RAINFOREST ACTION NETWORK

Forest Footprint Methodologies for Brands and Banks

Throughout 2020 and beyond, Brands and Banks must know and publicly disclose the footprint of their suppliers, investees, financial services and investments impacting forests, peatlands and the rights of Indigenous Peoples and communities affected by logging and the expansion of forest-risk commodity operations.

I. What is a "forest footprint"?

A forest footprint refers to the total area of forests and peatlands that have been, or could be, impacted by a bank's financing of forest-risk commodities. A bank's footprint includes their contribution to the destruction of forests and peatlands by their clients or investees over the period of their financing or investment, in addition to the areas that remain at risk within all clients/investees' global forest-risk commodity supply chains and sourcing regions. It also includes their impact on Indigenous Peoples and local communities rights, when forest and peatland areas are on traditionally managed lands.

Areas at risk include forests and peatlands located within plantation development areas under a investee or client's control; areas under the control of third party suppliers; and areas allocated for future logging or agricultural development within the sourcing region surrounding mills, refineries or processing facilities in their global supply chains. All of which must be known and publicly disclosed.

It is important to note that sourcing and providing financing to forest-risk commodities can have negative impacts on other natural ecosystems, such as the Cerrado in Brazil. These methodologies can and should be broadened to assess impacts of commodity supply chains on other natural ecosystems in order to fully capture a bank's environmental and social impacts through its financing of forest-risk commodities.

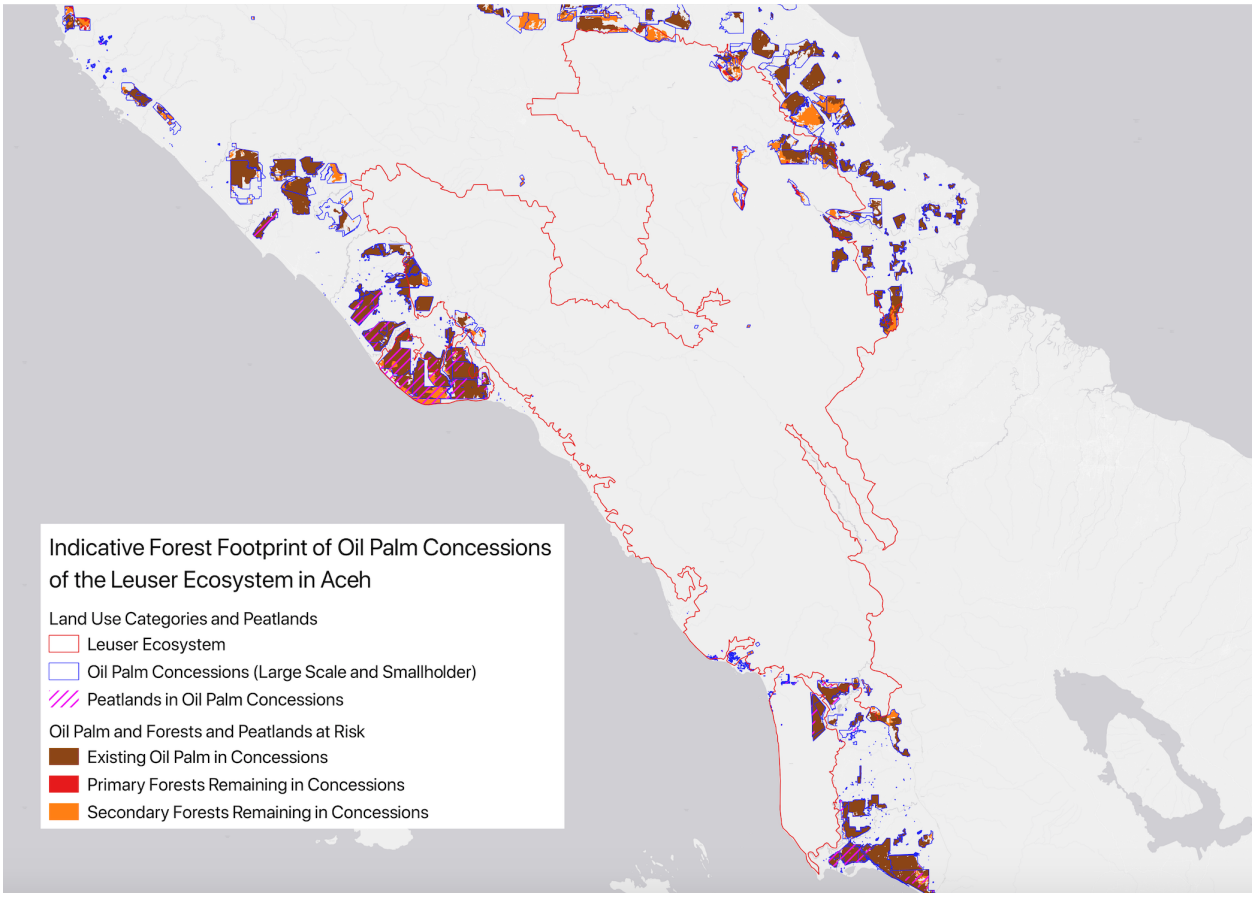
II. Methodology for brands to follow to know and disclose their forest footprint

