



SPOTT

**TRACKING TRANSPARENCY
SUPPORTING SUSTAINABILITY**

Annual Report 2019

[SPOTT.org](https://www.spott.org)

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99

palm oil
companies
assessed

35.2%

Average score for
palm oil
companies

97

timber and pulp
companies
assessed

20.4%

Average score for
timber and pulp
companies

15

natural rubber
companies
assessed

36.0%

Average score for
natural rubber
companies



Foreword

SPOTT supports supply chain sustainability in some of the key commodities driving tropical forest degradation and loss. SPOTT's focus is on regions of exceptional biodiversity which are at risk from unsustainable commodity production, including the Congo basin, the Mekong, Indonesia, and Malaysia. Together, the countries in which SPOTT-assessed companies operate are home to over 475 EDGE – Evolutionarily Distinct and Globally Endangered – species.

2019 saw some major changes for SPOTT, as we expanded our commodity scope to include natural rubber, held in-country workshops to engage key stakeholders, and updated our assessments to enable users to gain deeper insights into how companies are reporting on implementation at different stages in the supply chain.

As part of our focus on addressing the impacts of illegal logging on biodiversity, and in engaging companies in countries at various stages of forestry sector reform, we held a series of Forestry Transparency Forums in the Congo Basin, China, and Indonesia during February and March. Funded by the Department for International Development (DFID) under its Forest Governance, Markets and Climate (FGMC) grant, these brought together over 140 key stakeholders to discuss the barriers and opportunities of improving transparency and legality within the sector.

In February, we published a report focusing on the importance of including and supporting smallholders in sustainable palm oil supply chains. This highlighted the lack of disclosure by companies on the number and locations of their smallholder suppliers, despite smallholders producing 40% of palm oil globally. In May, we published a collaborative report with WWF which revealed how RSPO member companies need to improve their reporting, as 20% of companies submitted incomplete ACOP reports in 2018.

Knowledge of where companies operate is vital if they are to be held to account on their zero-deforestation commitments. In July, we published guidance on the collection, disclosure and use of spatial data by forestry companies, and the benefits of transparency to companies, buyers, and financial institutions. In December, in collaboration with Aviva Investors, we published a report outlining the positive business case for producing, procuring and financing sustainable palm oil, and the risks and opportunities facing those within the sector.

The 2019 SPOTT assessments covered 91 additional companies – including the first 15 natural rubber companies assessed on SPOTT. To respond to the needs of SPOTT users, we further developed our indicator frameworks and expanded our assessment scope. This included greater focus on legality, and on company reporting on putting their policies into practice, as well as indicators specific to different supply chain segments including palm oil crushers and refiners.

In September, we launched the SPOTT Supporter Network to build on the growing momentum behind both responsible investment and sustainable commodity production, formalise our engagement with a range of stakeholder groups, and further raise the profile of SPOTT. We welcomed our first nine supporters from the financial sector and civil society in 2019, and will continue to build support for SPOTT's call for increased transparency in commodity sectors in 2020.

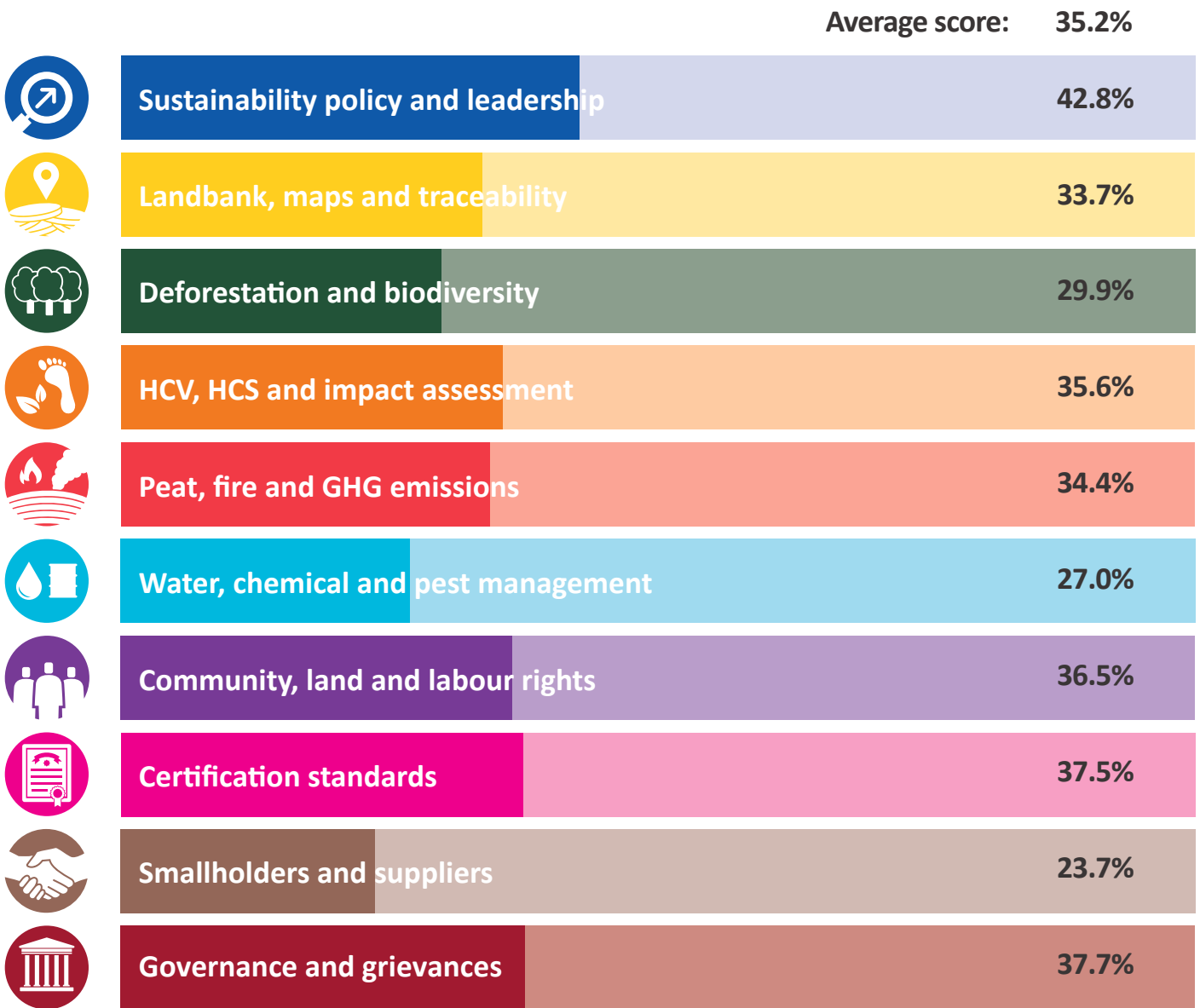
2020 is set to be a critical year for action on deforestation, the climate and biodiversity crises, and achieving the Sustainable Development Goals. Eliminating commodity-driven deforestation – a key, cross-cutting issue – is crucial to address these challenges. We look forward to continuing to support all involved in working towards sustainable, deforestation-free supply chains.

