

Forest Positive Annual Report: Methodology 2023



Introduction

For the purpose of this publication, information was collected from Coalition members about their existing data collection and public reporting efforts for each KPI in the Commodity Roadmaps, for commodities that are material to their businesses. The information provided has all been self-reported by coalition members and varies between quantitative and qualitative (narrative) reporting. The ambition for this publication is to provide an updated measurement of which KPIs each Coalition member is currently reporting against, with the goal for all members to individually and collectively report on 100% of the KPIs in the Roadmaps for commodities material to their businesses.

Given that members use different methodologies to create these individual company reports, we cannot provide an aggregated evaluation of the coalition's performance against the KPIs at this time. We are currently working to align members' reporting methodologies so that, first, all coalition members are collecting and publishing quantitative data for each KPI where appropriate. Once methodologies are aligned, future publications will be able to provide aggregated, coalition-wide performance statistics.

Please find more details below on the latest methodology for member KPI data in the 2023 Forest Positive Coalition Annual Report.

Member Reporting

The Coalition has 21 reporting members as of 2023, with McDonald's being our newest reporting member this year. Across our four priority commodities, 19 members recognise palm oil as a material commodity in 2023, 16 in soy, 12 in beef, and 20 in paper, pulp & fibre-based packaging (PPP). This compares to 18 recognizing palm oil as material, 15 in soy, 12 in beef and 18 in PPP in 2022. Since last year, in addition to our newest reporting member McDonald's, Grupo Bimbo is now reporting PPP as a material commodity and Reckitt is now reporting embedded soy as a material commodity. Colgate-Palmolive is no longer reporting beef as material and Mondelez is no longer reporting palm derivatives as material.

New KPIs

We continuously strive to enhance the criteria of our KPI reporting to hold our members to the upmost standard and to ensure that our KPIs fully support our DCF ambition. To that end, this year, we have introduced 6 new KPIs across our commodities, these include:

- % volume that is deforestation & conversion-free in palm oil (KPI #1.4 in palm oil)
- Soy footprint calculation across all product categories for manufacturers reporting direct soy as a priority commodity (KPI #1.3 in soy)
- Methodology for soy footprint calculation for manufacturers reporting direct soy as a priority commodity (KPI #1.4 in soy)
- Direct supplier list for retailers reporting soy and manufacturers reporting embedded soy as a priority commodity (KPI #2.1 in soy)
- % of virgin supply traceable to origin (at least to country of harvest) for retailers and manufacturers reporting PPP as a priority commodity (KPI #1.5 in PPP)

- Direct supplier list for retailers and manufacturers reporting PPP as a priority commodity (KPI #2.1 in PPP)

KPI insights: Disclosure charts

- Disclosure charts show changes in disclosure per KPI over the 3 years of reporting, including a breakdown of disclosure type by qualitative (narrative) and quantitative. To highlight collective progress, this year we have also included a summary chart showing coalition wide changes in disclosure type by commodity, with progression from narrative to quantitative reporting over time.
- The 2023 calculation includes the progress reporting on existing KPIs from 2021 (Palm Oil Elements 1 and 2, Soy Elements 1 and 2, and PPP Element 1 KPIs), and KPIs introduced for 2022 (Palm Oil Element 3, PPP Element 2, Soy KPI 2.4 for manufacturers purchasing embedded soy and retailers, and Beef Elements 1 and 2 KPIs). The 2023 calculation also includes new and adjusted KPI's introduced this year which have been highlighted above (see 'New KPI' section).
- The reporting rates for Landscape Engagement (Element 4) KPIs are not included in the overall collective reporting rates as companies are not obligated to invest in initiatives for each commodity that is material to their business. Companies instead are encouraged to invest in initiatives that focus on their respective high-priority commodities and/or landscapes. Details of landscape investment in the coalition can be found in the annual report.

KPI insights: New charts

Given we now have three years of KPI data from members, we have developed new charts to better understand collective scale and forest positive progress.

Member consumption charts

To better understand our collective leverage as a coalition, with the support of 3Keel and Proforest, we have developed charts to exhibit our collective FPC consumption across priority commodities as a proportion of global production. Members' consumption data is based on data reported by members and an indication from members on whether the disclosed consumption data considers full volumes or partial volumes. In cases of partial volume data, this was scaled with a multiplier to estimate full consumption.

We sourced global production volumes from public sources (see 2023 Forest Positive Coalition annual report end notes). We are aware of the challenges in differing scopes of reporting across our members and global data. Given this, we have made some assumptions based on the focus areas for the majority of our members; for beef, we are considering beef production only and not other cattle derived products (e.g., leather). For PPP we have used global virgin pulp production volumes as a proxy for PPP global production.

Stages of maturity (stage 1, 2, 3) charts

We are demonstrating collective progress with a new set of charts that group KPIs into three stages of maturity:

- Stage 1 comprises KPIs for defining commitments and systems, such as public commitments and action plans
- Stage 2 comprises KPIs for implementing and taking action e.g., traceability to origin
- Stage 3 comprises KPIs for measuring progress and delivering outcomes towards forest positive, such as proportion of deforestation- and conversion-free KPIs in own volumes.

Mapping of KPIs to stages are adapted to fit specific reporting requirements by Coalition commodity working groups. Certification related KPIs are considered part of a different stage depending on the commodity. With PPP, the KPI related to certification is a stage 3 KPI whereas it is stage 2 in palm oil. This is due to forest positive actions in palm oil historically being more established.

Stages are also sequential and progressive (i.e., stage 1 must be achieved to progress to stage 2). We have identified key KPIs (emboldened KPIs) that must be disclosed at each stage to proceed to the subsequent stage. As mentioned, members can report KPIs to the Coalition either narratively or quantitatively. For stage 1 and stage 2 KPIs, members must report KPIs quantitatively (where applicable) to proceed to the next stage. This is because quantitative reporting is more indicative of members setting up the necessary internal processes and systems to achieve forest positive in the respective commodity.

These new types of charts help overcome previous issues of differing methodologies across members, while showcasing progress. As we continue to align reporting methodologies, we hope to advance to charts showing performance-based insights in future.

There are a few exemptions to the above where new reporting requirements for certain members are not considered as mandatory to progress to a stage. These include:

- In Soy, KPI #1.3 (Soy footprint across all product categories) is not included as a dependency for stage 1 for manufacturers reporting direct soy as material, given it is a new reporting requirement (as of 2023).
- In Soy, KPI #2.6 and #2.7 is not applicable for manufacturers reporting embedded soy as material.
- In PPP, KPI #2.1 (Direct supplier list) is not included as a dependency for stage 1 for retailers and manufacturers reporting PPP as material, given it is a new reporting requirement (as of 2023) and reporting can be driven by commercial sensitivities.

Production landscape charts

Collective insights in Production Landscapes are based on data reported by 19 out of 23 initiatives in the Coalition's Portfolio of Landscape Initiatives reflecting activities conducted in 2022. Even though Coalition members may invest in landscape initiatives outside the Coalition's portfolio, our reporting has focused only on initiatives in portfolio due to use of the Landscape Reporting Framework, which enables an aligned method for monitoring the hectares, smallholder and community engagement, and co-investment for these landscape initiatives. As the area covered by each initiative varies, collective reporting on landscape initiatives shows percentage split of overall hectares rather than percentage of total number of initiatives. Data has been validated by Proforest.

Phases in the Landscape Reporting Framework are sequential and progressive (i.e., phase 1 must be achieved to progress to phase 2). Classification of initiative by phase has been validated by Proforest in accordance with the principles of the Landscapes Reporting Framework.