Methodology to implement	**Interim and Final Disclosure Measures**
Step 1: Identify and disclose all countries where your company is sourcing forest-risk commodities from, and where investment entities operate.	Disclose a list of sourcing countries where supply chains and investments are affecting forests and peatlands in your company's annual report / sustainability report.
Step 2: Select a priority sourcing country region to begin mapping your company's footprint.	
Step 3: Identify and disclose suppliers and investees that produce, process or trade forest-risk commodities in the country.	Disclose a list of suppliers and investees and update the lists annually on the company's website and/or monitoring platform. Disclosure should include:

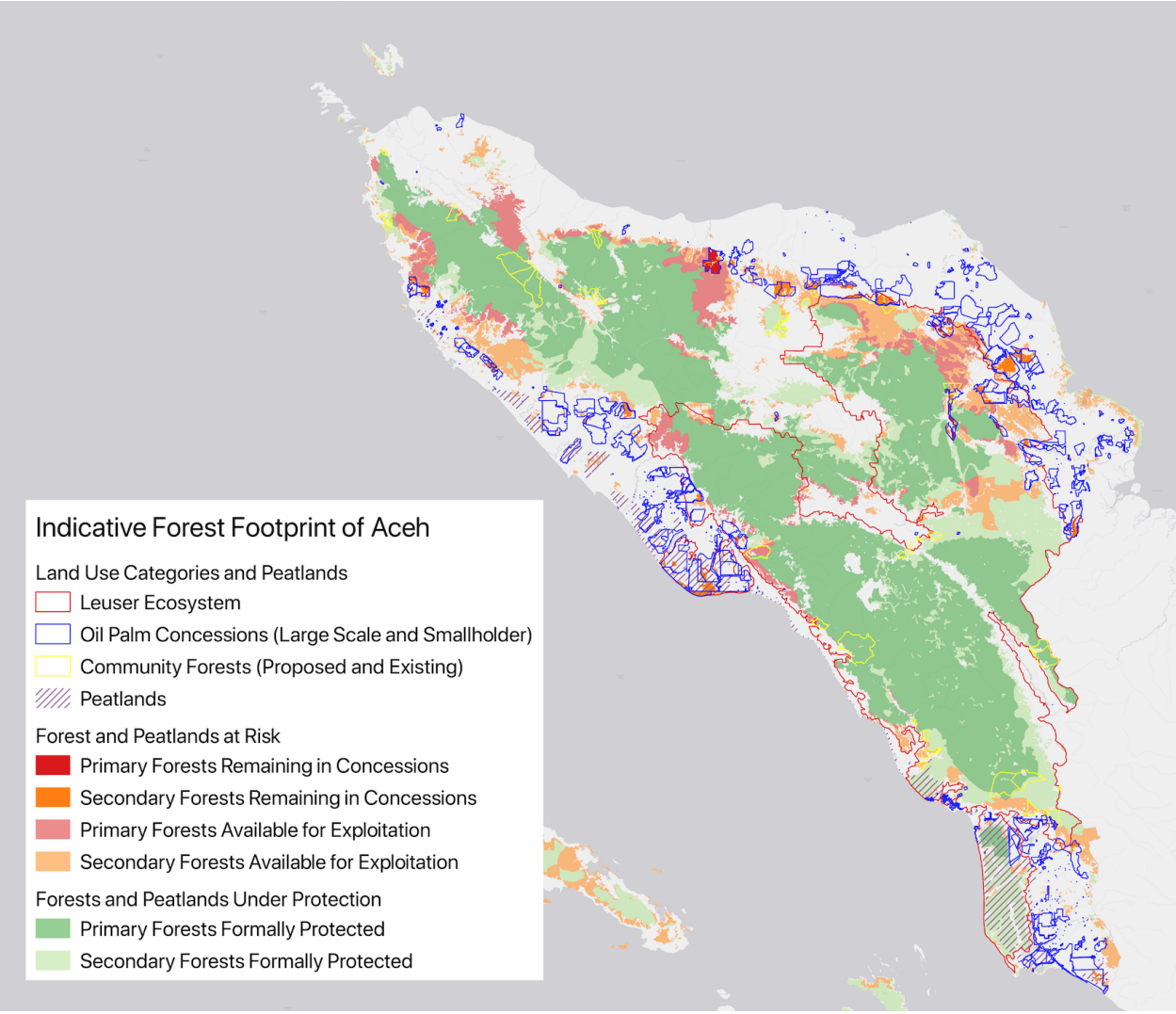
This includes the identification of all corporate groups—including subsidiaries with landbanks, plantation development areas and processing facilities—and third-party suppliers in their global supply chain. The Accountability Framework Initiative definition of corporate group should be applied.	• Direct suppliers - Processors supplying manufacturing facilities • Downstream suppliers - processors in the production region (e. mills and refineries) • Producers of raw materials • Investments • Joint ventures
Step 4: Collate spatial data on the boundaries of landbanks, current and potential future plantation development areas, and processing facilities of each supplier and corporate group. This includes small to medium size producers in the region. Smallholders may be collated into clusters or listed as villages, not individual families. This will require engagement with relevant suppliers / investees to obtain data on the following: • Spatial data on direct suppliers/ investees' current and prospective landbanks and plantation areas • GPS locations of their processing facilities • Spatial data of third-party supplier landbanks and plantation areas, and GPS locations of third-party processing facilities/plantations and smallholder managed farms/villages.	Collated spatial data on corporate groups landbanks, current and potential future plantation development areas, and processing facilities, should be published, and made open source, on platforms such as Global Forest Watch.
Step 5: Produce a map via undertaking spatial analysis to understand the total area, and location of forests and peatlands that have been, or could be, impacted by your brand's sourcing from, or investments in, the suppliers and corporate groups identified in step 4.	Disclose a map/s showing aggregated spatial data on forests and peatlands that have been deforested or degraded, or could be at risk, due to your company's suppliers' operations or investments in the country inside annual report/sustainability report and/or on company website or monitoring platform. Such a map/s can be disclosed without identifying individual boundaries at a scale that does not affect client confidentiality.
Step 6: Investigate and collate information on the impact of your suppliers or investees' operations on the rights of Indigenous Peoples and local communities that have rights to, and reside within	Disclose the country-specific forest footprint map that integrates findings from step 5 and rights impacts identified here in step 6.