Oliver Cupit, SPOTT Manager,
ZOOLOGICAL SOCIETY OF LONDON



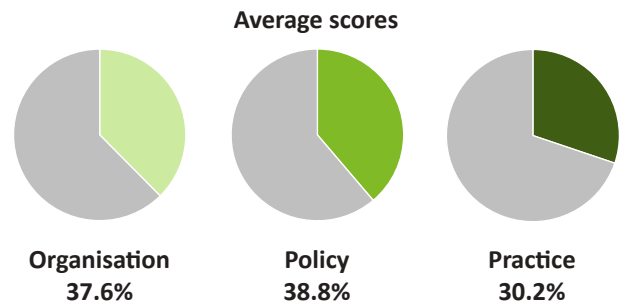
Palm oil assessments

SPOTT assesses 99 palm oil producers, processors and traders on the public disclosure of their policies, operations and commitments to environmental, social and governance (ESG) best practice, to facilitate corporate engagement and increase industry transparency. We encourage stakeholders to engage with companies, as company policies and commitments may not always translate into effective implementation on the ground. SPOTT scores companies across 10 ESG categories:



ZSL recognises that companies are at different stages of their sustainability journey. SPOTT assesses the transparency and content of company disclosure regarding:

- Organisation:** operations, assets and management structure
- Policy:** policies, commitments and processes to guide operations on the ground
- Practice:** activities undertaken to actively progress towards targets and implement policies and commitments on the ground



Key findings

- The **average score** of companies is 35.2% in October 2019, compared to 47.9% during the last assessment of palm oil companies in November 2018.
- 21/69¹ companies assessed in 2018 saw an **increase** in their scores in 2019 – the average change in score was +6.3 percentage points.
- 48/69 companies assessed in 2018 saw a **decrease** in their scores in 2019 – the average change in score was -7.6 percentage points.
- Companies perform best in **Sustainability policy and leadership** (average score: 42.8%).
- There is greatest room for improvement in support and commitments relating to **Smallholders and suppliers** (average: 23.7%).
- The average score of **Roundtable on Sustainable Palm Oil (RSPO) members** (61 companies), including companies with subsidiary RSPO members, is 49.1% vs. 12.8% for **non-RSPO members** (38 companies).

Note: Indicators are disabled if they are not applicable to companies due to the nature or location of their operations.



Sustainability policy and leadership

- 56/83 companies have put in place clear **sustainability policies** that apply to all their operations. Only 45/98 companies extend their sustainability policy to **all their suppliers**.
- 57/99 companies are full members of the RSPO, and three companies have subsidiary RSPO members, but only 33/99 are members of **other external industry schemes or initiatives to improve the sustainability of palm oil production**.



Landbank, maps and traceability

- 61/83 companies report a **planted area, totalling almost 6.5 million hectares**.
- 57/83 companies report their areas **set aside for conservation or High Conservation Values (HCV) areas, totalling over 1 million hectares**.
- 17/71 companies can **trace 100% of their raw materials to the mill of origin**.
- 18/83 companies can **trace 100% of their raw materials from their own mills to the plantation of origin**. 57 companies **do not report any traceability figures**.
- 63/71 companies **can trace 0% of their raw materials from their supplier mills to the plantation of origin**. Eight companies **can trace some of their supply**.
- 20/65 companies publish some **traceability data at the refinery level**.



Deforestation and biodiversity

- 50/83 companies have a **clear commitment to zero deforestation**, and a further four companies have an unclear commitment. 42/98 companies **extend their zero deforestation commitments to all their suppliers**.
- 11/83 companies commit to **restore non-compliant deforestation/conversion**. 10/98 companies **extend a commitment to restore non-compliant deforestation/conversion to all their suppliers**.
- Four out of 99 companies provide **strong evidence of monitoring deforestation**, and a further 28 companies provide **some evidence** of monitoring deforestation, but **lack clear methodologies or timeframes**.
- 55/99 companies report implementing a **landscape or jurisdictional approach to biodiversity conservation**.



HCV, HCS and impact assessments

- 49/83 companies commit to conduct **High Conservation Value (HCV) assessments for all new development**. 37/98 companies extend their **HCV commitment to all their suppliers**.
- 17/75 companies have undertaken **HCV assessments for all estates planted since January 2015**.
- 38/83 companies have a commitment to the **High Carbon Stock (HCS) Approach**. 32/98 companies extend a commitment to the **HCS Approach to all their suppliers**.
- 32/95 companies have undertaken **social and/or environmental impact assessments (SEIA)** and have made associated **management and monitoring plans** publicly available.

¹ One company (Noble Group) was not assessed this year because it has sold its palm oil operations.



Peat, fire and GHG emissions

- 40/83 companies have a commitment to **no planting on peat of any depth**. A further 17 companies have weak or unclear commitments that **fail to specify all depths of peat**. 36/98 companies extend a **commitment to no planting on peat of any depth to all their suppliers**.
- 55/83 companies have a clear commitment to **zero burning**, with 43/98 companies **extending a no burning commitment to all their suppliers**.
- Five out of 83 companies disclose data relating to **monitoring and managing fires**.
- 11/95 companies have a **time-bound commitment to reduce greenhouse gas (GHG) emissions intensity**. Only three out of 95 companies **report a reduction in their GHG emissions intensity over time**.



Water, chemical and pest management

- 17/95 have a **time-bound commitment to improve water use intensity**, but no companies report **making progress towards their water use intensity commitment**.
- 11/96 companies have a time-bound **commitment to improve water quality**, but no companies report making progress towards their water quality commitment.
- 31/83 companies have a commitment to **minimise the use of chemicals**, including both pesticides and chemical fertilisers, but only 10/98 companies **extend a commitment to minimise the use of chemicals to all their suppliers**.



Community, land and labour rights

- 51/99 companies have a public commitment **to the UN Declaration on Human Rights** or equivalent. 35/98 companies **extend their commitment to all their suppliers**.
- 53/95 companies commit to the principle of **free, prior and informed consent (FPIC)**. 38/98 companies **extend their commitment to all their suppliers**.
- 23/99 companies commit to support the **inclusion of women across their palm oil operations**, including addressing barriers faced. Only six out of 98 companies **extend their commitment to all their suppliers**.
- 58/99 companies commit to **respect all workers' rights**, but only 38/98 companies **extend their commitment to all their suppliers**.
- Only five out of 99 companies **report salary by gender**.



