SPOTT Manual

A guide to SPOTT ESG transparency assessments

Contents

1. About this guide

SPOTT is an initiative developed by the international conservation charity ZSL (Zoological Society of London). Since 2014, SPOTT – Sustainability Policy Transparency Toolkit – is a free, online platform supporting sustainable commodity production and trade. SPOTT now assesses more than 200 producers, processors and traders in the tropical forestry, palm oil and natural rubber industries annually. Companies are assessed on their public disclosure regarding their organisation, policies and practices related to environmental, social and governance (ESG) issues against over 100 sector-specific indicators to benchmark their progress over time. Investors, buyers and other key influencers can use SPOTT assessments to inform stakeholder engagement, manage ESG risk, and increase transparency across multiple industries.

Read more about SPOTT here: https://www.spott.org/

This Manual is an introduction to SPOTT and a guide for its users. It answers the following questions:

- What is SPOTT's vision and how can transparency make a change? → SPOTT vision
- What is ESG and how does SPOTT develop ESG criteria? → ESG scope and criteria
- What is transparent and comprehensive company reporting? → Company reporting and transparency
- How are companies assessed and how to use SPOTT assessments? → The assessment cycle

2. SPOTT vision

SPOTT supports the finance sector and supply chain stakeholders to manage environmental, social and governance (ESG) risks by publishing transparency assessments of soft commodity producers and traders.

2.1. Transparency and sustainability

Companies that operate in and around tropical forests are at high risk of negatively impacting local people and ecosystems. These risks increase substantially when a company does not follow environmental, social and governance (ESG) best practice. Good ESG practice reduces risk and can also generate positive social and ecological impacts on forest ecosystems and livelihoods and ultimately favour the company and its business partners. When commodity production is managed unsustainably, or if it is not clear whether it is the case, the company faces:

- **Operational risks** – Commodity production is closely linked with local environmental conditions, as companies can both create and be impacted by physical risks. For example, a rise in intensive production practices in forest areas has been strongly linked with increased fire risk, while fires may cause a loss of harvest, or of other necessary assets and related revenues. Other operational risks include soil subsidence, droughts, floods, which already have an impact on commodity production, and are expected to escalate in the coming decades with the climate crisis intensifying.
- **Reputational risks** – When consumers, civil society organisations, or local communities become aware of unsustainable practices, or what they suspect constitutes harmful practices to people or ecosystems, they may organise boycotts, campaigns, and other actions leading to a loss of trust in the company by stakeholders who are key to its business. Rebuilding a damaged reputation and regaining access to markets take time and incur high costs.
- **Market risks** – Ethical consumption is a growing trend, and companies risk losing access to certain markets by not adhering to consumer demands for sustainability. Some markets are becoming harder to attain for companies who cannot prove that their environmental and social impacts are minimal. Following the previous point, high-profile campaigns around the environmental impacts of commodity

production elevate consumer awareness and may further limit demand for forest-based products in some markets.

- **Regulatory and compliance risks** – Governments around the world are increasingly using regulation as a means of addressing the concerns of citizens and the international community about climate change and sustainability. This leads to new legislation, increased enforcement, and ultimately penalties, incapacity to operative and legal costs for companies which do not operate sustainably.

- ➔ **All these risks are associated with financial loss**: a company that is responsible for environmental or social damage may lose its licence and rights to operate, or its access to necessary resources, including human and natural capital (e.g., workforce, forest concessions, water).
- ➔ On the other hand, **best ESG practices lead to business opportunities** as a result of operational stability, good reputation, ease to access sustainable markets, and readiness to regulatory changes.

These risks and opportunities do not only concern the company itself. It also has an impact on all its stakeholders, including its buyers, employees, investors, and other business partners. Therefore, **transparency is key to build trust among a company's stakeholders, ensure that risks are kept to a minimum and opportunities are multiplied** – and as a result, that negative impacts are avoided, and positive impacts are boosted. SPOTT considers transparency to be a vital first step towards sustainability.

SPOTT defines transparent information as information communicated by the company in publicly available materials that are freely and readily accessible to all stakeholders.

→ By improving sustainability practices and transparency of reporting, companies can improve their reputation and provide assurance to interested stakeholders of their sustainability credentials.

→ By tracking transparency, SPOTT incentivises the implementation of corporate best practice.

SPOTT supports constructive industry engagement by investors, ESG analysts, buyers, and other supply chain stakeholders – those with the power to influence companies to increase disclosures and improve their practices on the ground. Using SPOTT assessments, they can identify areas where a company is making continuous improvement and other areas where engagement may be needed if there are gaps in company policy frameworks and reporting. With this information, they can directly engage with SPOTT-assessed companies on missing commitments, or on whether existing commitments are being implemented on the ground and in line with time-bound plans.

2.2. The role of financial institutions

Financial institutions are a key link in the chain of stakeholders that are dependent on the ESG practices of commodity producers, processors, and traders. The risks and opportunities mentioned above may have direct impacts on the returns on investments. The company's capacity to pay back or the dividends may decrease following the loss of a licence to operate, an important fine, or the impossibility to access a market due to allegations of unsustainable practices. They may also lead to indirect impacts on the reputation of investors which are associated with production practices that are environmentally or socially harmful.

Financial institutions are paying growing attention and allocating more and more effort and time to make sure that the impacts of their financial products are positive. SPOTT assessment results and indicators are one of the tools they can use to analyse trends in company ESG disclosure, identify risk areas to strengthen policies and decision-making, inform portfolio management and due diligence procedures, and focus engagement with companies on sector-specific issues.