the forest and peatland areas affected in the selected priority country, including impacts on their land rights, access, use and conservation of traditionally-owned forests and peatlands. Information sources should include court cases; grievance mechanism complaints; civil society, media and government reports, and published spatial data on recognized or proposed community forests/lands.	Additional time may be needed to consult local CSOs, communities and human rights experts to establish social baseline data showing the extent of rightsholders whose lands overlap the forests and peatlands that have been, or could be, impacted.
Step 7: Engage with local stakeholders, suppliers and investees to design strategies for intervention to keep forests standing and peatlands intact and respect rights of Indigenous Peoples and local communities within existing supply chains and areas of forests and peatlands at risk of deforestation and degradation in current and potential future sourcing regions in the country.	Disclose the country-specific forest footprint map and strategies for intervention once the country wide assessment and consultation with local stakeholders is completed. Footprints and strategies for specific jurisdictions or at-risk forest and peatland landscapes within the countries should also be disclosed as each assessment and consultation is completed.
Step 8: Repeat step 2 - 8 for all sourcing regions of the commodity, and for all commodities.	Disclose each country-specific and commodity forest footprint map and strategies for intervention once each assessment and consultation is completed.
Step 9: Compile global forest footprint and develop a Forest Footprint Statement detailing revisions to brands policies and other strategies to keep forests standing and peatlands intact, and respect rights of Indigenous Peoples and local communities throughout 2020 and beyond.	Publish all maps alongside a Forest Footprint Statement detailing brands policies and other strategies to keep forests standing and peatlands intact, and respect rights of Indigenous Peoples and local communities throughout 2020 and beyond.

Case Example: Indicative Forest Footprint for Keep Forest Standing Brands Oil Palm Suppliers in the Leuser Ecosystem, Aceh, Indonesia.



Map 1: Indicative Forest footprint inside the Leuser Ecosystem from current and previous sourcing of oil palm.



Map 2: Indicative Forest footprint inside the Leuser Ecosystem and Aceh from current and potential future sourcing of oil palm and forest-risk commodities.

Explanation of the indicative forest footprint for the Leuser Ecosystem and Aceh province, Indonesia.

RAN undertook an indicative forest footprint assessment for KFS brands supply chains inside the Leuser Ecosystem and Aceh, a priority landscape and political jurisdiction impacted by palm oil expansion by current and potential future suppliers. Due to the lack of disclosure of traceability to the plantation information, and the lack of NDPE compliance systems in effect in mills sourcing from the region, it was assumed that all brands in the Keep Forests Standing campaign are exposed to sourcing from all concession holders within the Leuser Ecosystem and Aceh.

The analysis was undertaken to assess the forest footprint of brands profiled in the Keep Forest Standing campaign, as defined by the above definition of forests footprint, with specific attention to assessing:

- Their contribution to the destruction of forests and peatlands by palm oil suppliers in the Leuser Ecosystem and Aceh over the period of their business relationship - impacts on forests in the Leuser Ecosystem region shown in brown in map 1.
- The areas of forests remaining at risk within palm oil concessions in Aceh - shown in pink, apricot in concession boundaries.
- The areas of primary and secondary (potential HCS) forests and peatlands that remain at risk within current and potential future forest-risk commodity supply chains within the Leuser Ecosystem and Aceh sourcing regions - show in shades of red, orange, pink, apricot in map 2.
- The areas of forests under protection that may be at risk of illegal oil palm or commodity production in the Leuser Ecosystem and Aceh - shown in two shades of green in map 2.
- Areas of customary forests where Indigenous Peoples and local communities rights in the supply shed that may have been impacted by land allocation for exploitation including oil palm development - shown in yellow in map 2 (Noting limitations to the dataset as community forests recognized by the national government of Indonesia have only been shown).

