



SPOTT

Tracking transparency, supporting sustainability

Annual Report 2017

SPOTT.org

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50

palm oil producers
and traders
scored

50%

Average score for
palm oil producers
and traders

24

timber, pulp and
paper producers
scored

37%

Average score for
timber, pulp and
paper producers



Foreword

The past year has seen some significant developments for SPOTT (Sustainability Policy Transparency Toolkit). SPOTT has expanded to feature assessments of timber, pulp and paper companies against a new indicator framework to highlight best practice in the forestry industry. SPOTT currently assesses 24 timber, pulp and paper companies and will be expanding to assess a total of 50 companies in the coming months.

We revised our indicator framework for assessing palm oil producers to encompass more environmental, social and governance (ESG) issues across 125 indicators covering 10 different categories, such as community, land and labour rights, and governance and grievances. These comprehensive assessments also now assess companies on their operational disclosure relating to sustainability, and two traders have been added.

The 2017 palm oil assessments found that the number of companies scoring well against SPOTT indicators has increased significantly since SPOTT was launched in 2014. While the average score was less than 30% in June 2014, it reached 50.4% in November 2017, with 17 companies scoring over 65%. The first timber, pulp and paper assessments tell a different story, with a lower average score of only 37%. However, we expect to see relatively rapid progress during future assessments as the industry responds to the need for greater transparency.

There is a growing demand for ESG information, highlighted in SPOTT assessments, driven by investors and buyers, as they become more aware and sensitive to the financial, operational, and reputational risks posed by ESG issues in commodity production. ZSL works closely with these stakeholders who use our benchmarked company information to identify where palm oil and timber, pulp and paper companies are performing well and where concerns need addressing. We recently published a guide to the SPOTT indicator framework to help palm oil producers and their investors understand these risks and how they can be addressed. SPOTT was also shortlisted for a Responsible Investor Award in 2017, recognising our contribution to promoting and developing investment best practice.

In the last quarter of 2017, we commissioned an external consultant to conduct a scoping study to inform the expansion of SPOTT within existing, and to additional, commodities (soy, cattle, rubber, etc.). In addition to examining where opportunities exist, the consultant engaged with stakeholders and key SPOTT users on their views. In addition to the final report's recommendations, we welcome any feedback to help develop our strategy on the future direction of SPOTT.

With ever-increasing concerns over the risks associated with unsustainable commodity production, ZSL looks forward to developing SPOTT further, to meet the growing demands of stakeholders for transparent ESG reporting, and helping to increase transparency in other industries.

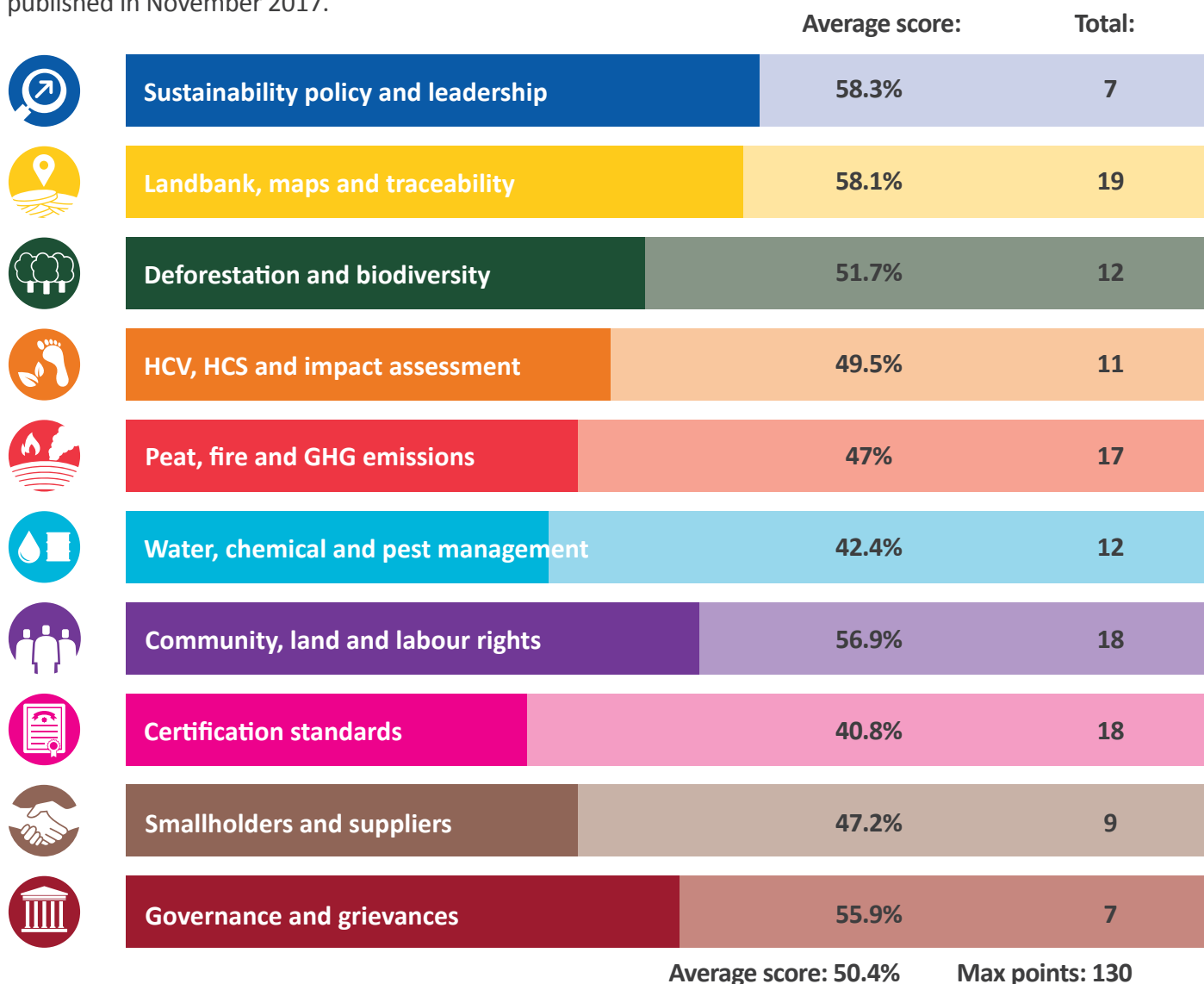
Joyce Lam, SPOTT Manager,
ZOOLOGICAL SOCIETY OF LONDON

