



1. Sustainability policy and leadership

SPOTT indicators: Does the company disclose...

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|---|--|
| 01) Sustainable palm oil policy or commitment for all its operations? | 05) Membership of multiple industry schemes or other external initiatives to improve sustainability in relation to palm oil? |
| 02) Policy or commitment applies to direct and third-party suppliers? | 06) Verification report on compliance with Palm Oil Innovation Group (POIG) Charter, if a POIG member? |
| 03) High-level position of responsibility for sustainability? | 07) Activities with government and/or non-governmental organisations (NGOs) to improve palm oil sustainability? |
| 04) Sustainability report published within last two years? | |

Relevant SDGs



Context

The presence of a sustainability policy is the first indicator that stakeholders can use to determine whether a palm oil company is aware of its potential environmental, social and governance (ESG) impacts and whether a company 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 the company's objectives are;
- The resources and processes dedicated to their effective implementation.

Sustainability issues translate into multiple types of risks, which can affect a company's performance and that investors want to see addressed; from operational and legal risks to reputational or market risks. For this reason, an increasing number of shareholder resolutions ask companies to make sustainability-related commitments and to report on ESG issues.¹

Considering that sustainability issues are relevant to many direct and indirect stakeholders, the implementation of sustainability best practice can be greatly enhanced by multi-stakeholder dialogue. To benefit from sector-wide learning effects or share their expertise in addressing sustainability issues, many companies will demonstrate leadership by taking part in external initiatives with third parties.

Obligations and expectations

Regular sustainability reporting is increasingly required by both legislators and stock exchanges. Examples of requirements include the Indonesian Limited Liabilities Company Law and corresponding Regulation KEP-431/BL/2012, listing rules of Bursa Malaysia, and the UK's 2006 Companies Act and the Companies, Partnerships and Groups (Accounts and non-financial reporting) Regulations 2016. Members of the UN Sustainable Stock Exchange Initiative also commit to promoting improved ESG disclosure and performance among their listed companies.²

¹Ceres. Shareholder Resolutions. [Accessed 25 August 2017]. Available from: tools.ceres.org/resources/tools/resolutions/@@resolutions_s3_view/#!/subject=Sustainability%20Reporting

²Sustainable Stock Exchanges Initiative. [Accessed 29 September 2017]. Available from: sseinitiative.org

Credit Suisse: Risk management for a responsible approach to business

"At Credit Suisse we believe that a responsible approach to business is a key factor determining our long-term success. Inherent in this approach is sustainability risk management, through which we aim to understand and address any significant environmental and social impacts of a company's business activities. Impacts such as pollution, depletion of natural resources, human rights issues and community health may lead to high-profile controversies, business delays and litigation, and they may also pose significant reputational, credit and liability risks.

"The three key aspects of our approach to sustainability risk management are:

- *Sector-specific policies for sensitive industries*
- *Our supporting risk control processes, and*
- *Voluntary industry standards for specific client business sectors*

"Our requirements are designed to promote engagement with our clients and other stakeholders such as NGOs and industry groups to enhance our mutual understanding of key issues, risks and progressive outcomes.

"Certain industries, such as forestry and agribusiness, may be particularly sensitive from a social or environmental perspective. In the oil palm sector, for example, Credit Suisse requires grower clients to be members of the Roundtable on Sustainable Palm Oil (RSPO) and to have operations certified according to RSPO standards or to commit to a time-bound plan to achieve full certification. Credit Suisse has been a member of the RSPO since 2010."

**Ben Ridley, Sustainability Affairs
CREDIT SUISSE AG**

Challenges

- Companies might face difficulties in defining the scope of the policy and the materiality of various types of risks.
- Addressing sustainability issues in a systematic manner and reporting on sustainable management can pose a strain on a company's resources.
- Over time, changes in expectations and requirements mean that companies need to review sustainability commitments and policies regularly.
- These reviews can make it difficult for transparent and comparable reporting, such as the expansion or extension of time bound plans, or a change of reporting metrics.

Best practice for palm oil producers and traders

There are several steps that palm oil companies should follow to implement best practice:

- Publish sustainability policies and ensure that they are regularly reviewed and updated.
- Clearly define the scope of sustainability policies, not only in relation to the company's own operations, but also the operations of its smallholders and third party suppliers. This is to ensure that the company does not externalize impacts or leave them unaddressed.
- For implementation to be effective, companies should appoint designated board members, directors and/or committees in charge of overseeing sustainability processes and results.
- Incentivize implementation from headquarters to plantations by building sustainability into key performance indicators and into the structure of their employee compensation systems.
- Report on sustainability issues on a regular basis (at least every two years) and follow comparable industry standard formats for increased transparency.
- Allow for scrutiny and dialogue around best practice. Joining external initiatives such as the Palm Oil Innovation Group (POIG) or Global Agri-business Alliance (GAA) can constitute an important element of a proactive approach to sustainability.

Recommended resources

- RSPO. 2013. Principles & Criteria. [Accessed 29 September 2017]. Available from: rspo.org/key-documents/certification/rspo-principles-and-criteria
- Ceres. 2017. Reporting Guidance on Responsible Palm. [Accessed 29 September 2017]. Available from: ceres.org/resources/reports/reporting-guidance-responsible-palm

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.

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