

A Common Methodology for Assessment of Progress Towards Deforestation-Free Supply Chains

July 2019

Background

As an increasing number of companies make commitments to responsible agricultural and forestry supply chains, there is a growing need for clear and consistent guidance on the development, implementation, and evaluation of those commitments. Companies seek guidance on the expectations that civil society and investors have for the scope and implementation of commitments, and those organizations working to evaluate company performance seek a comprehensive and common approach to doing so.

The first of those needs is addressed through the Accountability Framework, the set of principles, norms, and best practices for supply chain commitments developed by a coalition of leading environmental and social NGOs. The second set of needs – guidance on assessment of company performance for use in decision-making by buyers, investors, civil society, and consumers, was the subject of workshop convened in April 2018 by The Tropical Forest Alliance 2020 (TFA 2020) and the Meridian Institute with a number of organizations and initiatives that track, assess, and facilitate reporting and disclosure on private sector commitments related to deforestation-free supply chains. Through this discussion, these groups identified a need for more aligned methodologies in order to improve the monitoring and tracking of company commitments. Such a common approach would be designed to foster a more robust “global accountability infrastructure” to institutionalize deforestation-free norms as business-as-usual in forest-risk commodity sectors.

To this end, The Meridian Institute, Climate Focus, and Rainforest Alliance on behalf of the Accountability Framework Initiative, with funding from the German Government (GIZ), coordinated a process to improve the consistency and reduce data gaps in the current tracking of corporate efforts to reduce deforestation in agricultural and forestry supply chains. This collaborative process involved a number of the leading organizations involved in tracking corporate progress and outcomes around forest-risk commodities. These include CDP Forests, Ceres, Global Canopy, Forest Trends/Supply Change, World Resources Institute/Global Forest Watch Pro, Zoological Society of London/SPOTT, Proforest, and Climate Advisers. The outcome of this workstream is a common methodology for tracking corporate supply chain progress, designed to complement the guidance provided to companies by the Accountability Framework.

Use of the Common Methodology

This document presents the basis for a common methodology for assessment of company performance related to commitments to ethical supply chains, focusing on no-deforestation and no-conversion commitments, including related commitments to human rights. It is intended as a resource to support common and/or aligned approaches to assessing progress toward achieving ethical and deforestation-free supply chains.

This methodology has two primary components:

- i. a structure for harmonizing reporting and assessment across a range of focal areas and topics; and
- ii. a list of suggested metrics for assessing performance in these areas.

The use of this methodology in developing and revising assessment tools and approaches should enable stakeholders – both individually and collectively – to better answer the following questions:

- What is the reach and key characteristics of corporate commitments, and how do these relate to the drivers and magnitude of deforestation risk at the level of individual companies, countries or regions, sectors, and globally?
- What actions and investments are companies making toward the implementation and fulfillment of those commitments, and toward the achievement of deforestation-free supply chains?
- Do these efforts result in reduced deforestation and ecosystem conversion?

There are numerous and varied organizations involved in directing company reporting, collecting data on company performance, analyzing that information, and making or facilitating decisions based on it. These organizations and initiatives have different goals, scopes, and foci, and thus will likely select those focal areas and topics that are most relevant to them. The structure of this methodology is designed such that these groups can move toward standardization and alignment on the topics that they hold in common, so that they are collecting and assessing information in a comparable way.

This document is available for use by the participating initiatives as well as any other organizations, colleagues, or partners with whom they choose to share it. As of this time, this document will not be made publicly available through websites or other venues.

Structure of the Methodology

First, the methodology organizes information on four components of company performance:

- A. Company attributes and exposure to forest risk
- B. Setting commitments
- C. Implementing commitments
- D. Demonstrating progress relative to commitments

These components of company performance are aligned with the stages "ethical supply chain journey" and corresponding guidance of the Accountability Framework. In this way, each of the focal areas, topics, and metrics described in the methodology is related to a core expectation for companies as specified in the Framework. This alignment is intended facilitate progress towards closing the accountability loop by which companies report effectively on their progress and outcomes and are then assessed in a consistent and harmonized manner.

Second, across these aspects of company performance there are seven focal areas. These focal areas identify the type of information that all companies should be providing through their reporting and disclosure related to their supply chain commitments and actions. These focal areas are also

components of most assessment tools and methodologies and form the basis for decisions by stakeholders based on company performance.