ZSL | **LET'S WORK
FOR WILDLIFE**

Palm oil assessments

SPOTT assesses 50 of the world's largest palm oil producers and traders on the public disclosure of their policies, operations and commitments to environmental, social and governance (ESG) best practice, to facilitate engagement between investors, buyers and producers and traders, and increase industry transparency. ZSL recently revised the SPOTT indicator framework for palm oil company assessment in consultation with a diverse range of stakeholders, including NGOs, investors, buyers, and palm oil companies, in order to capture a wider range of ESG issues material to company operations. The new framework consists of 125 ESG transparency indicators across 10 categories.

The first assessments based on the new indicators were published in June 2017, followed by a second round published in November 2017.



- The **average score** of companies is **50.4%** in November 2017, compared to **47%** in June 2017.
- 17 companies have an overall score of **at least 66%** compared to just 10 in June 2017.
- 19 companies have a score between **33% and 66%**, and 14 companies have a score **below 33%**.
- The average **change in score** is +4.6% for improvers, -1.2% for laggards, and 3.4% overall.
- Companies perform best in the category **Sustainability policy and leadership** (average score: 58.3%).
- There is room for improvement in Certification standards (average: 40.8%) and Water, chemical and pest management (average: 42.4%).
- The average score of **RSPO members** is 58.9% vs. 20.2% for **non-RSPO members**.



Sustainability policy and leadership

- Two-thirds (33/50) of companies have put in place clear **sustainability policies**. 20 companies extend their sustainability policies to all their suppliers.
- 23/50 (46%) companies have made a clear commitment to **no deforestation**, not to plant on **peatlands** and to **no exploitation**.¹
- 39/50 (78%) companies are members of the Roundtable on Sustainable Palm Oil (RSPO), but only 17/50 (34%) are members of other external industry schemes.²



Landbank, maps and traceability

- All the companies report a **planted area**, totalling over 5.5 million hectares (ha).
- 41/48³ (85%) companies report their areas set aside for **conservation or High Conservation Values (HCV)** areas, totalling 791,331 ha.
- 15/19 (79%) companies with trading operations achieved > **80% traceability to mill level**.
- 14/47⁴ (30%) companies have achieved > **75% traceability to plantation** for their own mills.
- None of the companies have achieved > 75% traceability to plantation for **supplier mills**, although 8/19 (42%) companies have achieved some level of traceability.
- 46/48 (96%) companies have made at least some **estate maps** available, with 42 companies having made all their estates maps available.⁵



Deforestation and biodiversity

- 42/50 (84%) companies have a commitment to address deforestation, with 30/50 (60%) making a **no deforestation commitment**. 27 companies extend their deforestation commitment to smallholders and/or suppliers.
- 37/48 (77%) companies have a clear commitment to **set-aside areas for conservation**, with 26 reporting habitat management/restoration activities.