Learn more about how financial institutions use non-financial information and approach ESG issues when considering companies exposed to commodities sourced from tropical regions, in a series of case studies: https://www.spott.org/news/sustainable-finance-and-tropical-forestry-a-series-of-financial-institution-case-studies/

Going further, financial institutions have the power to contribute to the improvement of business practices in the palm oil, natural rubber, and timber and pulp sectors. By targeting their investments towards the most transparent and sustainable companies, financial institutions push for best practices in high forest-risk industries. They are also powerful interlocutors to producers, processors, and traders in forest-related industries when they engage these clients on ESG issues.

2.3. The role of buyers and downstream supply chain companies

Beyond financial institutions, other stakeholders can use SPOTT scores to take part in the effort to improve ESG practices in commodity supply chains. In particular, companies down the supply chain that are not assessed but may work with SPOTT assessed companies, including processors, manufacturers, traders, consumer goods companies and retailers may:

- Increase their understanding of best practice in forest-related industries
- Compare certification targets and progress
- Use the supplier policies of assessed companies as part of their due diligence procedures
- Benchmark suppliers' progress against key ESG indicators and identify priority areas for supplier engagement on sustainability
- Develop and enhance their own raw material sourcing/purchasing policies or sustainability goals in relation to upstream progress
- Improve their own reporting on implementation and support industry transparency
- Highlight and respond to supply chain risks
- Support responsible sourcing and supplier compliance checks all along the supply chain.

2.4. The role of government, regulatory bodies and civil society organisations

Government and civil society organisations can also contribute to the change elicited by SPOTT by measuring progress and gaps in policy implementation, guiding strategic policy development and engagement, identifying opportunities for collaboration with industry, and pushing for better practice on the ground.

2.5. SPOTT Supporter Network

SPOTT has launched its **Supporter Network**, to gather commodity supply chain stakeholders, including financial institutions, buyers, consultancies and CSOs who publicly support SPOTT's approach:

"We support SPOTT's call for increased transparency in commodity sectors to promote sustainable production and trade."

By adding weight to the SPOTT initiative, supporters can help incentivise assessed companies to meet stakeholder expectations and increase transparency.

Read more about the Supporter Network and see a full list of supporters here: https://www.spott.org/supporter-network/

3. ESG scope and criteria

3.1. ESG issues associated with commodity production

Palm oil, timber, pulp, and natural rubber production in tropical forests is very closely related to the well-being of local communities and the state of biodiversity in these regions. Companies' environmental, social and governance (ESG) practices are what make their business either sustainable, or harmful to stakeholders and ecosystems. Here is an overview of how ESG issues are particularly relevant to the palm oil, timber and pulp, and natural rubber industries:

PALM OIL

Global forest loss is at an all-time high, with an estimated 3.6 million hectares of primary rainforest – an area the size of Belgium – lost in 2018 alone. **Oil palm development is one of the key drivers of tropical forest loss, with a particularly high impact in specific regions**. In Indonesia and Malaysia, it accounted for 47% and 16% respectively of all deforestation between 1972 and 2015.[1] While the rate of forest loss decreased in Indonesia by 40% in 2018 compared to the annual rate for 2002-2016, it also increased substantially in the same year in Ghana, Cote d'Ivoire, Papua New Guinea, Colombia, and the Democratic Republic of Congo – some of the new frontiers of palm oil expansion.[2]

TIMBER AND PULP

Demand for furniture, paper, building materials, and other wood products is increasing. With careful planning and management, the world's forests can be sustainably managed to supply such products for generations. However, **growing demand has led to the spread of unsustainable practices as producers bid to supply cheap products to global markets. Such practices have resulted in deforestation and forest degradation** – with associated biodiversity loss and climate change impacts. The extraction of timber resources and the development of large industrial forest plantations can also have impacts on the lives of local communities and indigenous peoples.

NATURAL RUBBER

Used in everyday products, such as tyres, yoga mats, shoes, and condoms – global natural rubber production is lacking the transparency and subsequent sustainability commitments to protect both people and wildlife. Unlike other industries such as palm oil or timber, which have received extensive external pressure to improve sustainability, natural rubber is often overlooked. However, **rapid expansion of large-scale natural rubber monocultures in southeast Asia over the past three decades has resulted in natural forests, rich in wildlife, being converted to make way for rubber trees**, impacting the habitat of threatened wildlife such as silvery langurs and Asian elephants.

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[1] Meijaard, E., Garcia-Ulloa, J., Sheil, D., Wich, S.A., Carlson, K.M., Juffe-Bignoli, D., and Brooks, T.M. 2018. Oil palm and biodiversity. A situation analysis by the IUCN Oil Palm Task Force. IUCN Oil Palm Task Force Gland, Switzerland: IUCN. [Accessed 23 June 2021]. Available from: https://doi.org/10.2305/IUCN.CH.2018.11.en

[2] Wijaya A., Tjokorda Nirarta S., and Reidinar J. 2019. Indonesia Is Reducing Deforestation, but Problem Areas Remain. World Resources Institute. [Accessed 23 June 2021]. Available from: https://www.wri.org/insights/indonesia-reducing-deforestation-problem-areas-remain

These growing risks and impacts on tropical forests make sustainable practices by companies in these industries necessary and urgent. SPOTT has captured these issues into three sector-specific indicator frameworks that cover environmental, social, and governance issues and constitute a guide to the best practices in the palm oil, timber and pulp, and natural rubber sectors.