Certification standards

- Three out of 83 companies have **100% of their estates RSPO certified**, and a further 35 companies have certified **some of their estates**. 12/84 companies have **100% of their mills RSPO certified**, and a further 27 companies have **RSPO-certified some of their mills**.
- 34/99 companies are certified under **other voluntary certification schemes**.



Smallholders and suppliers

- 44/94 companies **commit to support smallholders**.
- 32/98 companies report a **clear process to prioritise, assess and/or engage suppliers on compliance** with company policy or legal requirements, with a further 10 companies **reporting a weak or unclear process**.
- 21/80 companies report having a **programme to support high risk mills to become compliant** with their sourcing policies.
- Only six out of 96 companies report **time-bound action plans for all suppliers to be in compliance** with their palm oil sourcing commitments.



Governance and grievances

- 62/99 companies have commitments to **both ethical conduct and prohibition of corruption**, and 27/98 companies **extend their commitment to all their suppliers**.
- 41/99 companies report having a **whistleblowing procedure**.
- 41/99 companies have a **grievance or complaints system open to all stakeholders**. 26/98 companies have **disclosed details of complaints and grievances**.

Smallholders: key to building sustainable supply chains

Approximately 40% of the world's palm oil is produced by smallholder farmers, making them an essential part of global palm oil supply chains. To help make sustainable palm oil the norm, it is crucial that smallholders are incorporated into company sourcing strategies and have access to sufficient technical and financial support to produce palm oil sustainably.

In February, we published a report highlighting the lack of disclosure by palm oil producers and traders on both the extent and locations of smallholders within their supply chains. Of the 58 companies assessed on SPOTT in 2018 that have smallholders, 41 companies (71%) report a planted area for their scheme smallholders. However, only eight (14%) publish maps of their scheme smallholder locations. Thirty-five companies (60%) provide details of their scheme smallholder support programmes, and 26 companies (46%) report on their independent smallholder support programmes. Only five of 58 companies assessed on SPOTT have certified more than 75% of their scheme smallholders.

To transform the palm oil sector, companies must extend their commitments to cover all their sourcing, disclose details of the smallholders in their supply chain, and increase support for the smallholders they source from.

Read the full report here: [SPOTT.org/reports/](https://spott.org/reports/)

3 Smallholders: key to building sustainable supply chains

Findings

Prevalence of comprehensive corporate commitments

In examining corporate commitments in the 2018 SPOTT assessments, namely those related to deforestation, high conservation value (HCV) assessments, development on peat, no burning and human rights, an average of 40% of assessed companies had comprehensive commitments that covered all their sourcing – an increase of 10% from 2017.¹⁰ (Figure 2)

While this does not mean that the remaining 60% of companies did not extend their commitments to their smallholder supply base, it does mean that they excluded part of their supply base from their commitments (whether that be scheme and/or independent smallholders, particular geographies, products, etc.).

Figure 2. Percentage of companies that extended their commitment to cover all their sourcing in SPOTT assessments between June 2017 and November 2018.

Landbank and maps of scheme smallholders

Palm oil companies are entrusted as stewards of vast areas of land, yet there is a lack of transparency around the full extent and locations of land under a company's management. This inhibits accountability and masks environmental and social risks.¹¹

Knowing where companies source from is critical to effectively implement and verify compliance with corporate commitments and legal requirements. This includes having oversight of the scheme smallholders in one's supply base, including an understanding of the locations where they source from.

Only eight companies assessed on SPOTT that have scheme smallholders published maps of their locations, either on their own or the RSPO's website. While 47 companies did not score points against this indicator, some companies did provide feedback that they submitted these maps to the RSPO. However, the GeoRSPO portal¹² does not distinguish scheme smallholder plantations from industrial plantations and thus company submissions could not be verified.

Smallholder support

While not typically required training to both independent company's supply base or FFB, this source were policies, and helps ensure

Approximately 60% of companies provided support programmes.¹³ T where 27 of 44 companies reported details of their support programmes (61%) while 13 companies did not report details of their support programmes (29%).

Reporting by companies independent smallholders (46%) with details of their support programmes reported the (>18,000) involved in the companies did not report

This lack of transparency assess the significance of programmes.

Recommendation

Recommendation of the RSPO for the Smallholder Interim Group to develop a simplified standard for independent smallholders that is expected to be approved in late 2019.

Smallholders: key to building sustainable supply chains

Disclosure and support by palm oil companies assessed on SPOTT

Figure 3. Proportion of companies that score full, partial, or no points for reporting the planted area of their scheme smallholders.¹⁴

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¹⁰ 50 companies were assessed on SPOTT in 2017 and the percentage change figure only includes changes in commitments of companies that were assessed in both 2017 and 2018. Information on whether rights commitments apply to scheme smallholders and independent suppliers was not collected in 2017.

¹¹ Financial Markets Foundation for Nature (2017). *Hidden Land: Hidden Risk*. The need for improved corporate reporting of land holdings associated with palm oil production. <https://www.fmf.org.uk/hidden-land/>

¹² Full points are awarded to companies when the data they report is over 2 years old, does not cover a company's known scope of operations, or the figure is unverified by RSPO.

¹³ GeoRSPO - RSPO Mobilising App. 2018. <https://www.rsponet.org/geo/> (Accessed March 2019).

¹⁴ Zoological Society of London (ZSL). 2018. *Sustainable Palm Oil & Responsible Investment*. London: ZSL.

¹⁵ Further 4 companies provide limited detail, and 18 companies do not report if they have support programmes.

