken by these companies, and also the results of company commitments in terms of changes in commodity sources, changes in country or jurisdictional policies or frameworks, producer-level practice changes, or actual impacts in terms of protected forests or reduced GHG emissions.
- C. **Lack of Market Recognition and Pressure on Companies:** The 460 companies making commitments have taken the first step toward resolving the global deforestation challenge, but many have not yet taken significant steps toward implementing their commitments. A barrier to further company implementation and behavior changes (e.g. in their procurement and sourcing of commodities) is in the lack of shared knowledge about actions, results and lessons learned between companies, and also the pressure that will build over time on each company to change practices due to greater public and stakeholder attention to their actions and results.
- D. **Financial investment, flows and incentives:** There are limited funding, insurance or credit services within rural areas and this limits the ability of producers to invest in sustainable practices and to avoid deforestation. Limited incentives on regulation and economics cause limited private sector funding for sustainable value chain management, which in this context means a lower impact on forests than the business-as-usual model. The companies making commitments for their commodity sourcing also need guidance and ideas for making investments within their supply chains that can provide both a financial return and sustainable supply.

1.2. The Baseline Scenario and any Associated Baseline Products

The global deforestation challenge has galvanized a broad range of company, association and government actors to focus on finding solutions and, in so doing, to set ambitious goals and to collaborate to achieve more sustainable, low- and zero-deforestation commodity production. These many actors include the 460 companies that have set goals and made nearly 800 commitments to reduce or eliminate deforestation in their supply chains (for soy, palm, cattle, and timber/pulp). It also includes more than 60 countries and sub-national jurisdictions that have made commitments in their climate NDCs or have begun to set policies to support greater supply of sustainable or low-/zero-deforestation commodities.

Within this baseline, there has been an increase in company reporting on their commitments, but the actual progress in implementing and attempting to meet the commitments has been insufficient. For example, there is an increase in progress reporting across all commitment types, especially under certification based commitments. Non-certification-based commitments also had a notable 37% growth in reporting. There is also a progress in reporting on zero deforestation commitments, however there is not yet any universal system of metrics for reporting such progress²⁷, nor is there any existing system or platform that allows for both a means to track the implementation by companies of their commitments or the actual impacts of those commitment actions on the forests and biodiversity where commodities are

²⁷ Supply Change: Tracking Corporate Commitments to Deforestation-Free Supply Chains, 2017

sourced. Time is also becoming a challenge, as nearly one fifth of the specific commitments are at or after their target date and are at risk of becoming “dormant” with no fulfillment action or accomplishment.

Of the 460 companies that have made one or more commodity commitments, the nature and elements of these commitments vary widely from each other, and thus the level and quality of tracking and monitoring that each of the companies carries out also varies widely. In the baseline scenario, most companies with commitments will review their policies at longer periods, use only their own knowledge and network in updating their suppliers on changes to their policies and expectations for responsible sourcing practices; set unilateral objectives without not being able to benchmark their performances; and review commitments and performance with limited stakeholders’ inputs.

Business as usual in this baseline reflects the current state of great inconsistency among companies in how and where (and how comprehensively) they publicly report or disclose their deforestation-related commitments, policies and progress. This is in part due to the fragmented and unaligned reporting landscape, as well as the global nature of commodities and also the companies that trade or manufacture with these commodities. Also, quite simply, while some companies want to report on progress, a significant number of them do not – which raises the need for both comprehensive tracking as well as the accountability that comes with that.

An important element of the baseline for this project are the existing certification schemes set up for each commodity, such as the Forest Stewardship Council (FSC), other forest product certifications such as SFI and PEFC, the Roundtable on Sustainable Palm Oil (RSPO) and the Roundtable for Responsible Soy (RTRS). All of these major certification schemes currently state their interest in new commitments for low- and zero-deforestation, and many companies utilize these voluntary and independently certified systems. However, none of these systems were set up to systematically or even accurately track and monitor zero-deforestation, and as noted above, there is yet to be a universally accepted and utilized system for measuring low- or zero-deforestation with regard to any of the four major commodities or their impacts on biodiversity.

Supply Change has partnerships and collaborations with FSC, RSPO and RTRS, as one of a number of partners working with each certification body to move toward addressing this challenge. However, even if there is progress on better defining metrics for tracking or certifying zero-deforestation, the larger and more immediate challenge in the current baseline scenario is the lack of a universal tracking platform that provides both visibility and accountability to all 460 companies’ commodity commitments, and the eventual impact on forests and biodiversity. In more specific terms, there remains a lack of platform or initiative to track and document actual results in terms of company actions, shifts in supply sourcing, changes in producer or supplier behavior, reduction in deforestation, and actual protection of forests and the critical biodiversity that depends on those forests – in particular tropical forests.

At the global scale, The GEF funded “Commodities Integrated Approach” (Commodities IAP) seeks to turn the sustainable production of key commodities from niche and specialized operations to the norm in each commodity sector. The Program’s overall objective is to reduce the global impacts of agriculture commodities on GHG emissions and biodiversity by meeting the growing demand of palm oil, soy and beef through supply that do not lead to deforestation and deforestation-related GHG emissions. UN Environment will co-execute the “Enabling Transactions” child project together with IFC. The project will (i) “support to financial markets & institutions” to increase funds (loans and investments) subjected to enhanced deforestation risk policies and (ii) “support to public sector” to increase public incentives and public and private financing for reduced deforestation practices. “Enabling Transactions” child project will develop business cases that highlight benefits of adopting zero deforestation supply chain approaches in financial decision making and build capacity of financial institutions in consideration of deforestation and forest degradation risks in agricultural investments. In addition, newly approved non-grant project titled ‘Piloting Innovative Investments for Sustainable Landscapes’, which will be executed by AndGreen.Fund, aims at leveraging private finance through de-risking finance for investments in sustainable landscapes in Brazil, Indonesia and Liberia. These two project directly address barriers on financial investment flows and incentives.

In summary, a critical baseline component that is at the heart of removing the barriers outlined above, is the lack of increased visibility and knowledge and the current, general sense of “business as usual” across these many companies. Without new transparency and accountability from this project, the overall effort to curtail deforestation related to commodity production is at risk for lack of support for company actions and needs, limited awareness about and sharing of companies on each other’s efforts and successes, additionally-limited support from company and trade associations, lack of knowledge for companies on the location of sourcing of sustainable commodities and, finally, inadequate pressure on and support for countries, jurisdictions and other local sources to produce more sustainable commodities.

The recent rise in company commitments represents an enormous – but as of yet unfulfilled – demand for sustainable, low- and zero-deforestation commodities, and subsequent and beneficial impact on protecting forests and biodiversity. Despite success to date by Supply Change to identify and profile the 460 companies and nearly 800 specific commodity commitments, little is actually known about the progress of implementation of these commitments and, more importantly, the actual impacts of these commitments on forests, forest-dependent globally important biodiversity, and the land.

While there is considerable involvement by a range of companies, associations and NGOs, the current baseline and scenario lacks critical knowledge about the progress made and actual impacts of company commitments for sustainable and low-/zero-deforestation commodities. Many companies have made sustainable commodity commitments for which they have little or no knowledge on how to achieve them. Many governments are watching for signs of company or financial support in order to justify increased policy making and enforcement needed to carry out their NDCs and also created the national or jurisdictional means by which commodities can be sustainably sourced. There is no globally-accessible, comprehensive platform for tracking or supporting company commitments, actions, and impacts on forests and biodiversity.

More specifically, without the GEF investment, the current lack of knowledge about the impacts of company commitments, or the means to get knowledge, leaves public funding institutions and other stakeholders in the dark about the effects of the commitments; the companies who are making commitments and now face public pressure to fulfill them currently lack knowledge and learning about what successes or failures they are respectively having and could share, and where the most likely potential might be for sourcing sustainable commodity supply; the government agencies and funding entities involved in this effort may expend considerable funds unnecessarily without needed information and knowledge to help identify potential areas for investment and potential areas from which to source sustainable supply; and there is no common, centralized means to put a spotlight on both the actions taken by the companies in fulfilling their commitments or on the impacts on the ground in terms of forests and biodiversity protected.