3.2. SPOTT's ESG criteria

SPOTT uses a detailed framework of indicators and scoring criteria to assess producers, processors, and traders on their public disclosure regarding their organisation, policies and practices related to environmental, social and governance (ESG) best practice. This ensures a fair and consistent approach to assessing all companies on SPOTT.

Each indicator includes a scope of application so that companies are only assessed on the indicators that are relevant to their position in the supply chain. For example, among the 175 indicators for the timber and pulp industry assessed in 2020, 62 indicators apply to producers and are disabled for companies which are only processors and/or traders. Similarly, in the 2020 palm oil indicator framework, 17 indicators are disabled for companies which are not growers.

The next sections introduce SPOTT's categories of indicators as well as examples of indicators in each category.

> The full indicator frameworks of each commodity assessed on SPOTT can be found on the website. Latest versions are available at these links: palm oil, timber and pulp, natural rubber.

Sustainability policy and leadership

The presence of a sustainability policy is the first indicator to determine whether a company is aware of its potential environmental, social and governance (ESG) impacts and whether it is willing to address them. Sustainability policies and commitments typically set out: the scope and materiality of these impacts and risks, what the company will do to address them, and what resources and processes dedicated to their effective implementation it has in place.

→ Does the company have a sustainability policy that covers both environmental and social issues, and applies to all its operations? → Does it have a high-level position of responsibility for sustainability? → Has it published a sustainability report within the last two years?

Landbank, maps and traceability

Mapping undertaken by companies can highlight potential overlaps or conflicts with other land uses, such as areas of high conservation value (HCV), protected areas and community lands that should be considered. Clear reporting on such information means that companies and their stakeholders have a more complete perspective of the risks associated with land holdings and how to address them.

→ What is the total land area managed or controlled for oil palm, timber, or natural rubber production? → Has the company published geo-referenced maps of its estates or management units? → What is the percentage of supply that is traceable to production level or mill level?

Certification standards

Product certification (by e.g., RSPO, FSC, PEFC) adds credibility to companies' sustainability claims and can provide assurance to buyers and investors that companies are mitigating and managing their environmental and social impacts. Certification is increasingly being used by investors and buyers in due diligence processes to check whether companies meet their standards. It can also facilitate access to certain markets and is often associated with reduced risks.

→ What is the percentage area certified? → What percentage of supply processed or traded, or what percentage of area operated, is verified as being in legal compliance by a third party? → Does the company have a time-bound plan to achieve sustainability or legality certification of operations and/or supply?

Deforestation and biodiversity

As well as their intrinsic value, tropical rainforests and their biodiversity are fundamental to human livelihoods and wellbeing. They provide ecosystem services such as nutrient cycling, water purification and climate regulation, which are crucial at a global scale. Companies operating in tropical regions for the production of high forest-risk commodities should put in place safeguards against deforestation, degradation, and any other practices that are harmful to forest biodiversity, whether they are caused by the company itself or by external stakeholders.

→ Does the company have a commitment to zero deforestation or zero conversion of ecosystems, with a clear definition of forests or deforestation? → Does it prevent hunting in its estates or concessions, or only allow sustainable hunting of species? → Has it identified species of conservation concern, using a recognised system of classification?

HCV, HCS and impact assessments

High Conservation Value (HCV), High Carbon Stock (HCS) and impact assessments all aim to identify the environmental and social values that are important and should be addressed and conserved prior to new development. These assessments are instrumental to companies' due diligence processes and contribute to the implementation of environmental and social commitments. Companies that fail to identify and protect HCVs might violate local communities or indigenous peoples' rights and risk exposure to legal challenges, reputational damage, or costly restoration and compensation measures.

→ Has the company published High Conservation Values assessments and their monitoring and management plans? → Does it have a commitment to conduct environmental and social impact assessments for all its operations? → Does it commit to apply the HCS Approach?

Peat/Soils, fire, and GHG emissions

Companies are responsible for greenhouse gas (GHG) emissions from land development, land clearance by burning, and emissions from mills and other processing operations. Forest fires occur frequently in oil palm and paper plantation regions and have been responsible, not only for emissions and pollution, but also for the destruction of large areas of forest and biodiversity. They often affect peat soils, which are unique ecosystems that store large amounts of carbon, from 18 to 28 times more than the amount that the forests above them can hold:[3] they are therefore vital to climate change mitigation. Due to concerns over climate change, reporting on soils, fire, and GHG emissions are becoming more and more scrutinised.

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[3] Union of Concerned Scientists. 2013. Palm Oil and Global Warming. Fact Sheet. p.2. [Accessed 23 June 2021]. Available from: ucsusa.org/sites/default/files/legacy/assets/documents/global_warming/palm-oil-and-global-warming.pdf

→ Does the company commit to no planting on peat of any depth? → Does it publish evidence of how it monitors and manages fires? → Does it report the number of fires or hotspots in its operations? → Does it have a time-bound commitment to reduce its GHG emissions intensity?

Water, chemical and pest management

Commodity industries rely on water for both production and processing activities, and they are responsible for a large part of water withdrawal globally, while the consequences of water scarcity are becoming a major issue. In addition, production and processing activities produce effluent (for instance, one metric tonne of palm oil produces 2.5 metric tonnes of effluent),[4] which is a source of water pollution. If discharged into waterways, untreated effluent can contaminate drinking water and damage aquatic ecosystems. Similarly, the chemical fertilizers and pesticides used for production pose significant threats to human health and natural ecosystems.

→ Does the company have a commitment to improve water quality and water use? → Does it report evidence of progress towards these commitments? → Does it protect natural waterways through buffer zones? → Does company reporting show a reduction in the use of pesticides and chemical fertilisers?