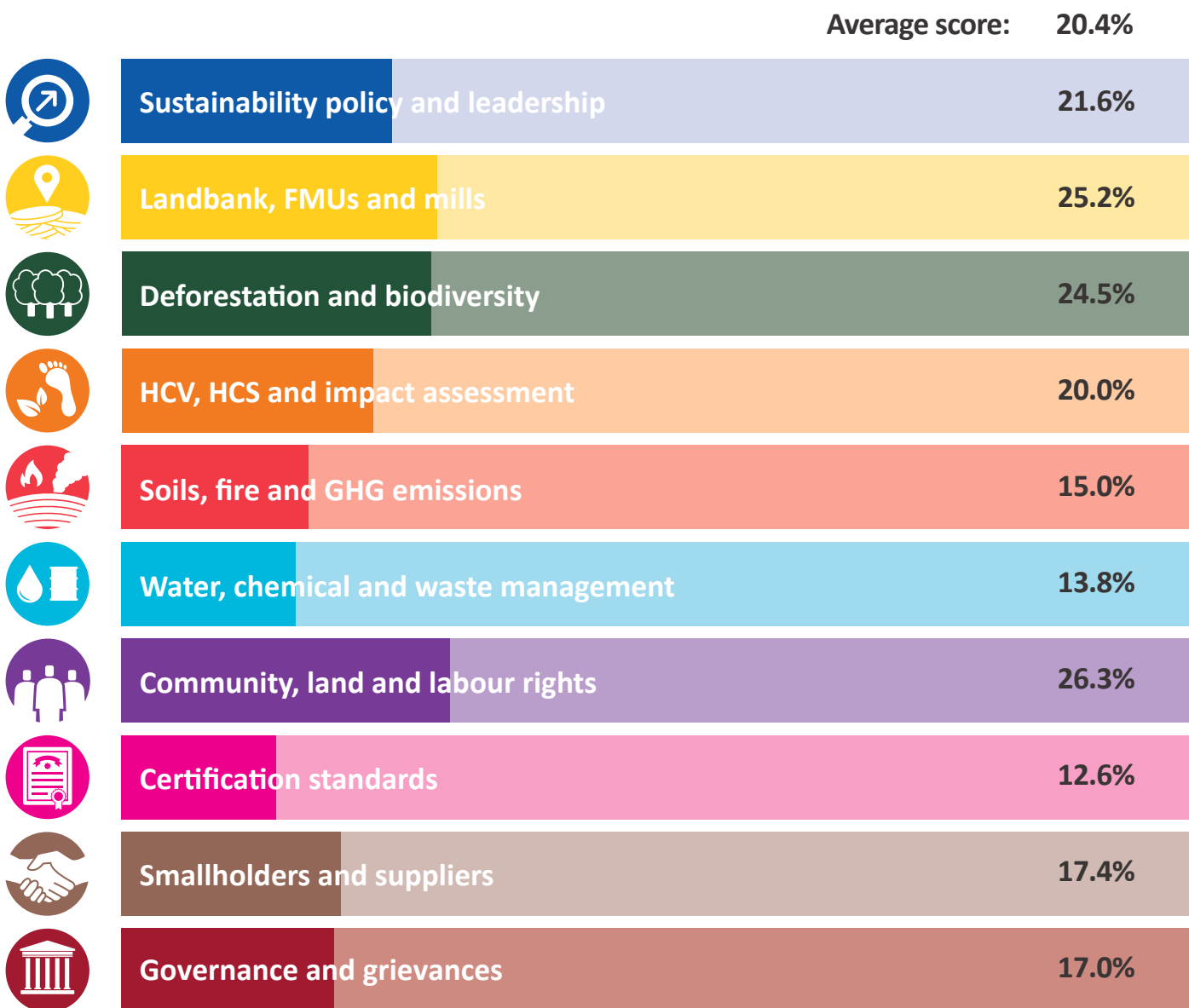
¹⁶ Further 6 companies provide limited detail, and 24 companies do not report if they have support programmes.

¹⁷ RSPO. 2019. Our Impact. <https://www.rsponet.org/our-impact/> (Accessed March 2019).

¹⁸ RSPO. 2018. (a) Resolutions & Recommendations, Resolution GAG14e and GAG14f. <https://www.rsponet.org/legislation/> (Accessed March 2019).

Timber and pulp assessments

SPOTT assesses 97 timber and pulp producers and traders on the public disclosure of their policies, operations and commitments to environmental, social and governance (ESG) best practice, to facilitate corporate engagement and increase industry transparency. SPOTT encourages stakeholders to engage with producers, as company policies and commitments may not always translate into effective implementation on the ground. SPOTT scores timber and pulp producers using up to 131 ESG indicators across 10 categories:



Key findings

- The **average score** of companies is 20.4% in July 2019, compared to 31.1% during the last assessment of timber and pulp companies in July 2018. This decrease is mainly explained by the larger number of companies assessed, including 21 companies that do not have a website and therefore demonstrate no transparency.
- The average score of 49¹ companies also assessed in 2018 is 33.3% compared to 31.1% last year.
- The average score of 24 companies also assessed in 2017 and 2018 is 39.8% compared to 38.9% in 2018, and 37.1% in 2017.
- 24/49 (49%) companies assessed in 2018 saw an **increase** in their scores in 2019 – the average change in score was +7.1 percentage points.
- 24/49 (49%) companies assessed in 2018 saw a **decrease** in their scores in 2019 – the average change in score was -3.7 percentage points.
- The average score of companies with some or all of their landbank **Forest Stewardship Council (FSC) Forest Management (FM) certified** or **Programme for Endorsement of Forestry Certification (PEFC) FM certified** is 44% compared to 18% for companies lacking such certification.

Gender

- 28/97 (29%) companies provide details on the **number of women in their senior management team**. The average percentage of women in senior management is about 10% in these companies.
- Only 6/88² (7%) companies have a commitment to support the **inclusion of women across forestry operations**, including addressing barriers faced.
- 21/97 (22%) companies report **number or percentage of women employees**. The average percentage of women employees in these 21 companies is 16%.
- Only 4/97 (4%) companies report **salaries by gender**.

Legality

- 32/88 (36%) producers operate in the three countries which are covered by Open Timber Portal (DRC, Republic of Congo, Cameroon).
- The average score of the 32 companies on OTP across the 8 categories covered by SPOTT is 13%.
- Companies perform best in the **legal registration** category where 17/32 (53%) companies provided more than 25% of required documentation.
- The lowest performing category is the **population rights** category where only 3/32 (9%) companies provided more than 25% of required documentation.



Sustainability policy and leadership

- 26/97 (26%) companies have put in place a clear and comprehensive **sustainability policy**. Only 10/82³ companies (12%) extend their sustainability policy to **all their sourcing**.
- 10/29³ (34%) companies have one or more **board members with responsibility for sustainability**.
- 28/97 (29%) companies have a **high-level position** (excluding board members) with responsibility for sustainability.
- 25/97 (26%) companies have published a **sustainability report** in the last two years.
- 38/97 (39%) companies are working with **government, non-governmental organisations, or academic institutions** to improve the sustainability of forest products.
- 6/97 (6%) companies have **assessed climate risk** and provided some details on the assessment.



Landbank, FMUs and mills

- 17/62⁴ (27%) companies clearly disclose their **total area of forest plantation**, and 13/74⁵ (18%) disclose the **total area of natural forest** they control for wood/wood fibre production. Total area covered by the 88 companies with landbank is approximately **46.6 million hectares**.
- 30/88² (34%) companies report at least some information on their areas set aside for conservation of **High Conservation Value (HCV)** areas, totalling over 4.4 million hectares.
- 69/88² (78%) companies have made at least some **maps available for their Forest Management Units (FMUs)**, but only 11/88 (13%) companies have provided georeferenced **maps for all their FMUs**.
- Only 3/69⁶ (4%) companies disclose some information on the **area of intact forest landscape**⁷ found within their operational area.
- 14/91⁸ (15%) companies have **procedures to trace raw materials to FMU level**.
- 15/91⁸ (16%) companies achieved > 80% traceability to country level while 11/91⁸ (12%) companies have achieved > 75% traceability to FMU level.

