From disclosure to engagement

A guide to the SPOTT indicator framework for assessing palm oil producers and traders
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Foreword

Since 2014, SPOTT has provided in-depth assessments of palm oil companies’ commitments and policies for stakeholders in the financial sector who use our benchmarked company information to identify where palm oil companies are performing well and where concerns need addressing.

Driven by user feedback, SPOTT has evolved to encompass more environmental, social and governance (ESG) issues across 125 indicators covering 10 different categories. Our assessments have also expanded in depth to incorporate more data relating to implementation, and in breadth to cover more companies and more commodities.

What have we learnt in the last three years of tracking companies ESG policies and commitments?

Firstly, there is a growing demand for the kind of ESG information highlighted in SPOTT assessments, which needs to be coherent, comparable, and sector-specific. The push for greater transparency and corporate disclosure is no longer the sole concern of environmental and social NGOs. It is now driven by demand from a financial sector which has become more aware of the financial, operational, environmental and social risks posed by non-financial issues in commodity production.

Secondly, we have observed that, during the engagement periods preceding the online publication of SPOTT assessments, we have seen more companies respond and show interest.

Finally, over the multiple iterations of our assessments, we have seen the needle move and we have documented progress. While the average score was less than 30% in June 2014, it reached 47% in June 2017, with more than 10 companies scoring over 65% in the last round of assessments. Not unexpectedly, those companies that have been open to engagement and make further disclosures, are the ones whose transparency scores increased most over time.

By providing clarity on reporting expectations, this guide supports palm oil companies to make the internal business case for improving management, monitoring and disclosure of sustainability policies and processes. This guide contextualizes some of the palm oil industry’s biggest impacts, voices stakeholder expectations and shares best practices on key topics facing the sector, such as traceability, sustainability policy and leadership, labour, community rights, chemical and pest management, High Conservation Values (HCV) and High Carbon Stock (HCS).

We hope that this guide will support further disclosure and inform engagement, so that NGOs, investors and companies can collaboratively address sector-wide sustainability challenges.

Joyce Lam, SPOTT Manager
ZOOLOGICAL SOCIETY OF LONDON
Transitioning to a sustainable palm oil industry

As a global insurer and investor, we are acutely aware that the investment we make today will influence the world we live in tomorrow.

While flying across the Indonesian island of Sumatra, on an investor palm oil trip, it struck me that the vista from my window would have been very different twenty years ago. Large areas of tropical forest, and other ecosystems with high conservation values, have been cleared to make way for a vast monoculture. The palm oil industry is a major employer and export earner for Indonesia, but the social and environmental costs have been immeasurably high.

Against a backdrop of the haze, unprecedented consumer boycotts, legal action, fines and tighter regulation and the suspension of RSPO members, the reputation of the palm oil industry fell to a new low in recent years. For me, a front page photo in the Singaporean newspaper, The Straits Times, captured the moment. The image showed a supermarket removing products by a Jakarta-based pulp and paper firm from its shelves to put pressure on companies deemed to have played a role in the haze.

Encouragingly, a number of large palm oil players have pledged to end their involvement in deforestation and the burning of peat altogether. There is still much work to do, however. These companies face substantial challenges in pursuit of their goals, and others have yet to sign up to such a commitment.

We hold the high calibre content in ZSL’s SPOTT indicator framework in the upmost esteem as part of investee engagement activities as well as integrating it into our financial analysis. We commend this comprehensive guide to all stakeholders with an interest in palm oil as a catalyst towards a more sustainable industry.

It is to be hoped the transition to a sustainable palm oil industry expands and accelerates, not least because time is running out for some well-loved and iconic species. It would be a great shame if the orangutan and Sumatran tiger followed the dodo into extinction.

Abigail Herron, Global Head of Responsible Investment
AVIVA INVESTORS
The palm oil industry is closely tied to our food system and contributes to feeding the world’s population. While some companies’ operations have been associated with significant environmental damage and human rights abuses, oil palm cultivation is an important contributor to many national economies. Palm oil companies are well-placed to provide fair employment, infrastructure, healthcare or education opportunities to their extensive workforces and their families.

The private sector has a crucial role to play in the fulfilment of the Sustainable Development Goals (SDGs) and stakeholders in the palm oil supply chain need to continue to look beyond the bottom line. Going forward, how can the critical negative impacts be addressed and positive impacts enhanced in a sector operating in diverse contexts and vast landscapes?

SPOTT helps companies align their policies with societal expectations, and benchmark their practice against their peers. By laying out an ambitious vision shared by multiple stakeholders, SPOTT’s indicator framework supports the palm oil sector in contributing to the fulfilment of the SDGs in the coming years. The graphic below shows the alignment between the 10 SPOTT indicator categories and the SDGs.
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SPOTT assessment methodology

ZSL has developed SPOTT in consultation with companies, their investors and buyers, and other experts in the palm oil industry. SPOTT provides the company- and sector-specific data required to monitor, assess and manage the sustainability risks associated with palm oil production.

Companies do not report information directly to ZSL to inform their SPOTT assessments. Rather, ZSL conducts a thorough review of publicly available reports and publications (including parent and subsidiary company websites, annual and sustainability reports, presentations and the websites of initiatives), before contacting companies with their draft assessments.

This engagement process offers companies an opportunity to improve on their public disclosure ahead of the final review and publication of all the assessments on the SPOTT website.

SPOTT indicators

SPOTT’s scorecard currently features assessments for some of the world’s largest palm oil producers against 125 indicators on their operational disclosure and commitments to environmental and social best practice in the following areas:

- **Sustainability policy and leadership**
- **Peat, fire and GHG emissions**
- **Landbank, maps and traceability**
- **Community, land and labour rights**
- **Deforestation and biodiversity**
- **Certification standards**
- **HCV, HCS and impact assessments**
- **Smallholders and suppliers**
- **Water, chemical and pest management**
- **Governance and grievance**
Certification and best practice

Given the high environmental and social risks posed by unsustainable practices in the palm oil industry, voluntary certification standards and initiatives have been established to support more sustainable production. The requirements of these schemes set out best practices on the ground in relation to the sustainability topics addressed throughout this guide.

The main sustainability initiatives in the palm oil sector include:

- **The Roundtable on Sustainable Palm Oil (RSPO)** is the dominant sustainability standard for palm oil. It is a multi-stakeholder initiative setting out Principles and Criteria (P&C) for sustainable production against which companies are audited and certified.

- **The Palm Oil Innovation Group (POIG)** is an initiative between environmental and civil society organisations and industry companies that aims to build upon the RSPO Principles and Criteria (P&C) and existing company commitments – especially on issues of deforestation, carbon stocks, biodiversity, greenhouse gas (GHG) emissions, pesticide use and social relations. POIG members argue that the additional requirements help to bridge the gap between producers and consumer companies that have made “No Deforestation” commitments.

- **The International Sustainability and Carbon Certification (ISCC)** certifies the biomass and bioenergy industries, and focuses on greenhouse gas emissions reduction, sustainable land use, protection of the biosphere and social sustainability.

- **The Rainforest Alliance (RA) and Sustainable Agriculture Network (SAN)** operate a global system for certifying the sustainability of farms in various sectors.

- **The Roundtable on Sustainable Biomaterials (RSB)** encourages the sustainable production of biofuels and other biomaterials.

- **RSPO NEXT** is a voluntary commitment that builds upon the existing RSPO P&C and incorporates tighter standards, with guidelines relating to deforestation, fire, peat, human rights and landscape approaches, among other issues. These are measured through a combination of reviewing company policies and on-the-ground verification. This additional assessment gives member companies the opportunity to go beyond the requirements of the RSPO and demonstrate a stronger commitment to environmental and social responsibility.

National standards have also emerged. The **Indonesian Sustainable Palm Oil (ISPO)** system, which is mandatory, and the **Malaysian Sustainable Palm Oil (MSPO)** certification scheme (to be mandatory by 2019) have been developed to address palm oil industry sustainability at the national levels. The most significant difference between the RSPO, and the ISPO and MSPO is the inclusion by the RSPO of directives on business practices and plantation management, requiring a commitment to transparency and ethical conduct in business operations and transactions.¹

The ongoing improvement of standards can be supported by multiple stakeholder groups to ensure that initiatives are robust and fit-for-purpose. The Amsterdam Declaration in Support of a Fully Sustainable Palm Oil Supply Chain by 2020 was signed by Norway, France, Germany, Netherlands, Norway and the UK, and encourages all stakeholders to support the improvement and further development of sustainability standards towards sustainable palm oil production.

Alignment of the SPOTT Indicator Framework

The development of the indicator framework used to assess companies on SPOTT has been informed by requirements contained in standards and initiatives such as RSPO, POIG, ISCC, RSB, MSPO and ISPO.

The indicator framework has also been developed in consultation with companies, investors and other key stakeholders to understand how the issues addressed in the certification standards can be publicly reported in a meaningful way. This in turn gives investors and buyers confidence that companies are demonstrating good governance.

The SPOTT indicators can help to meet the requirements of the following self-reporting sustainability initiatives:

- CDP Forest, Climate Change and Water Questionnaires 2016
- Global Reporting Initiative (GRI) Sustainability Reporting Standards 2016
- Reporting Guidance for Responsible Palm 2017
- Roundtable on Sustainable Palm Oil Annual Communication of Progress (RSPO ACOP) 2017
- United Nations Global Compact (UNGC) Self-Assessment Tool

1. Sustainability policy and leadership

**SPOTT indicators: Does the company disclose...**

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

**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.\(^2\)

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

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.

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
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

2. Landbank and maps

SPOTT indicators: Does the company disclose...

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

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 ZSL\(^1\) 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.

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 or years, at which point they need to be renewed and/or reallocated.

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.

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.