Major findings from forest footprint analysis for the Leuser Ecosystem

- Oil palm production by producers known to, or at risk of, supplying brands have been responsible for clearance of critical areas of lowland rainforests and peatlands inside the Leuser Ecosystem, including in areas designated for palm oil and in protected forests and peatlands.
- Significant areas of lowland rainforests remain at risk of future deforestation inside existing palm oil concessions, especially within priority districts Aceh Timur and Nagan Raya.
- Significant areas of lowland rainforests remain at risk of future deforestation in areas zoned for exploitation for oil palm and other commodities, especially within priority districts Aceh Timur, Aceh Selatan, Aceh Singkil, Subulussalam and Nagan Raya.
- Forests remain at risk of future illegal deforestation inside protected areas, especially within Rawa Singkil Wildlife Reserve and protected peatlands in Aceh.
- Areas of community lands overlap with areas used for oil palm production.
- Areas of community lands identified in government data cannot be considered as a baseline for the extent of customary rights holders as areas of customary forests known to local CSO are not identified or recognized by Indonesian government registry on community forests.

Key facts from forest footprint analysis across Aceh:

Forests converted to palm oil within large concessions	248,588 ha across Aceh. More analysis is needed to assess impact in concessions overlapping with the Leuser Ecosystem in North Sumatra.
Peatlands converted to palm oil within large concessions	34, 100 ha within HGU areas but more analysis needed to confirm the area converted.

Forests at risk within large concessions	8159 ha primary forests and 46,804 ha secondary dry and swamp forests.
Forests at risk within smallholder concessions (Hak Milik)	38 ha of secondary swamp forests
Peatlands at risk within concessions	20, 651 ha including secondary swamp forest, swamp and swamp shrub.
Primary forests at risk within areas zoned for exploitation	32, 010 ha in APL, 123, 682 ha production forests, 53, 190 ha limited production forests and 40 ha convertible production forests.
Secondary forests at risk within areas zoned for exploitation	121, 913 ha in APL, 189, 769 ha in production, 49 426 ha limited production and 1194 ha convertible production forests.
Peatlands at risk within areas zoned for exploitation	14, 294 ha in APL.
Forests and peatlands at risk within protected areas	More analysis is needed.
Customary forests/lands that are proposed or recognized in Indonesian Government maps:	More analysis is needed including consultation with local human rights CSOs and communities.

More analysis is needed to assess the current and potential impact within the Leuser Ecosystem in the province of North Sumatra.

Data Sources:

- Forest Layer: Ministry of Environment and Forestry Indonesia (Kementerian Lingkungan Hidup dan Kehutanan), Land Cover (Penutupan Lahan), 2018.
- Oil Palm Concession Data in Aceh: all potential concession areas combined from: Office of Agrarian Spatial Planning/National Land Agency Indonesia (Kantor Agraria Tata Ruang/Badan Pertanahan Nasional), Land Parcel Map (Peta Bidang Tanah), 2019, and Ministry of Environment and Forestry Indonesia (Kementerian Lingkungan Hidup dan Kehutanan), Release of Forest Area (Pelepasan Kawasan Hutan), 2019, as well as commonly used Global Forest Watch and Greenpeace data sets.
- Indonesia Land Status from the Ministry of Environment and Forestry (Kementerian Lingkungan Hidup dan Kehutanan). Forest and Land Use by Function, 2018.

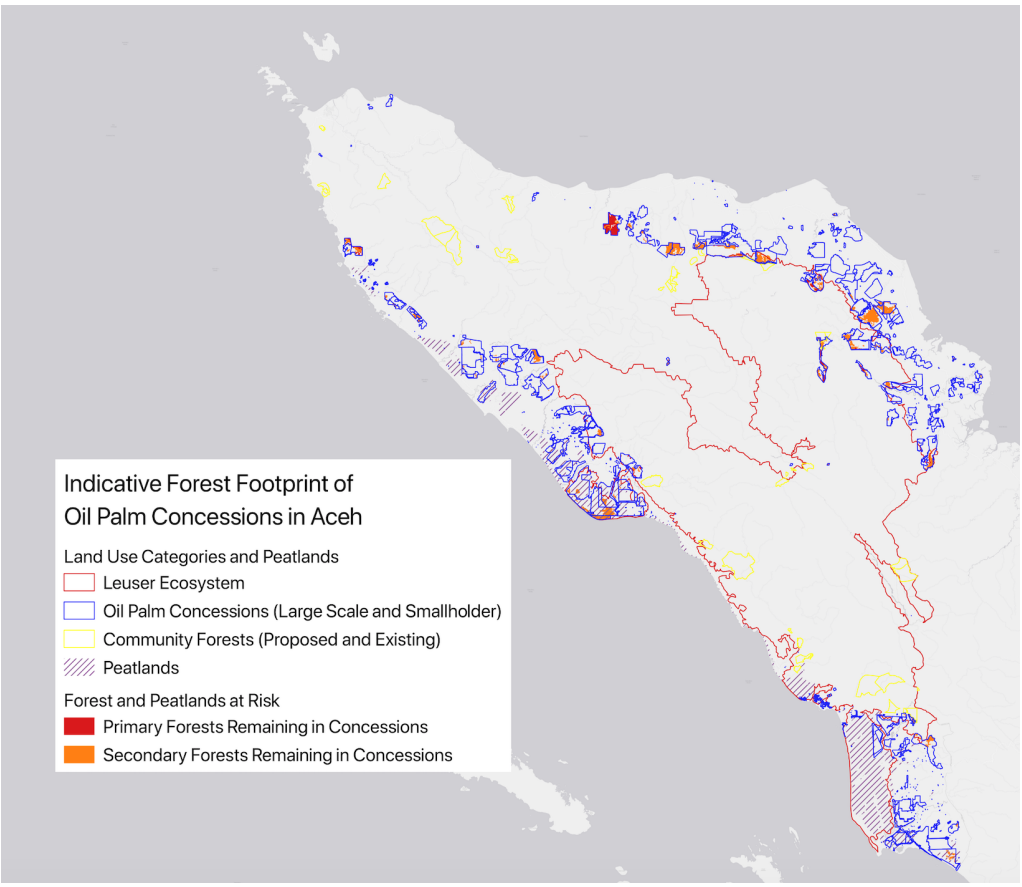
<u>Considerations for the strategies for intervention for the Leuser Ecosystem and Aceh</u>