HCV, HCS and impact assessments

- 42/50 (84%) companies commit to the **HCV approach** in some way. 26 companies extend their HCV commitment to smallholders and/or suppliers.
- 33/50 (66%) companies commit to conducting high carbon stock assessments, with 22 committing to apply the **High Carbon Stock (HCS) Approach** for all assessments. Only eight companies have made HCS assessments publicly available to date.
- 40/50 (80%) companies commit to conducting social and/or environmental **impact assessments**, with 26/48 (54%) making at least some of these publicly available.

¹ Calculated based on companies having a clear commitment to no deforestation, no planting on peat of any depth and to no exploitation, including respecting all workers' rights and the rights of local communities to give or withhold Free Prior and Informed Consent (FPIC) to development on their lands.

² e.g.: Consumer Goods Forum, Global Agri-business Alliance, High Carbon Stock Approach Steering Group, High Conservation Value Resource Network, Forum for the Future of Agriculture, Natural Capital Coalition, Palm Oil Innovation Group, The Forest Trust, Tropical Forest Alliance 2020, UN Global Compact, World Business Council For Sustainable Development or others focused on sustainability.

³ Two of the companies are solely traders and do not own land and therefore are excluded.

⁴ Three of the companies assessed do not own mills and therefore are excluded.

⁵ Companies have submitted maps to the RSPO; however, not all may be publicly available yet.



Peat, fire and GHG emissions

- 38/49⁶ (78%) companies limit **planting on peat**: 25 of these have a commitment to no planting on peat of any depth.
- 41/50 (82%) companies have a clear commitment to **zero burning**, with 27 companies extending their no burning commitment to smallholders and/or suppliers. 31 companies disclose data relating to monitoring and/or managing fires.
- 36/50 (72%) companies aim to reduce **GHG emissions**, while only 13 have a time-bound-plan to do so. 20/50 companies report progress on reducing GHG emissions over time.



Water, chemical and pest management

- 26/50 (52%) companies report progress on **water use**, but only 13 have a time-bound commitment to reduce its use.
- 38/48 (79%) companies are clearly implementing an **Integrated Pest Management (IPM)** approach.
- 17/48 (35%) companies report that they no longer use **paraquat**, with a further four having a time-bound plan to phase it out.



Community, land and labour rights

- 12/50 (24%) companies do not have a public commitment to respect **human rights**.
- 42/50 (84%) companies commit to the principle of **Free, Prior and Informed Consent (FPIC)**.
- 19/50 (38%) companies clearly commit to all eight fundamental **ILO Conventions** or Free and Fair Labour Principles.
- 36/50 (72%) companies publicly commit to paying the **minimum wage**.



Certification standards

- 29/48 (60%) companies have achieved some **Roundtable on Sustainable Palm Oil (RSPO)** certification of their mills and estates to date.
- Of these, 12 companies have **RSPO-certified** more than 75% of their mills, and only eight have RSPO-certified more than 75% of their estates.
- 27/50 (54%) companies are certified under other **voluntary certifications**, including organic certification, International Sustainability and Carbon Certification (ISSC), Sustainable Agriculture Network (SAN), Roundtable on Sustainable Biomaterials (RSB), RSPO NEXT, etc.



Smallholders and suppliers

- More companies **support scheme/plasma smallholders** (33/43; 77%) than independent smallholders (26/43; 60.5%).
- 24/50 (48%) companies report a process for prioritising, assessing and/or engaging **suppliers** on compliance with their policy and/or legal requirements, but only 17/50 (34%) of companies report on **suspension or exclusion** criteria for suppliers.



Governance and grievances

- 39/50 (78%) companies have a commitment to **ethical conduct**.
- 39/50 (78%) companies also recognise **whistle-blowers**, with 32 reporting details on their whistle-blowing procedures.
- 11/50 (22%) companies report details of **grievances** publicly.