### 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).

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**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](http://globalforestwatch.org)).
3. Traceability

**SPOTT indicators: Does the company disclose...**

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>Traceability to plantation level?</th>
</tr>
</thead>
<tbody>
<tr>
<td>16)</td>
<td>Number and names of supplier mills?</td>
<td>Yes/No</td>
</tr>
<tr>
<td>17)</td>
<td>See factsheet 2. Landbank and maps.</td>
<td>Yes/No</td>
</tr>
<tr>
<td>18)</td>
<td>See factsheet 2. Landbank and maps.</td>
<td>Yes/No</td>
</tr>
<tr>
<td>19)</td>
<td>Time-bound commitment to achieve 100% traceability to mill level?</td>
<td>Yes/No</td>
</tr>
<tr>
<td>20)</td>
<td>Time-bound commitment to achieve 100% traceability to plantation level?</td>
<td>Yes/No</td>
</tr>
</tbody>
</table>

**Context**

Traceability is an important component in the implementation of sustainable sourcing commitments as it links palm oil products with palm oil production on the ground. Traceability allows a company to understand where it sources palm oil from, what the associated impacts on the ground may be and consider potential interventions. It is relevant to palm oil companies who purchase fresh fruit bunches (FFB) from smallholders, to traders and buyers who might buy palm oil in various forms from growers, as it allows them to prioritise areas associated with high environmental risk.

It is important to recognise that, while traceability is a necessary first step in ensuring sustainability and the effective implementation of company policies, traceability in itself does not equate to sustainability. Palm oil producers can facilitate traceability, the verification of sustainability claims, and the fulfilment of commitments by increasing the transparency of their operations, including regarding the location of their plantation and mill sites. In turn, this can demonstrate to buyers and investors that companies are employing good governance, due diligence, leadership and openness.

**Obligations and expectations**

While there are no legal requirements related to the traceability of palm oil, companies suggesting or stating that their supply chains are ‘deforestation free’ or entail ‘zero deforestation’ when this is false or misleading or where no sufficient evidence can be produced, may be liable to claims under EU consumer protection law and similar legislation in other jurisdictions.

Several European governments (Denmark, France, Germany, Netherlands, Norway, UK) and sector organisations (e.g. Belgian Alliance Sustainable Palm Oil, Danish Food and Drink Federation Initiative) signed the Amsterdam Declaration in December 2015. The signatories are committed to support 100% sustainable palm oil in Europe by 2020, with one of the actions focussing on “supporting and participating in developments in the area of traceability, leading to a more transparent and sustainable palm oil supply chain.”

**Glossary**

**Traceability**

IDH defines traceability\(^1\) as ‘knowing all palm sources within one’s supply chain all the way to plantation level (including smallholders), and traceability to mill as an intermediary step in achieving full traceability. In this context traceability is not a chain of custody concept and traceable is not the same as segregated’.

**Segregated**

Certified palm oil is kept segregated from non-certified palm oil, but is blended with other batches of Certified Sustainable Palm Oil (CSPO) and cannot be traced back to a specific plantation.

**Identity Preserved**

CSPO is kept segregated from all other sources (certified and non-certified) and a batch of certified palm oil can be traced from plantation to factory to retailer.

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Challenges

• The definition of ‘traceability’ used by a company is important. ‘Traceable’ may mean either that palm oil can be traced back to where it first entered the supply chain at a mill or primary processor, or it may mean ‘traceable’ back to the original farm or plantation.

• Achieving traceability poses significant challenges for companies, particularly for traders and downstream players who try to establish traceability back to mill or plantation level. This is due to: (1) the complexity of the palm oil supply chain and (2) confidentiality. Therefore, to a certain extent, downstream players rely on their suppliers’ own traceability efforts.

• The palm oil supply chain is complex, involving multiple layers of suppliers: palm oil producers (from large plantation companies to smallholders), crushers, refineries, traders, processors, manufacturers and retailers. Mixing of palm oil and palm oil products may occur at each of these different stages in the supply chain, making traceability difficult to achieve.

• Confidentiality: direct suppliers may be unwilling to disclose detailed information to their customers about whom they buy from and how much they buy, as this is commercially sensitive information. Suppliers may not wish for their customers to by-pass them, making traceability difficult. It may therefore be necessary to involve a third party, bound by a confidentiality agreement, so that commercial information is not passed on.

M&S: An approach to traceability

"The palm oil supply chain is highly complex, and as retailers we are far removed from upstream producers and specific plantations. In partnership with other retail companies we measure and monitor progress made by processors and importers against their own commitments. We then evaluate how well these align with M&S policies and commitments on sustainable, deforestation-free palm oil. As a buyer, we rely on clear and transparent reporting right through the supply chain to provide us with confidence that suppliers are making effective progress in achieving their traceability targets."

Fiona Wheatley, Plan A Sustainable Development Manager
MARKS AND SPENCER
**Best practice for traceability**

For companies that only source from their own mills and plantations, traceability should be straightforward; however, for companies that also buy from growers and smallholders, tracing back to mills and/or plantations is more difficult. There are several steps that palm oil buyers should follow to implement best practice:

- Companies should engage with their direct suppliers. The conversation should start with companies explaining their sustainability commitments and clarifying the need for traceability.
- Supplier workshop and/or webinars should be arranged to help suppliers understand the concept of traceability and what is required to fulfil a company’s requirements.
- Palm oil companies should start gathering information from their direct suppliers on where they source their palm oil and palm oil products from.
- Companies should analyse supply chain maps and categorise palm oil sources. For example, as a first step, any product that can be traced back to the producer, or the originating mill, can be considered a “known source.”
- It is important to prioritise interventions in high impact sourcing areas for improvement. This can include working with suppliers to identify “unknown sources” or conducting field visits to validate information from high risk sources.

**Recommended resources**

4. Deforestation

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. 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. 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.

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


5. Biodiversity

SPOTT indicators: Does the company disclose...

29) Commitment to set aside areas for conservation?
30) Evidence of habitat management and/or habitat restoration?
31) Landscape-level approach?
32) Commitment to biodiversity conservation?
33) Commitment to not endanger species of conservation concern, referencing international or national system of species classification?
34) Commitment to no hunting or only sustainable hunting of species?
35) Commitment not to operate within internationally and nationally designated protected areas?
36) Evidence of species conservation?

Context

As well as its intrinsic value, biodiversity is fundamental to human livelihoods and wellbeing. Biodiverse tropical rainforests provide ecosystem services such as nutrient cycling, water purification and climate regulation, which are crucial on a global scale.²

The conversion of forests to oil palm plantations poses a significant threat to biodiversity [for more details, see the Deforestation factsheet]. Impacts include the degradation or destruction of habitats, species being threatened, and an increase in human-wildlife conflicts. Research shows that plantations support less biodiversity than primary tropical forest or even timber concessions or plantations.³ According to the IUCN’s Red List,⁴ species such as the Sumatran tiger and Bornean and Sumatran orangutan – whose habitats are impacted by palm oil production – are already critically endangered.

The protection and conservation of biodiversity is vital to maintain the livelihoods of local communities that may use forests for food, medicine or social/cultural purposes. Loss of biodiversity can, therefore, have significant impacts on the quality of life of communities.⁵

Given the critical environmental and social impacts associated with biodiversity loss, it is crucial that plantation operators adopt policies that minimize risks to biodiversity and ensure that species can maintain their presence in and around plantations [for more details see factsheet 6 on HCV, HCS and impact assessments].

Obligations and expectations

The sustainable use of biodiversity is enshrined in the Convention on Biological Diversity (CBD), ratified by 196 states. Additionally, many species are given protection status under national and international laws and regulations, and protected areas are being legally designated to protect habitats and species. An example of a national law implementing the CBD is the Costa Rican Ley N° 7788

Glossary

Biodiversity

The Convention on Biological Diversity⁶ defines biodiversity as the ‘variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems’ (CBD Article 2). Biodiversity is necessary for the maintenance and provision of ecosystem services - the direct and indirect contributions of ecosystems to human wellbeing.

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The protection of biodiversity is also included in numerous policies of financial institutions and in the sourcing policies of many buyers.

**Challenges**

- A landscape approach is not simple to define, and companies need to clarify their own definition and approaches, which may lead to inconsistency and confusion for stakeholders.
- Identifying and monitoring species of conservation concern requires time and resources.
- Restoration efforts require effective planning, management and monitoring which require significant resources and expertise.
- The current focus on deforestation associated with the palm oil industry may shift attention away from other forms of habitat degradation.
- Set-aside conservation areas are often only preserved and may not be actively managed or improved to support biodiversity.
- Some species merely pass through plantations. Specific policies are required to address how companies deal with these species.

**Best practice for the conservation of biodiversity**

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

- Companies should refer to an internationally recognized system of species classification, such as the IUCN Red List, and commit to not impact populations of threatened species (e.g. Critically Endangered (CR), Endangered (EN) or Vulnerable (VU)) (IFC PS6 lists CR and EN), and adhere to a mitigation hierarchy.
- World Heritage sites, Ramsar wetlands, and nationally designated protected areas should be protected and systematically avoided by oil palm plantation development.
• Companies should actively monitor and manage set aside conservation areas to avoid degradation and to help increase biodiversity, for example, using the outputs of the Spatial Monitoring and Reporting Tool (SMART) monitoring indicators.

• Companies should commit to sustainable hunting practices, to stop poaching and trafficking of wild-caught species. Such a commitment should be implemented in cooperation with law enforcement agencies and NGOs.

• Human-wildlife conflict should be prevented as much as possible, for example by conserving and creating wildlife corridors.

• Engagement with local communities and suppliers on biodiversity conservation can support the identification of priority areas and help with biodiversity protection throughout the supply chain.

• Adopting Integrated Pest Management (IPM) practices helps conserve biodiversity by reducing chemical usage and natural species provide valuable services (e.g. pollination, natural enemies for pests).

• Companies are encouraged to partner with research institutions to help better understand levels of biodiversity of oil palm plantations and how to effectively undertake restoration and management actions to help increase biodiversity.

Recommended resources

6. HCV, HCS and impact assessment

**SPOTT indicators: Does the company disclose...**

37) Commitment to the High Conservation Value (HCV) approach?
38) HCV commitment applies to scheme smallholders and independent suppliers?
39) Commitment to only use licensed High Conservation Value (HCV) assessors accredited by the HCV Resource Network’s Assessor Licensing Scheme (ALS)?
40) High Conservation Value (HCV) assessments for planting undertaken prior to January 2015, and associated management and monitoring plans?
41) High Conservation Value (HCV) assessments for all estates planted since January 2015?
42) High Conservation Value (HCV) management and monitoring plans for all estates planted since January 2015?
43) Satisfactory review of all High Conservation Value (HCV) assessments undertaken since January 2015 by the HCV ALS Quality Panel?
44) Commitment to the High Carbon Stock (HCS) Approach?
45) High Carbon Stock (HCS) assessments?
46) Commitment to conduct social and environmental impact assessments (SEIAs)?
47) Social and environmental impact assessment (SEIAs) undertaken, and associated management and monitoring plans?