In short, under the current baseline and scenario, the lack of centralized knowledge about what progress companies are making in finding sustainable sourcing, in shifting to more sustainable sourcing, and in reducing impacts on forests and biodiversity will remain largely unknown and unavailable to companies, governments, funders and other stakeholders.

1.3. The Proposed Alternative Scenario, with Brief Description of Expected Outcomes and Project Components

The lack of transparency and accountability, at the company level and at the country, jurisdictional and producer levels, is exactly the challenge that Supply Change seeks to address and reverse through this project. Under this proposed grant, the project will acquire additional strategic partners as well as new data tracking and analytical capabilities to fulfill the specific outcome noted in Table B, Section 1.1 above: Increased transparency and awareness about, effective tracking and accountability for, and visibility and pressure on the companies making sustainability commitments to low- or zero-deforestation, including the impacts and results of those commitments on the protection of forests and on the globally significant forest-dependent biodiversity.

By putting an important spotlight on the actions and impacts of 460 companies and their nearly 800 commitments, and by increasing both the accountability of and pressure on these companies to work to fulfill their commodity commitments, Supply Change expects to see the securing of 2,000,000 hectares (Ha) of High Conservation Value or similarly-designated high-biodiversity forests protected from deforestation, degradation or land conversion as a result of commodity production.

Working from current Supply Change data, all the companies currently tracked have to date reported approximately 29 million Ha under various certification schemes related to the four commodity areas (e.g. FSC, PEFC, RSPO, RCRS, etc.) plus an additional 12 million Ha protected by some other means (company self-tracking). Of these, nearly 400K Ha were reported as protected under RSPO, mostly as HCV forests. It is expected that the companies would reach a target of 1,000,000 Ha at the end of the two-year project of protected forests for which will be deemed to be HCV or a similar designation as high biodiversity value forests.

While the currently-reported figure for certification is quite high, it deserves mention that the actual biodiversity value of these many millions of Ha is not clear. For example, of the 29M Ha under certification, a large percent is in the area of forestry and, of this, there seems to be a fairly large percentage of plantation woodland production under FSC – which, although it is certified for sustainable production, is not a strong indicator of high biodiversity value. Some specific new metrics regarding the biodiversity value of the reported forests protected under the commodity commitments is included later in this section.

Importantly, with regard to existing certification schemes and company commitments, each company tracks and reports on its own progress with regard to any given certification program. Supply Change reports on its web site and to its stakeholders any company-reported progress, but Supply Change does not track or verify actual company actions toward certification. This is the role of the certification bodies themselves, working with individual companies.

In specific terms, the proposed Alternative Scenario will produce four outputs toward achieving the overall project outcome. These are:

Output 1.1.1 – Five or more new strategic partners for Supply Change tracking platform established through MOUs and partnership agreements. The project will create, build out and enhance the needed cooperative tracking platform, that currently does not exist and is identified in the barriers noted above, which will be established through MOUs and partnership agreements with new partner organizations. Strategic partners are identified through a set of criteria through which potential partners are evaluated based on their potential to be critical data providers, other knowledge sources, potential sources of verification in countries, or important sources of outreach and dissemination of Supply Change reports, analysis, findings or other knowledge sharing venues. Partnerships are secured through a variety of contractual and non-contractual means, ranging from simple agreements to cooperate to more explicit agreement documents, in writing, such as MOUs. An MOU, while not legally binding, has the explicit purpose and result of identifying both parties' obligations to each other, and ensuring intended results of the partnership. The intended result is a new, web-based cooperatively-managed platform that enables the tracking, profiling and analysis of company commodity commitments along with each company's specific information on commodity trade flows, localized information on each company's commodity sourcing, and on-the-ground impacts in terms of forest and land use changes. These partnerships, including both current and projected new partners, include Carbon Disclosure Project (CDP), Consumer Goods Forum, WWF, World Economic Forum and TFA2020, Innovation Forum, Meridian Institute, Rainforest Alliance's Accountability Project, the TRASE initiative²⁸, led by Stockholm Environment Institute and Global Canopy Programme (parent of the Forest 500 program, another collaborator with Supply Change), and WRI's

²⁸ Trase initiative is for understanding of how companies and governments involved in the trade of agricultural commodities are linked to impacts and opportunities for more sustainable production.

Global Forest Watch Commodities web site. Similarly, important tools such as UNEP's Soft Commodities Forest Risk Assessment tool, the UN Comtrade tool, and others will be reviewed and incorporated as needed as the project expands.

The last three – Rainforest Alliance, TRASE, and Global Forest Watch are the potential core components to a new and very powerful effort to create shared data and a coordinated web platform that effectively links all the company commitments with trade flow information and with actual impacts by producers and suppliers on the ground. Each of these platforms is already a critical information provider to the GEF Integrated Approach on Commodities and Deforestation, and two (Supply Change and GFW) both receive direct GEF financing (and TRASE's parent, Global Canopy Program is receiving funding from WWF's Markets program as part of its involvement in the GEF IAP). While each of these initiatives will remain independently operated and separately funded, the plan to craft a joint operating agreement in the form of MOUs will enhance all of our respective tracking and reporting power.

Output 1.1.2 – The effect and impact of Supply Change to monitor and report on progress of companies' commodity commitments improved and scaled-up. In fulfilling this output, Supply Change will have enhanced capabilities to track and document actual results in terms of company actions, shifts in supply sourcing, changes in producer or supplier behavior, and/or reduction in deforestation and other impacts on the land. The proposed project will greatly improve and scale up the overall monitoring and reporting on progress of companies' commodity commitments on behalf of the many companies, associations, governments and other entities that need and rely upon this increasingly-transparent and available data. Specifically, the project will take on and build out new capacities that allow the tracking and document actual results in terms of company actions, shifts in supply sourcing, changes in producer or supplier behavior, and/or reduction in deforestation and other impacts on the land. The information about the progress on commitment will be collected through publicly available data and also through the partnerships with Carbon Disclosure Project (CDP), World Wildlife Fund, ISEAL Alliance and other business associations, as well as the key certification bodies FSC, RSPO and RTRS.

Output 1.1.3 – Regular reports, papers, articles, newsletter issues, webinars and other information sources produced on the progress and impacts of companies in achieving their sustainability and low- and zero-deforestation commitments. Progress of companies will be evaluated over time based upon the metrics and criteria noted in 1.1.3 above, and will primarily be documenting the conservation of forests, reduction of deforestation, reduction of forest-based GHG emissions, and protection of HCV forests and other forests with globally-important biodiversity. Supply Change will produce periodic reports, papers and articles on the impacts of companies' sustainability commitments on conservation of forests and reduction of deforestation practices. These materials will be produced for a wide audience of companies, governments and NGO actors currently engaged in the effort to reduce deforestation linked to commodity production. These materials will be prepared for certain events or targeted outreach, for example through partnering entities such as the GEF IAP on commodities and deforestation, for which Supply Change is an important engine for tracking progress and for sharing lessons with IAP members, and with other stakeholders and partners such as Tropical Forest Alliance (TFA2020), Consumer Goods Forum, We Mean Business Coalition, Innovation Forum, The Climate Group, and others.