Community, land and labour rights

Human rights violations make up a growing part of the claims raised against commodity sectors and often originate in disputes over land, resources or working conditions. Human rights abuse allegations can bring operations to a complete halt, significantly deteriorate a company's reputation and lead to asset stranding. Similarly, land being one of the most important resources to a commodity producer, ensuring that there are no existing or potential conflicts regarding its use over the lifetime of a plantation or concession is fundamental. Workers' rights and working conditions must not be overlooked either as agriculture and forestry are hazardous sectors for workers.

→ Does the company commit to respect human rights, the rights of indigenous and local communities, and legal and customary land tenure rights? → Does it publish the process by which it operationalises the free, prior, and informed consent (FPIC) principle → Does it commit to eliminate gender discrimination in the workplace and report its progress towards this commitment?

Smallholders and suppliers

In order to effectively implement their corporate sustainability commitments, and not be exposed to upstream sustainability risks, companies should ensure that suppliers meet their standards. Smallholders in particular, must be supported and incorporated into company sourcing strategies. They are an essential part of commodity supply chains (40% of palm oil[5], 85% of natural rubber[6]) but they often have limited resources to move towards more sustainable practices. Due to their size, and lack of ability to diversify their income streams, they are also more vulnerable to market pressures, such as unreliable income.

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[4] "Industries - Palm oil", WWF. [Accessed 23 June 2021]. Available from: worldwildlife.org/industries/palm-oil

[5] RSPO Smallholders Definition. [Accessed 23 June 2021]. Available from: rspo.org/smallholders/rspo-smallholders-definition

[6] "Enhancing smallholders' influence on the natural rubber value chain", Partnerships for Forest. [Accessed 23 June 2021]. Available from: https://partnershipsforforests.com/partnerships-projects/enhancing-smallholders-influence-on-the-natural-rubber-value-chain/

→ Does the company commit to support smallholders? → Does it publish details on how it supports smallholders and report the number of smallholders involved? → Does it report the methods it uses to assess and engage suppliers on their compliance with its sourcing policy or with legal requirements?

Governance and grievances

Avoiding any form of corruption and committing to ethical business conduct should be central to every company's effort to legal compliance and good practice. Complaints from stakeholders, including local community claims, are common in forest-related sectors. An effective and transparent grievance mechanism enables the early identification of risks from complaints which could be detrimental to the company and its stakeholders, besides contributing to building trust.

→ Does the company commit to ethical conduct and prohibit corruption, including for its suppliers? → Does it have its own grievance or complaints system open to all stakeholders? → Does it publish a whistleblowing procedure that includes how whistleblowers are protected?

3.3. The Technical Advisory Groups

To develop these indicator frameworks, SPOTT has benefited from the inputs of three ongoing **Technical Advisory Groups**, one for each commodity assessed on SPOTT. Technical advisors regularly gather to provide guidance on the design and function of the indicator frameworks and the selection of companies for assessment. The groups include experts from the industry, academia, and consultancies.

The full list of experts that contribute to the development of SPOTT as part of Technical Advisory Groups can be found at: https://www.spott.org/about/technical-advisors/.

3.4. Alignment with other standards

SPOTT indicator frameworks have been developed to support companies in their progress towards achieving the best transparency standards.

Alignment with standardised reporting systems

SPOTT has sought to align its indicators with a number of self-reporting sustainability initiatives, thereby helping companies to meet their requirements. These initiatives include:

- The Accountability Framework initiative (AFI) and its Common Methodology for Assessment of Progress Towards Deforestation-Free Supply Chains – https://accountability-framework.org/
- The Global Reporting Initiative (GRI)'s Standards – https://www.globalreporting.org/standards/
- The UN Global Compact Self-Assessment Tool – https://globalcompactselfassessment.org/

Alignment with other company assessment initiatives

SPOTT has also worked to align its indicators with other company assessment initiatives. These initiatives include:

- Global Canopy's Forest 500 assessments - https://forest500.org/
- The Forests, Climate Change, and Water questionnaires developed by CDP – https://www.cdp.net/en

SPOTT indicators also link to many of the Sustainable Development Goals (SDGs), by which SPOTT supports forest-product industries in contributing to the fulfilment of the SDGs in the coming years.

SPOTT also engages with sector-specific sustainability organisations, including:

- The Roundtable on Sustainable Palm Oil (RSPO) – ZSL is a long-standing member of the RSPO, which seeks to make sustainable palm oil the norm. SPOTT continues to engage with the RSPO through its seat as an alternate environmental NGO on the Board of Governors, and through its participation in the Biodiversity and High Conservation Value Working Group, Smallholder Interim Group, and Resolution 6D Task Force. Members of the team attend key RSPO events, including the RSPO Roundtable and General Assembly, where they present the SPOTT Palm Oil assessment results.

Thanks to the collaboration with sustainability stakeholders and initiatives, SPOTT indicators **reflect, complement, and support the industry to achieve** the expectations set out in other frameworks, guidelines, principles, and criteria for sustainable production.

- The Forest Stewardship Council (FSC) – As a member of FSC UK, sitting in the Environmental Chamber, ZSL participated in the last FSC General Assembly in 2017, to discuss with other members the challenges and solutions of responsible forest management, and the role that the FSC can play. Members of the SPOTT team also participated in a side event and presented an overview of the forthcoming first SPOTT assessments of timber and pulp companies.
- The Global Platform for Sustainable Natural Rubber (GPSNR) – ZSL has been a member of the GPSNR – which mission is to lead improvements in the socioeconomic and environmental performance of the natural rubber value chain – since October 2019, and currently sits on the Traceability and Transparency and Civil Society Organisations Working Groups.