**Context**

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. As the palm oil industry often operates in highly biodiverse, carbon-rich landscapes that are critical for local and indigenous peoples, these assessments are instrumental to companies’ due diligence processes, and contribute to the implementation of commitments regarding no deforestation, greenhouse gas emissions and local communities’ rights. 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.

HCV, HCS and impact assessments are designed to mitigate the significant sustainability risks associated with new oil palm plantation development. While the costs of re-siting or mitigating development can be high, the loss of biodiversity resulting from damage to habitats can be irreversible.

**Obligations and expectations**

In many countries, variations of SEIAs are required under national laws and regulations prior to new development. In Indonesia, for example, an environmental impact assessment (AMDAL) must be conducted prior to obtaining a plantation business permit and in Nigeria, environmental impact assessments must be carried out before undertaking any project that may have an effect on the environment, in accordance with the Environmental Impact Assessment Decree (no 86 of 1992). Additionally, conducting HCV assessments using the HCV Approach and HCVRN ALS assessors are a requirement of the RSPO New Planting Procedure (NPP).

**Glossary**

**High Conservation Value (HCV) approach**
The ongoing process of identifying, managing and monitoring biological, ecological, social or cultural values of critical importance at the national, regional or global level. There are six types of HCV: HCV 1: Concentrations of biological diversity; HCV 2: Landscape-level ecosystems and mosaics; HCV 3: Rare, threatened, or endangered ecosystems, habitats or refugia; HCV 4: Basic ecosystem services; HCV 5: Sites and resources fundamental for satisfying the basic necessities of local communities or indigenous peoples; HCV 6: Values of national cultural, archaeological or historical significance.¹

**High Carbon Stock (HCS) approach**
The High Carbon Stock methodology evaluates the quantity of carbon in a “pool”, meaning a reservoir or system with the capacity to accumulate or release carbon. This can help to distinguish forest areas needing protection from degraded lands with low carbon and biodiversity values that may be developed.²

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Olam’s approach to new developments

“Today, the world has breached 4 out of 9 planetary boundaries; there is clear pressure to increase food production efficiently by 70% to feed 9.8 billion people by 2050. As we develop new operations in Africa, Olam has a unique position to drive industry transformation.

“First of all, there is clear direction from our top leadership and our shareholders on the way we develop in new frontiers. It ensures our profitable growth is ethical, puts environmental stewardship firmly into our decision-making process and unlocks mutual value for communities.

“Resources and expertise are built internally to ensure successful implementation, it includes time and budget planning during the initiation phase to ensure credible studies are conducted to inform any land use decision. During monitoring, we are partnering with external organizations including international or national NGOs, government agencies and various research institutions to help to raise our standard continuously and find solutions to various challenges. For example in Awala and Mouila, all new planting areas are designed based on various studies including HCV, FPIC process’ and high resolution LiDAR mapping. Approximately half of these concessions will be managed for conservation and community use as recommended by various studies. These conservation areas are also connected to a larger landscape and a monitoring program has been established.

“Continuous engagement with the communities to ensure communication on implementation of progress of the social contracts are reported to the self-elected committee by villagers. This has resulted in the establishment of a climate positive, ecologically and socially integrated new palm development in Gabon.”

Audrey Lee Mei Fong, General Manager, Sustainability
OLAM PALM AND RUBBER

Challenges

• There is a lack of recognition of HCV areas by governments. In certain jurisdictions, companies have an obligation to develop land which does not recognise the need to set areas aside for conservation. If the area has been granted to a palm oil company for development, it may be reclaimed by the government.

• Making full HCV assessments publicly available may expose sensitive information relating to local and indigenous communities, or to species that are susceptible to poaching. In such cases, publishing summaries is good practice.

• The cost of contracting assessors to undertake HCV, HCS, and SEIA assessments is significant, and falls upon upstream companies.

• The quality of HCV, HCS and SEIA assessments undertaken by assessors can vary significantly.

• Companies have limited internal resources and capacity for ongoing management and monitoring, and for incorporating assessments findings into management processes and Standard Operating Procedures (SOPs).
Best practice for HCV, HCS and impact assessments

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

- HCV, HCS and SEIA assessments should be conducted prior to any new development.
- Companies should consider “no development” options in high-risk scenarios.
- Companies should ensure that high-quality assessments are conducted, using assessors accredited by the HCVRN ALS, and that recommendations are followed by incorporating them into management plans and Standard Operating Procedures (SOPs).
- Adaptive management: companies should review assessments and management processes periodically and use updated information to inform management and monitoring.
- HCV, HCS and SEIA assessments require participatory processes with affected peoples, and should involve long-term processes of engagement.
- Companies should engage with government authorities on HCV, HCS and SEIA requirements.
- Disclosure of assessment approaches, and monitoring and management summaries provide confidence to interested stakeholders that companies are conducting assessments and implementing commitments.

Recommended resources

SPOTT indicators: Does the company disclose...

48) Commitment to no planting on peat of any depth?
49) Peat commitment applies to scheme smallholders and independent suppliers?
50) Commitment to best management practices for soils and peat?
51) Landbank or planted area on peat (ha)?
52) Evidence of best management practices for soils and peat?

Context

Peat soils\(^1\)\(^2\) provide 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 their role in carbon sequestration. These peat soils are sometimes drained and burned to clear the area for palm oil plantations, releasing large amounts of methane and carbon into the atmosphere. It is estimated that exposure to the severe haze episodes of 1997 resulted in 2.5 million lost work days in Indonesia alone.\(^4\)

Haze-related issues have caused several governments in South East Asia to take measures to prevent haze and protect peat which are likely to affect companies operating in peat-rich areas. Besides this, toxic smog causes health problems at a regional scale, can reduce palm oil yields through damage to harvests, and cause transport disruptions.

Other risks associated with draining peatland include flooding and soil subsidence which can also negatively affect a company’s operations and the long-term viability of specific concessions [for more details see factsheet 8 on fire].

Obligations and expectations

In 2015, Indonesian President Joko Widodo enacted a peatland moratorium banning the clearance and development of peatlands. In 2016, the move was formalized through a revision of Regulation 71 of 2014 and includes a ban on peatland clearance, burning of peat, and building of new canals that would contribute to drainage. As of 2017, the Indonesian government is looking to adopt Regulation 57 of 2016 to strengthen obligations related to peatland management. In addition, many buyers and financial institutions have adopted No Deforestation, No Peat, No Exploitation (NDPE) policies which prohibit any business relationships with companies that are found to develop peatlands.

Glossary

Peat

Peat is defined by the International Peat Society as a heterogeneous mixture of more or less decomposed plant (humus) material that has accumulated in a water-saturated environment and in the absence of oxygen.\(^1\) The RSPO defines tropical peat soils (or histosols) as organic soils with 65% or more organic matter and a depth of 50 cm or more.

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Challenges

- The definition of peat is contested. Virtually all soils have organic matter and there is no agreed threshold of what depth of organic matter classifies as peat.

- Most of the publicly available peat maps for Malaysia and Indonesia are not accurate.

- Conflicting data can make mapping of different soil categories difficult.

- Companies may need to put in significant time and resources to create accurate maps.

- Implementing measures can be challenging and costly for companies to verify that suppliers and smallholders respect companies’ peat policies.

- The moratorium on development on peatland in Indonesia has created severe supply side constraints by limiting the land available for expansion.

- The expansion of NDPE policies is creating demand side constraints and financing requirements.

Best practice for peat preservation

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

- As a first step, companies should commit to not plant on peat regardless of depth.

- This commitment should apply, and be communicated to, smallholders and suppliers.

- To ensure consistency, a minimum depth threshold of organic soil that is classified as peat should be established.

- Companies should draw up peat maps based on their own soil analysis or should rely on other, more accurate peat maps.

- Companies that already have existing landbank on peat should refer to the RSPO Manual on Best Management Practices (BMPs) for Existing Oil Palm Cultivation on Peat for guidance.

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ZSL: Peat - A problem of depth

“One of the main challenges associated with the management of peat is the lack of a clear definition of peatland in relation to the percentage of decomposed plant material in the soil and the peat depth. This makes effective mapping time and resource intensive. Under less stringent definitions, swathes of peatland could go unaccounted for and therefore developed as regular land. Inappropriately managed peat releases significant carbon emissions while being drained for development, but also as it burns in the event of a fire.

“With a growing number of investors, buyers and consumer goods manufacturers adopting NDPE (No Deforestation, No Peat, No Exploitation) policies, inaccurate or lenient mapping and management of peat comes at a great risk for companies. To minimize this risk, palm oil companies should clearly report which definition of peat they use and should use the definition of peat adopted by the RSPO regardless of their membership or certification status.”

Izabela Delabre, Palm Oil Technical Advisor
ZOOLOGICAL SOCIETY OF LONDON
Recommended resources


8. Fire

Context

Forest fires occur frequently in oil palm growing regions and have been responsible for the destruction of large areas of forest and biodiversity. The risk of fires is particularly high in areas with peat soils as these are highly flammable, especially once drained for agricultural use. Uncontrolled fires are often the result of slash-and-burn practices, sometimes used to clear forest for agricultural development.\(^1\)

Besides biodiversity loss, emissions resulting from land clearance by burning are a major cause of air pollution. It is estimated that there were over 120,000 active fire alerts in Indonesia in 2015, compared to 80,000 in 2014.\(^2\) Fires have resulted in greenhouse gas (GHG) emissions of about 1.5 billion tonnes. Considering the negative effects on agriculture, forestry, trade, tourism and transportation, as well as short-term effects of the haze, the forest fires of 2015 incurred costs estimated at $16bn to the Indonesian economy, equal to about 1.9% of its GDP.\(^3\)

Concerns over climate impacts and the damaging effects of fires and haze have driven increased pressure on the paper and palm oil industries by governments. Policies to prohibit the use of fire to clear land and to monitor hotspots, as well as measures to implement these policies, are instrumental to a company’s compliance and risk mitigation efforts. Such policies are also vital to protecting biodiversity and controlling GHG emissions [for more details see factsheet 5 on Biodiversity and factsheet 9 on Greenhouse gas emissions].