As raised in the methodology, it is critical for brands to engage with local stakeholders and rightsholders, and suppliers and investees with operations impacting this priority landscape and

overlapping political jurisdictions, to design strategies for intervention to keep forests standing and peatlands intact and respect rights of Indigenous Peoples and local communities within the Leuser Ecosystem and across the province of Aceh. The forest footprint analysis for the Leuser Ecosystem and Aceh should also inform the strategies developed and demonstrates the importance of implementing strategies for interventions in the Leuser Ecosystem landscape that aim to:

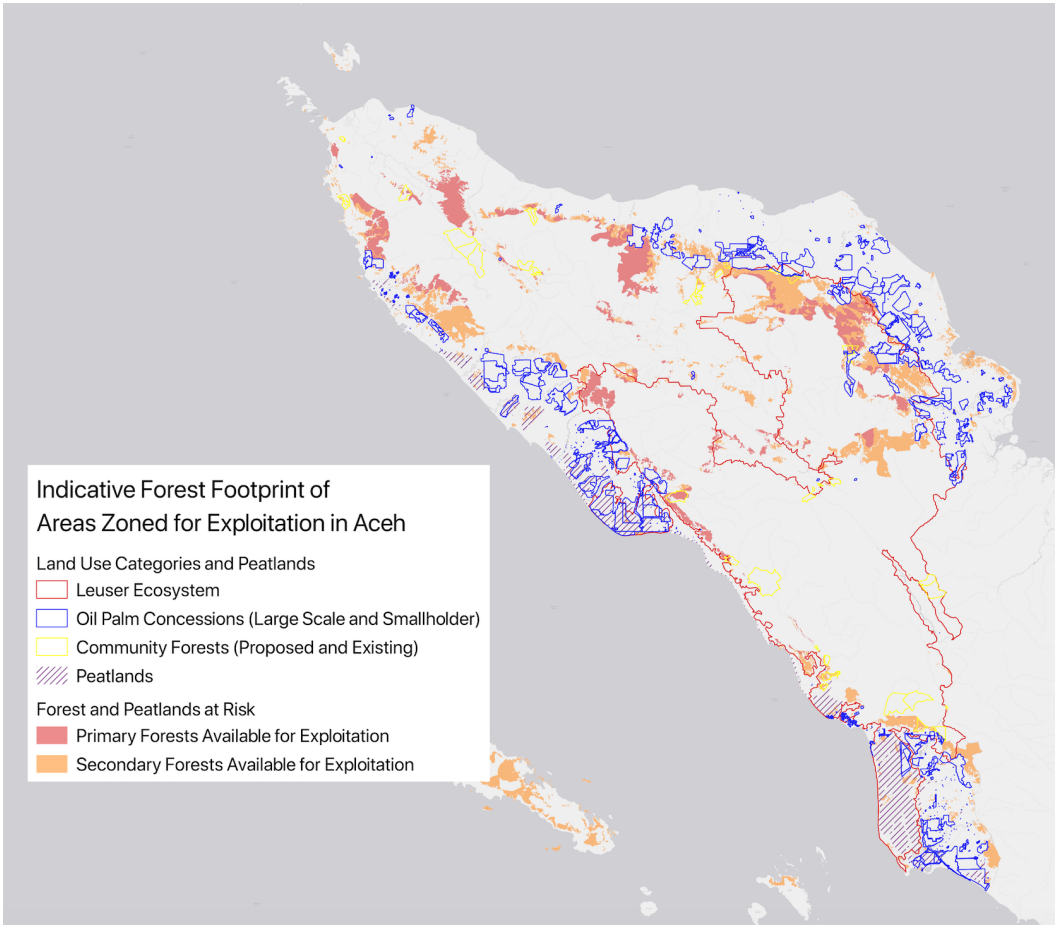
1. Increase the identification and legal recognition of customary rights holders to their forests and lands in the Leuser Ecosystem.