4. Company reporting

4.1. First steps towards transparent reporting

SPOTT encourages all companies – not just those featured on SPOTT – to make their sustainability policies and commitments publicly available. Transparent ESG reporting means that information on the ESG risks and impacts resulting from a company's activities is available, relevant, and reliable. It should enable any stakeholders to know the sustainability objectives of a company. Without such transparency it is impossible for third parties to evaluate the content of companies' policies, and thus, assess ESG risks or hold companies accountable.

Stakeholders must also know the state of achievement of these objectives and policies. SPOTT therefore encourages companies to regularly report on their progress towards meeting their commitments. Policies and commitments should be connected to management systems that the company uses to monitor ESG indicators and objectives, so that the company can regularly report on its performance.

→ As a first step, a company should have **a website**, which is the first place that stakeholders will find and look at when they want to get information about a company, and the main place for SPOTT to find information for assessments. A website is the public gateway to knowing a company. It should contain clear information specific to the company's forest-product operations and sustainability, including all its key policies and essential data on this organisation. All the information should be freely and openly accessible to anyone viewing the website, either within dedicated webpages or in documents that are linked to, or downloadable from, the company website.

- → All information should be **clearly dated and kept up to date**. For example, sustainability policies should be reviewed on a regular basis, and updated when needed. The company should report on sustainability issues on a regular basis (at least every two years) and it is best to follow comparable industry standard formats.
- → Policies should specify who the person **responsible for implementation** is. For implementation to be effective, companies should appoint designated board members, directors and/or committees in charge of overseeing sustainability processes and results.
- → Commitments should specify clear **definitions** to ensure it is clear what a company is committing to.
- → Any data reported should **specify the time-period** covered, be comparable year on year, and any discrepancies or contradictions should be clearly explained.
- → The **scope** of any information disclosed, including geographical scope or the entities covered by the information (e.g., one or more Forest Management Units, a subsidiary or the entire company, industrial and/or plantation operations) should always be clearly specified.

A high level of company transparency does not necessarily mean that a company is environmentally and socially responsible in terms of its impacts on the ground, it only assures that it is more transparent in its ESG reporting than other companies with a lower score. As such, SPOTT does not directly assess the implementation of policies and commitments. However, transparency and sustainability are often strongly related, making transparency a powerful lever towards sustainability.

4.2. SPOTT indicators: guidance on company reporting

SPOTT indicator frameworks provide guidance on the key information and policies that companies are suggested to disclose on their website or linked documents. The draft assessment that SPOTT assessed companies receive, and ultimately the assessments published on the website, show where the company can make progress on its public disclosure.

The table below includes the actions that companies should take to disclose transparent and clear information on two key sustainability topics, and that are reflected in SPOTT scoring criteria. Some of the actions, such as dating or updating the information, or confirming what the scope is, apply to most of the indicators and sustainability issues. Other actions are specific to the issue at stake.

Disclosing a zero-deforestation policy

- Make sure you commit your organisation to **no gross deforestation or no conversion of natural forests** to other uses. This is distinct from a zero-net-deforestation approach which allows for deforestation in one area if it is compensated for by replanting in another area.
- Ensure your policy **defines the criteria or types of forest that are not to be deforested** (e.g., primary forests, Intact Forest Landscapes, secondary forests, HCV areas, HCS areas).
- Define the **scope of your policy**, applying it at the group level of your company, including any and all subsidiaries, joint ventures, affiliates, and related entities.
- Extend your zero-deforestation commitment **to all your suppliers**, including those you source from directly and indirectly, to show that you are not externalizing impacts or leaving them unaddressed.
- Specify a **cut-off date** beyond which any deforestation by your organisation and suppliers is considered as non-compliant. Cut-off dates should be set in the past to avoid incentivising deforestation and no later than 1st January 2020.
- **Publish** your zero-deforestation policy on your website with a clear date of publication.

Disclosing maps of operations and mills

- Make sure **georeferenced maps** are available for all concessions and mills to enable stakeholders to find their precise location on Google Maps or using another mapping tools. This can be disclosed as geographic coordinates, within KML/shapefile files, or on dedicated platforms (such as Global Forest Watch). Static images are not accurate enough.
- Include the date when the maps were published or updated, and ensure maps are **up to date**. Spatial information should be reviewed and published on your concessions and mills every two years as a minimum.
- Clearly state that the spatial data published cover all your operations, or what the **scope** is if maps are not available for all your operations.
- Make your maps and other spatial information **available to all stakeholders**, by (1) disclosing it online on your website; and (2) making it available to local populations within and surrounding your concessions using usual means of communication. This varies according to local contexts and may include organising meetings with local communities, making a printed version (including a scale, orientation, and coordinates) available in a space that is accessible to all, etc.

More examples and guidance on actions that companies can take to disclose transparent information on ESG issues can be found in the SPOTT guide "From Disclosure to Engagement" (specific to palm oil).