Third, each of these focal areas contains a set of topics. Depending the focus of the assessment, and the sector type of supply chain actors being assessed, organizations may focus on or prioritize a subset of these topics. A thorough assessment of company performance relative to supply chain commitments may include all topics listed.

The structure of this approach, including components of company performance, focal areas, and topics are presented in Table 1.

Fourth, for each topic, we present a set of commonly accepted metrics that are used, or may be reasonably used, to assess company performance, progress, and outcomes toward reducing or eliminating deforestation and related negative impacts from their supply chains. Organizations collecting data or making assessments or evaluations on any of the focal areas and topics included in the scope of this methodology should consider these metrics when developing or revising their own methods.

The Metrics

This common methodology provides a list of commonly accepted metrics for evaluation and assessment of company performance related to each of the topics within its scope (found in Table 2). This list reflects the methodologies, aspirations, and judgement of the initiatives involved in this collaborative process. Organizations working to develop or revise assessment tools, evaluations, or scorecards may use draw from this list to increase alignment with both other initiatives working toward similar goals and with the Accountability Framework.

The list is organized by focal area and assessment topic. Many of these metrics are relevant for all companies that produce or use forest-risk commodities. Where they are not applicable to all supply chain actors, metrics are identified as being relevant for either:

- companies that own or control production area; or
- companies that source, purchase, or use material from suppliers.

While these metrics are not associated with response options or guidance on scoring, they are identified as those that require either a Yes/No response, a numeric response, or a free text response.

Table 1: Structure of the Common Methodology for Assessment of Progress Towards Deforestation-Free Supply Chains

Components of company performance	Focal areas	Topics		Corresponding expectations for companies per the Accountability Framework
Company information and exposure	1. Exposure to forest risk	a. Production and use of forest-risk commodities b. Location and amount of material produced or sourced	↔	AFi Guidance on Reporting and Disclosure
	2. Transparency	a. Land ownership b. Identity of suppliers c. Progress and outcome reporting		
Set commitments	3. Content of commitments	a. Defining no-deforestation and no-conversion b. Context-specific approaches c. Rights and remediation d. Control mechanisms	↔	AFi Core Principles 1-3
	4. Specification of commitments	a. Scope and exclusions b. Time frame		
Take action	5. Implementation	a. Oversight b. Risk assessment and due diligence c. Land acquisition and site development d. Supplier management e. Landscape and sectoral collaboration	↔	AFi Core Principles 4-10
Demonstrate Progress	6. Monitoring and Verification	a. Monitoring of operations b. Monitoring of suppliers c. Verification	↔	AFi Core Principles 11-12
	7. Outcomes	a. Compliance b. Certification c. Traceability d. Land use change e. GHG emissions f. Ecosystem protection		

Table 2: Metrics for Assessment of Progress Towards Deforestation-Free Supply Chains

Applicability	ID	Metric	Answer type
	1	Company information and exposure to forest risk	
		a. Production and sourcing of forest risk commodities	
	1.1	Which forest risk commodities does the company produce and/or have in its supply chain?	Free text
	1.1a	What percentage of the company's annual revenue depends on each commodity?	Free text
	1.2	What industry or sector is the company involved in?	Free text
		<i>For each commodity:</i>	Free text
	1.3	What is the company's role in the supply chain?	Free text
		b. Location and amount of material produced or sourced	
	1.4	In what country(ies) does the company operate?	Free text
	1.4a	In what jurisdiction(s)/subnational region does the company operate?	Free text
		<i>For each location:</i>	
Company owns or controls production area	1.5	What is the total land area owned, managed, or controlled by the company for each forest risk commodity?	Numeric
	1.5a	What is the total area in production (in ha)?	Numeric
	1.5b	What is the total area of land (in ha) that is available for expanded production in the future?	Numeric
Company sources, purchases, or uses material from suppliers	1.6.	What is the total volume sourced, purchased or used in the previous year?	Numeric
	1.7	From what country(ies) does the company source material?	Free text
	1.7a	From what sub-national jurisdiction(s) does the company source material?	Free text
	1.7b	What is the volume of each forest risk commodity that the company sourced in the previous year from each national or sub-national location?	Numeric