²This indicator is disabled for companies that do not control natural forests or plantations.

³This indicator is disabled for companies that are not publicly listed, however private companies can also have boards and when they do they can score against this indicator.

⁴This indicator is disabled for companies that do not control plantations.

⁵This indicator is disabled for companies that do not control natural forests for wood/wood fibre production.

⁶This indicator is disabled for companies that have no intact forest landscape within their operations.

⁷Can be defined as a territory within today's global extent of forest cover minimally influenced by human economic activity, with an area of at least 500 km² (50,000 ha) and a minimal width of 10 km.

⁸This indicator is disabled for companies that have no suppliers.



Deforestation and biodiversity

- 20/97 (21%) companies have a clear commitment to **zero conversion of natural forests** and only 11 companies extend this commitment to **all their sourcing**.
- Only 12/20 companies with a zero conversion commitment report having a **system to monitor deforestation**, and just seven have **published deforestation figures** in the past two years
- 11/74⁹ (15%) companies have a clear commitment to minimise the impact of **logging roads**.
- 40/97 companies (41%) companies have a clear commitment to **biodiversity conservation**.
- Only 30/88¹⁰ (34%) companies that control land provide some examples of **species or habitat conservation management** on their concessions.
- Just 13/88¹⁰ (15%) companies are implementing a **landscape approach** to biodiversity conservation.



HCV, HCS and impact assessments

- Only 18/88¹⁰ (19%) companies have a commitment to conduct **High Conservation Value (HCV) assessments** for all new development and planting. 15/91¹¹ (18%) companies, including traders and producers that have suppliers extend this commitment to all sourcing.
- 10/88¹⁰ (11%) companies make all their **HCV assessment reports publicly available**.
- 18/97 (18%) companies have a clear commitment to **conduct Social and Environmental Impact Assessments (SEIAs)** for all new development and planting.



Soils, fire and GHG emissions

- 12/88¹⁰ (14%) companies commit to **best management practices for soils and/or peat**.
- Only 14/74⁹ (19%) companies have a commitment to use **reduced impact logging (RIL)** techniques across all their operations.
- 18/88¹⁰ (20%) companies provide evidence of undertaking both **fire monitoring and management** activities.
- Just 5/90¹² (6%) companies have a **time-bound commitment to reduce greenhouse gas (GHG) intensity**. All of these companies are reporting progress towards their GHG targets.



Water, chemical and waste management

- 5/46 (11%) companies with pulp or paper mills have a **time-bound commitment to improve water use**, while four (9%) are reporting progress towards their water use commitment.
- Just 14/88¹⁰ (16%) companies have a commitment to **protect natural waterways through using buffer or riparian zones**.



Community, land and labour rights

- 49/97 (51%) companies have a commitment to **respect human rights**, while 45/91 (49%) companies that have suppliers extend this to all sourcing.
- 47/97 (48%) companies are committed to respect **indigenous and local communities' rights**, but just 12/97 (12%) have a full commitment to obtain **free, prior and informed consent (FPIC)** prior to all new developments.
- 47/97 (48%) companies clearly commit to **all eight fundamental International Labour Organization (ILO) Conventions**.¹³
- 25/97 (26%) companies state that they are **paying minimum wage** to all their workers however only nine (9%) companies provide evidence of this.

⁹ This indicator is disabled for companies that do not control natural forests for wood/wood fibre production.

¹⁰ This indicator is disabled for companies that do not control natural forests or plantations.

¹¹ This indicator is disabled for companies that have no suppliers.

¹² This indicator is disabled if a company has no landbank or processing facilities.

¹³ 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).



Certification standards

- 28/88¹⁴ (32%) companies have **more than 75% of their area** verified as being in legal compliance by a third party. Just 8/91¹⁵ that have suppliers (9%) report any of their supply as being verified legal by a third party.
- Only 13/88¹⁴ (15%) companies have more than 75% of their landbank **Forest Stewardship Council (FSC) Forest Management (FM) certified** and only 5/88 (6%) companies are 100% certified.
- 9/91¹⁵ (10%) companies have a commitment to only source wood or wood fibre that meets **FSC Controlled Wood** requirements.



Smallholders and suppliers

- 11/75¹⁶ (15%) companies have a programme to **support outgrower smallholders**, but only four (5%) provide details of how many outgrowers are supported.
- Only 19/91¹⁵ (21%) companies report they have a process for prioritising, assessing and/or **engaging suppliers on compliance with their policy and/or legal requirements**.
- 12/91¹⁵ (13%) companies report the **number of suppliers that they have assessed or engaged**.



Governance and grievances

- 30/97 (31%) companies have a clear commitment to **ethical conduct** and the prohibition of corruption.
- 17/97 (218%) companies have a **grievance procedure that is open to both internal and external stakeholders** such as employees and local communities.
- 8/97 (8%) companies report some **details of grievances**, but just four (4%) provide comprehensive details of the grievances reported to them and their resolution.



¹⁴ This indicator is disabled for companies that do not control natural forests or plantations.

¹⁵ This indicator is disabled for companies that have no suppliers.

¹⁶ This indicator is disabled if a company has no outgrower smallholders.


The need for spatial data transparency in the tropical forestry sector

From the mapping of complex supply chains across multinational companies through to local level monitoring of activities in the field, spatial data is a key tool to improve our understanding of drivers of forest degradation and biodiversity loss.

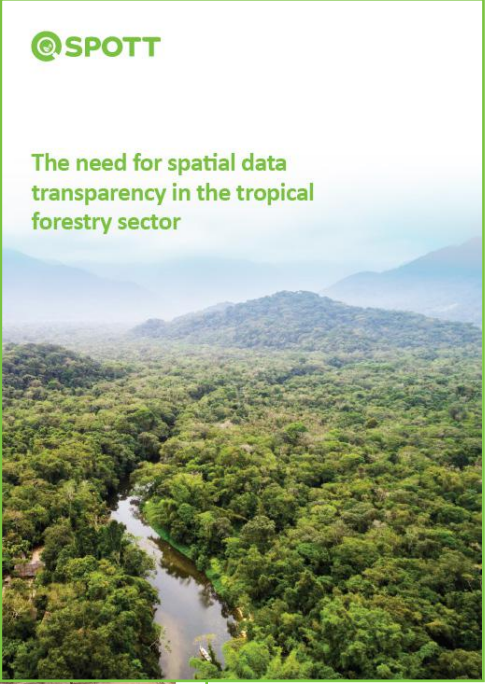
Transparency in the forestry sector – including publicly available and suitable spatial data about company operations – can play an important role in facilitating improved monitoring of forestry activities, increasing knowledge of supply chain impacts, and ultimately strengthening sustainability in the forestry sector.