Including suppliers in policies and reporting

Understanding where a company, including all its subsidiaries, sources its palm oil, timber, or natural rubber from is an essential component in the implementation of sustainable commitments. Without knowing their origins, it is impossible to verify if products are being produced sustainably, or in compliance with company policies. Traceability in itself does not equate to sustainability, but the ultimate goal of a fully traceable supply chain is to help drive positive impact on the ground. **SPOTT promotes the application of company policies and commitments to their direct and indirect suppliers and supports companies to report on activities which are related to their supply chain.**

In SPOTT's 2020 palm oil and timber and pulp indicator frameworks, 26 indicators out of around 180 provide points when company policies or commitments apply to all suppliers. Around 5 more points are obtained when companies report on specific sustainability issues in suppliers' operations. Some indicators are also dedicated to traceability, for example looking at the percentage of supply that is traceable to mill or sawmills, or to plantation or forest level, or the volume sourced from direct suppliers that come from second-level suppliers. The focus of the indicator framework for natural rubber is rather directed to the support companies provide to smallholders, due to the high number of smallholders in the industry (see indicator category "Smallholders and suppliers" in SPOTT's ESG criteria section above).

By including such indicators, SPOTT assessments reflect whether companies' policies and reporting contribute to sustainable production and trade, and reduced ESG risks in forest-risk commodity supply chains.

4.3. Types of reporting across SPOTT indicators

Organisation, Policy and Practice categories

SPOTT recognises that companies are at different stages of their sustainability journey. To allow SPOTT users to better understand where companies currently are and how they are progressing, indicators are separated into three categories:

- **Organisation**: The transparency and content of company disclosure regarding the company's operations, assets, and management structure. – Examples include total landbank hectarage, the number of mills owned, reporting of salary by gender, and whether the company publishes a sustainability report.
- **Policy**: The transparency and content of company disclosure regarding the policies, commitments and processes it has in place in order to guide its operations and practices on the ground. Examples include policies on no deforestation, zero burning, and respecting human rights.
- **Practice**: The transparency and content of company disclosure regarding activities it undertakes in order to actively progress towards its targets and implement its policies and commitments on the ground. Examples include reported activities to monitor deforestation and to manage fires in concessions, and the percentage of company's supply that is traceable to mill and to plantation or concession level.

The repartition of indicators among categories in SPOTT's indicator frameworks is the following:

	Organisation		Policy		Practice	
	Number	Percentage	Number	Percentage	Number	Percentage
Palm oil	39 / 180	22%	76 / 180	42%	65 / 180	36%
Timber and pulp	41 / 176	23%	76/ 176	43%	59/ 176	34%
Natural rubber	29 / 123	24%	51 / 123	41%	43 / 123	35%
Average percentage	**23%**		**42%**		**35%**	

Externally verified and self-reported information

Within the Practice category, SPOTT differentiates between data that is self-reported by companies and data that is externally verified. The definition that SPOTT uses for these two types of reporting aligns with the Accountability Framework Initiative, as follow:

- **Self-reported**: Reporting of compliance, performance, and/or actions taken by a company relative to its commitment that is not externally verified, including data that is verified by a **first party** (i.e., verification conducted by the company itself, including by personnel not involved in the design or implementation of the operations being verified).
- **Externally verified**: Assessment and validation of compliance, performance and/or actions taken by a company relative to its commitment that is verified by either a **second party** (a related but external entity with an interest in the company or operation being assessed, such as a business customer or a contractor that also provides services other than verification) or by a **third-party** (a fully independent entity that does not provide other services to the company than verification).

This distinction has been included in the SPOTT indicator framework in order to place greater weight on third party-verified information, while still rewarding companies for self-reported progress. For nearly a third of SPOTT indicators (27%, 23% and 31% respectively in the palm oil, timber and pulp, and natural rubber frameworks), companies are awarded 0.25 more points when the reported information is externally verified by a third party, following this scoring methodology:

Companies are awarded:

- **1 point** if comprehensive* **externally verified** information is publicly available.
- **0.75 points** if comprehensive* **self-reported** information is publicly available.
  or if limited* **externally verified** information is publicly available.
- **0.5 points** if limited* **self-reported** information is publicly available.
- **0 points** for insufficient* reporting.

*Comprehensive reporting: The company reports clear and recent information about issue A that covers all of its operations.
*Limited reporting: Only some of the information is reported, or the data is more than two years old, or it only covers part of the company's operations.
*Insufficient reporting: No information is publicly available, or is undated, or is more than five years old.

More details on this methodology can be found here: https://www.spott.org/spott-methodologies/#external-verification

Additional points for certification

For a few indicators in SPOTT frameworks for assessment, companies are awarded additional points for the proportion of area or volume that is certified under voluntary certification standards such as the Roundtable on Sustainable Palm oil (RSPO) or the Forest Stewardship Council (FSC). Companies are still awarded points on these indicators for their self-reported or externally verified progress, but companies which products or areas of land are certified are awarded up to one additional point for these indicators. SPOTT does not only consider membership in a certification scheme, but also the extent to which a company's production or supply is certified, thereby rewarding companies' efforts to obtain such recognition. This is in line with SPOTT's support towards certification approaches, and with many financial institutions and buyers' financing and sourcing policies.

More details on this methodology can be found here: https://www.spott.org/spott-methodologies/#external-verification

4.4. What does a high score mean?

A higher score on SPOTT indicates that the company is being relatively transparent about its operations, policies and commitments to ESG best practice. Some SPOTT indicators also consider the quality of policies and commitments, with higher scores awarded for more comprehensive policies. Higher scores may also reflect company reporting and externally verified information on implementation

If a company receives a high score in its SPOTT assessment, this does not necessarily mean the company is itself sustainable – just that it is being more transparent in its ESG reporting than other companies with a lower score.

More information can be found here: https://www.spott.org/spott-methodologies/#assessment-scores-explained

5. The assessment cycle

5.1. Company selection

SPOTT assesses companies operating in and sourcing from **tropical forest landscapes** due to their extremely high species diversity, their vital role in livelihoods, and their importance as carbon sinks and stores. Companies of the greatest interest and impact in these landscapes are selected given their operations and supply chain positions.