2. Implement NDPE policies effectively to keep forests standing within concession areas of large-scale concession holders (see remaining forests shown below).



3. Implement NDPE policies effectively to keep forests standing within concession areas of current and future smallholder farmers and support their efforts to secure land ownership certificates, maintain market access and increase benefit-sharing or incentives for protection of village forests.

4. Engage in multi-stakeholder efforts to prevent violation of NDPE policies by future suppliers by securing changes in land use allocations and spatial plans to keep forests standing within areas zoned for exploitation (see remaining forests shown below).



5. Zero tolerance for peatland development in areas zoned for exploitation and protection or restoration, support improvements to align with NDPE practices, advance rights-based peatland restoration and alternative livelihoods in Tripa, Kluet and Singkil peatlands.

6. Design strategies to avoid driving further illegal deforestation within protected areas.

7. Establishment of a collaborative forests, fire, peatland monitoring system for the Leuser Ecosystem to assist strategies 2, 3, 5 and 6.

III. Methodology for Banks to follow to know and disclose their forest footprint

Banks	Accompanying Disclosures
Step 1: Identify clients / investees whose corporate group and any subsidiaries affiliated with the corporate group is involved in: ● Scope 1) production (along the entire supply chain) and processing of forest-risk commodities ● Scope 2) trading of forest-risk commodities ● Scope 3) consumer goods companies Apply the Accountability Framework Initiative definition of corporate group. Useful resources: ● Forests & Finance ● SPOTT ● CDP ● Trase Finance	No disclosure needed
Step 2: Calculate the amount of financing to each forest-risk commodity by collating financing to clients / investees identified in Step 1 (and segmenting the financing by commodity where possible). This will include engaging with clients / investees and other information providers (see Step 1) in analyzing the clients' exposure to specific forest-risk commodities.	Disclose collated financing amounts in annual report / sustainability report, categorized by forest-risk commodity and year. Disclose both outstanding amount and maximum credit facility amount
Step 3: Engage with all identified clients / investees and other information providers in gathering information on the countries and subregions where their current and prospective land banks and plantation areas as well as processing facilities and supply chains are located.	Disclose a list of countries and subregions where clients / investees' operations are affecting forests and peatlands.
Step 4: Select a priority country to begin mapping your bank's forest footprint. This should be selected based on the following: - Financial exposure to clients operating in the country - Governance/corruption risks - Human rights violations - Deforestation rate - Carbon intensity / climate impacts - High Conservation Value / biodiversity	No disclosure

Step 5: Collate spatial data for the country selected in step 4 and map forests and peatlands impacted by clients' / investees' group operations and their third-party supply chains, including indirect suppliers. This will require engagement with relevant clients / investees to obtain data on the following: ● Spatial data on clients' / investees' current and prospective land banks and plantation areas ● GPS locations and production numbers of their processing facilities ● Proportion of commodities sourced from third parties, spatial data of third party supplier land banks and plantation areas, and GPS locations and production numbers of third party processing facilities. Useful resources for satellite based analysis: ● Global Forest Watch Pro ● Starling Verification ● Satelligence ● Aidenvironment-Earth Equalizer (Indonesia only) Produce data / maps that aggregates client/investee spatial data and processing facilities (including third parties).	Disclose in an annual report / sustainability report the data / maps which aggregate client/investee spatial data and processing facilities (including third parties). Such data / maps can be produced without identifying individual boundaries at a scale that affects client confidentiality.
Step 6: Investigate and collate information on the impact of all clients' operations on the rights of Indigenous Peoples and local communities for the country selected in step 4, including impacts on their land rights, access, use and conservation of traditionally-owned forests and peatlands. Information sources should include court cases; grievance mechanism complaints; civil society reports and campaigns, media and government reports.	Disclose the country-specific forest footprint (data/maps) that integrates findings from Step 5 and rights impacts identified here.
Step 7: Engage with client/investee and design strategies for intervention to keep forests standing and peatlands intact and respect rights of Indigenous Peoples and local communities within landbanks, plantation development areas and current and potential future sourcing regions in the prioritized country.	Disclose strategies for intervention once each country assessment is completed.
Step 8:	

Repeat steps 4 - 7 for all countries that the bank is exposed to through its financing or investments.	
Step 9: Disclose to shareholders and the public the Forest Footprint for each region, which includes: ● Statistics on total area and location of forests and peatlands that have been, or could be impacted by bank financing and/or investment. ● Impact of bank financing and/or investment on Indigenous Peoples and local community rights (step 7) ● An indicative map (where possible)	
Step 10: Prepare and publish a Forest Footprint Statement detailing bank policies and and other strategies to keep forests standing and peatlands intact, and respect rights of Indigenous Peoples and local communities throughout 2020 and beyond.	