Output 1.1.4 – Creation and adoption across core partners on a common set of performance criteria for tracking and assessing the impact of company commitments. in such terms as Ha of forests protected, tons of CO2e of GHG emissions reduced, and quality of forests protected from a biodiversity perspective (e.g. HCV, other). Supply Change will work with key partners to support the creation and uptake, across all core partners, of a universally-accepted, common set of performance criteria, which will be supported with ground based tracking tools for assessing impact of company commitments. A critical mass of NGO, company and government stakeholders is already working on the elements of such a criteria set (under the auspices of a Moore Foundation funded initiative on M&E), and one of Supply Change's roles in this effort will be to assist in rolling out the new set of metrics to the companies and company associations that are currently involved as part of the Supply Change database or as our strategic partners. Tracking and

assessing company commitments will help the platform users to access which type of commitment are on track; which commitments are the most effective and efficient way of using resources, and to what extent commitments have the desired impact.

These four outputs and the overall outcome described above will be achieved in large part by the following three areas of new growth and activity for Supply Change:

1) Greatly expanded and enhanced data and analytical capability.

Supply Change will grow to effectively serve as a directory of all companies and their commitments across all geographical locations, supply chain levels, orientation (size, revenues, market cap, public vs private, sector), reporting mechanisms utilized, or preferred distribution vehicles (e.g. websites, sustainability reports, CDP, RSPO, RTRS, etc.). Further, Supply Change's unique positioning is that it covers all relevant but disparate and disaggregated corporate public reporting and disclosures so as to integrate their data points so as to produce consolidated, templated and meaningful publicly available company profiles that companies and their stakeholders can view for on-demand monitoring, while also maintaining a backend database that is accessed for running sophisticated tracking, monitoring, analysis and insights development.

New functionality in this alternative scenario will give Supply Change the capability to further develop five key areas of data collection and analytical capability needed by stakeholders and partners involved in this initiative: (1) Expanded breadth of companies tracked; (2) More detailed company data including progress and impact metrics encompassing forest and biodiversity impacts; (3) A larger and more robust database management system backing up the web platform and serving a greater breadth of data users; (4) Greatly enhanced data and research analytics; and, (5) Additional details on direct company engagement including specific actions, investments, details on their suppliers and their actions, and other areas.

Supply Change is currently tracking nearly 1,200 companies, including 460 companies that have made one or more commitments, 270 that have exposure to one or more forest-impacting commodity but have not made a commitment, and others in a watch category. Under the alternative scenario, and in direct response to inquiries and requests from stakeholders, Supply Change will broaden the list of companies tracked to include other companies that are: (1) most responsible for deforestation; (2) located in geographies where we have less coverage (e.g. Latin America, Asia, Africa); (3) of priority to partners and collaborators, in particular to the implementing partners of the GEF IAP on commodities and deforestation; and (4) members or participants in all related activities or associations (e.g. certification bodies, industry groups, etc.).

Over the past two years, since the initiative was launched, Supply Change has relied on Microsoft Excel to manage the dataset. As the dataset has grown, both in terms of number of companies and number of data points, it has become imperative to invest in a more robust database management system. Under the alternative scenario, this new capability will enable Supply Change to increase our time efficiency in the data entry process, and also allow us to capture more details about collected data (e.g. source tagging). Further, a more advanced database management system will enable us to be more efficient in ensuring both the timeliness and quality of our data.

Under the alternative scenario, Supply Change will also take on additional technologies and tools that are more available to our stakeholders and users to more efficiently and easily access data and generate new analysis and research on companies, commitments and impacts. These new capabilities and resources will be available for all companies, stakeholders and partners, and will in particular enhance the ability to track both demand and supply side analytics and results on behalf of the GEF IAP implementing partners and through direct engagement with more and more companies.

Under the alternative scenario, the ultimate users and beneficiaries of the expanded data and analytical capability will include external users as well as our own team to generate analysis and reports for our partners, the engaged business

associations and consortia (e.g. Consumer Goods Forum, TFA2020, etc.), the certification bodies, public and private investors, NGOs, governments, consultancies, and other stakeholders.

2) Tracking forest and biodiversity impacts.

Supply Change currently captures whether or not companies commit to protect biodiversity, including threatened and endanger species, in connection with their commodity commitments. Currently this is a simple question on whether biodiversity is included in the stated company commitment, but lacks any further examination of the extent of the company's efforts to either conserve biodiversity or to take steps to measure and report positive impacts.

Under the Alternative Scenario, Supply Change will expand the scope of data collection related to the protection of biodiversity to include such actions and measures as:

- Capture the hectares of a company's lease or concession land which is HCV protected or under a similar high-biodiversity, protected classification.
- Identify any systems that commodity producers use to monitor and protect biodiversity through forest guard programs (such as the Agro Palma forest patrol program).
- Identify any global frameworks under which companies commit to protect biodiversity:
 - IUCN Red List (species, ecosystems) or Key Biodiversity Area (KBA) designation;
 - CITES;
 - Other.
- Identify company- or producer-imposed hunting restrictions and other limits on species usage.
- Identify existence of integrated pest management plans.
- Identify when and how companies commit to No Net Loss/Net Gain or other mitigation practices to protect biodiversity, and if they have an implementation roadmap for the mitigation hierarchy.

3) Securing strategic partners to achieve a "seamless" company-to-ground view.

Under the Alternative Scenario, one of the most important outputs of this new project will be for Supply Change to secure – via MOUs or similarly-binding operating agreements – new strategic partners who can access and provide a full view of commodity sourcing flows and in-country impacts. These new partners will likely include WRI's Global Forest Watch, Stockholm Environmental Institute's Trase program that captures commodity trade and customs data, and/or others like the Rainforest Alliance Accountability Project, all of which can come together with Supply Change as one organic web repository and platform that tracks company commitments from actions to the ground.

In this way, under the Alternative Scenario, Supply Change will better support all stakeholders in aligning major corporations' global demand with sustainable commodity supply from targeted at-risk countries and regions, and begin to make real progress toward achieving the needed solution of low- or zero-deforestation supply chains.

Supply Change works through a series of strategic relationships with major players involved in commodities and deforestation including World Economic Forum and TFA2020, CDP, Consumer Goods Forum, Sustainable Brands, Innovation Forum, WWF and, most importantly, the implementing partners of the GEF IAP. On behalf of the GEF IAP implementing partners, these other partners and actors, and others involved in commodities and deforestation, Supply Change will bring about a new, cooperative M&E platform that will track the actions taken and progress made by companies in implementing their commitments and, ultimately, to gather evidence of the impacts of company commitments in terms of: actions they take to shift sourcing or to drive production of sustainable supply; progress made by countries, jurisdictions and producers to meet this new demand; and progress made in reducing deforestation and forest degradation, reductions in forest-based greenhouse gas emissions, and protection of forest-based biodiversity.

By securing these strategic partnerships, Forest Trends is able to greatly expand the scope and impact of Supply Change, in terms of greatly expanded outreach and dissemination of collected data, analysis and research, in particular

for companies and company associations, in terms of linking the tracking capabilities of multiple partners for an eventual, seamless company-to-ground view of impacts, and in terms of financial resources for the work, secured from commitments made by partner companies, associations and NGOs with whom Supply Change is partnered. This area of co-financing reflects the importance of Supply Change in reaching out to and engaging specific companies as well as the principal company associations such as Consumer Goods Forum and TFA 2020, with which Supply Change closely partners. As such, Supply Change serves as an important entry point for engaging companies and the private sector on behalf of the GEF and the GEF IAP implementing partners

1.4. Incremental Cost Reasoning and Expected Contributions from the Baseline from the GEF Trust Fund Investment and from Co-Financing

Resolving the global challenge of commodity sourcing and deforestation requires an unprecedented level of coordination and synchronization of efforts by many partners from companies, key business associations, governments, civil society, and producers. The availability and flow of knowledge and learning to support this effort and these many players is likewise huge and critically needed. These knowledge requirements encompass: detailed information about company commitments; new visibility on commodity flows, sourcing and on-the-ground activities; emerging linkages between buyers of sustainable commodities and producers and countries to meet demand; and the ultimate impacts of company demand on forests and biodiversity.