Obligations and expectations

In 2014, Singapore enacted the Transboundary Haze Pollution Act which stipulates that anyone who causes or contributes to haze in Singapore can be held criminally responsible even if a company is based outside the country. In response to an increase and severity in fire instances, the Indonesian government issued the Presidential Decree 15 of 2015, requiring provinces and regencies to develop their own regulations to improve fire prevention. As of 2017, one such regulation is being developed in Riau.

Many buyers of palm oil and financial institutions have put in place No Deforestation, No Peat, No Exploitation (NDPE) policies which prohibit...

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the purchase or financing of soft commodities causing deforestation at the production level. Companies that use fire to clear forest for agricultural development may therefore be excluded by these buyers or banned from acquiring capital.

**ZSL: Reporting on the delivery of fire commitments**

"Many palm oil companies have shown signs of heeding increased pressure and scrutiny from governments and stakeholders following 2015’s severe fire and haze crisis. This progress has been visible namely through the increased disclosure of fire prevention policies by companies, but also through increased reporting of specific implementation measures such as staff training and community outreach.

"Statistics released by Indonesia’s National Disaster Mitigation Agency (BNPB) released on 25 October 2017⁴ estimated that forest fire hotspots had fallen by more than 30% when compared to the same period in 2016.

"Nevertheless, the industry needs to do more to ensure the damaging crisis of 2015 is not repeated. While 41 out of the 50 companies assessed on SPOTT commit to zero burning, only 24 companies state that they monitor fires, indicating that more evidence is needed to demonstrate that companies are delivering on their commitments.”

Izabela Delabre, Palm Oil Technical Advisor

ZOOLOGICAL SOCIETY OF LONDON

**Challenges**

- Identifying the origin of fires can be difficult as they may ignite outside of a company’s concession and spread.
- Companies may not be at fault for a fire but can still be held responsible if it spreads into their land.
- It can be difficult for companies to identify fires as hotspot data is not always accurate.
- Whilst the practice of slash-and-burn is illegal in Indonesia, there is an exemption for smallholders who have traditionally used fire for clearing land.

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Best practice for fire reduction

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

- Commit to zero burning and adopt a zero burning policy.
- Adopt and publish policies including the development of a fire management plan.
- As fires may ignite outside a company’s concession, companies should engage with communities living around the concession and develop fire prevention and detection protocols with them.
- Set up a fire alert system and communicate daily reports to help companies get up-to-date information and act instantly.
- Train all employees on fire safety and ensure a designated firefighting force is on alert.
- Companies should record and report any occurrences of fires/hotspots to ensure adequate future management and monitor progress.
- To ensure compliance with the policy throughout the supply chain, companies should monitor suppliers and engage or exclude them if they are found to be in violation of the policy.
- Companies that operate in Indonesia can become members of the Fire Free Alliance, a voluntary initiative to share knowledge and resources on tackling fires.
- Companies can use Global Forest Watch (GFW) Fires which provides maps and summaries of current and recent fires and also provides fire alerts via email.

Recommended resources

9. Greenhouse gas emissions

SPOTT indicators: Does the company disclose...

58) Time-bound commitment to reduce greenhouse gas (GHG) emissions?
59) GHG commitment applies to scheme smallholders and independent suppliers?
60) GHG emissions?
61) GHG emissions from land use change?
62) Methodology used to calculate GHG emissions?
63) Progress towards commitment to reduce GHG emissions?
64) Percentage of mills with methane capture?

Context

Due to concerns over climate change, reporting of greenhouse gas (GHG) emissions has become expected from the corporate sector. Palm oil companies are responsible for GHG emissions, both from land development and their ongoing operations, such as the emission of methane during the treatment of palm oil mill effluent (POME). Considering that an estimated 10% of total global warming emissions are due to tropical deforestation, the industry’s most significant emissions are related to land use change such as the conversion of tropical forests and carbon-rich peatlands for palm oil development. Oil palm plantation expansion in Kalimantan alone is expected to contribute 18-22% of all Indonesia’s emissions by 2020. In recent years, many companies based in Indonesia have suffered reputational damage and faced governmental scrutiny due to fire and haze events. On several occasions during the 2015 haze season, Indonesia’s daily emissions from fire exceeded the average daily emissions generated by the entire US economy.

Strategies to identify and reduce emissions can not only reduce reputational risks for companies, but also future-proof them from change climate risks which could dramatically affect their operations such as extreme weather events, droughts and floods. They can also lead to the adoption of more efficient processes and new technologies, and result in wider identification of land suitable for palm oil development, such as degraded land.

Obligations and expectations

At a global scale, the United Nations Framework Convention on Climate Change (UNFCCC) aims to stabilise GHG emissions with 197 state parties. Its Kyoto Protocol legally requires developed countries to adopt emission reduction targets, while its Paris Agreement, which was ratified by over 160 countries as of 2017, requires parties to report and reduce their emission and put forward Intended Nationally Determined Contributions (INDCs).

Limits on greenhouse gas emitting activities are enshrined in many countries own legislation, with a 20-fold increase in the number of climate change laws since 1997. Such decisions can impact palm oil companies’ operations. As of 2017, Indonesia has a moratorium in place prohibiting new oil palm plantation.

Glossary

Greenhouse gases (GHGs)
Carbon dioxide, nitrous oxide, methane, ozone and chloro-fluorocarbons occurring naturally and resulting from human (production and consumption) activities, and contributing to the greenhouse effect and climate change.

licenses in primary forests and peatlands as part of its 2020 strategy for reducing emissions. Additionally, the RSPO requires members to monitor and reduce GHG emissions and to minimise GHG emissions from new plantation development. As of January 2017, public reporting of GHG emissions assessments from new plantings became mandatory for RSPO members.

Aviva Investors: Clear expectations on GHG disclosure and reductions

"Greenhouse gas emissions measurement and reduction have been at the core of environmental management practice for many years and are now one of the most mainstream types of non-financial disclosures.

"Financial markets are also demanding corporate disclosure of GHGs in order to better measure and mitigate the risks related to climate change. In 2017, to support the integration of this data into financial decision making, the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TFCD) issued a set of recommendations - including to the Agriculture, Food, and Forest Products sectors, namely in terms of GHG emissions and water use metrics.

"We at Aviva investors were represented on the TCFD task force by our Chief Responsible Investment Officer, Steve Waygood, and welcome the TCFD recommendation. We believe GHG emissions and water use reporting should be mandatory and will vote against businesses that do not report in line with the TCFD recommendations.

"Considering the environmentally intensive nature of palm oil companies’ operations and the availability of tools such as PalmGHG, measurement, reporting and reduction of emissions are no longer optional."

Abigail Herron, Global Head of Responsible Investment
AVIVA INVESTORS

Challenges

- Calculating GHG emissions and establishing a baseline to reduce emissions from operations and land use is a complex process.
- A lack of consensus on an agreed methodology for calculating emissions from land use change has so far presented a challenge to operations.
- Taking smallholder operations into account adds another layer of complexity to the calculations – however, the RSPO PalmGHG calculator v.3.0.1 is also designed for smallholders.
- Countries have different emissions targets and legislation, which can make it complex for companies operating in multiple countries to develop a coherent GHG emission reduction strategy.

Best practice for GHG emissions

There are several steps that a palm oil company should follow in order to implement best practice in relation to their GHG emissions:

- Companies should identify sources of greenhouse gas emissions in their operations and calculate their emissions using an internationally recognised methodology.
- Emissions from both historical and more recent land use change and peat oxidation should be accounted for in a company’s calculations as these are significant sources of GHG emissions.
Develop targets for reducing GHG emissions from an established baseline, and clearly state the scope and timeframe of targets.

Adopt strategies for reducing GHG emissions which should include avoiding clearing high carbon areas, as defined using the High Carbon Stock (HCS) Approach, and establishing methane capture in all mills.

Publicly report GHG emissions together with details on progress towards targets.

For RSPO members, public reporting of GHG emission assessments for new planting is mandatory.

Companies can also disclose their carbon emissions reductions with organisations such as CDP.

Recommended resources


Example: Downstream commitments matter

Because they impact the whole supply chain, the commitments made by downstream users of palm oil come as a strong signal of expectations of upstream companies. Corporate objectives regarding GHG emissions reductions cannot be met without engaging upstream stakeholders – as stated by Kené Umeasiegbu, Tesco’s Head of Climate Change and Sustainable Agriculture on the company’s website:

“As a food retailer, our supply chain and long-term business success depend on the health of the natural environment. Following the Paris Climate Agreement, we worked with external experts to set new, science-based targets which are aligned with a 1.5 degree trajectory and enable us to meet our zero-carbon ambition. Our new targets are to achieve absolute reductions, based on 2015 levels, of:

- 35% by 2020
- 60% by 2025 and
- 100% by 2050

In our supply chain, we’ll encourage suppliers to set credible science-based targets on a 2-degree trajectory. Or alternatively aim to achieve ‘absolute’ reductions, based on 2015 levels, of:

- 7% by 2020 and
- 35% by 2030 (15% for agricultural emissions) – contributing to an overall ‘Scope 3’ reduction of 17% by 2030.

Our commitment demonstrates our support for the Paris Climate Agreement and UN’s Sustainable Development Goals. These international agreements represent the strongest hope that we can avoid dangerous climate change and create a sustainable future.”

Notes:
10. Water

SPOTT indicators: Does the company disclose...

65) Time-bound commitment to improve water use?
66) Time-bound commitment to improve water quality?
67) Progress towards commitment on water use?
68) Progress towards commitment on water quality?
69) Protection of natural waterways through buffer zones?
70) Evidence of treating palm oil mill effluent (POME)?

Context

According to the Organisation for Economic Co-operation and Development (OECD), agriculture is currently responsible for 70% of water withdrawal globally.\(^1\) Besides the water consumed for cultivation, the palm oil industry relies on water for processing activities. To produce one metric tonne of palm oil, mills also produce 2.5 metric tonnes of effluent,\(^2\) which is the leading source of water pollution from palm oil operations. If discharged into waterways, untreated palm oil mill effluent (POME) can contaminate drinking water and damage aquatic ecosystems.

