



4. Deforestation

SPOTT indicators: Does the company disclose...

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| 24) Commitment to address deforestation? | 27) Criteria for defining deforestation? |
| 25) Commitment to zero deforestation? | 28) Evidence of monitoring deforestation? |
| 26) Deforestation commitment applies to scheme smallholders and independent suppliers? | |

Relevant SDGs



Context

Oil palm plantation development has been associated with tropical deforestation, posing a major threat to important habitats and species.

Deforestation threatens critical ecosystem services provided by forests at local, regional and global scales, including food security for forest-dependent communities, fresh water provision, nutrient cycling, and carbon sequestration. The conversion of forests to oil palm plantations has repercussions for palm oil companies, buyers and investors. In addition to the critical climate risks associated with deforestation, extensive coverage of deforestation issues by the media and NGOs shows that unsustainable practices by companies can cause reputational damage. Furthermore, companies associated with deforestation may face suspension from certification schemes, thus restricting market access. An increasing number of buyers with No Deforestation policies signals the increased demand for palm oil that is not linked to the conversion of forests.

Obligations and expectations

Forests and their exploitation, including their conversion to agricultural land, are governed by law. If the relevant permits have not been acquired, deforestation is considered illegal. Many buyers and capital providers have not only committed to cutting ties with illegal forest operators, but also have policies that ban financing for companies involved in deforestation.² In April 2017, the European Parliament adopted a report that calls on the Commission to phase out the use of palm oil driving deforestation by 2020.³ As of 2017, legislators are working on amendments to EU law to make the motion legally binding.

Glossary

Deforestation

The process that converts forest land to non-forest development.¹

No (net) deforestation

Allows for the clearance or conversion of forests in one area as long as an equal area is replanted elsewhere, or uses rational land use planning that allows for some conversion. Acknowledges that some forest loss could be offset by forest restoration such as through purchasing REDD+, offsets or mitigation banking.

Zero (gross) deforestation

Prohibits the conversion of all existing forestland and therefore gives no weight to compensatory gains in forest cover made elsewhere.

¹IPCC. 2012. Renewable Energy Sources and Climate Change Mitigation Special Report of the Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge, UK and New York, USA.

²HSBC Tightens Standards on Lending to Palm Oil Industry. 2017. Financial Times. Feb 20. [Accessed August 25, 2017]. Available from: [ft.com/content/53376c78-f76a-11e6-bd4e-68d53499ed71?mhq5j=e1](https://www.ft.com/content/53376c78-f76a-11e6-bd4e-68d53499ed71?mhq5j=e1)

³European Parliament. 2016. Report on Palm Oil and Deforestation of Tropical Rainforests (2016/2222(INI)). Committee on the Environment, Public Health and Food Safety.

ZSL: Taking No Deforestation commitments forward

"Following the adoption of the New York Declaration on Forests (NYDF) in September 2014, which outlined global goals to protect and restore forests and end forest loss, many palm oil companies – and even more of their direct and indirect buyers – have made explicit No Deforestation commitments. However, three years on, some palm oil companies provide little visibility of the effective implementation of these commitments to their stakeholders: while only 22% of companies assessed on SPOTT lacked a commitment to address deforestation, 41 of the 50 companies assessed lacked evidence of effective monitoring of deforestation. Improved reporting is crucial to help stakeholders understand if companies are indeed taking the necessary steps to follow through on their commitments to address deforestation.

"Additionally, companies need to ensure that they have the adequate policies and processes in place, to avoid externalizing their impacts on forests elsewhere in the supply chain. They can do so by extending their No Deforestation commitments and policies to all of their third party suppliers, and by supporting and monitoring their implementation. As of June 2017, 24 companies out of 50 assessed on SPOTT had not extended their commitment to address deforestation to both scheme smallholders and independent suppliers."

**Chris Eves, Forestry Officer
ZOOLOGICAL SOCIETY OF LONDON**

Challenges

- There is a lack of clarity of how forests, deforestation and no deforestation are defined. What constitutes "forest" land is not always well-defined, namely in terms of reference to timeframe, area, origin, legality, structure, and conservation value. Various approaches to no deforestation have been developed, using different definitions (e.g. HCV, HCS), which creates confusion for those who make commitments, and for those implementing and evaluating these commitments. There is a need for more transparent and detailed definitions to add clarity to no-deforestation pledges.
- Monitoring deforestation (e.g. by examining tree cover loss) may be challenging for growers as technology and expertise are required, so extensive training of employees and suppliers may be needed.
- Government agencies may revoke permits if companies are not seen to be maximising the productivity of the land (i.e. developing the land for palm oil cultivation). It is therefore pertinent that companies engage with the government and other stakeholders on their deforestation commitments.
- It may be difficult to ensure that suppliers adhere to the same standards.
- Neighbouring communities may contribute to deforestation within companies' concessions, and companies may lack capacity to manage such situations.



Best practice for addressing deforestation

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

- The first step to achieving no deforestation is to adopt a robust no deforestation commitment and make the details transparent, including the vegetation strata that fall within the scope of the commitment.
- To effectively monitor the implementation of a no deforestation commitment, companies should monitor and disclose annual tree cover loss using a stringent monitoring system such as spatial monitoring.
- Any no deforestation commitment should follow a predictable, clear and time-bound implementation plan.
- Collaboration with neighbouring communities may help to monitor and prevent tree cover loss.
- Engagement with authorities, local and international NGOs, multi-stakeholder working groups, certification standards and initiatives such as the RSPO and other experts, helps companies stay up-to-date with recent developments as deforestation is a complex issue that should take into account diverse perspectives.

Recommended resources

- Lake, S and Baer, E. 2015. What does it really mean when a Company Commits to “Zero Deforestation”? WRI. [Accessed 25 August 2017]. Available from: wri.org/blog/2015/05/what-does-it-really-mean-when-company-commits-%E2%80%9Czero-deforestation%E2%80%9D
- Van Ast, L. & Mulder, I., eds. 2015. Bank and Investor Risk Policies on Soft Commodities – A Framework to Evaluate Deforestation and Forest Degradation Risk in the Agricultural Value Chain. UNEP, Natural Capital Declaration, and Global Canopy Programme. Available from: [naturalcapitalfinancealliance.org/documents/wgi/NCD%20-%20SOFT%20COMMODITIES%20RISK%20\(FULL\).pdf](http://naturalcapitalfinancealliance.org/documents/wgi/NCD%20-%20SOFT%20COMMODITIES%20RISK%20(FULL).pdf)

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 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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