GEF financing of this project will have a transformative effect on this global challenge by supporting efforts by business and governments on both the demand and supply side. Supply Change builds on a strong baseline of public and private sector commitment to changing demand towards low- and zero-deforestation commodities, and the increased knowledge and learning resulting from this new project will help to empower companies, countries, producers and other key stakeholders to support implementation of company commitments. As such, the development of this new project will both provide new and essential knowledge and learning, and also a spotlight on accountability, and will enable greater understanding, efficiencies and cost savings in approaches.

GEF funding and co-financing for this project will serve as catalyst to develop the specific Outcome and Outputs articulated above, and in particular, to add considerable value to the proposed solution and effort to move to sustainable, low- and zero-deforestation commodity supply and reduce or eliminate negative impacts on forests and biodiversity related to these commodities. The Project will also contribute to UN Environment's Programme of Work: Healthy and productive ecosystems – EA (b) Policymakers in the public and private sectors test the inclusion of the health and productivity of ecosystems in economic decision-making / Indicator (ii) Increase in the number of private sector entities that adjust their business models to reduce their ecosystem-related risks and/or negative impacts on marine and terrestrial ecosystems

More specifically, the GEF investment will facilitate: Greater knowledge about, and accountability for, corporate actions and progress in implementing their commitments, which can be shared with other companies, with corporate and consumer associations supporting this effort, and with the GEF IAP implementing partners and other interested stakeholders; enhanced partnerships between Supply Chain commitment tracking and other tracking tools and web platforms that track flow of commodities or specific impacts on the ground, such as WRI's Global Forest Watch web platform, or Stockholm Environmental Institute's Trase program, that can lead to a more unified, organic tracking system that reaches from the details on the commitments to the actions and impacts on the ground; new knowledge about the progress and impacts of company commitments in creating or enhancing country and jurisdictional, or producer, changes that yield greater sustainable supply and that lower or eliminate deforestation, forest degradation and the loss of forest-based biodiversity; and, cost efficiencies and cost savings for government funders and corporations engaged in this effort.

1.5. Global Environmental Benefits (GEFTF, NPIF) and/or Adaptation Benefits (LDCF/SCCF)

The project is a global program that will contribute to global environmental benefits primarily through the achievement of the GEF Biodiversity Goal 4 (BD4), Program 9: Managing the Human-Biodiversity Interface. The project will mainly contribute to global environmental benefits by increasing the area of productive forested landscapes that successfully integrate sustainability criteria into their management – in particular relative to sustainable, low- and zero-deforestation criteria for the four most critical forest-impacting commodities (soy, palm, timber/pulp, and cattle). This in turn will lead to reduction in deforestation and degradation of tropical forests, and will in turn increase protection of the globally-important biodiversity that depends on healthy intact forests (please see Annex 1 on the description of tropical forests or as defined by WWF “Tropical and Subtropical Moist Broadleaf Forests” and Annex 2 of some of the priority ecoregions and the biodiversity it contains that fall within the Tropical and Subtropical Moist Broadleaf Forests habitat type).

As noted in section 1.3, Supply Change will increase both the accountability of and pressure on companies to fulfill their commodity commitments, and in turn should achieve the securing of 2,000,000 hectares (Ha) of High Conservation Value or similarly-designated high-biodiversity forests protected from deforestation, degradation or land conversion as a result of commodity production. Additionally, Supply Change will track an increasing number of biodiversity-related metrics to better understand and quantify the amount and nature of biodiversity protection, such as the Ha of forests or habitat under specific HCV, KBA or related conservation value protection, the use of local guards and patrols, the identification of specific lands or habitat under global or national frameworks and programs.

Additionally, this project will contribute directly to progress toward two CBD Aichi targets under Strategic Goal B: Reduce the direct pressures on biodiversity and promote sustainable use.

- Target 5: By 2020, the rate of loss of all natural habitats, including forests, is at least halved and where feasible brought close to zero, and degradation and fragmentation is significantly reduced. The explicit stated goal of many of the 460 company commitments being tracked and monitored by Supply Change is to achieve low- or zero- deforestation by an explicit date; many of these are by 2020.
- Target 7: By 2020, areas under agriculture, aquaculture and forestry are managed sustainably, ensuring conservation of biodiversity. Increasing numbers of areas targeted for commodity production will be brought under sustainable or low-/zero-deforestation management under the company commitments.

The proposed project, activities and outcomes will generate both knowledge and accountability, which in turn will lead to more and more businesses integrating sustainability criteria into their value chain management systems, and integrating biodiversity conservation and sustainable use into their sourcing and production systems. The project will contribute directly to these global targets and environmental benefits by increasing the area of productive forested landscapes that successfully integrate sustainability criteria into their management – in particular relative to sustainable, low- and zero-deforestation criteria for the four most critical forest-impacting commodities (soy, palm, timber/pulp, and cattle). These actions by companies will lead to reduction in deforestation and degradation of forests, and the resulting impacts to globally significant biodiversity.

Supply Change will support and hasten this transition toward more sustainability and less deforestation by developing new sources of information, securing new partnerships and making available new web-based tools that increasingly document and show the actual impacts of the company commitments in terms of changes in company purchasing behavior as well as changes in producer behavior in countries and on the ground. Only through increasing the availability of information and providing transparency by focusing a spotlight over time will we and all stakeholders be able to see the actual efforts by companies to implement their commitments and the actual impacts of the commitments in terms of shifts in corporate purchasing to more sustainable commodity sources and also changes in on-the-ground production and reduced deforestation. This is the mission and role of Supply Change.

1.6. Innovativeness, Sustainability and Potential for Scaling Up

The *innovative approach* of the proposed alternative solution is based upon creating the linkage between company demand and local production in a combined and powerful new set of tools to both track and put a global spotlight on companies that have made commodity and deforestation commitments (as well as companies that have not). The linkage is based on what is described as a “whole supply chain” approach. Supply Change currently tracks nearly 800 company commitments for palm oil, soy, beef and timber/pulp and, as such, is the largest and most comprehensive database and web resource on the extent and nature of all company commitments to sustainable production and low- or zero-deforestation. There are other tracking systems as well, in various states of development and coverage, and some of these cover other areas of company action and on-the-ground effects.

For example, WRI’s Global Forest Watch Commodities web resource uses explicit geospatial data to provide a view down to the smallest concessional and leasehold level. Stockholm Environmental Institute’s Trase program captures commodity trade and customs data and can show flow of trade purchases across country lines. Other emerging tracking systems cover other areas as well, such as Rainforest Alliance’s Accountability Project.

While each of these systems are independently managed and funded, they all play an important role for stakeholders engaged in tracking and promoting company commitments and actions to reduce or eliminate deforestation in their supply chains. Each of these programs operate in parallel, and under the proposed alternative scenario, we proposed to link with each of these tracking systems and, through an increasingly seamless and coordinated system, provide critical knowledge about the impacts of these commitments with country, jurisdictional and local production that reduce or eliminate deforestation from these supply chains.

The *scaling up* of this project can be achieved by increasing the numbers of companies’ commitments tracked for the current four target commodities, and by working with strategic partners such as WRI and SEI, increasing the breadth and reliability of knowledge acquired about the success and impact of companies carrying out implementation of their commitments. An important element for scaling up the breadth and impact of this project is the creation of a common tracking platform (e.g. with the “pillars” of Supply Change and partners like WRI and SEI) as well as a common framework or set of criteria that all parties adopt and subscribe to for viewing and assessing company performance and impacts. Scaling up will take place into other geographies and countries that produce or demand the commodities covered by this fully-global project. Over time, replication and further scaling will come from applying a common approach and proven model to other commodities. This new project will expand the knowledge sharing and tracking global expansion of production and demand, determining the new frontiers and markets where the approach is needed.