Additionally, POME treatment usually involves storage in open-air ponds where it can contaminate soil and ground water. This storage practice generates bio-methane, which has 21 times the Global Warming Potential (GWP) of other greenhouse gases\(^3\) [for more details see Factsheet 9 on greenhouse gases].

It is crucial that companies have adequate policies and processes in place to use water efficiently and treat and dispose of their palm oil by-products safely and effectively.

Obligations and expectations

In 2010, United Nations (UN) adopted Resolution 64/292 which recognises the human right to water and the Committee on Economic, Social and Cultural Rights (the Treaty Body to the corresponding Covenant) elaborated in its General Comment No. 15 (2002) that the right to water emanates from articles 11 and 12 of the International Covenant on Economic, Social and Cultural Rights (ICESCR). From an environmental perspective, water extraction and pollution of water is dealt with by national laws such as the Malaysian Environmental Quality Act (127 of 1974). Moreover, many financial institutions' and buyers' policies stipulate water use and quality requirements for producers of palm oil.


Glossary

Palm oil mill effluent (POME)

Palm oil mill effluent (POME) is a hot, acidic by-product of the milling process that contains oil, plant debris, and nutrients. The release of POME can lead to the eutrophication of aquatic ecosystems through excessive algae growth which in turn reduce the amount of oxygen that animal life needs to strive. This process can be measured in terms of Biochemical oxygen demand (BOD) levels.
Actiam: Water management is key for responsible land use

"Within palm oil production, responsible water management is key for responsible land use and plays an especially important role within peat soil cultivation to prevent forest fires and carbon emissions. At the same time natural forest ecosystems safeguard clean water supply, wildlife and increase landscape resilience to water-related hazards.

"Therefore, for ACTIAM, palm oil production is linked to all of our responsible investment focus themes: land, water and climate. Through dialogues with palm oil producers each of these themes will be looked upon in their interconnectivity. Additionally, by measuring the water footprint of our portfolio we made the first step towards providing transparency on the impact we, as an investor, can have on one of the largest global problems of our times and expect companies to be transparent about their water related risks and impacts as well."

Sylvia Giezeman, Responsible Investment Officer
ACTIAM

Challenges

- Best management practices for water are diverse: ranging from basic land use planning to avoid sensitive areas, to landscaping in order to facilitate environmentally sound flow, and complex machinery and infrastructure. Associated technical challenges may call for the intervention of experts.

- The infrastructure needed to treat waste water efficiently and make the best of water treatment by-products can represent substantial initial and maintenance costs for companies.

- While some companies already implement best practice and use state of the art technology, the effective treatment of POME remains a significant challenge for the palm oil industry as a whole.
Best practice for water treatment, use and protection

There are several steps that a palm oil grower should follow to implement best practice in water management:

- First and foremost, a company should identify and establish buffer zones around riparian areas to prevent pollution of waterways.

- The health of these areas and other aquatic environments surrounding a company’s operations should be regularly monitored.

- Water levels across the concessions should be kept optimal to balance variations in rainfall and to mitigate fire risks (which are higher when soils are dry).

- If a company owns mills, the quality and quantity of water used should be monitored and checked regularly to ensure the effective treatment of POME.

- Many new technologies enable companies to treat POME, generate energy from POME, and reduce GHG emissions and energy costs. These technologies include biological sequencing batch reactors, bio-filtration systems, high aeration rate systems, decanters, activated sludge plants with aerobic reactors, bio-flow polishing plants, and membrane bioreactors.

- Solid mill by-products and POME can also be used to enrich compost (sometimes made with empty palm oil fresh fruit bunches) with high amounts of plant nutrients and microbes which can then be used as a soil amendment, substituting chemical use.
11. Chemical and pest management

SPOTT indicators: Does the company disclose...

71) Commitment to minimise the use of chemicals, including pesticides and chemical fertilisers?
72) No use of paraquat?
73) No use of World Health Organisation (WHO) Class 1A and 1B pesticides?
74) No use of chemicals listed under the Stockholm Convention and Rotterdam Convention?
75) Integrated Pest Management (IPM) approach?
76) Chemical usage per ha or list of chemicals used?

Context

On a global scale, the increased demand for food products has meant an overall increase in chemical input in agriculture. FAOSTAT data shows that fertilizer consumption rose by 22% between 2004 and 2014 – by which time, Indonesia was the fifth highest fertilizer consumer.\(^1\) Oil palm cultivation relies on a variety of chemicals, from fertilizers to herbicides and insecticides. These chemicals pose significant threats to human health and to ecosystems (including to species that act as pollinators of oil palm such as weevils and beetles), and constitute a substantial operational cost to companies.\(^2\) Given these significant risks, companies need to phase out the use of the most hazardous chemicals and reduce the use of other non-listed pesticides and herbicides. Paraquat, though non-listed, is a herbicide of particular concern as its use is widespread in the palm oil industry. It is responsible for water and soil pollution and poses critical health risks to workers through occupational exposure. Other toxic chemicals also pose important health and safety risks to plantation workers, making it necessary for companies to reduce reliance on these products [for more details see factsheet 13 on labour rights].

Obligations and expectations

The Stockholm Convention aims to eliminate or reduce the use of specified persistent organic pollutants (or POPs), and is legally-binding to 181 parties (this does not include Malaysia). While paraquat is currently only listed as a Class II substance (moderately hazardous) under the WHO classification,\(^3\) it is banned in over 40 countries, including EU members states where it cannot be used, even with Personal Protective Equipment.\(^4\) Various stakeholder groups and certification bodies such as the RSPO call for a phase out of paraquat.

Glossary

Class 1a and b pesticides
The World Health Organisation (WHO)\(^5\) names four toxicity classes. Class 1a and 1b are extremely hazardous and highly hazardous respectively, while class II and class III are considered ‘moderately hazardous’ and ‘slightly hazardous’. This classification is based on the amount of pesticide – ingested or in contact with the skin – which is sufficient to kill half of the subjects receiving a dose within a set time span (Lethal Dose 50).

Integrated Pest Management (IPM)
Integrated Pest Management (IPM) or Integrated Pest Control (IPC) are defined by the FAO as measures which aim to keep ‘pesticides and other interventions to levels that are economically justified and reduce or minimize risks to human health and the environment’.\(^5\)

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Challenges

- Even when applying Integrated Pest Management (IPM) practices, companies can be faced with increased pest damage and may then need to resort to synthetic products to protect their crops. In exceptional circumstances, chemical alternatives are allowed under the Stockholm Convention.

- The effective implementation of IPM requires high levels of coordination between different stakeholders on a plantation in order to ensure consistency in practices.

- Currently, IPM systems are often insufficiently integrated into standard operating procedures (SOPs) and there can be a lack of staff training and outreach.
Best practice for chemical use reduction and the implementation of IPM processes

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

- Companies should refer to the Stockholm Convention\(^7\) and the WHO classification of pesticides by hazard.\(^8\) They should assess whether any product used in any of their plantations is listed under the Convention or classified as class Ia or b. If applicable, companies should establish a plan to phase out the use of any such product.

- The effective management of a company’s use of chemical input (fertilizer, herbicide, pesticide) starts with its measurement and making sure the reported quantities used per hectare are commensurate with recommended guidelines and with the identified pests on the concessions.

- Once a baseline is established, companies should set a reduction target and report on the progress towards this target.

- Reduction targets are best achieved with the simultaneous introduction of integrated pest management practices. IPM practices include: preventative practices (such as tool and crop sanitation); monitoring, mechanical controls (such as traps); biological controls (natural substances or vegetal/animal species which negatively affect pest populations). A tried and tested example of IPM practice is the installation of boxes for barn owls (\textit{Tyto alba}), natural predators of rats, which feed on young palm oil trees and on palm fruits.

- Companies should also implement programmes for staff training and outreach on responsible chemical and pest management.

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12. Community and land rights

**Context**

Human rights violations make up a growing part of the claims raised against the palm oil industry and often originate in property disputes over land, resources or working conditions on palm oil plantations. Human rights claims have been known to bring operations to a complete halt, to significantly deteriorate a company’s reputation and lead to asset stranding as development was abandoned. As of 2007, over 100 land disputes had been filed with the local courts of the Malaysian state of Sarawak alone – 40 of which were identified to be palm oil-related.¹

As land is one of the most important resources to an oil palm grower, ensuring that there are no existing or potential conflicts regarding its use over the lifetime of a plantation is fundamental. Many communities using or occupying the land considered for development may rely on it for their most basic needs, including food, shelter, medicine and cultural heritage. As communities often lack legal title to land, it is essential that companies engage with communities through processes of free, prior and informed consent (FPIC) to identify customary rights holders and prevent future claims. A case study by WWF, FMO and CDC Group found that an initial cost of US$30,000 in community engagement represented an ROI of 880%, as it served to avoid community disputes similar to those which had previously cost the company US$ 15 million.²

**Obligations and expectations**

Human Rights are granted by international law and the transposition thereof into national laws. The two most prominent human rights treaties of the United Nations (UN) are the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights, the former with 169 States Parties and the latter with 164 States Parties. They create obligations on States Parties to realize the provisions therein. The articles of the Universal Declaration on Human Rights (UDHR) have arguably obtained the status of customary international law and are thereby binding for all states.

Free, prior and informed consent (FPIC) is an important general principle of international law that emanates from a strong framework as it is included in

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the UN Declaration on the Rights of Indigenous Peoples (UNDRIP), and certain elements of it are enshrined in the Indigenous and Tribal Peoples Convention, 1989 (No. 169) of the International Labour Organization, the Convention on Biological Diversity, and the African Commission on Human and Peoples’ Rights’ (ACHPR) Resolution 224 of 2012. FPIC implementation is also required and championed by many capital providers’ policies. This includes (but is not limited to) members of the UN Global Compact.1

**ZSL: Responding to increased scrutiny on land and community Rights**

"Oil palm plantation expansion has been responsible for serious land conflicts and human rights abuses on a significant scale, and weak governance has provided limited protection of the rights of local communities and indigenous peoples.

"Since the launch of SPOTT in 2014, we have observed that the users of the tool – including palm oil buyers, banks and investors – are showing growing concern for the land and community rights issues associated with the palm oil sector.

