



14. Palm oil certification

Relevant SDGs



SPOTT indicators: Does the company disclose...

- | | |
|---|--|
| 95) Its a member of the Roundtable on Sustainable Palm Oil (RSPO)? | 102) Percentage of mills RSPO-certified? |
| 96) It has submitted its most recent RSPO Annual Communication of Progress (ACOP)? | 103) Percentage of area (ha) RSPO-certified? |
| 97) All countries and regions in which operates in most recent RSPO ACOP? | 104) Percentage of scheme/associated smallholders RSPO-certified? |
| 98) Time-bound plan for achieving 100% RSPO certification of estates within 5 years or achieved 100%? | 105) Percentage of FFB supply from independent FFB suppliers that is RSPO-certified? |
| 99) Time-bound plan for achieving 100% RSPO certification of scheme/associated smallholders within 5 years or achieved 100%? | 106) Percentage of all palm oil and oil palm products handled/traded/processed that are RSPO-certified? |
| 100) Time-bound plan for achieving 100% RSPO certification of all supply chains? | 107) Sells or processes/trades RSPO-certified palm oil through Segregated or Identity Preserved supply chains? |
| 101) RSPO-certified within three years of joining the RSPO or by November 2010, for companies joining prior to finalisation of the RSPO certification systems in November 2007? | 108) Indonesia Sustainable Palm Oil (ISPO) certified? |
| | 109) Malaysia Sustainable Palm Oil (MSPO) certified? |
| | 110) Certified under voluntary sustainability certification scheme (e.g. ISCC, SAN, RSB, etc.)? |

Context

Palm oil certification (e.g. RSPO, ISCC, SAN, RSB) 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 used by investors and buyers in due diligence processes, to check whether palm oil companies meet their standards. A lack of certification may indicate critical environmental and social risks in a company's operations, which may result in further long-term reputational and market risks. Many companies use certification schemes to demonstrate their sustainability commitments as certification-related processes allow stakeholders to gauge ambitions, commitments and progress. For example, RSPO members disclose useful details of where they operate, operational data, and certification targets for their operations and suppliers (including smallholders) through their Annual Communications of Progress (ACOP) reports. Other benefits of sustainability certification reported by companies include potential market premiums, increased revenues and market access, access to capital, improved management practices and improved administration.¹

Obligations and expectations

Besides the increasing number of buyers and capital providers who have made certification a condition for sourcing or financing palm oil companies, more developments signal a push for certified sustainable palm oil. In April 2017, the European Parliament adopted a report calling on the Commission to phase out the use of palm oil driving deforestation by 2020 by adopting a single certification standard under which palm oil can be imported into the EU.²

Glossary

Certification

Businesses can get certified if they meet the sustainability requirements of standards or principles set out in a certification scheme. A certificate is issued to prove that the standard has been met. There are different types of certification: self-certification, second-party certification (in which the certified party is affiliated to the certifying organisation) and third-party certification. Third-party certification demonstrates to interested stakeholders that a company's claims are reliable, and have been substantiated by an independent, outside party.

¹WWF, FMO and CDC, Profitability and Sustainability in Palm Oil Production Analysis of Incremental Financial Costs and Benefits of RSPO Compliance. 2012. Available from: rspo.org/file/BUSINESS%20CASE_Profitability%20and%20Sustainability%20in%20Palm%20Oil%20Production.pdf

²European Parliament. 2016. Report on Palm Oil and Deforestation of Tropical Rainforests (2016/2222(INI). Committee on the Environment, Public Health and Food Safety.

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Under the EU Renewable Energy Directive (RED), palm oil produced through the following voluntary schemes is considered to be compliant with the EU's biofuels sustainability criteria:

- ISCC (International Sustainability and Carbon Certification)
- RSB (Roundtable of Sustainable Biofuels) EU RED
- RSPO (Roundtable on Sustainable Palm Oil) RED

Finally, research has shown that companies advertising unverifiable environmental claims or RSPO membership when they are not members or that have not yet implemented the standard may be liable to claims under EU consumer protection law.³

RSPO: Making sustainable palm oil the norm

"All RSPO members have requirements as a part of their membership, one of them being a commitment to report on progress of certification and certified material usage. The RSPO Annual Communication on Progress (ACOP) supports the notion that the vision of RSPO is to transform markets to make sustainable palm oil the norm. The credibility of the RSPO certification scheme is fundamental to our success. We are continuously developing our standards and systems to adapt to new challenges and changing landscapes. Independent and accredited third-party auditors play a key role in certification, within a transparent system, as does our consensus-based decision making which includes all the key stakeholders.