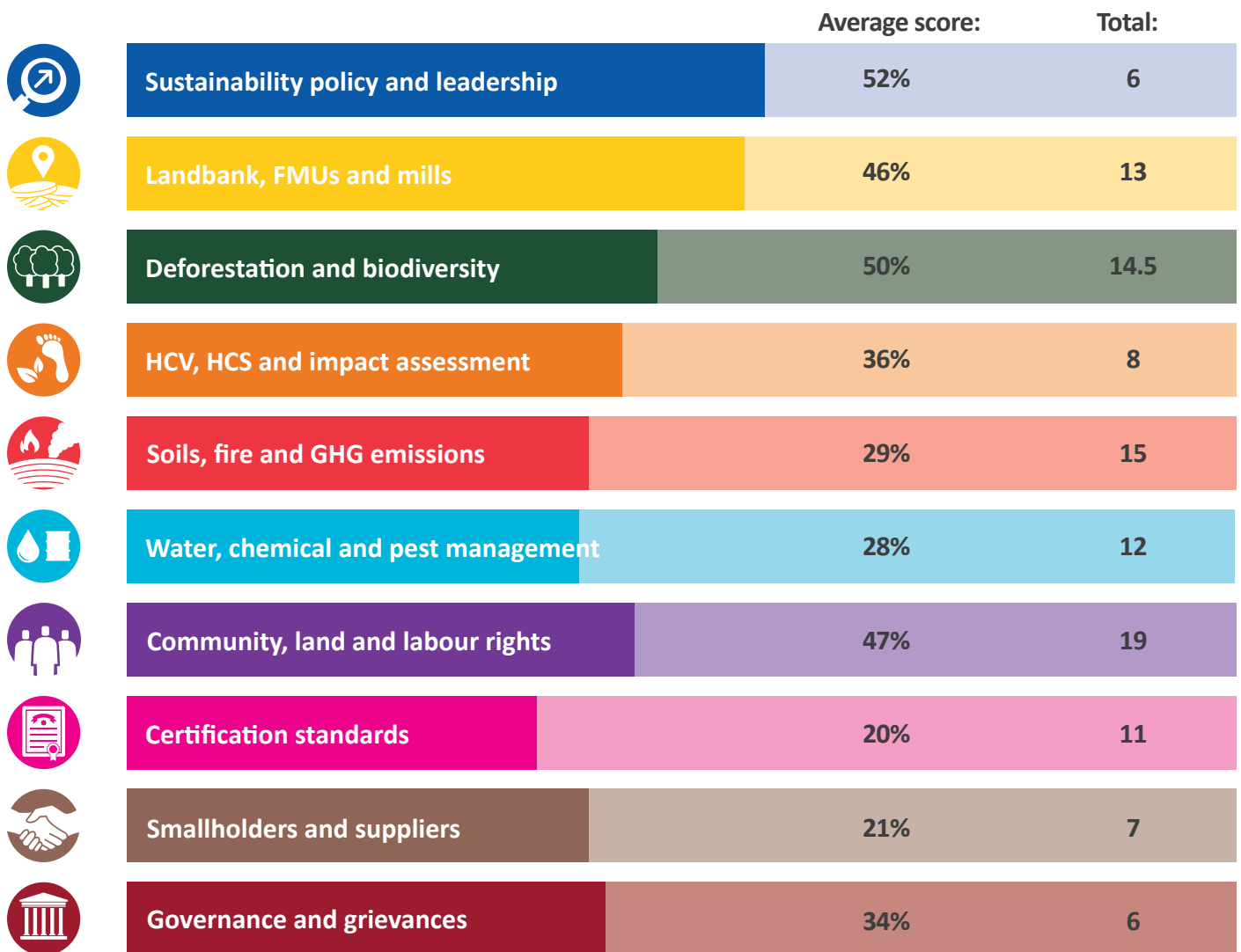
⁶ One company does not operate in a peatland landscape at all and therefore is excluded.

Timber, pulp and paper assessments

ZSL has expanded SPOTT to cover the timber, pulp and paper industry, following three years of encouraging greater transparency in the palm oil sector. SPOTT currently focuses on tropical forests given their extremely high species diversity, vital role in livelihoods, and importance as carbon sinks and stores. The new timber, pulp and paper indicator framework was designed in collaboration with companies and other industry experts from various organisations, and the scoring specifically adjusted to the scope of each company's operations.

The first assessments were published in November 2017, with 24 key timber, pulp and paper producers being selected for the initial assessments. The next round of assessments, due to be published in 2018, will see the number of companies assessed expanded to 50.

The SPOTT indicator framework for timber, pulp and paper producers consists of 108 ESG transparency indicators across 10 categories:



Average score: 37.1% Max points: 111.5



- The **average score** of companies is 37.1% in November 2017.
- 3 (12.5%) companies have an overall score of **at least 66%**, 10 (41.2%) companies have a score between **33% and 66%**, and 11 (45.8%) companies have a score **below 33%**.
- Company scores **ranged from 2.9% to 90.2%**.
- Companies perform best in the category **Sustainability policy and leadership** (average score: 52%), while there is particular room for improvement in Certification standards (average: 20%) and Smallholders and suppliers (average: 21%).



Sustainability policy and leadership

- 13/24 (54%) companies have put in place a clear and comprehensive **sustainability policy**. Only 6 (25%) companies extend their sustainability policy to third parties.
- 11/24 (46%) companies have published a **sustainability report** in the last two years.
- 13/24 (54%) companies are working with **government, NGOs or academic institutions** to improve the sustainability of forest products.