In July, we published a report which presents the case for spatial data disclosure by forestry companies, and provides guidance on the collection, disclosure and use of spatial data. It highlights the benefits of spatial data transparency to companies and wider stakeholders, including financial institutions and buying companies, who rely on accurate, consistent and transparent information to support their lending, investment and procurement decisions.

Read the full report here: SPOTT.org/reports/



The need for spatial data transparency in the tropical forestry sector



1 Transparency in the tropical forestry sector

Introduction

The world's remaining forests are being degraded and lost at a dramatic pace. It is estimated that each second, more than one hectare of tropical forest, an area slightly larger than a standard football pitch, is affected by forest loss or forest degradation (Box 1).

The forest products industry is a major driver of forest disturbance. From 2002 to 2015, global forest disturbance was attributed to four main causes: commodity-driven deforestation (27%), forestry (20%), shifting agriculture (20%) and wildlife (32%). Ensuring the sustainability of forestry operations is therefore critical to preserve the biodiversity of forests and their capacity to provide natural resources, livelihoods, and other ecosystem services locally and globally.

Transparency in the forestry sector – including publicly available and suitable spatial data about company operations – can play a key role in facilitating improved monitoring of forestry activities, increasing knowledge of supply chain impacts, and ultimately strengthening sustainability in the forestry sector.

This report presents the case for spatial data disclosure by forestry companies. It provides guidance on the collection, disclosure and use of data. It highlights the benefits of spatial data transparency to companies and wider stakeholders, including financial institutions and buying companies, who rely on accurate, consistent and transparent information to support their lending, investment and procurement decisions.

“With nearly a quarter of forest degradation and loss driven by forestry, more disclosures are needed to assess and manage the potential impacts of forestry activities on biodiversity and our climate. Accurate data regarding the extent, location and boundaries of a company's concessions is vital for monitoring environmental damage in and around company concessions, helping to ensure that companies are being good stewards of the land they are entrusted with.”

Robert-Alexandre Poujade,
ESG Analyst, BNP Paribas Asset Management

Read more about BNP's approach and expectations on page 8.

Box 1: Forest disturbance and its effects

- Forest loss and forest degradation**
Forest degradation refers to changes in a natural forest ecosystem that significantly affect its composition, structure or functions. It results in the temporary loss of its capacity to provide goods and services to people and nature. Forest loss, or deforestation, refers to the permanent loss of natural forests as a result of the conversion of forests to non-forest uses, such as infrastructure or agriculture, or of severe and sustained degradation.^{1,2}
- Forest biodiversity and regulation services**
In both cases, forest disturbance is detrimental to the biodiversity and regulation functions of forests. As forests provide habitat for 80% of the world's terrestrial biodiversity, forest loss and degradation can lead to species loss which can impact ecosystems at various scales. Forests are also critical for regulating the global water system and climate. They store large amounts of carbon, which can be released into the atmosphere when trees are cut down.
- Livelihoods**
More than 240 million people live in forested regions and an estimated 1.6 billion people directly rely on forests for their livelihoods. Access to food, shelter, forest-based activities and other ecosystem goods and services are threatened by forest loss and degradation, putting the livelihoods of these people at risk.

¹ ECN (2017), Deforestation and forest degradation. Issues Brief https://www.ecn.europa.eu/Deforestation-forest-degradation/Issue_Brief_English
² Curtis, N. G., Slay, C. M., Harris, N. L., Tyukavik, A., & Hansen, M. C. (2018). Classifying drivers of global forest loss. Science, 363(6427), 1308-1311. <https://doi.org/10.1126/science.1258839>

Missing maps in the tropical forestry sector

Spatial data transparency among companies assessed on SPOTT: area and location of concessions

SPOTT is a free, online platform supporting sustainable commodity production and trade. SPOTT assesses tropical forestry and palm oil companies annually against over 100 concession-specific indicators to assess their transparency. In 2019, SPOTT assessed 97 of the world's most significant tropical timber and pulp companies on the public disclosure of their policies, operations and commitments related to environmental, social

and geospatial mills. Companies produce fibre products and hectare

Table 1. Area controlled by timber and pulp producers assessed on SPOTT

	Number of producers
Producers which disclose the total area of their operations	63
Producers which don't disclose the total area of their operations	25
All producers assessed on SPOTT in 2019	88

* This figure is based on information publicly disclosed by the companies [e.g. on Timber Portal, NGO reports].

SPOTT assessments found that only 11/88 (13%) companies assessed had georeferenced maps of all their forestry operations publicly available, either on the company's websites or reports or in external sources that are reviewed during SPOTT assessments. Fifty-eight out of 88 (66%) companies disclosed incomplete spatial information, including data that was between two and five years old, static images that do not allow for the concession to be located on Google Maps or in any of the companies' reports or websites. As a result, the location of the concession was not covered.



¹ External sources that have been reviewed for SPOTT assessments include Global Forest Watch <https://www.globalforestwatch.org/en/>, the Open Timber Portal <https://www.opentimberportal.org/en/>, the Forest Atlas of Congo Basin countries <https://www.forestatlas.org/en/>, the TIC database <https://tic.fao.org/en/>

Forestry Transparency Forums tackle illegal tropical timber production and trade

Illegal logging is a major driver of tropical forest degradation, which leads to biodiversity loss. Strengthening the legality of tropical timber production and trade is key to increasing the sustainability of timber production. The European Union's FLEGT – Forest Law Enforcement, Governance and Trade – Action Plan supports timber-producing countries in reforming their forestry sectors to improve legality through Voluntary Partnership Agreements (VPAs).

The 2019 expansion of SPOTT, supported by UK Aid, focused on companies in countries at various stages of the VPA development process that have exceptional biodiversity – Indonesia, Cameroon, the Republic of Congo and Gabon – and traders in China that increasingly source timber from Africa.

To explore the challenges, opportunities and benefits of improved transparency, and its role in promoting greater sustainability in the sector, SPOTT brought together companies, government representatives, industry bodies and NGOs in a series of in-country workshops during February and March 2019.



The Forestry Transparency Forums were developed to help SPOTT engage with forestry sector stakeholders and promote constructive dialogue. In total, 144 participants attended the Forums, held in Jakarta, Douala, Brazzaville, Libreville, and Beijing.

Attendees were able to meet the SPOTT team and increase their understanding of SPOTT's approach, processes and users, while the SPOTT team had the opportunity to hear stakeholders' feedback and concerns, helping them to improve the SPOTT initiative.

