



2. Landbank and maps

SPOTT indicators: Does the company disclose...

- | | |
|-----------------------------------------------------------------------|-------------------------------------------------|
| 08) Total land area managed/controlled for oil palm in hectares (ha)? | 13) Area for infrastructure (ha)? |
| 09) Total oil palm planted area (ha)? | 14) Number of company owned mills? |
| 10) Plasma/scheme smallholders planted area (ha)? | 15) Maps or coordinates of company owned mills? |
| 11) Unplanted (areas designated for future planting) (ha)? | 16) <i>See factsheet 3. Traceability.</i> |
| 12) Conservation set-aside area, including HCV area (ha)? | 17) Maps of estates/management units? |
| | 18) Maps of scheme/plasma smallholders? |

Relevant SDGs



Context

Palm oil companies often operate across large areas of land and are entrusted to manage that land responsibly. This requires a good understanding of the extent, location and allocation of land under their management, yet analysis by ZSL¹ shows that information on land holdings is not clearly reported by companies. 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 taken into account.

Clearer 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. Because land is one of a palm oil company's main assets, from a financial perspective, investors also need to understand if the company is currently holding land which may – or may not be – developed to full potential at a later stage. This information may impact a company's short and long term valuation and performance. For example, unplanted areas may be at risk of becoming unsuitable for development due to a company's own commitments, flooding, changes in government positions, or land conflicts. Any delay in development and operations caused by such events are likely to disrupt a company's cash flows.

Accurate information on a company's land holdings supports traceability of its production and is essential for the fulfilment of zero deforestation commitments made not only by companies, but also by their clients and financial service providers.

Obligations and expectations

Multiple countries have laws on the freedom of information, such as Indonesia's Law 14/2008 on Public Information Openness that outlines the people's right to have knowledge of public policy planning, programs, public decision-making processes and reason for decisions.

Glossary

Landbank

The total area under a palm oil company's ownership or management, including all land for oil palm cultivation, planted areas, and areas set aside for conservation within its concessions. The total landbank includes the area of land for future development.

Concession

The right to use land or other property for a specified purpose, granted by a government, company, or other controlling body. By extension, it refers to the land which is subjected to a concession. Concessions revert back to government ownership under certain conditions or after a pre-established number of years, at which point they need to be renewed and/or reallocated.

¹ZSL. 2017. Hidden Land, Hidden Risks? The need for improved corporate reporting of land holdings associated with palm oil production. Zoological Society of London (ZSL), London, UK. spott.org/wp-content/uploads/sites/3/2017/05/Hidden-Land_Hidden-Risks.pdf

RSPO members are required to submit an Annual Communication of Progress (ACOP) that includes figures on land area controlled and managed for the production of palm oil. In 2013, the RSPO made it a requirement for its grower members to make their concession maps publicly available via the RSPO. In 2017, the Indonesian government confirmed that the law does allow for the release of concession boundary maps.

Climate Advisers: Stranded asset risks grew in 2016

"As of 2016, Chain Reaction Research reported that 6.1 million hectares comprise 'stranded land' on the balance sheet of palm oil estates in Indonesia and their institutional investors. This is an area nearly as large as the Republic of Ireland and equal in size to 10 million football fields. Stranded land is a category of stranded assets. Stranded assets are what the University of Oxford Smith School describe as 'assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities.'²

"This magnitude of stranded assets is unknown to investors. Most analysts do not include the value of stranded assets into their financial models. Currently, Chain Reaction Research estimates that 29% of Indonesia's palm oil estates cannot be developed without possibly violating Indonesia law on the supply side or corporate buyer's No Deforestation, No Peat, No Exploitation on the demand side of global palm oil trade. 95 Indonesian palm oil companies include at least 1,000 hectares of stranded land. With ten percent of Indonesia's land given over to palm oil concessions over the last 25 years, stranded land is now a material financial and legal risk, both to upstream producers and downstream corporate buyers, and to the institutional investors who invest in the overall palm oil supply chain."^{3,4}

Gabriel Thoumi, CFA, FRM, Director Capital Markets
CLIMATE ADVISERS

Challenges

- There can be differences between national government, local government and companies' maps due to the lack of a centralised land registry and different mapping methodologies.
- A lack of clear and standardised definitions for reporting on land holdings means reporting can be vague and makes it difficult to compare data across companies.
- Companies may be unable to disclose the area of land for development at different stages of licensing, as they may not yet have the necessary permissions for development, or may not yet know the exact concession boundaries.
- If land has not yet been assessed for its suitability for palm oil, it may be uncertain that it will be developed.
- Changes in land areas due to new plantings and development mean that companies need to update figures regularly.
- There is a perceived risk that public disclosure of maps by companies may lead to the exploitation of areas (such as conservation areas by poachers).

²Levicharova, M., Thoumi, G., & Wakker, E. 2017. Indonesian palm oil's stranded assets: 10 million football fields of undevelopable land. Washington, DC: Chain Reaction Research. Available from: chainreactionresearch.com/reports/felda-global-ventures-fgvmk/

³Caldecott, B., Dericks, G., & Mitchell, J. 2015. Stranded assets and subcritical coal: The risk to companies and investors. Oxford, United Kingdom: Stranded Assets Programme, Smith School of Enterprise and the Environment, University of Oxford. Available from: smithschool.ox.ac.uk/research-programmes/stranded-assets/SAP%20Report%20Printed%20Subcritical%20Coal%20Final%20mid-res.pdf

⁴Rijk, G., Steinweg, T., & Thoumi, G. 2017. Indonesia's palm oil landbank expansion limited by proposed moratorium and NDPE policies. Washington, DC: Chain Reaction Research. Available from: chainreactionresearch.com/reports/indonesias-palm-oil-landbank-expansion-limited-by-proposed-moratorium-and-ndpe-policies/



Best practice for landbank and maps

To meet reporting best practice in relation to landbank, there are several steps that palm oil companies should follow:

- Provide regular, consistent reports of areas of land under management, clearly defining each area reported and the date.
- Report data which, as a minimum, should include:
 - total landbank
 - planted areas
 - unplanted areas for future development
 - areas set-aside for conservation
 - areas for infrastructure
 - scheme smallholder/plasma areas
 - number of mills
- Publish up-to-date maps of their estates, scheme smallholder/plasma areas and mills on a publicly available platform, such as Global Forest Watch (globalforestwatch.org).

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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