The global demand for innovative and user-friendly tools for tracking commitments is quite evident. The project will provide an innovative, cost-effective, credible and transparent tool for tracking company commitments. The experience that will be gained by different partnerships in working in an integrated and coordinated fashion on issues related to tracking and reporting supply chain commitments will also enhance sustainability by increasing the likelihood of further joint action and synergies. The Supply Change Project is executed under the Ecosystem Marketplace Program of Forest Trends which has been in operation since 1997. Sustainability and continuation of activities after project implementation will come from: 1) the increased numbers of users demanding transparent and credible information on company commitments; 2) the inclusion of other forest- and biodiversity-impacting commodities.

A.2. Child Project? If this is a child project under a program, describe how the components contribute to the overall program impact.

No

A.3. Stakeholders. Identify key stakeholders and elaborate on how the key stakeholders engagement is incorporated in the preparation and implementation of the project. Do they include civil society organizations (yes ☒ /no ☐)? and indigenous peoples (yes ☐ /no ☒)? ²⁹

Supply Change is founded upon a partnership model, and already has MOUs, partnership and relationship agreements with a number of other tracking, analytical or company support initiatives including the Carbon Disclosure Project (CDP), WWF, World Economic Forum and TFA 2020, the We Mean Business Coalition, Consumer Goods Forum, The Sustainability Consortium, Innovation Forum, Global Canopy Program, Sustainable Brands, Rainforest Alliance, the Forest Stewardship Council, and various commodity roundtables.

The many partners and stakeholders with which Supply Change has evolved a meaningful and cooperative relationship are described in the table below.

| Stakeholder | Expected role in the project |
|---------------------------------------|---|
| Forest Trends | Forest Trends is the executing agency for the Supply Change project |
| UN Environment, and UN Environment-FI | Main implementing partner for Supply Change, and will guide project development including serving on Supply Change Steering Committee. |
| Carbon Disclosure Project | CDP will provide data for Supply Change and take active role in project formulation, including serving on Supply Change Steering Committee. |
| World Wildlife Fund | WWF will provide data for the Supply Change and take active role in project formulation, including serving on Supply Change Steering Committee. |
| UNDP | UNDP is the lead agency of the “Adaptive Management and Learning” and “Support to Production” child projects of the Commodities IAP. UNDP will provide cohesion between Supply Change and the Commodities IAP. UNDP will also serve on Supply Change Steering Committee |
| IFC (World Bank) | Important partner with regard to finance-related work under Supply Change for data and will assure alignment and synergy between the Commodities IAP’s Transactions Child, and also including serving on Supply Change Steering Committee. |
| Consumer Goods Forum (CGF) | CGF will be an active partner in Supply Change and will provide linkage between Supply Change and its member companies. |
| World Economic Forum | Partnership and joint events will be planned to disseminate the project results through WEF organized events. |
| Tropical Forest Alliance (TFA2020) | TFA will be partner in project outreach and related activities aimed at engaging companies and supporting and promoting company deforestation commitments, and will also be consulted in project and event formulation. |
| Innovation Forum | Official partnership with Forest Trends and will be consulted on project formulation and also in outreach, education and information dissemination events. |
| Sustainable Brands | Knowledge dissemination events will jointly be organized, therefore will be consulted. |
| WRI Global Forest Watch | Collaboration and actual linkage will be established between Supply Change and Global Forest Watch Platforms (both are GEF funded initiatives). |
| Stockholm Environment | Collaboration between Trase platform and Supply Change will be established. |

²⁹ As per the GEF-6 Corporate Results Framework in the GEF Programming Directions and GEF-6 Gender Core Indicators in the Gender Equality Action Plan, provide information on these specific indicators on stakeholders (including civil society organization and indigenous peoples) and gender.

| | |
|--|--|
| Institute | |
| Global Canopy Program (GCP) and Forest 500 | GCP will be consulted and partnered for convening and sharing events about commodities and forests. Supply Change will work closely with Forest 500 and its parent (GCP) in tracking companies and sharing data gathering and knowledge sharing. |
| IDH | IDH, an important source of information and activities on sustainable production in many countries will be one of the stakeholders consulted for knowledge exchange and shared outreach. |
| CERES | Developing materials and providing data to support engagement with financial institutions. |
| Rainforest Alliance | Establishing an MOU with Rainforest Alliance, through which Supply Change will provide data to their Accountability Framework |
| Climate Focus | Planning for joint reports and knowledge products will be conducted at the project formulation phase. |
| Roundtable for Responsible Palm Oil (RSPO) | RSPO will provide data for Supply change |
| Roundtable for Responsible Soy (RTRS) | RTRS will provide data for Supply change. |

A.4. *Gender Equality and Women's Empowerment.* Elaborate on how gender equality and women's empowerment issues are mainstreamed into the project implementation and monitoring, taking into account the differences, needs, roles and priorities of women and men. In addition, 1) did the project conduct a gender analysis during project preparation (yes ☐ /no☒)?; 2) did the project incorporate a gender responsive project results framework, including sex-disaggregated indicators (yes ☐ /no☒)?; and 3) what is the share of women and men direct beneficiaries (women X%, men X%)? ³⁰

Deforestation (and forest degradation) is a growing problem being driven heavily by land and forest conversion for production of commodities in many countries around the world. Deforestation can affect men and women differently, in part due to the predominance of men in both the local production of commodities as well as in the local and national governing bodies involved in natural resource management. Thus, women can be excluded from forest and resource decisions and use, and are vulnerable to the impacts of commodity land conversion and deforestation. Moreover, deforestation causes changes in the working pattern of women, and increase in the time devoted to particular categories of works. The project is a global project, largely devoted to tracking progress and learning related to company commodity commitments and related impacts of those commitments in promoting sustainable supply of commodities and decreased negative impacts on local forests.

Gender equality and women's empowerment will be mainstreamed into project activities, ensuring that women have an equal voice in project formulation and take active role during the whole project. Outreach activities including public forums and information sessions will target balanced outreach. Additionally, the program will begin to pro-actively examine and track company commitments to women and other marginalized communities in our review of company commitments, to be in a position to track and put a spotlight on gender-specific issues on company commitments. In this way, we will mainstream gender into the Supply Change project.

To ensure that gender is accommodated and mainstreamed into this project, the budget provides for a gender consultant who can provide guidance on any additional steps needed to ensure any relevant gender issues are dealt with.

³⁰ Same as footnote 8 above.

A.5 Risk. Elaborate on indicated risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, the proposed measures that address these risks at the time of project implementation. (table format acceptable):

| Risk | Level of Impact | Mitigation Measures |
|---|------------------------|---|
| Data collection risk, from companies that may have concerns about proprietary data restraints, or companies that may just suffer survey fatigue. | Low | Supply Change follows a procedure of working directly with companies (built off a long-standing Ecosystem Marketplace survey model) which over time builds confidence in Forest Trends as a trustable entity and also helps companies understand benefits of sharing data on a regular basis. This addresses the specific risk of credibility of Forest Trends and Supply Change as a neutral and safe source of data. For companies that are subject to many surveys and data collection attempts by multiple agencies, Supply Change was founded on a partner data sharing approach, so that much core data comes from other data gatherers such as CDP. However, Supply Change will communicate clearly with companies that data provided will be confidentially kept by providing evidence from long-standing ecosystem marketplace survey model. Some Supply Change data can be secured from already-public company sources, and when a particular company does not respond to a survey or written request, the Supply Change research team will engage directly with the company. |
| Data collection risk, in terms of non-validated company reports or other data that could be incorrect or misstated. | Medium | A focus of this project will be the development of new partners and new data sources beyond the companies themselves, moving toward a scenario with multiple data sources, some of which will be sources that can be used to validate company claims of progress or results. |
| Data collection risk, from countries and from local producers or traders, for information regarding actual impacts of sustainable commodity demand. | Low | In the short run, this level of inquiry and data collection will rely on new relationships with key partners such as WRI and SEI/Trase that have pre-existing in-country or ground-focused data collection, GIS capabilities, and web-based repositories. This longer term solution will be designed under Output 1.1.1. |
| Development of country or local sourcing of sustainable commodities does not catch up with or stay abreast of growing corporate demand. | Medium | The project will closely track development of these local sourcing programs as part of the expansion of the project. Collaboration with the organizations which lead these programs will be enhanced. |
| Companies, having made commodity commitments and set goals, back away from or abandon their goals as deadlines approach. | Medium | This project will closely track company implementation, will serve as a public-facing spotlight on progress on all commitments, and thus can pinpoint those not being achieved. Further, the project serves to support the companies and also the principal support associations who can promote and help companies maintain progress on reaching their goals (e.g. Consumer Goods Forum, TFA). Specific webinars and one-on-one |

| | | |
|--|--|--|
| | | sessions will be organized with those companies which achieve commitments to share their success stories and best practices. |
|--|--|--|

A.6. Institutional Arrangement and Coordination. Describe the institutional arrangement for project implementation. Elaborate on the planned coordination with other relevant GEF-financed projects and other initiatives.