Landbank, FMUs and mills

- 12/24 (50%) companies clearly disclose their **total land area managed**.
- 16/24 (67%) companies have made at least some **maps available** for their FMUs, but only 5/24 (21%) companies have provided geo-referenced maps for all of their FMUs.



Deforestation and biodiversity

- 7/24 (29%) companies are implementing a **landscape approach** to biodiversity conservation.
- 16/24 (67%) companies have a clear commitment to **set-aside areas for conservation**, out of which 11 (69%) companies report that they are undertaking habitat management/restoration activities.



HCV, HCS and impact assessments

- 8/24 (33%) companies make all their **High Conservation Value (HCV)** assessment reports publicly available and only 7/24 (29%) companies publish all of their HCV management and monitoring plans.
- 4/18⁷ (22%) companies have a comprehensive commitment to conduct **HCS assessments**.
- Only 2/24 (8%) companies made the results of all their **Social and Environmental Impact Assessments** publicly available.
- 6/24 (25%) companies have clear commitments to conducting **Social and Environmental Impact Assessments (SEIAs)**.



Soils, fire and GHG emissions

- 5/24 (21%) companies provide evidence of undertaking both **fire monitoring and management** activities.
- Only 1/18⁸ (6%) companies reports GHG emissions from **land use change**.



Water, chemical and pest management

- Only 1/7⁹ (14%) companies has a time-bound plan to improve **water quality**.

⁷This indicator has been disabled for companies that only have natural forest based operations.

⁸This indicator has been disabled for companies that only have natural forest based operations.

⁹This indicator has been disabled for companies without pulp and paper mills.



Community, land and labour rights

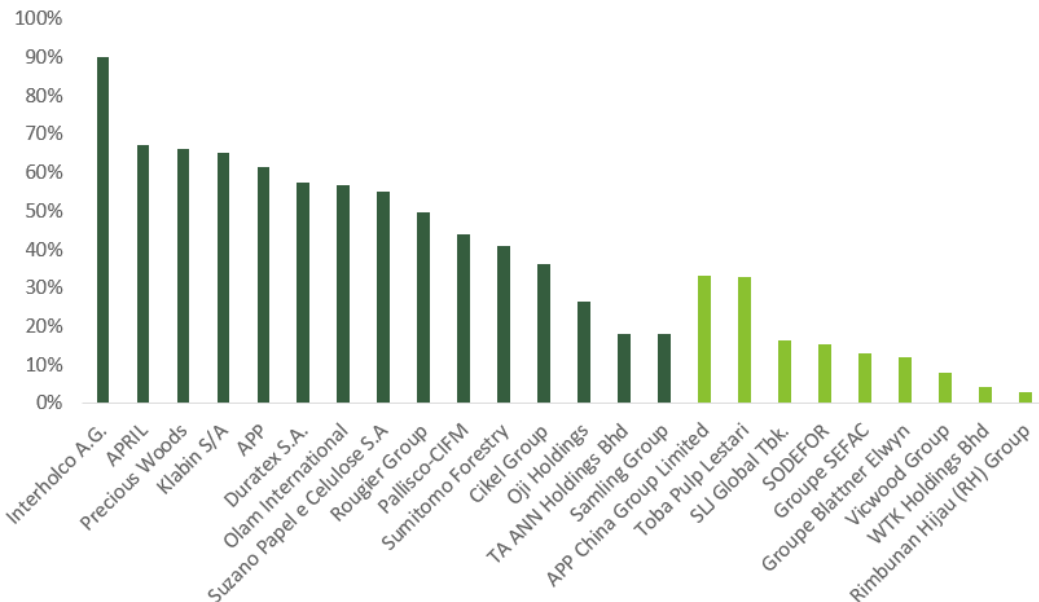
- 16/24 (67%) companies are committed to respect **indigenous and local communities' rights**.
- 5/24 (21%) companies have a full commitment to **Free, Prior and Informed Consent (FPIC)** prior to all new developments, out of which only 3 (13%) make comprehensive details of the FPIC process publicly available.
- 18/24 (75%) companies have a commitment to respect **human rights**.
- 9/24 (38%) companies publicly commit to paying the **minimum wage**.
- 16/24 (67%) companies clearly commit to all eight fundamental **ILO Conventions**¹⁰.



Certification standards

- 6/24 (25%) companies have more than 75% of their area verified as being in **legal compliance** by a third party.
- Only 4/24 (17%) companies have already achieved **100% FSC Forest Management (FM) certification** of their Forest Management Units and a further two have a time-bound commitment to achieve 100% FSC FM certification of FMUs.
- 12/24 (50%) companies have some landbank **FSC FM certified** and 6/15¹¹ (40%) companies have some landbank **PEFC FM certified**.