"It is important for all stakeholders to share the responsibility of achieving the RSPO vision in transforming the market. In this process, engagement within a transparent environment is a key aspect. Constructive criticism of RSPO members and of RSPO as a system is enabled because of the transparent environment that RSPO has created. One of the main strengths of the RSPO is that it has a transparent system in place to manage grievances. It is important that stakeholders continue to support transparency and the systems that enable it, and understand the value of it in a long-term approach to sustainability."

**Stefano Savi, Global Outreach and Engagement Director
ROUNDTABLE ON SUSTAINABLE PALM OIL**

Challenges

- There are high costs involved in implementing and maintaining certification requirements (e.g. HCV assessments, auditing and certification processes and engaging smallholders). This is a major problem for smallholders in particular.
- Companies' time bound plans for certification of estates and scheme/ associated smallholders have been extended over time. Companies experience challenges in certifying all of their operations, as some operations may have ongoing issues that prevent certification (e.g. complaints). There have also been significant barriers to smallholder certification (e.g. lack of representation in standard-setting processes, complex requirements and lack of training and capacity building).
- Although certification should provide stakeholders with confidence that companies are implementing their commitments, schemes have been criticised for weak assessment, verification, auditing and oversight processes.

³ClientEarth. 2017. Voluntary 'deforestation free' commitments - Application of the Unfair Commercial Practices Directive. [Accessed 2 October 2017]. Available from: documents.clientearth.org/library/download-info/voluntary-deforestation-free-commitments/

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- There is a lack of systematic evidence of the on-the-ground impacts of palm oil certification, although more impact studies are emerging.

Overcoming the challenges associated with certification

Palm oil companies can overcome some of the challenges associated with certification by:

- Disclosing accurate and up-to-date data on their certification status and processes to demonstrate transparency and provide stakeholders with evidence of effective management systems.
- Engaging with government agencies and civil society organisations on their certification requirements, to achieve local buy-in on certification efforts, and to avoid contradictions between certification requirements and regulations.
- Showing responsibility through ensuring that high quality assessments and audits are conducted, including the use of assessors accredited by the HCV Resource Network's Assessor Licensing Scheme (ALS).
- Participating in initiatives that push certification standards forward, such as RSPO NEXT and the Palm Oil Innovation Group (POIG).

Other SPOTT indicator framework factsheets in the series

This document is part of a series of factsheets in the publication: *From disclosure to engagement: A guide to the SPOTT indicator framework for assessing palm oil producers and traders*. Below is a full list of the factsheets:

- Factsheet 1: Sustainability policy and leadership
- Factsheet 2: Landbank and maps
- Factsheet 3: Traceability
- Factsheet 4: Deforestation
- Factsheet 5: Biodiversity
- Factsheet 6: HCV, HCS and impact assessment
- Factsheet 7: Peat
- Factsheet 8: Fire
- Factsheet 9: Greenhouse gas emissions
- Factsheet 10: Water
- Factsheet 11: Chemical and pest management
- Factsheet 12: Community and land rights
- Factsheet 13: Labour rights
- Factsheet 14: Palm oil certification
- Factsheet 15: Smallholder support
- Factsheet 16: Supplier selection
- Factsheet 17: Governance and grievances

About SPOTT

SPOTT is an online platform promoting transparency and accountability to drive implementation of environmental and social best practice for the sustainable production and trade of global commodities. SPOTT assessments score some of the largest palm oil producers and traders on the public availability of corporate information relating to environmental, social and governance (ESG) issues.

Reframed as the **Sustainability Policy Transparency Toolkit** in 2017, SPOTT now supports transparency for other industries that pose some of the greatest risks to the environment, with SPOTT assessments of timber, pulp and paper companies launched in November 2017.

For more information, visit [SPOTT.org](https://spott.org) or contact SPOTT@ZSL.org.

About ZSL

Founded in 1826, the **Zoological Society of London (ZSL)** is an international scientific, conservation and educational charity whose mission is to promote and achieve the worldwide conservation of animals and their habitats.

Our mission is realised through our groundbreaking science, our active conservation projects in more than 50 countries and our two Zoos, ZSL London Zoo and ZSL Whipsnade Zoo.

Published: November 2017