"ZSL has responded to requests from SPOTT users to include more comprehensive human rights indicators, and more details on how companies are implementing Free, Prior and Informed Consent (FPIC) processes. By expanding the indicator framework to include these issues, SPOTT is pushing for more transparent reporting on land and community rights by companies, to help incentivise better on-the-ground practices.”

*Clara Melot, SPOTT Engagement and Impacts Manager ZOLOGICAL SOCIETY OF LONDON*

**Challenges**

- Sole reliance on government assurance of land titles may lead to unexpected customary claims.

- Companies may lack capacity to define the scope of FPIC processes and ensure they are effective. Effective processes require significant amounts of time, resources, due diligence and expertise.

- Companies may experience difficulty in effectively identifying legal and/or customary right-holders and participants in FPIC and socialisation processes.

- Incomplete mapping of all relevant stakeholders can lead to claims being raised at a later stage.

- Insufficient information or inadequate means of communication to ensure that the impacts of new developments are understood can lead to claims after consent was given.

- As there may be overlapping boundaries, companies have an incentive to develop land quickly, which may be in conflict with ensuring communities’ rights.

- Changes in customary authorities, or changing ownership or use patterns may raise issues years after plantation development, and ongoing conflicts may be historic (e.g. before RSPO requirements to undertake FPIC processes) or inherited from a subsidiary that changed ownership.

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Best practice for addressing human rights and community land rights

There are several steps that a palm oil company should follow in order to implement best practices:

• When acquiring a concession, companies should not exclusively rely on government assurances regarding land titles as communities may have customary rights and claims, and overlapping areas of land may have also been allocated for other uses.

• Companies should consider a “no development” option and ensure this option is presented fairly to communities.

• Appropriate participatory approaches should be used in the process of engaging communities that take into account local norms and customs, and ensure fair representation of local communities, and consider the heterogeneity of communities. Transparent processes and documentation should also be established.

• To ensure that all relevant stakeholders are involved, the company should undertake participatory mapping of substantive customary land rights and uses surrounding land considered for expansion. This mapping can help inform SEIA processes.

• It is essential to involve women in such processes to take into account their concerns, as women can be often disproportionately affected by land dispossession and land use change.

• Consultation should be set up to discuss two-way dialogue in relation to how plantations may affect livelihoods and what remedies are proposed.

• A baseline study of the current socio-economic status of the communities should be undertaken, and a set of relevant mitigation measures proposed.

• All steps taken in the process should be documented to demonstrate compliance.

• When companies provide compensation, fair and effective social remediation procedures should be followed.

Recommended resources


13. Labour rights

SPOTT indicators: Does the company disclose...

85) Commitment to respect all workers’ rights?
86) Reference to International Labour Organization (ILO) Fundamental Conventions or Free and Fair Labour Principles?
87) Total number of employees?
88) Percentage or number of temporary employees?
89) Percentage or number of women employees?
90) Minimum wage that the company pays?
91) Commitment to address occupational health and safety?
92) Lost time accident rate?
93) Number of fatalities as a result of work-based accidents?
94) Provision of personal protective equipment and pesticide training?

Context

As the International Labour Organisation (ILO) considers agriculture to be one of the three most hazardous sectors for workers, reports of labour rights violations by palm oil companies are gaining increasing attention globally. Palm oil is one of the most labour-intensive vegetable oils – more than 62 hours per tonne as opposed to 4.1 hours for soybean – and plantation work is characterised as being physically demanding, precarious, and low paid. The palm oil industry is highly dependent on migrant labour. Casual and temporary workers, and women, are particularly vulnerable to labour rights violations. Cases of illegal passport retention, contract substitution as well as indebtedness for migrant workers have been well-documented. As migrant labourers are frequently accompanied by families, children cannot access state-provided education and healthcare, and may undertake unpaid plantation work. Workers, particularly women, are at risk of coming into contact with harmful pesticides and fertilisers while undertaking maintenance tasks. The capacity of workers unions in the palm oil industry is limited.

Labour rights violations can lead to significant scrutiny from NGOs which can damage a company’s reputation or result in legal prosecution. In this context, it is important that companies clarify and uphold the rights of all the workforce they employ, in accordance with legal requirements and best practice.

Obligations and expectations

International labour standards are created by the International Labour Organization (ILO) which are binding for its 187 member states and are to be transposed into national laws. ILO core conventions include standards on freedom of association, collective bargaining, forced labour, child labour, equal remuneration and anti-discrimination. As of August 2017, there are 1,367 ratifications of ILO’s eight core conventions and they form the basis of many financial institutions’ ESG policies. The same principles are enshrined in the

Glossary

Free and Fair Labour Principles for Palm Oil
Free and Fair Labour Principles for Palm Oil are intended to support and advance the ongoing dialogue on responsible palm oil by providing a common point of reference on what constitutes free and fair labour in palm oil production.

1. The International Labour Organization (ILO) Core Conventions are upheld.
2. Ethical hiring and responsible employment are practiced.
3. Reasonable production targets, working hours, and leave entitlements are established.
4. A living wage is paid.
5. Worker health and safety and the welfare of workers and their families are prioritized.
6. Access to remedy is guaranteed.
7. Commit to meaningful due diligence, transparency, and disclosure of human rights policies, procedures, and data, with a focus on labour and employment.

Robeco: Engaging on labour rights in the palm oil supply chain

"In the globalized economy, labor issues in the production of coffee, tea, cocoa, palm oil, and other commodities are becoming increasingly visible for both customers and investors. A breach of international working standards along the supply chain can lead to reputational risks for companies, restricted access to markets, and can negatively influence the quality of products.

"Since Robeco commenced engagement on sustainability in the palm oil supply chain in 2014, labor standards, together with other related human rights standards, have been addressed by many companies with commitments to ‘no exploitation’ in their sustainable palm oil policies. Our engagement objectives have focused on child labor, forced labor, unsafe working conditions, discrimination and inequality, and non-respect for working conditions.

"We have engaged with various companies active in the palm oil sector to better understand their labor rights policies; in particular, as labor issues are largely found upstream in the value chain, we wanted to better understand how these companies promote and enforce adequate labor conditions with their suppliers. We have worked with the companies to improve the processes they have in place to ensure compliance at multiple tiers in the supply chain layers.

"As a result of the engagement, several companies in the palm oil sector have improved their labor rights policies. One of the companies we engaged with is a Singapore-based company assessed on SPOTT. Over the course of the engagement, the company has improved its policies in the areas of child labor, temporary v. permanent staff, healthcare, and employment protection through enhanced contractual relationships. During the conversations, we indicated, among others, that the company should incentivize local smallholders that it sources from to operationalize sustainability policies and to transparently report on them. In line with our recommendation, a sustainability consultant was hired to conduct a number of external investigations related to labor standards. This brought more clarity on issues around below-minimum wages, child labor, and others. Several actions were taken with respect to non-complying suppliers. Importantly, tangible progress has been made in engaging stakeholders in order to make improvements in this company’s global supply chain.

"As most of the companies in our engagement peer group have shown their intent to increase sustainability in their palm oil sourcing and have improved their labor rights policies, the next step for all these companies is to track and monitor progress. Ensuring commitment to the policy would require an advanced level of traceability, tracking and monitoring systems and management commitment. Many major companies have also gone a step further by updating stakeholders on their progress through regular communication on their website. We believe that the industry needs to progress on these lines."

Peter van der Werf, Senior Engagement Specialist
ROBECO
Challenges

- Some companies, including companies assessed on SPOTT, refer to certain ILO Fundamental Conventions in their labour policies but many do not refer to all of them. Not all companies refer to the provision of personal protective equipment or pesticides training. Given the critical health and safety risks associated with chemical use on plantations, there is a need for more thorough reporting.

- Labour rights issues are embedded in the complex political landscape of labour migration and human trafficking which requires further attention by governments, companies, trade unions and NGOs.

Best practice for labour rights

There are several steps that a palm oil grower should follow in order to implement best practice:

- A labour rights policy should be aligned with all eight ILO Core Conventions and/or the Free and Fair Labour Principles for Palm Oil.

- Labour rights policies should apply to all workers, regardless of their contractual status.

- Records should be kept of the number of employees, disaggregated by gender and contractual status, avoiding classifications such as ‘guest workers’ for temporary workers, as this suggests that there are no contractual obligations. Companies should ensure that figures are kept up-to-date.

- Conduct compliance assessments for mills to ensure adherence to the policy throughout the supply chain.

- Ensure that all workers’ rights are respected regardless of the location of the concession and whether they are directly employed or employed by suppliers or subsidiaries

- Legal minimum wages must be observed, but a living wage should be paid to all workers regardless of legal requirements.

- The IFC’s Environmental, Health and Safety Guidelines present extensive guidelines that help address issues around labour rights.

- Collaboration with organisations can support the development of innovative approaches to protecting labour (e.g. through participation in the Palm Oil Innovation Group).

Recommended resources


**14. Palm oil certification**

**SPOTT indicators: Does the company disclose...**

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

**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

**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.

**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


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.  

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### 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

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### 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.

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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).
15. Smallholder support

**SPOTT indicators: Does the company disclose...**

111) Programme to support scheme smallholders?
112) Details of support programme for scheme smallholders?
113) Number or percentage of scheme smallholders involved in programme?

114) Programme to support independent smallholders?
115) Details of support programme for independent smallholders?
116) Number or percentage of independent smallholders involved in programme?

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**Context**

Smallholders – defined by the RSPO as managing plantations of 50 hectares (ha) or less 1 — account for about 40% of the world’s palm oil production. Effective engagement with smallholders is increasingly important due to:

- Government incentives and regulations for smallholder engagement, and legal requirements such as Indonesia’s plasma scheme;
- Corporate Social Responsibility (CSR) initiatives to improve sustainability of practices and increasing demand to certify smallholder practices;
- Expansion into African and Latin American markets, where oil palm smallholders are the prominent producers.

While oil palm can offer attractive returns for smallholders, when comparing smallholders with palm oil companies, information asymmetries, unfair contracts, inefficiencies and significant yield gaps have been well-documented. 2 Without adequate support programmes in place, smallholders may face risks such as price volatility, lower yields and crop disease, which can also ultimately impact companies’ supply. Conflicts may also occur when independent smallholders try to acquire land, exposing companies to reputational damage.

The presence of transparent and accessible support programmes for smallholders demonstrates better practices by companies in their dealings with both scheme and independent smallholders.