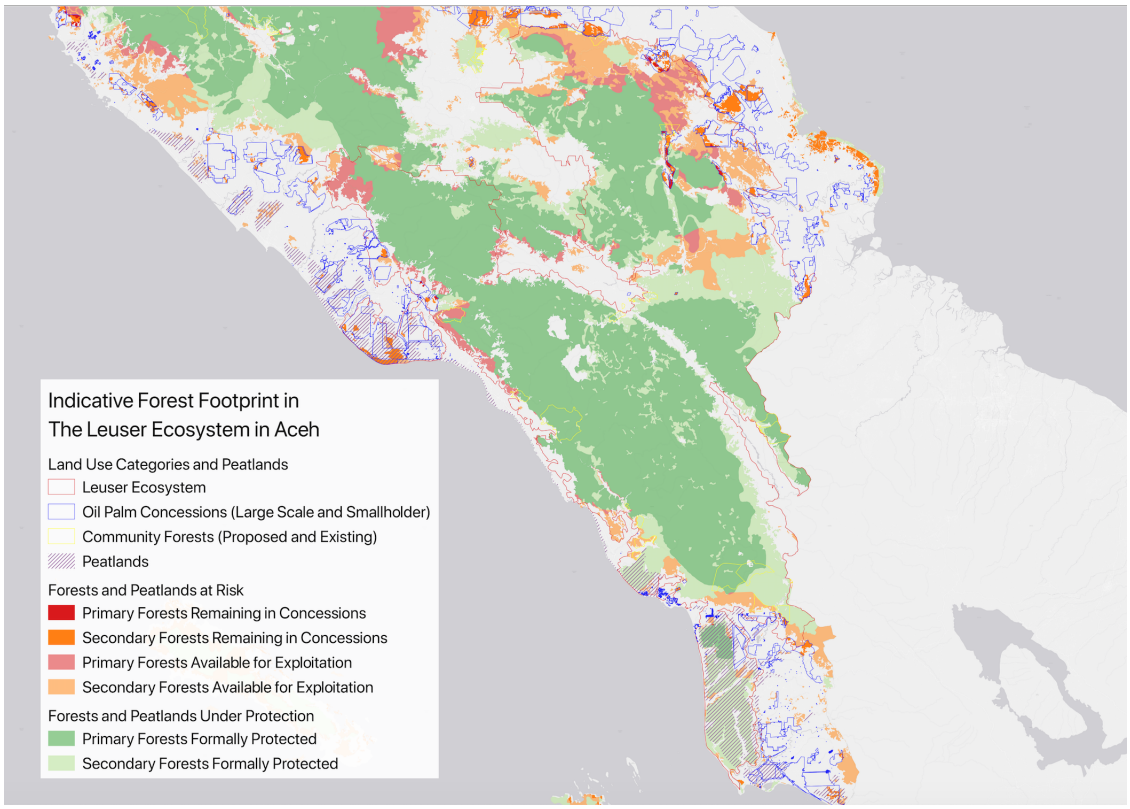
Case Examples: Indicative Forest Footprint for Oil Palm Exposed Clients Sinar Mas Group and Wilmar International Sourcing from with the Leuser Ecosystem, Aceh, Indonesia.

A forest footprint refers to the total area of forests and peatlands that have been, or could be, impacted by a bank's financing of / investments in forest-risk commodities. For the purposes of illustrating the outputs from undertaking an initial forest footprint assessment of clients, we have shown below indicative forest footprints of two potential clients— Sinar Mas Group and Wilmar International. Both clients have refineries located near Medan, on the island of Sumatra in Indonesia that sources oil palm from producers located in the Leuser Ecosystem. The Leuser Ecosystem is an Intact Forest Landscape that has been, and continues to be, impacted by palm oil producers supplying major agribusiness traders. Golden Agri Resources and Wilmar International are two of the largest purchasers of oil palm grown in the region.