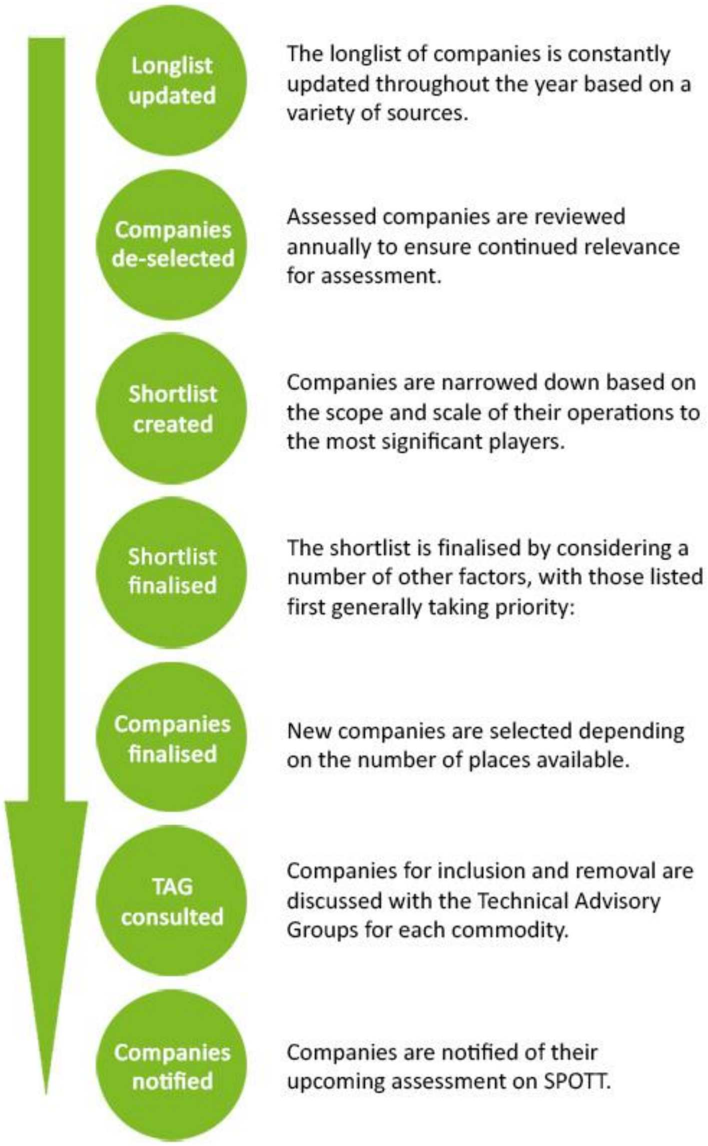
Assessed companies are **reviewed on an annual basis** to ensure that their inclusion continues to align with these aims and with the needs of SPOTT's users. Companies are also reviewed to ensure that they remain active in the assessed commodity sector and that there have been no major changes to the scope and scale of their operations, such as a significant reduction in landbank for production or volumes processed, or the selling of operations in certain countries. Changes are kept to a minimum, made only when deemed necessary, and they are published in the News section of the SPOTT website.

More details on this methodology can be found here: https://www.spott.org/spott-methodologies/#company-selection

The company selection process usually follows the steps detailed opposite. →

The factors considered for selection are the following, listed in order of importance:

1. **Scope and scale of operations**, such as areas of land owned or leased, volumes processed, market capitalisation
2. Operations in **priority landscapes** – priority geographies vary for each commodity, and depend on a number of factors, for example key commodity production areas, areas with high levels of biodiversity under threat, and areas that align with ZSL objectives and scope of funding
3. **Allegations of unsustainable practices** identified through media reports
4. **Nominations** by interested stakeholders, or companies volunteering themselves for assessment
5. Presence of a **company website**
6. Company already assessed on SPOTT under **another commodity**



5.2. Company scoring and engagement

Companies do not report directly to SPOTT to inform their assessments. Instead, thorough reviews of their publicly available reports and publications are conducted, before each company is contacted with its draft assessment. This engagement process means that companies have the opportunity to respond to SPOTT, make further public disclosures, and provide feedback ahead of the final review and publication of their assessment.

Engagement with companies is an important element of the SPOTT assessment cycle. During 2019, 71 companies provided feedback on their draft assessments, resulting in an average increase of 7.1 percentage points for palm oil companies, 12.8 for timber and pulp companies, and 12.7 for natural rubber companies between draft and final assessment scores. This not only demonstrates that it is in a company's interest to engage with SPOTT, as it may result in receiving a higher transparency score if further disclosures are made, but also that SPOTT's engagement process is effective at increasing the transparency of assessed companies.

→ SPOTT assessment cycle: successive steps of assessment and engagement with companies regarding their assessments.

→ Why should companies engage with the SPOTT assessment process?

SPOTT assessments are essentially a free evaluation of a company's sustainability disclosure. Companies can use them to identify weaknesses in their policies and reporting on practices, and to prioritise next steps for improving their transparency and sustainability management.

Key company stakeholders use SPOTT assessment data to make decisions about their involvement with companies. Since 2020, users of the SPOTT website are able to see which companies have engaged with the SPOTT team on their assessments, and those companies which engage with SPOTT tend to have notably higher scores.

→ How to engage with SPOTT as an assessed company?