	2	Transparency	
		<i>For each commodity:</i>	
		a. Land ownership	
Company owns or controls production area	2.1	Does the company disclose location of land holdings?	Yes/No
	2.1a	For what percent are point locations disclosed?	Numeric
	2.1b	For what percent are boundaries disclosed?	Numeric
	2.2	Does the company disclose location of certified land holdings?	Yes/No
	2.2a	For what percent are point locations disclosed?	Numeric
	2.2b	For what percent are boundaries disclosed?	Numeric
	2.3	Does the company disclose the location of company-owned processing facilities?	Yes/No
	2.3a	For what percent of facilities are point locations disclosed?	Numeric
	2.4	Does the company disclose the location of their land holdings under conservation?	Yes/No
	2.4a	For what percent are point locations disclosed?	Numeric
2.4b	For what percent are boundaries disclosed?	Numeric	
		b. Identity of suppliers	
Company sources, purchases, or uses material from suppliers	2.5	Does the company disclose the identity of its direct suppliers?	Yes/No
	2.6	Does the company disclose the identity of its indirect suppliers?	Yes/No
	2.7	Does the company disclose location of suppliers' production areas or primary processing sites?	Yes/No
	2.7a	For what percent of suppliers' production areas are point locations disclosed?	Numeric
	2.7b	For what percent are boundaries disclosed?	Numeric
	2.7c	For what percent is no location data disclosed?	Numeric
	2.8	For what percent of smallholder suppliers is location disclosed?	Numeric
	2.8a	What type of location data (boundary, point, etc.) is provided for smallholder farms?	Free text
		c. Progress and outcome reporting	
	2.9	Does the company publish grievances that have been made against it, as well as responses and resolutions including status and timeframes	Yes/No

	2.10	Does the company publicly report progress and outcomes related to the implementation of its supply chain commitments on a regular basis (at least annually)?	Yes/No
	2.11	Does the company report on degree of compliance/progress with commitments, disaggregated by relevant factors such as origin or supply chain stage?	Yes/No

	3	Content of commitments	
		<i>For each commodity:</i>	
		a. Defining no-deforestation and no-conversion	
	3.1	Does the company have a commitment to no-deforestation/no-conversion production or sourcing?	Yes/No
	3.1a	What type of commitment is specified? Please select one: <ul style="list-style-type: none"> • zero-gross deforestation • zero-net deforestation • zero-gross conversion • zero-net conversion • other (please specify) 	Free Text
	3.2	Does the company have a commitment to reduce GHG emissions from land use change in their operations or supply chain?	Yes/No
		b. Context-specific ecosystems and approaches	
	3.3	Does the company have a commitment to the protection of other specific named ecosystems?	Free text
	3.3a	Does the company have a commitment to protection of peatlands?	Yes/No
	3.4	Does the commitment include the use of the HCSA or HCV approach or exclusion of products originating from High Conservation Value (HCV) areas?	Yes/No
		c. Rights and remediation	
		Does the company commit to respect internationally-recognized human rights (i.e., those specified in the ILO fundamental conventions and UN Guiding Principles) in their operations and/or their supply chain?	Yes/No
	3.5	Does the company commit to taking measures to provide remediation where it has caused or contributed to harm related to deforestation or conversion?	Yes/No

	3.6	Does the company commit to securing the Free, Prior and Informed Consent (FPIC) of potentially affected indigenous peoples and/or local communities prior to acquiring new interests in land or resources and prior to new developments or expansions?	Yes/No
		d. Control mechanisms	
	3.7	Does the company make a commitment to certification of some or all of its landbank or commodity volume?	Yes/No
	3.7a	If so, to which certification standards?	Free text
	3.8	Does the company make a commitment to traceability of the commodity sourced?	Yes/No
	3.8a	To what level of traceability does the company commit?	Free text

	4	Scope and specification of commitments	
		<i>For each commitment:</i>	
		a. Scope and exclusions	
	4.1	To what commodity or commodities does the commitment apply?	Free text
	4.2	Does the commitment apply to all of the company's sourcing or production?	Yes/No
	4.2a	If no, what is excluded (segment, subsidiary, product line, location)?	Free text
	4.2b	What is the rationale for any exclusions (e.g. low risk status)?	Free text
	4.2.c	What percentage of commodity production/sourcing is excluded?	Numeric
		b. Time frame	
	4.3	What is the target date for achieving the commitment?	Numeric
	4.4	Does the commitment specify time-bound interim milestones?	Yes/No
	4.4a	What actions or steps are identified for time-bound implementation?	Free text
	4.5	Does the commitment specify a cut-off date for deforestation, conversion, or other actions that would be considered non-compliant?	Yes/No
	4.5a	If so, what cutoff date is specified?	Numeric