The Forest Trends will act as executing agency for the overall project, with all associated responsibilities. After the endorsement of the GEF CEO to UN Environment and before project start, an executing agency agreement will be signed between UN Environment and Forest Trends. This project targets the core of Forest Trends' mission, to expand the incorporation of ecosystem services' value into business, policy and personal decision-making. As such, it will not result in the creation of a new research program, but will cut across and leverage the work, contacts and resources of several existing Forest Trends initiatives – most significantly involving Ecosystem Marketplace, but also engaging our Public-Private Co-finance Initiative, the Forest Trade and Finance Initiative, the Katoomba Incubator, and the Communities and Markets Initiative. Importantly, Supply Change is a multi-partner initiative designed to support the many actors involved in promoting deforestation-free commodity supply chains.

The project will be guided by a Project Steering Committee (PSC) to help UN Environment and Forest Trends ensure that the project is on track with achieving specific results. The PSC will help Supply Change take into account, react to and support concurrent efforts by UN Environment, UNDP and the other principle Implementing Partners under this initiative. The PSC will meet twice each year, once physically and one other time virtually. The PSC members will include two representatives from Forest Trends (EM/Supply Change Director and one other to be named), the UN Environment Task Manager, UN REDD Programme representative, a representative from the GEF Secretariat, and one to two additional representatives of private sector or international NGO partners. The final roles and representatives to the PSC will be finalized at the project inception workshop.

With UN Environment serving as the project's Implementing Agency and on the Project Steering Committee, UN Environment will be in a position to ensure that appropriate linkages and coordination are maintained with relevant programs of the GEF as well as other UN agencies, the UN Environment Finance Initiative, the UN REDD Programme, and with global environmental conventions such as UNFCCC, CBD, UNCCD, and IPBES. The project is fully in line with the UN Environment role of catalyzing the development of scientific and technical analysis and advancing environmental management in GEF-financed activities. UN Environment provides guidance on relating the GEF financed activities to global, regional and national environmental assessments, policy frameworks and plans, and to international environmental agreements. More specifically, the project lies within the following areas recognized by GEF as areas where UN Environment has a comparative advantage:

- Sound science for national, regional and global decision-makers, notably by strengthening science-to-policy linkages and by strengthening environmental monitoring and assessment;
- Technical assistance and capacity building at country level, notably by strengthening technology assessment, by demonstration and through innovation, and also by directly developing capacity;
- Knowledge management, including through awareness raising and advocacy.

The roles of the executing agency and the implementing agency have been further clarified in Annex H Project Implementation Arrangements.

Supply Change is an important partner and M&E provider for the GEF6 Integrated Approach Program Taking Deforestation out of Commodity Supply Chains. This commodities and deforestation IAP aims to reduce the global

impacts of agriculture commodities on land conversion, forest lost, habitat and biodiversity loss, and increased greenhouse gas emissions due to forest degradation and loss. The IAP specifically focuses, as Supply Change does as well, on building demand for low- and zero-deforestation palm oil, soy and beef, in particular with changes to company commodity supply chains and though changes at the country and producer level for commodity production. As such, there is strong complementarity among the IAP implementing partners and projects and Supply Change.

This new project will benefit from and contribute to the Commodities IAP's child projects through building and demonstrating greater linkages between companies' low- or zero-deforestation commitments, which are currently tracked in detail by Supply Change, to on-the-ground-actions by producers and actual deforestation results in response to company commitments and demand, which are not as yet tracked and monitored.

Externally, strengthening relationships with key stakeholders is a primary deliverable of this project – recognizing that research and data partnerships and government relationships are absolutely necessary to deliver on other aspects of the project. In particular, this includes collaboration with other tracking and analytical initiatives led by organizations like the Earth Innovation Institute, IDH, WRI, WWF, CDP, and SSI, to identify knowledge gaps, needs, and best practice.

Additionally, the content of this project will require collaboration with certification organizations that track their own projects and associated corporate commitments (when known), including Rainforest Alliance, the Forest Stewardship Council, the Programme for the Endorsement of Forest Certification, and various commodity roundtables. In order to access relevant market actors – in particular, corporate buyers and major producers – we will engage with business-facing programs like the Consumer Goods Forum, The Sustainability Consortium, and/or the Tropical Forest Alliance. Each of these programs is independent and well-established, and has agreed to support this research.

Under this new project, Supply Change also proposes to create a stronger partnership with another GEF-funded initiative, WRI's Global Forest Watch. By working with GFW, and with at least one other strong partner, we propose to build a unique global tracking and M&E platform that in one web repository and source can show both the details of each company's commitments as well as details on the company actions, the flow and changes in commodity trading, and the resulting impacts on the ground.

Additional Information not well elaborated at PIF Stage:

A.7 Benefits. Describe the socioeconomic benefits to be delivered by the project at the national and local levels. How do these benefits translate in supporting the achievement of global environment benefits (GEF Trust Fund) or adaptation benefits (LDCF/SCCF)?

Supply Change is a global program that will contribute to global environmental benefits including the protection of tropical and other globally significant forests, and protection of the globally significant biodiversity that depends on these forests. As such, Supply Change will contribute materially toward achieving GEF Biodiversity Goal 4 (BD4), Program 9: Managing the Human-Biodiversity Interface, and will also contribute to CBD Aichi biodiversity targets under Strategic Goal B (Reduce the direct pressures on biodiversity and promote sustainable use) for Targets 5 and 7.

Supply Change works to put a spotlight and new accountability on the hundreds of companies that have made commitments and will be shifting their commodity acquisition to producers of low-/zero-deforestation and sustainable commodity production. Because these impacts will ultimately play out locally all over the world, there will be considerable social and economic benefits to the communities and individuals who work to produce these commodities. As noted in section A 4 above, Supply Change will be more pro-actively tracking gender balance and gender-related commitments by companies. Additionally, Supply Change will encourage companies to choose more sustainable

production practices which, as they grow, will also bring additional support for local livelihoods, eradication of poverty, and actual new revenue for communities.

A.8 Knowledge Management. Elaborate on the knowledge management approach for the project, including, if any, plans for the project to learn from other relevant projects and initiatives (e.g. participate in trainings, conferences, stakeholder exchanges, virtual networks, project twinning) and plans for the project to assess and document in a user-friendly form (e.g. lessons learned briefs, engaging websites, guidebooks based on experience) and share these experiences and expertise (e.g. participate in community of practices, organize seminars, trainings and conferences) with relevant stakeholders.