**Glossary**

**Independent smallholders**
Smallholders that are self-financed, managed, and equipped and are not bound to any one mill. They may deal directly with local mill operators of their choice or process their own palm oil.

**Schmed or associated smallholders**
Smallholders that are structurally bound by a contract or credit agreement to a particular mill. They do not choose which crop they grow, they are supervised in their planting and crop management techniques, and are often organised, supervised or directly managed by the managers of the mill, estate or scheme to which they are structurally linked.

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**Obligations and expectations**

In the Indonesian plasma/inti scheme, companies are required by law to provide a section of land for smallholder farmers. While it is not typically required by law, considering the amount of fresh fruit bunches supplied by smallholders, smallholder support is important for many companies in order to effectively achieve an efficient, 100% legally compliant and sustainable supply chain. Additionally, many of the expectations that stakeholders have regarding human rights and labour conditions reasonably and increasingly extend to smallholders.

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1 RSPO Smallholders Definition. [Accessed 5 October 2017]. Available from: rspo.org/smallholders/rspo-smallholders-definition
M&S: an approach to smallholder support

"The palm oil industry relies heavily on smallholder production, making effective and inclusive smallholder support programmes a priority for companies in implementing their sustainability commitments. By making details of smallholder support programmes transparent to stakeholders, palm oil companies can demonstrate that they have effective processes in place to improve the sustainability practices and profitability of smallholder farmers; showing that they are serious about bringing about meaningful change. If we do not build the capacity and commitment of smallholders to sustainable palm oil, we will not achieve the transformation that is needed to build a truly resilient palm oil industry."

Fiona Wheatley, Plan A Sustainable Development Manager
MARKS AND SPENCER

Challenges

- Smallholders have been under-represented in standard-setting processes, making it difficult to become certified against complex requirements. It has been argued that most certification approaches have not acknowledged geographic specificities and the diversity in smallholder types, nor the complexities of their gender, family and community relations.

- Through training and certification, smallholders can increase their yields and reduce the negative environmental impacts of their activities through improved management practices. However, the costs involved in certification scheme (e.g. RSPO) membership, auditing, and implementing best practices can make it difficult for palm oil producers and mill operators to motivate smallholders to become certified and access markets.
Best practice for smallholder support

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

• Support smallholders to achieve legal land registration, through a flexible, enforceable, economically viable and nationally adaptable system (e.g. participatory mapping and GIS imaging, mapping tenure systems and owners in each jurisdiction).

• Working in collaboration with other stakeholders, companies should work to strengthen market access for smallholders and provide economic incentives for certification (e.g. fair pricing mechanisms, special interest loans).

• Share tools and knowledge to help smallholders to increase their yields and profitability.

• Companies and other stakeholders should provide technical assistance to smallholders on Best Management Practices (e.g. through partnerships) to support smallholders’ capacity and farm productivity.

• For companies which have implemented support programmes for smallholders that supply their mills, details of smallholder support programmes should be made transparent to interested stakeholders. Support programmes may involve supporting increased yields and productivity; providing thorough training on health and safety, good agricultural practices, and financial management; increasing access to inputs and markets; supporting cooperative development; securing land tenure; and supporting certification.

Recommended resources

16. Supplier selection and engagement

SPOTT indicators: Does the company disclose...

117) Process used to prioritise, assess and/or engage suppliers on compliance with company’s policy and/or legal requirements?

118) Suspension or exclusion criteria for suppliers?

119) Number or percentage of suppliers assessed and/or engaged?

Context

In order to effectively implement their corporate sustainability commitments, companies should ensure that suppliers meet their standards. Companies, as well as their buyers, may be exposed to upstream sustainability risks when companies do not clearly communicate their objectives to suppliers, and do not specify how their policies apply to them.

Ensuring suppliers meet companies’ expectations can be proactive, when a supplier is first selected or when contracts are renewed. Engagement of suppliers may also be reactive, when there are ongoing issues associated with suppliers’ operations, or if allegations are made against them. Engagement plays a crucial role in ensuring a company’s supply chain is sustainable and also helps to mitigate risks perceived by buyers and investors.¹

For instance, a company with an NDPE (No Deforestation, No Peat, No Exploitation) policy that receives palm oil from a supplier that drained peat for oil palm development, should engage this supplier to ensure compliance with its policy and clarify its expectations. Engagement may include evidence-based assessments of suppliers’ practices and the prioritisation of those suppliers most likely at risk of violating company policies. In some cases, engagement may be ineffective and companies may find severing business ties a pragmatic fix.²

Obligations and expectations

In some jurisdictions, companies are obliged to perform due diligence assessments of their suppliers. For example, under the UK Modern Slavery Act 2015, targeted UK-based companies must ensure that no slavery is taking place in any of their supply chains and produce a report on this for each financial year.

Moreover, research³ shows that companies making ‘zero deforestation’ claims may be held liable under EU consumer protection law where their claims can be deemed false or misleading. It is, therefore, essential to engage the entire supply chain to prevent such claims as responsibility ultimately lies with the company trading and advertising in the EU.

GAR’s approach to supplier selection and engagement

“"To ensure that the palm oil industry increasingly adopts responsible practices, we are working closely with our own supply chain to help suppliers improve their practices.

“As a first step, we embarked on a programme to map our supply chain, first to the mill and then to the plantation. Beyond traceability, GAR is using the increased interaction with suppliers to spread responsible palm oil practices and build their capability to adopt these practices. We are doing this systematically through a series of site visits and engagement, which allows us to understand the challenges our suppliers face. This information is used to design intervention strategies such as targeted training, workshops and a supplier support helpline allowing us to share best practices.

“We have the option to drop suppliers uninterested in this transformative journey, but we believe that engagement and dialogue continues to yield the best results.”

Shuling Lim, Head of Sustainability Communications
GOLDEN AGRI-RESOURCES

WWF-India: Supplier engagement for buyers

“"In our engagement with Indian industries importing palm oil, WWF-India found price premiums, associated with sustainable palm oil, to be one of the key factor’s inhibiting uptake of sustainable palm oil in India.

“WWF-India believes the SPOTT approach is a good first step for companies who want to work with suppliers that are more transparent regarding their operations, while aiming for full RSPO certification and CSPO uptake in the long run.”

Bhavna Prasad, Director - Sustainable Business
WWF-INDIA

Challenges

- Depending on the nature of a supplier, engagement processes can be resource-and time-intensive.
- Companies may find it difficult to engage with potentially problematic suppliers as the latter might be reluctant to discuss their practices.
- Companies may be reluctant to exclude suppliers, and the exclusion of suppliers might create supply issues without necessarily addressing the suppliers’ poor practices, thus displacing the problem.
Best practice for supplier selection and engagement

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

• Companies should ensure that their suppliers are aware of and trained on compliance with their policies.

• Policies should extend to independent FFB suppliers and large-scale growers.

• Companies should establish a supplier compliance/suspension committee.

• While some stakeholders might demand swift action towards suppliers suspected of wrongdoing, it is important to highlight that exclusion does not necessarily deliver the best outcomes in sustainability terms. To answer stakeholders’ concerns, companies should document engagement proceedings in a systematic manner and establish time-bound plans for compliance in collaboration with suppliers.

• In cases where suppliers are continuously non-compliant, companies may wish to cease business with them, and certain groups of suppliers could be prioritised when necessary. Exclusion criteria should be clearly defined.

• Agreements should be in place with suppliers which stipulate that plantation activities must be carried out in accordance with company policies. Companies should monitor implementation of agreements through continuous engagement.

• To facilitate supplier identification and prioritization, companies may consider collaborating with reputable third parties.

Recommended resources


17. Governance and grievances

**Context**

Avoiding any form of corruption and committing to ethical business conduct has become a standard expectation and should be central to every company’s legal compliance efforts. However, ethical business conduct goes beyond legal requirements. Stakeholders, including investors, are playing an increasingly important role in scrutinizing companies’ governance processes. Moreover, the palm oil sector relies heavily on the long term development of valuable land, which risks being subjected to community claims, and a diverse workforce whose concerns must be respected. More than in other sectors, palm oil companies are in need of efficient governance mechanisms that help address complaints from stakeholders.

An effective grievance mechanism supports the implementation of anti-corruption policies and enables the early identification of risks from complaints which could be detrimental to shareholder value. Anti-corruption policies and grievance mechanisms, therefore, represent complementary safeguards to guarantee that a company’s conduct is ethical and its policies are fit for purpose.

**Obligations and expectations**

As of 2017, the UN Convention against Corruption (UNCAC) had 140 signatories and corruption is explicitly forbidden by the national laws of 46 countries. From a legal standpoint, wrongful business practice can have significant repercussions for a company as an entity as well as for its staff or its management. Initiatives such as the UN Global Compact (and its 1200+ signatories) demonstrate that, beyond legality, ethical conduct is a matter of concern for all stakeholders. Good governance underpins a healthy business environment, which is why it is a core component of capital providers’ ESG analyses.

**Challenges**

- A lack of awareness of, and access to, a company’s ethical conduct policy and grievance mechanism by its staff or stakeholders significantly limits the effectiveness of governance and grievance processes.
- Setting up a robust grievance mechanism at subsidiary or group level as well as running and maintaining an effective grievance process can be resource and capacity intensive.

---

A company may endeavour to resolve a grievance as quickly as possible to address risks and avoid external scrutiny. However, the issues raised may need extended attention and long-term mitigation measures—companies should ensure they allocate each grievance the time it requires.

**Best practice for governance and grievances**

There are several steps that a palm oil company should follow to implement good corporate governance:

- A company’s anti-corruption policy should be aligned with existing legally binding anti-corruption frameworks, as well as with existing best practice standards such as ISO 37001:2016 or the OECD guidelines for multinational enterprises.
- If a company lacks resources for a dedicated grievance mechanism, it should ensure that stakeholders are aware of external mechanisms accessible to them at national (such as the OECD National Contact Points) or international level. Some mechanisms, such as the RSPO’s, are industry-specific, but may not always be accessible to all stakeholders.
- A solid grievance mechanism should allow claims to be collected not only from a company’s own staff members, subsidiaries and joint-ventures, but also from a wider range of stakeholders, including suppliers, agents, contractors and neighbouring communities.
- Details of how to access a grievance mechanism should be widely circulated to guarantee that all relevant stakeholders fully understand it and know how to access it.
- To ensure that potential whistle-blowing is not discouraged, companies should enable issues to be raised anonymously and guarantee that no adverse action will be taken against whistle-blowers.
- To ensure accountability, companies should publish details of complaints made, including the date, name of the stakeholder (if anonymity was not requested), and nature of the claim. The actions taken to address the grievance should be described.
- A grievance mechanism, however sophisticated, does not substitute for pre-emptive and continued stakeholder engagement.