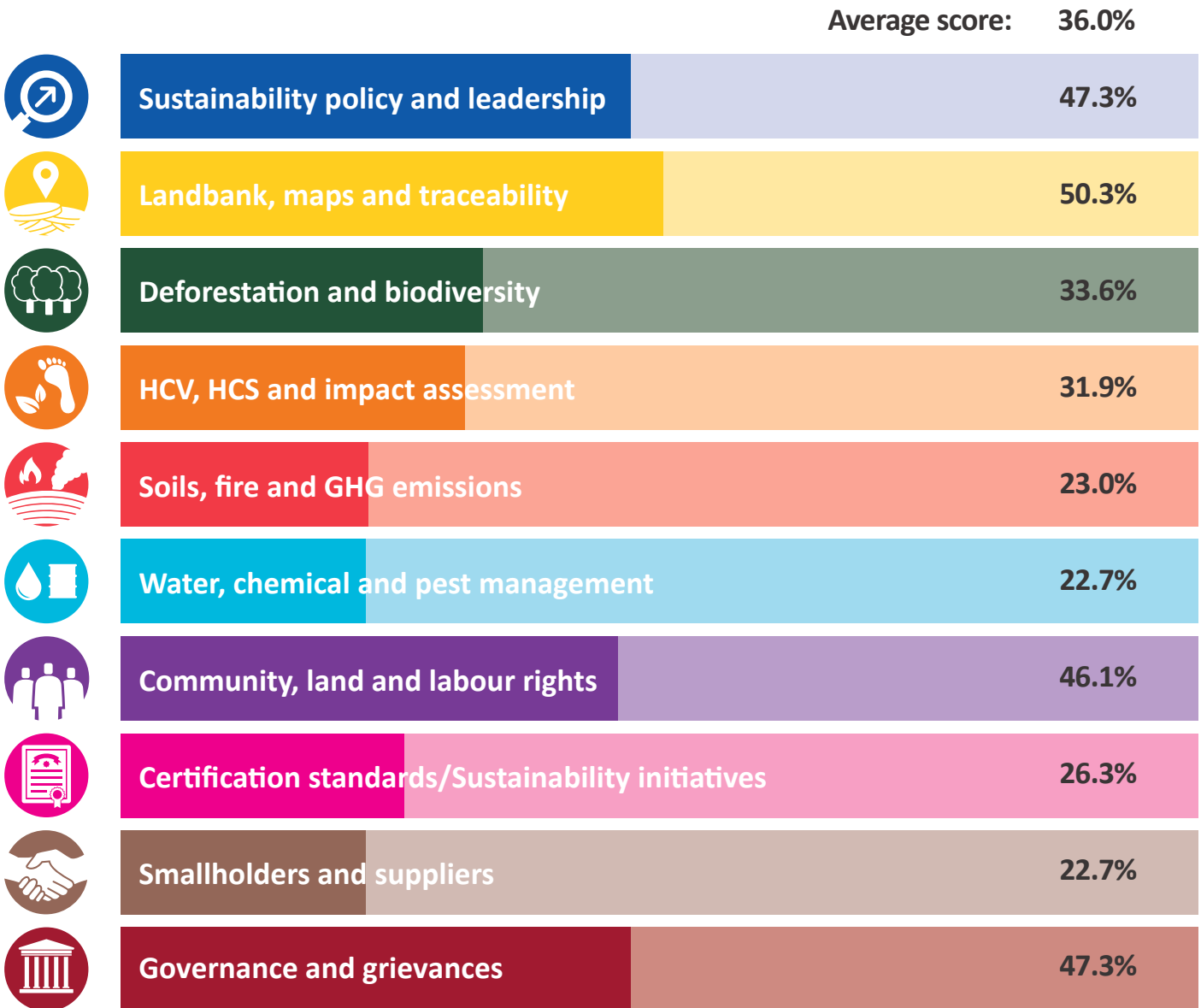


Full reports for all the Forums are available to download here: <https://www.spott.org/news/forestry-transparency-forums-tackle-illegal-tropical-timber-production-and-trade/>



Natural rubber assessments

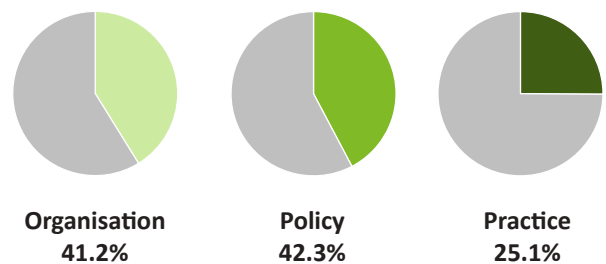
SPOTT assesses 15 natural rubber producers and processors on the public disclosure of their policies, operations and commitments to environmental, social and governance (ESG) best practice, to facilitate corporate engagement and increase industry transparency. We encourage stakeholders to engage with companies, as company policies and commitments may not always translate into effective implementation on the ground. SPOTT scores companies across 10 ESG categories:



ZSL recognises that companies are at different stages of their sustainability journey. SPOTT assesses the transparency and content of company disclosure regarding:

- Organisation:** operations, assets and management structure
- Policy:** policies, commitments and processes to guide operations on the ground
- Practice:** activities undertaken to actively progress towards targets and implement policies and commitments on the ground

Average scores



Key findings

- The **average score** of companies is 36% for the inaugural assessments in November 2019.
- The average score of **Global Platform for Sustainable Natural Rubber (GPSNR) members** (five companies) is 48.7% vs. 29.6% for **non-GPSNR members** (10 companies).
- Companies perform best in **Landbank, maps and traceability** (average score: 50.3%).
- There is greatest room for improvement in support and commitments relating to **Smallholders and suppliers** (average score: 22.7%), **Soils, fire and GHG emissions** (22.7%), and **Water, chemical and pest management** (23%).

Note: Indicators are disabled if they are not applicable to companies due to the nature or location of their operations.



Sustainability policy and leadership

- Nine out of 15 (60%) companies have put in place a clear and comprehensive **sustainability policy**. Only five out of 13 (38.5%) companies extend their sustainability policy to **third parties**.
- Nine out of 15 (60%) companies have published a **sustainability report** in the last two years.
- 10/15 (67%) companies are working with government, non-governmental organisations, or academic institutions to **improve the sustainability of natural rubber**.



Landbank, maps and traceability

- 10/15 (67%) companies report the area managed for natural rubber, totalling **around 1.6 million hectares**.
- Seven out of 15 (47%) companies report their areas **set aside for conservation or High Conservation Values (HCV) areas, totalling over 150,000 hectares**.
- Only five out of 14 (36%) companies commit to **traceability for their whole supply chains**.



Deforestation and biodiversity

- Seven out of 15 (47%) companies have a **clear commitment to zero deforestation**, and a further two companies have an unclear commitment. Only four out of 13 (31%) companies **extend their zero deforestation commitments to their non-smallholder suppliers**.
- Just five out of 15 (33%) companies are implementing a **landscape or jurisdictional approach**.
- 11/15 (73%) companies have a **clear commitment to biodiversity conservation**, while seven out of 15 (47%) provide examples of **species and habitat conservation activities**, and only four out of 15 (27%) **identified species of conservation interest**.