Average SPOTT scores of FSC/PEFC FM certified (dark green) and non FSC/PEFC FM certified companies (light green)



Smallholders and suppliers

- Only 1/20¹² (5%) companies has a programme to **support independent smallholders**.
- 9/24 (38%) companies report a process for prioritising, assessing and/or engaging **suppliers** on compliance with their policy and/or legal requirements.
- 6/24 (25%) companies report to have **suspension or exclusion criteria** for suppliers.



Governance and grievances

- 15/24 (63%) companies have a clear commitment to **ethical conduct**, while only 7/24 (29%) companies have a grievance procedure that is open to both internal and external stakeholders like employees and local communities.
- 6/24 (25%) companies report some details of **grievances publicly**.

¹⁰ Eight Fundamental ILO Conventions: Freedom of Association (No. 87); Right to Organise and Collective Bargaining (No. 98); No Forced Labour (No. 29 & No. 105); Minimum Age (No. 138); Worst Forms of Child Labour (No. 182); Equal Remuneration (No. 100); No Discrimination (No. 111).

¹¹ PEFC certification indicator disabled for: companies that are operating in countries without an endorsed PEFC standard; companies that have 100% of their landbank FSC FM certified; companies that have a time-bound plan for achieving 100% FSC FM certification of their landbank.

¹² This indicator has been disabled for companies that do not source from independent smallholder suppliers.

From disclosure to engagement

ZSL collaborated with palm oil companies, investors, banks, and other organisations to publish *From disclosure to engagement: A guide to the SPOTT indicator framework for assessing palm oil producers and traders*.

The comprehensive SPOTT framework highlights what responsible investors are increasingly looking for when conducting due diligence activities, and therefore important information that palm oil producers and traders should be disclosing to their stakeholders.

This guide provides an accessible introduction to the main ESG issues associated with the palm oil sector, from certification, fires and deforestation, to community and labour rights. Featuring insights from experts on the industry, the guide provides information on potential financial, reputational and other risks facing responsible investors, buyers and wider stakeholders through 17 factsheets. Each factsheet also details how specific issues relate to the United Nations Sustainable Development Goals (SDGs) and why they need to be addressed.

Read the full report here: spott.org/news/from-disclosure-to-engagement-guide-spott-indicators-assessing-palm-oil-producers-traders/



KELOLA Sendang

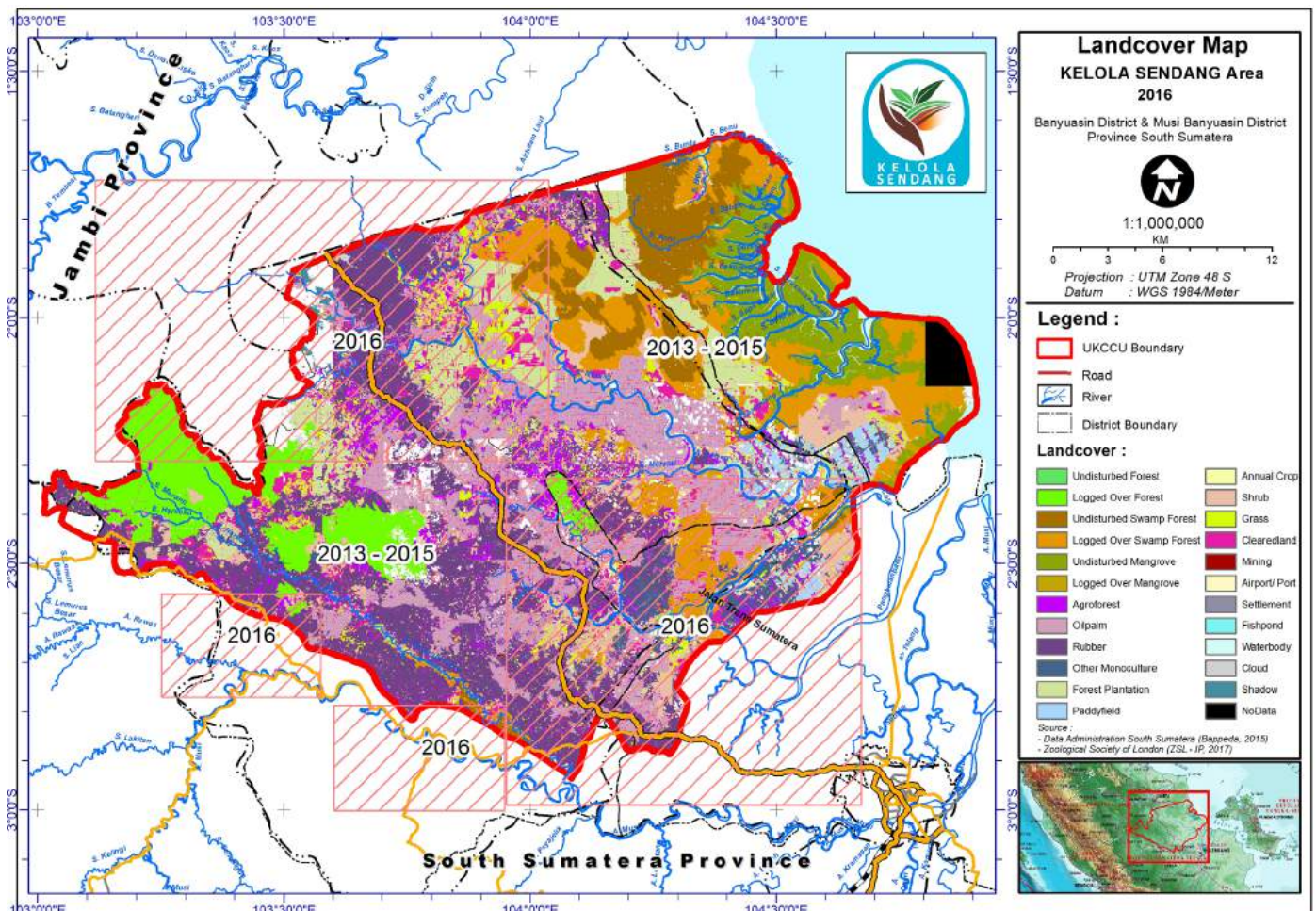
ZSL is working in Indonesia with the Government of South Sumatra on a sustainable landscape management project, KELOLA Sendang. This public-private-people partnership aims to address the complex and critical challenges of deforestation, peatland degradation, wildfires and their associated climate impacts within the context of green growth and biodiversity conservation.