	5	Implementation	
		a. Oversight	
	5.1	Does the company's board have a committee or is there a high-level management position that is formally focused on deforestation-related issues?	Yes/No
	5.1.a	How often does the committee or board meet to assess company's progress on addressing deforestation-related issues?	Free text
	5.2	Does the company link executive compensation to deforestation-related issues?	Yes/No
	5.2a	Does it disclose the percentage of pay at risk?	Yes/No
		<i>For each commodity:</i>	
		b. Risk assessment and due diligence	
	5.3	Does the company identify deforestation as a business risk?	Yes/No
	5.4	Does the company conduct risk assessments related to forest risk?	Yes/No
	5.4a	For what percentage of material produced or sourced by the company has forest risk been assessed?	Free text
	5.4b	How frequently are assessments conducted?	Free text
	5.5	Does the company conduct assessments to ensure that their operations and supply chains comply with all applicable laws?	Yes/No
	5.6	Does the company have grievance mechanisms in place to identify and remedy adverse social and environmental impacts linked to their operations and/or supply chain?	Yes/No
	5.6a	What is the nature of the grievance mechanism used by the company (own mechanism, that of external entity, etc.)?	Free text
		c. Land acquisition and site development	
Company owns or controls production area	5.7	Does the company conduct or facilitate environmental and social impact assessments for new site development or land acquisition?	Yes/No
	5.7a	For what percentage of production units has an ESIA been carried out as part of the land use planning process?	Numeric
	5.7b	How does the company remedy adverse social and environmental impacts linked to their operations and/or supply chains?	Free text

	5.8	How many land development or site acquisition activities, by the company and/or its suppliers, indicated the use of FPIC to secure consent of IP/LCs, and what is the status of those FPIC processes?	Free text
		d. Supplier management	
Company sources, purchases, or uses material from suppliers	5.9	Does the company engage non-compliant operations and suppliers in order to address and remedy non-compliance?	Yes/No
	5.9a	Does the company engage non-compliant indirect suppliers in order to address and remedy non-compliance?	Yes/No
	5.9b	What type of support does the company offer to its suppliers to help them achieve compliance with commitments?	Free text
	5.10.	Does the company offer support to smallholder producers to help them enter responsible supply chains and/or achieve compliance with commitments?	Yes/No
	5.10a	How many smallholders do they support, and what percentage does this represent in terms of their sourcing from smallholders?	Numeric
	5.10b	What is the nature of that support?	Free text
	5.11	How many noncompliant producers or suppliers are engaged through improvement plans or other processes, and what percentage of the company's supply chain volume does that represent?	Numeric
	5.12	Does the company have a policy on suspension or exclusion of non-compliant suppliers from supply chain?	Yes/No
	5.12a	What criteria does the policy specify for blacklisting or exclusion?	Free text
	5.12b	Does the company have a list of blacklisted or otherwise excluded suppliers or producers?	Yes/No
		e. Landscape and sectoral collaboration	
	5.13	Does the company actively participate in multisector or multi-stakeholder agreements or initiatives?	Yes/No
	5.13a	What initiatives does the company participate in?	Free text
	5.13b	What is the nature of that participation?	Free text
	5.14	Does the company actively participate in jurisdictional initiatives?	Free text
	5.14a	What initiatives does the company participate in?	Free text
	5.14b	What is the nature of that participation?	Free text