Before the assessments begin each year, the SPOTT team sends all companies a Scope Disclosure Form to fill in, in which they can clarify the scope of their operations and help the assessment team decide which indicators are relevant to assess the company against. It is optional to complete this form, but all companies are encouraged to do so when it is sent. Otherwise, if reporting is unclear, a company is assessed against all indicators, which can produce a lower and less accurate score.

Companies are encouraged to have an initial call with SPOTT to answer questions when they are being assessed for the first time. The SPOTT team is then available to talk to companies at any time in the year, including outside of the assessment cycle – SPOTT can be contacted by email at spott@zsl.org.

The SPOTT team makes every effort to inform companies that they are being assessed, and to communicate with appropriate company representatives to provide support. It is therefore important to ensure that correct contact details for the person or team responsible for the company's sustainability reporting are clearly accessible from the company's website, or that these details are provided directly to the SPOTT team.

5.3. Due diligence and verification of scores by users

Viewing and using SPOTT assessments

After a company has been provided with its draft assessment, has had a chance to respond to it and to improve its public reporting, and the final assessment has been consolidated, assessments are published on the SPOTT website. There is a webpage for each commodity assessment: palm oil, timber and pulp, and natural rubber. Each round of assessment launch is accompanied by the publication of an assessment summary and a press release that highlight the main findings of the assessments, and the main issues that have been identified at the scale of the industry. The latest assessment summaries are available for download at the top and bottom of each commodity assessment page, and press releases are published on the News page.

On the assessment pages, companies can be sorted or filtered according to various criteria, including the country, landbank, market capitalisation, change of score since the previous year, whether the company has engaged with SPOTT this year, etc. The score is also visible by section of the supply chain (i.e., the score as a producer, the score as a processor, and the score as a trader are distinct), and by environmental, social and governance issue (i.e., score on environmental indicators, score on social indicators, and score on governance indicators are distinct). The **SPOTT dashboard**, which is accessible on the website to any logged-in user enables them to download the data, to apply a personalised weighting to the organisation, policy, and practice categories, to compare two or more companies' scores for a specified indicator, and to track score changes and trends.

How can SPOTT help you?

Financial sector

- Analyse trends in company ESG disclosure
- Identify risk areas to strengthen policies and decision-making
- Inform portfolio management and due diligence procedures
- Focus engagement with companies on sector specific issues

Producers and traders

- Increase understanding of best practice
- Improve disclosure and support industry transparency
- Develop stronger policies and reporting on implementation
- Benchmark progress against key ESG indicators and peer scores

Manufacturers and processors

- Enhance raw material sourcing policies
- Compare certification targets and progress
- Review direct supplier policies for due diligence procedures
- Identify priority areas for supplier engagement on sustainability

Consumer goods and retailers

- Highlight and respond to supply chain risks
- Benchmark suppliers to inform due diligence processes
- Support responsible sourcing and supplier compliance checks
- Review own sustainability goals in relation to upstream progress

Government and civil society

- Measure progress and gaps in self-reported policy implementation
- Guide strategic policy development and engagement
- Identify opportunities for collaboration with industry
- Push for better practice on the ground

Anyone is free to view and use the SPOTT website and data (i.e. company assessment related data), whether online, via data downloads, application program interfaces (APIs), or other means, under certain conditions that can be found at this link: https://www.spott.org/terms-conditions/.

Going further: due diligence

SPOTT urges its users to perform wider due diligence on companies, using SPOTT as the starting point. Such due diligence activities could include:

- **Direct engagement with companies** on missing commitments, and on whether existing commitments are being implemented on the ground and in line with time-bound plans. SPOTT assessments can be used to identify existing commitments – including self-reporting of progress against certain policies and commitments – and to identify gaps in company policy frameworks and reporting.
- **Review of the SPOTT media monitor**, which gathers reports and stories from global media sources, covering specific company activities related to SPOTT indicator categories. SPOTT does not assess or score the validity of media coverage, but users can explore the media monitor to provide context on implementation, and infer risks associated with reported operations on the ground. The media monitor appears below the latest assessment on individual company pages, it can be sorted by category of ESG issues and year.
- **Review of research reports and investigations by civil society** on the impacts of companies' own and suppliers' operations. When applicable, review SPOTT scores, media stories and reports for the companies' suppliers.
- **Inspection of external audit reports** to identify areas of non-compliance, which may include second-party audit reports (usually conducted by consultants), and independent third-party audit reports of certification schemes (e.g., FSC, RSPO).

Published: June 2021

Version: 1

About SPOTT

Developed by the Zoological Society of London (ZSL), SPOTT is an online platform supporting sustainable commodity production and trade. By tracking transparency, SPOTT incentivises the implementation of corporate best practice.

SPOTT assesses commodity producers, processors and traders on their public disclosure regarding their organisation, policies and practices related to environmental, social and governance (ESG) issues. SPOTT scores tropical forestry, palm oil and natural rubber companies annually against over 100 sector-specific indicators to benchmark their progress over time. Investors, buyers and other key influencers can use SPOTT assessments to inform stakeholder engagement, manage risk, and increase transparency across multiple industries.

For more information, visit **SPOTT.org**.

About ZSL

ZSL (Zoological Society of London) is an international conservation charity working to create a world where wildlife thrives. From investigating the health threats facing animals to helping people and wildlife live alongside each other, ZSL is committed to bringing wildlife back from the brink of extinction. Our work is realised through our ground-breaking science, our field conservation around the world and engaging millions of people through our two zoos, ZSL London Zoo and ZSL Whipsnade Zoo.

For more information, visit **zsl.org**