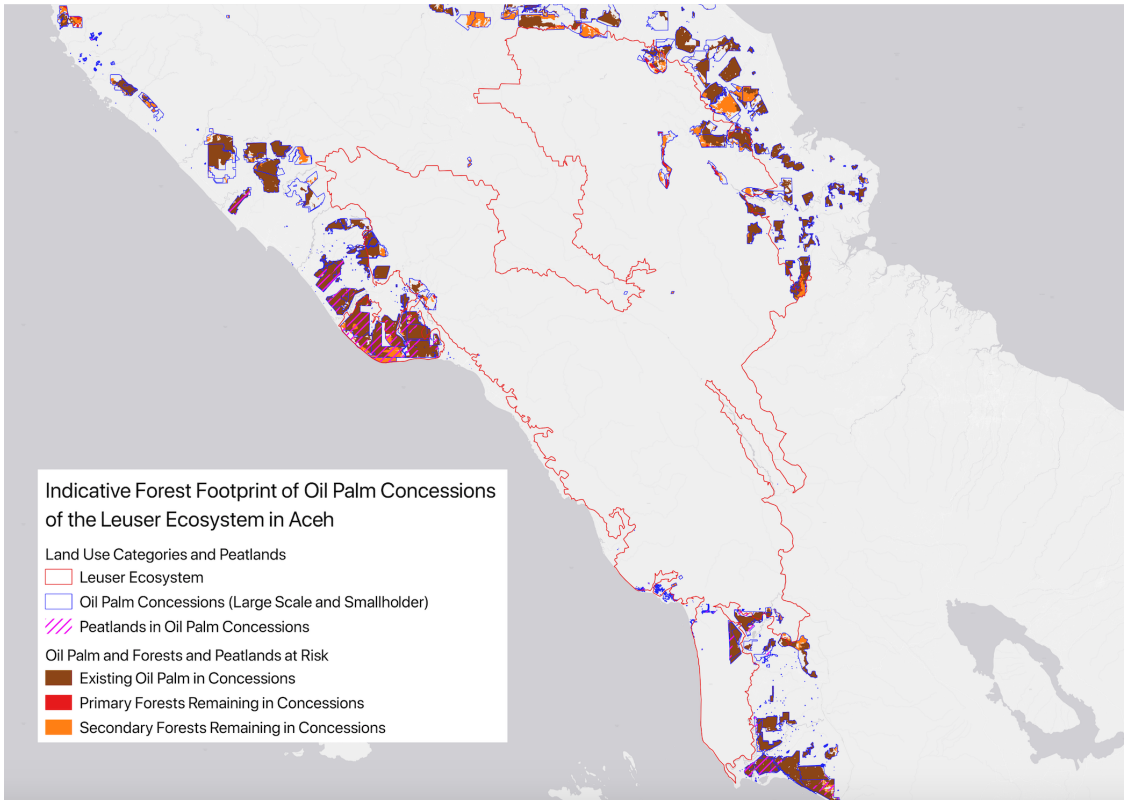
Indicative Map 1 shows the areas of remaining standing forests and peatlands that could be impacted by a banks financing of clients such as Sinar Mas Group and Wilmar who are sourcing oil palm from producers with landbanks in the Leuser Ecosystem. Evidence of their sourcing from the region is available at www.LeuserWatch.org.

Indicative Map 2 shows the areas of lands where forests and peatlands have been converted to oil palm plantations and therefore impacted by banks financing of clients such as Sinar Mas Group and Wilmar who are sourcing oil palm from producers with landbanks in the Leuser Ecosystem. 2020 was chosen as an indicative date for the beginning of the timeline for the client relationship for the purpose of this indicative analysis. Such a map can be disclosed without identifying individual boundaries at a scale that does not affect client confidentiality.

Indicative Map 1



Indicative Map 2



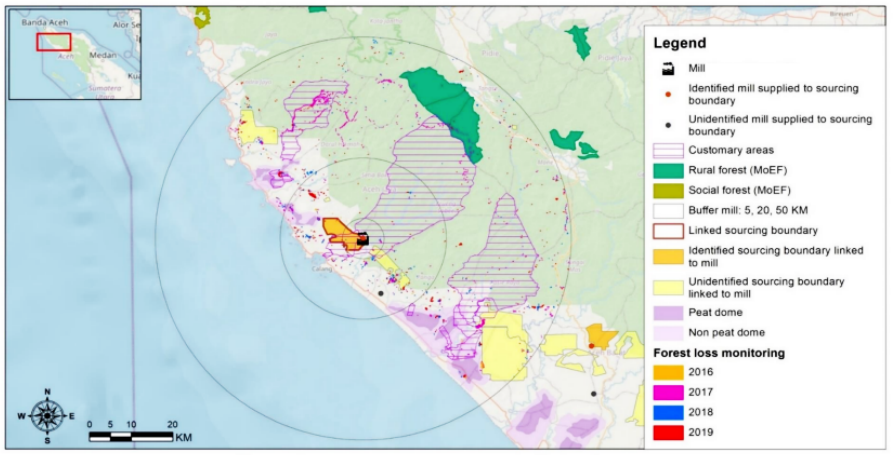
IV. Corporate Disclosure of Forest Footprint

In December 2020, consumer goods company Nestle published the first ever forest footprint, with assistance from Rainforest Action Network. Nestle undertook this exercise with the goal of assessing future risks related to forests and peatlands conservation, and to the land rights of Indigenous Peoples and communities within their supply chain. The initial footprint was limited to their palm oil supply chain in Aceh province in Indonesia. It is available at: https://www.nestle.com/csv/raw-materials/palm-oil/palm-oil-transparency-dashboard and specific forest footprint analysis is here, with an excerpt copied below.

Digging into the data: Example 1

From overlaying the different data sets, we can see forest area, peatland, and customary land at risk of deforestation within sourcing radius of the mill.

We will engage with the mill to check whether the unidentified sourcing boundaries are linked to the mill, confirm where the mill is sourcing from. We will also clarify the situation with customary land with the community (land rights and land use planning).



Disclaimer: This is a preliminary analysis and results are meant to be illustrative of the forest footprint process and have not been externally verified.

Definitions

Forest-risk commodities: commodities whose production is fueling deforestation and forest degradation. Relevant commodities associated with tropical deforestation and forest degradation include, but are not limited to timber, palm oil, pulp & paper, soy, beef, rubber, and cocoa.

Corporate Group: to all mentions of clients/investees, apply the Accountability Framework Initiative definition of corporate group.