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"Sound governance practices and systems are essential to ensuring a sustainable long-term business. These include appropriate management systems and platforms such as whistle-blower policies, grievance mechanisms, and dedicated resources where appropriate.

"Governance at its core should encompass a strong board, appropriate oversight and incentivisation, accounting practices, and a strong audit process. When assessing companies, we consider all of the above to gain comfort with the businesses in which we invest."

Naasir Roomanay, ESG Analyst
INVESTEC ASSET MANAGEMENT

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Footnotes:

### Sustainability policy and leadership

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### Landbank, maps and traceability

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### Deforestation and biodiversity

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<td>29</td>
<td>Commitment to set aside areas for conservation</td>
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<td>A landscape-level approach</td>
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32. Commitment to biodiversity conservation
33. Commitment to not endanger species of conservation concern, referencing international or national system of species classification
34. Commitment to no hunting or only sustainable hunting of species
35. Commitment not to operate within internationally and nationally designated protected areas
36. Evidence of species conservation activities

**HCV, HCS and impact assessments**

37. Commitment to the High Conservation Value (HCV) approach
38. HCV commitment applies to scheme smallholders and independent suppliers
39. Commitment to only use licensed High Conservation Value (HCV) assessors accredited by the HCV Resource Network's Assessor Licensing Scheme (ALS)
40. High Conservation Value (HCV) assessments for planting undertaken prior to January 2015, and associated management and monitoring plans
41. High Conservation Value (HCV) assessments for all estates planted since January 2015
42. High Conservation Value (HCV) management and monitoring plans for all estates planted since January 2015
43. Satisfactory review of all High Conservation Value (HCV) assessments undertaken since January 2015 by the HCV ALS Quality Panel
44. Commitment to the High Carbon Stock (HCS) Approach
45. High Carbon Stock (HCS) assessments
46. Commitment to conduct social and environmental impact assessments (SEIAs)
47. Social and environmental impact assessments (SEIAs) undertaken, and associated management and monitoring plans

**Total: 11**

**Peat, fire and GHG emissions**

48. Commitment to no planting on peat of any depth
49. Peat commitment applies to scheme smallholders and independent suppliers
50. Commitment to best management practices for soils and peat
51. Landbank or planted area on peat
52. Evidence of best management practices for soils and peat
53. Commitment to zero burning
54. Zero burning commitment applies to scheme smallholders and independent suppliers
55. Evidence of management and monitoring fires
56. Details/number of hotspots/fires in company estates
57. Details/number of hotspots/fires within surrounding landscape/smallholders
58. Time-bound commitment to reduce greenhouse gas (GHG) emissions

**Total: 17**
59. GHG commitment applies to scheme smallholders and independent suppliers  
60. GHG emissions  
61. GHG emissions from land use change  
62. Methodology used to calculate GHG emissions  
63. Progress towards commitment to reduce GHG emissions  
64. Percentage of mills with methane capture (100%)  

**Water, chemical and pest management**  

65. Time-bound commitment to improve water use  
66. Time-bound commitment to improve water quality  
67. Progress towards commitment on water use  
68. Progress towards commitment on water quality  
69. Protection of natural waterways through buffer zones  
70. Evidence of treating palm oil mill effluent (POME)  
71. Commitment to minimise the use of chemicals, including pesticides and chemical fertilisers  
72. No use of paraquat  
73. No use of World Health Organisation (WHO) Class 1A and 1B pesticides  
74. No use of chemicals listed under the Stockholm Convention and Rotterdam Convention  
75. Integrated Pest Management (IPM) approach  
76. Chemical usage per ha or list of chemicals used  

**Community, land and labour rights**  

77. Commitment to human rights, referencing the UN Declaration of Human Rights or UN Guiding Principles on Business and Human Rights  
78. Commitment to respect legal and customary land tenure rights  
79. Commitment to respect indigenous and local communities’ rights, referencing the UN Declaration on the Rights of Indigenous Peoples or ILO 69  
80. Commitment to free, prior and informed consent (FPIC)  
81. FPIC commitment applies to independent suppliers  
82. Free, prior and informed consent (FPIC) process  
83. Process for addressing land conflicts  
84. Commitment to ensure food security for local communities  
85. Commitment to respect all workers’ rights  
86. Reference to Fundamental ILO Conventions or Free and Fair Labour Principles  
87. Total number of employees  
88. Percentage or number of temporary employees  
89. Percentage or number of women employees
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<td>Number of fatalities as a result of work-based accidents</td>
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<td>94.</td>
<td>Provision of personal protective equipment and pesticide training</td>
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<td>Time-bound plan for achieving 100% RSPO certification of estates within 5 years or achieved 100% RSPO-certification of estates</td>
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<td>99.</td>
<td>Time-bound plan for achieving 100% RSPO certification of scheme/associated smallholders within 5 years or achieved 100% RSPO-certification of scheme/associated smallholders</td>
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<td>Time-bound plan for achieving 100% RSPO certification of all supply chains</td>
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<td>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</td>
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<td>102.</td>
<td>Percentage of mills RSPO-certified (above 75%)</td>
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<tr>
<td>103.</td>
<td>Percentage of area (ha) RSPO-certified (above 75%)</td>
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<td>104.</td>
<td>Percentage of scheme/associated smallholders (ha) RSPO-certified (above 75%)</td>
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<td>105.</td>
<td>Percentage of FFB supply (tonnes) from independent FFB suppliers that is RSPO-certified (above 75%)</td>
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<td>106.</td>
<td>Percentage of all palm oil and oil palm products handled/traded/processed (tonnes) that are RSPO-certified (above 75%)</td>
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<td>107.</td>
<td>Sells or processes/trades RSPO-certified palm oil through Segregated or Identity Preserved supply chains</td>
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<td>108.</td>
<td>Indonesia Sustainable Palm Oil (ISPO) certified (100%)</td>
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<td>109.</td>
<td>Malaysia Sustainable Palm Oil (MSPO) certified</td>
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<tr>
<td>110.</td>
<td>Certified under voluntary sustainability certification scheme (e.g. ISCC, SAN, RSB, etc.)</td>
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**Total: 19**

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<td>Number or percentage of scheme smallholders involved in programme</td>
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<td>114.</td>
<td>Programme to support independent smallholders</td>
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<td>116.</td>
<td>Number or percentage of independent smallholders involved in programme</td>
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**Total: 9**
117. Process used to prioritise, assess and/or engage suppliers on compliance with company’s policy and/or legal requirements
118. Suspension or exclusion criteria for suppliers
119. Number or percentage of suppliers assessed and/or engaged

**Governance and grievance**

120. Commitment to ethical conduct and prohibition of corruption
121. Whistleblowing procedure
122. Own grievance or complaints system
123. Grievance system accessible to internal stakeholders (i.e. employees)
124. Grievance system accessible to external stakeholders
125. Details of grievances disclosed

Total: 7

Total score: 131
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<td>ACHPR</td>
<td>African Commission on Human and Peoples' Rights</td>
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<td>ACOP</td>
<td>Annual Communication of Progress</td>
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<td>AMDAL</td>
<td>Analisis Mengenai Dampak Lingkungan (Indonesian impact assessment process)</td>
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<td>BMPs</td>
<td>Best management practices</td>
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<td>BOD</td>
<td>Biochemical oxygen demand</td>
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<td>CAO</td>
<td>Compliance Advisor Ombudsman</td>
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<td>CBD</td>
<td>Convention on Biodiversity</td>
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<tr>
<td>CDC</td>
<td>formerly the Commonwealth Development Corporation</td>
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<tr>
<td>CR</td>
<td>Critically Endangered</td>
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<tr>
<td>CSR</td>
<td>Corporate social responsibility</td>
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<td>EN</td>
<td>Endangered</td>
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<td>ESG</td>
<td>Environmental, social and (corporate) governance</td>
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<td>FAOSTAT</td>
<td>Food and Agriculture Organization Corporate Statistical Database</td>
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<td>FFB</td>
<td>Fresh fruit bunches</td>
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<td>FMO</td>
<td>Financierings-Maatschappij voor Ontwikkelingslanden (Netherlands Development Finance Company)</td>
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<td>FPIC</td>
<td>Free, prior and informed consent</td>
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<td>GHG</td>
<td>Greenhouse gas</td>
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<td>GIS</td>
<td>Geographic information system</td>
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<td>GWP</td>
<td>Global warming potential</td>
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<td>High Conservation Value</td>
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<td>International Convention on the Protection of the Rights of all Migrant Workers</td>
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<td>IDH</td>
<td>Initiatief Duurzame Handel (Sustainable Trade Initiative)</td>
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<td>IESCR</td>
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<td>IFC</td>
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<td>LIDAR</td>
<td>Light detection and ranging</td>
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<td>Malaysian Sustainable Palm Oil</td>
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<td>NDPE</td>
<td>No deforestation, no peat, no exploitation</td>
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<td>NPP</td>
<td>New planting procedure</td>
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<td>NYDF</td>
<td>New York Declaration on Forests</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>Palm oil mill effluent</td>
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<td>POPs</td>
<td>Persistent organic pollutants</td>
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<td>PPE</td>
<td>Personal protective equipment</td>
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<td>Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries</td>
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<td>Return on investment</td>
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<td>Sustainable Agriculture Network</td>
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<td>Standard operating procedure</td>
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<td>Zoological Society of London</td>
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Acknowledgements

This guide was published by the Zoological Society of London (ZSL).

Lead authors: Clara Melot and Izabela Delabre.

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- Actiam
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- Climate Advisers
- Credit Suisse
- Golden Agri-Resources
- Investec Asset Management
- M&S
- Olam Palm and Rubber
- Robeco
- Roundtable on Sustainable Palm Oil (RSPO)
- United Plantations Berhad
- WWF-India
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.

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.