Forest Trends' Ecosystem Marketplace was launched 16 years ago as a knowledge management platform to track, communicate about and help to mainstream ecosystem finance, payment systems and other market approaches to conservation. Supply Change –launched in 2015 – is built upon the Ecosystem Marketplace platform, and has made considerable headway building public awareness about and supporting the mainstreaming of forest commitments to agricultural commodity sourcing by implementing both a global web-based repository as well as a comprehensive outreach and communications strategy that includes the following elements:

1. Continued expansion of the Supply Change data repository and website to graphically present and regularly update research findings, company commitment profiles, related industry and project-related articles. The Supply Change team works to continually develop the data download capability in order to enable researchers' use of and benefit from Supply Change data. The website and any related research will stem from and recognize Supply Change data and funding partners, and website functionality will progress alongside project objectives (e.g. supply chain network “mapping” capabilities, commitment comparisons, proprietary survey platform).
2. Throughout the project, we will host in-person events at a variety of venues to encourage a dialog about what information is necessary and achievable, and to gain early insight into market behaviors from commodity market leaders. We will regularly report from these events through our proprietary news service (reaching >300,000 readers annually) and op-ed contributions to leading media organizations tracking environmental economics, including Forbes, Environmental Finance, and Huffington Post.
3. Cultivation of key news agencies: We seek significant media recognition of our data, reports and related events and outreach. We will employ Forest Trends' communications resources to target major news organizations that will include: The Guardian, NPR, The Economist, Harvard Business Review; Forbes, The Atlantic, The New York Times, China Daily, BBC, The Washington Post, The Financial Times, Folha de S. Paulo, El Peruano, and other key Spanish, Portuguese and Chinese language outlets. Ecosystem Marketplace already maintains and will build on strong relationships with many of these outlets.
4. Development and distribution of targeted press releases, fact sheets and social media: We will develop basic press releases and fact sheets detailing project findings, and tailor these documents for specific audiences including business, public-sector, general “lay” audience, ecosystem services practitioners, and specific sectors highlighted in our research. These resources will be embargoed and distributed to significant information providers relevant to each of these audiences, ahead of product launches.

B. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

B.1 Consistency with National Priorities. Describe the consistency of the project with national strategies and plans or reports and assessments under relevant conventions such as NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, INDCs, etc.:

N/A -- This is a Global Project

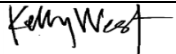
C. DESCRIBE THE BUDGETED M &E PLAN:

Budgeted M&E plan is provided in the Annex G.

PART III: CERTIFICATION BY GEF PARTNER AGENCY(IES)

A. GEF Agency(ies) certification

This request has been prepared in accordance with GEF policies³¹ and procedures and meets the GEF criteria for CEO endorsement under GEF-6.

| Agency Coordinator, Agency Name | Signature | Date (MM/dd/yyyy) | Project Contact Person | Telephone | Email Address |
|--|---|------------------------------|---------------------------------------|--------------------|--------------------------|
| Kelly West, Senior Programme Manager & Global Environment Facility Coordinator Corporate Services Division UN Environment |  | October 27, 2017 | Ersin Esen Task Manager | +41-22-917 8196 | Ersin.Esen@ unep.org |

Annex A Project Results Framework

Annex B Responses to Project Reviews

Annex C Status of Implementation of Project Preparation Activities and The Use of Funds

Annex D Calendar of Expected Reflows (N/A)

Annex E Workplan

Annex F Detailed GEF and co-finance budget

Annex G Costed M&E Plan

Annex H Project Implementation Arrangements

Annex I Deliverables and benchmarks

Annex J OFP Endorsement letter (N/A This is a global project)

Annex K Co-finance letters

Annex L ESERN Supply Change

Annex M Procurement Plan (The Procurement Plan will be developed at the Inception Phase)

Annex N Acronyms & Abbreviations

Annex O TORs for Project Steering Committee and Key Personnel

Annex P Summary of reporting requirements and responsibilities

Annex Q GEF6 BD Tracking Tool for Program 9

³¹ GEF policies encompass all managed trust funds, namely: GEFTF, LDCF, SCCF and CBIT
GEF6 CEO Endorsement /Approval Template-August2016

ANNEX A: PROJECT RESULTS FRAMEWORK (either copy and paste here the framework from the Agency document, or provide reference to the page in the project document where the framework could be found).

| Project Objective | Objective level Indicators | Baseline | Targets and Monitoring Milestones | Means of Verification | Assumptions & Risks |
|---|---|--|--|---|---|
| To increase the transparency and accountability of commodity production companies' commitments to sustainable, low- and zero-deforestation productions resulting in reduced pressures on globally significant biodiversity. | | | | | |
| Project Outcome | Outcome Indicators | Baseline | Targets and Monitoring Milestones | Means of Verification | Assumptions & Risks |
| 1.1 Increased transparency on, awareness about, effective promotion of, and accountability for corporate sustainability commitments to low- or zero-deforestation, including the impacts and results of those commitments. | <p>Indicator 1: Number of companies' commodity commitments tracked, documented and analyzed for their specific impacts and results.</p> <p>Indicator 2: Indicator: Number of hectares of High Conservation Value forests prevented from deforestation evidenced by tracking commodity production by selected companies in the alternative</p> | <p>No (0) companies' commitments are currently tracked for specific results and impacts (of all the 460 companies currently tracked on the Supply Change platform)</p> <p>No (0) hectares currently documented</p> | <p>100 companies' commodity commitments tracked, documented and analyzed for their specific impacts and results</p> <p>2,000,000 or more hectares documented</p> | <p>Company information will be gathered, and third party information will also be gathered from multiple sources to provide verification of company claims.</p> <p>The target hectares of protected forests need to be confirmed and verified as protected as HCV or similar outright (and, preferably, permanent) protection from cutting or production.</p> | <p>Some company claims for new sourcing, sustainability of sourcing, saved Ha of forests or reduced GHG emissions may be at risk of green washing and will need to be verified.</p> <p>Supply Change is not proposed to be a third party validator. This project foresees the increased use of third-party validators (data sources, partners) for the purposes of augmenting the tracking of company commitments, reports and claims.</p> <p>Heavy reliance on company generated information on Ha protected and under what certification or regime, may be suspect for some companies, may and need additional (third party) verification</p> |

| | | | | | |
|--|---|--|--|--|--|
| | scenario versus the trajectory of deforestation trend under the baseline scenario of the same companies | | | | |
|--|---|--|--|--|--|

Project Outputs

- 1.1.1 Five or more new strategic partners for Supply Change tracking platform established through MOUs and partnership agreements
- 1.1.2 The effect and impact of Supply Change to monitor and report on progress of companies' commodity commitments improved and scaled-up
- 1.1.3 Regular Reports, papers and articles newsletter issues, webinars and other information sources produced on the progress and impacts of companies in achieving their sustainability and low- and zero-deforestation commitments.
- 1.1.4 Creation and adoption across core partners on common set of performance criteria for tracking and assessing impact of company commitments

ANNEX B: RESPONSES TO PROJECT REVIEWS (from GEF Secretariat and GEF Agencies, and Responses to Comments from Council at work program inclusion and the Convention Secretariat and STAP at PIF).