Key to addressing these issues is the active participation of multiple actors operating in the landscape. KEmitraan PengeLOaian LANskap means “Partnership for Landscape Management” in Bahasa Indonesia, while Sendang loosely translates to mean “spring water”. The project supports the government, private sector (including commodity-producing companies) and local communities, to pilot a sustainable management model across the Sembilang-Dangku landscape of north-eastern South Sumatra.

An important component of this project is to assess the transparency of commodity-producing companies on SPOTT, including those operating within the Sembilang-Dangku landscape. By informing and facilitating dialogue between companies and their buyers and financiers, SPOTT supports the delivery of corporate sustainability commitments by incentivising best practice on the ground. Through an in-depth understanding of the challenges on the ground, ZSL can work with other stakeholders in the landscape to support the implementation of sustainability commitments, and identify opportunities for green growth in the South Sumatra landscape, across Indonesia, and beyond.

KELOLA Sendang landscape



Hidden land, hidden risks?

ZSL analysed the land holdings disclosed by 50 of the world's largest palm oil producers and traders assessed on SPOTT. The report *Hidden Land, Hidden Risks?* provided an analysis of company-reported data on land holdings to identify gaps and inconsistencies in disclosed figures to outline recommendations for companies, their investors and other stakeholders.

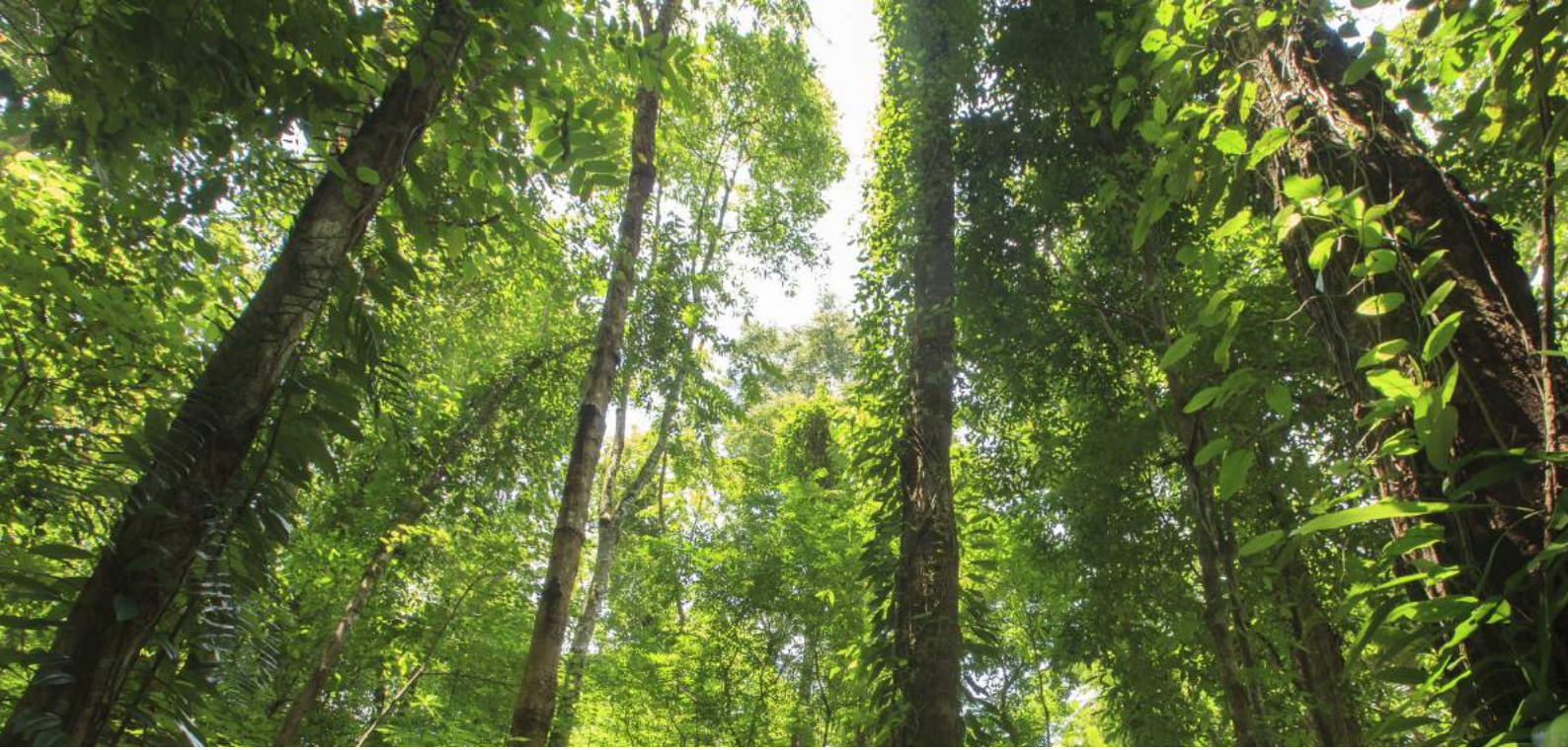
The research found that there are no clear and standardised definitions for reporting on land holdings and revealed significant variations in the consistency and detail of company-disclosed data, stressing the need for improved corporate reporting of land holdings associated with palm oil production. It showed that companies are failing to publicly disclose figures on their total landbank and details of the different areas under their management. This can potentially mask significant environmental and social risks, such as deforestation.