	6	Monitoring and verification	
		<i>For each commodity:</i>	
		a. Monitoring of operations	
Company owns or controls production area	6.1	Does the company monitor compliance of production or primary processing operations that it owns, manages, or otherwise controls?	Yes/No
	6.1a	For what percentage of production or primary processing operations that it owns, manages, or otherwise controls does the company monitor compliance directly?	Numeric
	6.1b	What methods, tools, or approaches does the company use to monitor production or primary processing sites?	Free text
	6.1c	For what percentage of production or primary processing operations that it owns, manages, or otherwise controls does the company use external processes or actors, such as certification, to monitor compliance?	Numeric
	6.1d	What tools, processes, bodies carry out monitoring of the company's production or processing operations?	Free text
		b. Monitoring of suppliers	
Company sources, purchases, or uses material from suppliers	6.2	Does the company monitor the compliance of its suppliers?	Yes/No
	6.2a	How frequently is compliance assessed?	Free text
	6.2b	Does the company use/rely on external mechanisms (e.g. certification standards) to monitor compliance? If yes, which standards?	Yes/No; Free text
	6.2c	For what percentage of suppliers does the company use/rely on external mechanisms to monitor compliance?	Numeric
	6.3	Does the company directly monitor compliance of suppliers' production or primary processing operations in its supply chain?	Yes/No
	6.3a	For what percent of suppliers does the company directly monitor compliance of production or processing operations?	Numeric
	6.3b	What percentage of the company's supply chain volume does that represent?	Numeric
	6.4	Does the company use jurisdictional monitoring mechanisms to assess compliance?	Yes/No;
	6.4a	If so, what jurisdictions and mechanisms does the company use?	Free text

		c. Verification	
	6.5	Is performance relative to commitments verified throughout each supply chain?	Yes/No
	6.5a	Is the performance of compliance some suppliers, sources, or origins are not verified and why?	Free text
	6.6	Does the company use its own verification system to verify compliance or performance?	Yes/No
	6.6a	What percent of the company's supply volume is verified using company verification systems?	Numeric
	6.7	Does the company use third-party verification?	Yes/No
	6.7a	For what percent of the company's supply volume is third-party verification of performance relative to commitments conducted?	Numeric
	6.7b	Which processes or groups does the company use for third party verification?	Free text

	7	Outcomes	
		<i>For each commodity:</i>	
		a. Compliance	
	7.1	What percentage commodity volume in the company's operations or supply chain is compliant with commitments?	Numeric
		b. Certification	
	7.2	What percentage of the commodity used, produced, or traded by the company is certified?	Numeric
	7.2a	Which certification scheme(s) is/are used?	Free text
Company owns or controls production area	7.2b	How many hectares of land owned, controlled or managed is certified?	Numeric
		c. Traceability	
Company sources, purchases, or uses material from suppliers	7.3	What percentage of the commodity volume in the company's supply chain is traceable to applicable supply chain levels (e.g. direct suppliers/processing facility/production unit)?	Free text
	7.3a	What percentage of the commodity volume in the company's supply chain can be traced to origin in low-risk jurisdictions?	Numeric

		d. Land use change	
Company owns or controls production area	7.4	How many hectares of deforestation and/or conversion have occurred since the commitment cut-off date on land owned, controlled, or managed by the company?	Numeric
	7.4a	How much of this is in protected areas, primary forests, intact forest landscapes, and/or peatlands?	Numeric
Company sources, purchases, or uses material from suppliers	7.5	How many hectares of deforestation and/or conversion have occurred since the commitment cut-off date in the operations of the company's direct or indirect suppliers?	Numeric
	7.5a	How much of this is in protected areas, primary forests, intact forest landscapes, and/or peatlands?	Numeric
	7.6	What is the maximum potential deforestation or conversion in the sourcing region that can be attributed to material in the company's supply chain, and what methodology is used to calculate that estimation?	Numeric
		e. GHG emissions	
	7.7	What is the total amount of GHG emissions in metric tons of CO ₂ -equivalent, and their primary source(s), arising from land use change (including deforestation, conversion, and draining of peatland or wetlands) attributable to commodity production? For producers: within a company's own operations (direct; Scope 1), For buyers: in a company's supply chain (indirect; Scope 3).	Numeric
	7.7a	What approach is used to calculate Co ₂ -equivalent?	Free text
		f. Ecosystem protection	
Company owns or controls production area	7.8	What is the total area (in ha) of natural ecosystem on land owned, managed, or controlled by the company?	Numeric
	7.8a	What types of ecosystems are these?	Free text
	7.8b	How many hectares of conservation area are being supported or facilitated by the company on land it does not own or manage?	Numeric
		What type of conservation designation and/or conservation status is used?	Free text
	7.9	How many hectares of conservation area are being supported or facilitated by the company on land it does not own or manage?	Numeric
	7.10	How many hectares of reforestation or restoration are being or have been conducted or facilitated by the company?	Numeric