GEF-6 GEF SECRETARIAT REVIEW FOR FULL-SIZED/MEDIUM-SIZED PROJECTS

THE GEF/LDCF/SCCF TRUST FUND

| | | | |
|--|---|------------------------------|---------------------|
| GEF ID: | 9858 | | |
| Country/Region: | Global | | |
| Project Title: | Supply Change: Promoting Reduction of Deforestation Impacts of Commodity Supply Chains | | |
| GEF Agency: | UNEP | GEF Agency Project ID: | |
| Type of Trust Fund: | GEF Trust Fund | GEF Focal Area (s): | Biodiversity |
| GEF-6 Focal Area/ LDCF/SCCF Objective (s): | BD-4 Program 9; | | |
| Anticipated Financing PPG: | \$50,000 | Project Grant: | \$1,000,000 |
| Co-financing: | \$2,000,000 | Total Project Cost: | \$3,050,000 |
| PIF Approval: | July 20, 2017 | Council Approval/Expected: | |
| CEO Endorsement/Approval | | Expected Project Start Date: | |
| Program Manager: | Paul Hartman | Agency Contact Person: | Ersin Esen, |

| PIF Review | | | |
|----------------------------|--|---|---|
| Review Criteria | Questions | Secretariat Comment | Agency Response |
| Project Consistency | 1. Is the project aligned with the relevant GEF strategic objectives and results framework? ³² | 07/13/2017 Yes. Aligned with BD-2, program 9. In the fully developed project document to be submitted for final CEO approval please: - Explicitly articulate which Aichi Targets the project will help achieve. - Strengthen the description of the project's contribution to avoiding loss of forests and globally significant biodiversity | We responded to both in the new CEO Endorsement proposal document. Added two (2) specific Aichi targets. Also made the specific forest Outcome (target) larger to 2M Ha, under indicators, and strengthened some of the indicator language for the Outcome and four Outputs |
| | 2. Is the project consistent with the recipient country's national strategies and plans or reports and assessments under relevant conventions? | Cleared 07/13/2017 N/A This is a global project | |

³² For BD projects: has the project explicitly articulated which Aichi Target(s) the project will help achieve and are SMART indicators identified, that will be used to track the project's contribution toward achieving the Aichi Target(s)?

| PIF Review | | | |
|----------------------------------|--|--|--|
| Review Criteria | Questions | Secretariat Comment | Agency Response |
| Project Design | 3. Does the PIF sufficiently indicate the drivers ³³ of global environmental degradation, issues of sustainability, market transformation, scaling, and innovation? | 07/13/17 Yes. Adequate at this stage. In the fully developed project document to be submitted for final CEO approval please strengthen of the description of how deforestation from commodities is leading directly to BD loss in the priority ecoregions described. Cleared | We added to and re-wrote some of these sections to strengthen this connection to biodiversity loss, in particular to section A1.5 page 15. |
| | 4. Is the project designed with sound incremental reasoning? | 07/13/17 Yes. Cleared | |
| | 5. Are the components in Table B sound and sufficiently clear and appropriate to achieve project objectives and the GEBs? | 07/13/17 Yes. Cleared | |
| | 6. Are socio-economic aspects, including relevant gender elements, indigenous people, and CSOs considered? | 07/13/17 Yes. Cleared | |
| Availability of Resources | 7. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply): | | |
| | <input type="checkbox"/> The STAR allocation? | 07/13/17 | |
| | | To be funded from BD global set aside. | |
| | <input type="checkbox"/> The focal area allocation? | 07/13/17 To be funded from BD global set aside. | |
| | <input type="checkbox"/> The LDCF under the principle of equitable access | N/A | |
| | <input type="checkbox"/> The SCCF (Adaptation or Technology Transfer)? | N/A | |

³³ Need not apply to LDCF/SCCF projects.
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| PIF Review | | | |
|------------------------|---|--|--|
| Review Criteria | Questions | Secretariat Comment | Agency Response |
| | <input type="checkbox"/> Focal area set-aside? | 07/13/17 This is from BD global set aside, where remaining funding is sufficient. In the fully developed project document to be submitted for final CEO approval make efforts to increase the cash co-financing contributions, particularly from private sector. Cleared | Co-finance requirement increased from \$1.5 M to \$2.0 M, in proposal document and in appropriate annexes. |
| Recommendations | 8. Is the PIF being recommended for clearance and PPG (if additional amount beyond the norm) justified? | 07/13/17 Yes. Program Manager recommends the project for CEO PIF approval. Please note comments to be addressed at final CEO endorsement stage. | |
| Review Date | Review | July 13, 2017 | |
| | Additional Review (as necessary) | | |

| CEO endorsement Review | | | |
|-------------------------------------|--|--|--|
| Review Criteria | Questions | Secretariat Comment at CEO Endorsement | Response to Secretariat comments |
| Project Design and Financing | 1. If there are any changes from that presented in the PIF, have justifications been provided? | | The only changes were to address the issues raised above, in particular to increase the number of Ha of protected forest from 1M to 2M and adding appropriate text regarding the Aichi targets and language on biodiversity. |
| | 2. Is the project structure/ design appropriate to achieve the expected outcomes and outputs? | | Yes. |
| | 3. Is the financing adequate and does the project demonstrate a cost-effective approach to meet the project objective? | | Yes. |

| | | | |
|-------------------------------|--|---|--|
| | 4. Does the project take into account potential major risks, including the consequences of climate change, and describes sufficient risk response measures? (e.g., measures to enhance climate resilience) | | Yes. These are described in the matrix in the proposal. |
| | 5. Is co-financing confirmed and evidence provided? | | Yes, we are confident of both the cash and in-kind components of required co-financing. |
| CEO endorsement Review | | | |
| Review Criteria | Questions | Secretariat Comment at CEO Endorsement | Response to Secretariat comments |
| | 6. Are relevant tracking tools completed? | | |
| | 7. <i>Only for Non-Grant Instrument:</i> Has a reflow calendar been presented? | | |
| | 8. Is the project coordinated with other related initiatives and national/regional plans in the country or in the region? | | This project depends on critical partnerships, articulated in the proposal and bound by MOU, contract or other agreement. These partnerships are with the other key players involved in commodities and deforestation. |
| | 9. Does the project include a budgeted M&E Plan that monitors and measures results with indicators and targets? | | Yes |
| | 10. Does the project have descriptions of a knowledge management plan? | | The project is in and of itself a knowledge platform and significant outreach and dissemination vehicle. |
| Agency Responses | 11. Has the Agency adequately responded to comments at the PIF ³⁴ stage from: | | |
| | <input type="checkbox"/> GEFSEC | | |
| | <input type="checkbox"/> STAP | | |
| | <input type="checkbox"/> GEF Council | | |
| | <input type="checkbox"/> Convention Secretariat | | |
| Recommendation | 12. Is CEO endorsement recommended? | | |
| Review Date | Review | | |
| | Additional Review (as necessary) | | |

³⁴ If it is a child project under a program, assess if the components of the child project align with the program criteria set for selection of child projects.

| | | | |
|--|----------------------------------|--|--|
| | Additional Review (as necessary) | | |
|--|----------------------------------|--|--|

ANNEX C: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS³⁵

A. Provide detailed funding amount of the PPG activities financing status in the table below:

| PPG Grant Approved at PIF: | | | |
|--|---|------------------------------------|--------------------------------|
| <i>Project Preparation Activities Implemented</i> | <i>GETF/LDCF/SCCF/CBIT Amount (\$)</i> | | |
| | <i>Budgeted Amount</i> | <i>Amount Spent To date</i> | <i>Amount Committed</i> |
| Research on company efforts to set aside HCV and similarly demarked and protected forests and habitat under certification schemes and related protection regimes, as part of setting new and higher goals for protection of globally significant forests and biodiversity. | 20,000 | 20,000 | |
| Preparation of materials for Steering Committee meeting and discussion on new directions and targets for Supply Change | 2,500 | 2,500 | |
| Participation in partner roundtable discussions on results indicators and a common M&E framework for tracking company commodity commitments over time (with Meridian). | 5,000 | 5,000 | |
| Accelerated efforts to align with additional partners to further strengthen outreach capability and effectiveness of Supply Change | 22,500 | 22,500 | |
| Total | 50,000 | 50,000 | |

³⁵ If at CEO Endorsement, the PPG activities have not been completed and there is a balance of unspent fund, Agencies can continue to undertake the activities up to one year of project start. No later than one year from start of project implementation, Agencies should report this table to the GEF Secretariat on the completion of PPG activities and the amount spent for the activities. Agencies should also report closing of PPG to Trustee in its Quarterly Report.

ANNEX D: CALENDAR OF EXPECTED REFLOWS (if non-grant instrument is used)

Provide a calendar of expected reflows to the GEF/LDCF/SCCF/CBIT Trust Funds or to your Agency (and/or revolving fund that will be set up)

N/A