Companies should provide regular, consistent reports with relevant dates, following clear definitions for the different types of land under their management.

ZSL urges shareholders and other stakeholders to drive transparency by requiring their investees and clients to coherently disclose information relating to their land holdings. These actions can support more informed decision making for responsible investment and sourcing.

Read the full report here: <https://www.spott.org/palm-oil/landbank/>





Timeline

● March 2017

- ZSL releases its report *Hidden Land, Hidden Risks?*

● May 2017

- SPOTT is shortlisted for the Responsible Investor Award

● June 2017

- New palm oil assessments are published against a revised indicator framework
- Following the RSPO European Roundtable, ZSL hosts an event in ZSL London Zoo's Tiger Territory, highlighting our work with the palm oil industry to support tiger habitat conservation
- 24 timber, pulp and paper companies are selected for assessment against the all-new indicator framework

● October 2017

- ZSL attends the FSC GA in Vancouver to raise awareness of upcoming timber, pulp and paper assessments
- SPOTT is rebranded to the **Sustainability Policy Transparency Toolkit**, and moves to a new website (spott.org)

● November 2017

- The first timber, pulp and paper assessments are published
- The second round of palm oil assessments are published
- ZSL attends the RSPO RT15 in Bali and launches *From disclosure to engagement: A guide to the SPOTT indicator framework*

About SPOTT

Developed by the Zoological Society of London (ZSL), 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.

Launched in 2014, SPOTT has published regular transparency assessments scoring some of the largest palm oil producers and traders on the public availability of corporate information relating to environmental, social and governance (ESG) issues.

SPOTT encourages users to engage with companies, as company policies and commitments may not always translate into effective implementation on the ground.

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 ground breaking science, our active conservation projects in more than 50 countries and our two Zoos, ZSL London Zoo and ZSL Whipsnade Zoo.