HCV, HCS and impact assessments

- Nine out of 15 (60%) companies have a commitment to conduct **High Conservation Value (HCV) assessments for all new development and planting**.
- Only two out of 15 (13%) companies make some or all of their **HCV assessment reports publicly available**.
- Only six out of 15 (40%) companies have a clear commitment to **conduct Social and Environmental Impact Assessments (SEIAs)** for all new development and planting, and just four (27%) have **made the results of at least one of their SEIAs publicly available**.



Soils, fire and GHG emissions

- Only two out of 11 (18%) companies have a comprehensive commitment to **no planting on peat of any depth**. A further three companies have weak or unclear commitments that **fail to specify all depths of peat** or refer only to parts of the companies' operations.
- Only four out of 15 (27%) companies **commit to best tapping practices**, but only three companies **provide evidence of implementing such tapping practices**.
- Only six out of 15 (40%) companies have a **clear and comprehensive commitment to zero burning**.
- 10/15 (67%) companies provide some **evidence of undertaking both fire monitoring and management activities**, but only two (13%) **report on fires in company estates**.
- Just one out of 15 (7%) companies has a time-bound commitment to **reduce greenhouse gas (GHG) emissions intensity**. Only two out of 15 (13%) companies report a **reduction in their GHG emissions intensity** over time.



Water, chemical and pest management

- Just two out of 14 (14%) companies with natural rubber processing facilities have a **time-bound commitment to improve water quality**, while three (21%) companies **report improvements in water quality** over time.
- Only five out of 15 (33%) companies report that they use **buffer or riparian zones to protect natural waterways**.
- Only three out of 14 (21%) companies report they **reduce odours from natural rubber processing facilities**.
- Seven out of 15 (47%) companies have a **commitment to minimise the use of chemicals**, including both pesticides and chemical fertilisers, but only one company **reports reductions in chemical use**.



Community, land and labour rights

- Six out of 15 (40%) companies have a public commitment **to the UN Declaration on Human Rights** or equivalent. Four out of 13 (31%) companies **extend their commitment to non-smallholder suppliers**.
- Seven out of 15 (47%) companies have a **commitment to respect indigenous and local communities' rights**, and nine out of 15 (60%) have a comprehensive commitment to obtain **free, prior and informed consent (FPIC) prior to all new developments**.
- 11/15 (73%) companies have a commitment to provide **essential community services and facilities**, and 12/15 (80%) provide examples of **supporting local communities**.
- Eight out of 15 (53%) companies have a commitment to pay **at least minimum wage** but only four (27%) provide some **evidence that they are paying the minimum wage to all their workers**.
- Six out of 15 (40%) companies have a commitment to **support the inclusion of women** across natural rubber operations.
- 10/15 (67%) companies report the **number or percentage of women employees**, with the average across these companies being 24%.
- 13/15 (87%) companies have a commitment to **eliminate gender related discrimination** with regards to employment and occupation, however only one company **provides some information on salary by gender**.



Certification standards/Sustainability initiatives

- Five out of 15 (33%) companies are members of the **Global Platform for Sustainable Natural Rubber (GPSNR)**.
- Six out of 15 (40%) companies have submitted a self-declaration for the **Sustainable Natural Rubber Initiative (SNR-i)**.
- Eight out of 15 (53%) companies are certified under **voluntary certification schemes** such as ISO 14001, ISCC, SVLK and HeveaPRO.



Smallholders and suppliers

- 10/14 (71%) companies have a **commitment to support smallholders**, and 10 (71%) companies provide **examples of supporting activities**. However, only four (29%) companies report their process for **assessing and engaging suppliers** – including smallholders – on compliance with the company's policy and/or legal requirements.
- Only one out of 13 (8%) companies reports the **number of non-smallholder suppliers that it has assessed or engaged** on compliance with its policies and/or legal requirements.
- None of the companies report on the **percentage of supply that comes from agroforestry**.¹



Governance and grievances

- Eight out of 15 (53%) companies clearly commit to **ethical conduct and prohibition of corruption**.
- Only six out of 15 (40%) companies have a **grievance system that is open to both internal and external stakeholders such as employees and local communities**.
- Just two out of 15 (13%) companies **disclose details of complaints and grievances**, but only one (7%) provides **comprehensive details of the grievances received and their resolution**.

¹ Agroforestry is the interaction of agriculture and trees, including the agricultural use of trees. This includes trees on farms and in agricultural landscapes, farming in forests and along forest margins and tree-crop production, including cocoa, coffee, natural rubber and oil palm. (World Agroforestry Centre, ICRAF)



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2019

APRIL 2019

COMMITTED TO SUSTAINABLE PALM OIL?

ANALYSIS OF 2018 ACOP REPORTING BY RSPO MEMBER COMPANIES

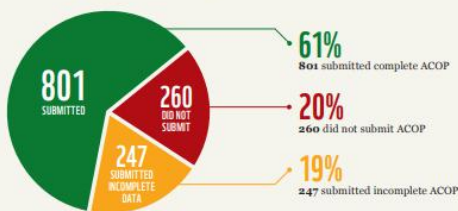
The Roundtable on Sustainable Palm Oil (RSPO) unites thousands of stakeholders from across the palm oil industry to develop and implement global standards for sustainable palm oil. Ordinary and Affiliate members are required to submit an Annual Communication of Progress (ACOP) report each year to gauge progress towards the shared vision of "making sustainable palm oil the norm". But an analysis of 2018 ACOP reporting by WWF and Zoological Society of London (ZSL) casts serious doubt over company commitments to produce, trade, and purchase sustainable palm oil.



The analysis found that:

- Several companies have made pledges to source deforestation- and exploitation-free palm oil by 2020 including to become 100% RSPO certified, yet most of them are far from reaching their targets, and many other RSPO members have set far less ambitious targets.
- RSPO member companies are failing to abide by their membership obligations, with over a third of member companies either not reporting to the RSPO or reporting incomplete data in their ACOP reports. This lack of transparency prohibits accurate assessment of the RSPO's progress and the progress of its members against their commitments.
- Companies that are serious about their commitments to palm oil sustainability should report complete and accurate information in their 2019 ACOP reports.
- The RSPO must tighten and enforce requirements for companies to regularly report accurate information in their ACOPs.

1308 RSPO company members were required to submit an ACOP in 2018:



WWF AND ZSL:
Analysis of 2018 ACOP reporting by RSPO member companies

In May, in collaboration with WWF, we published an analysis of 2018 RSPO member reporting.

Submitting an Annual Communication of Progress (ACOP) is a requirement of RSPO membership, but the analysis found that over a third of companies were failing to submit complete reports – ACOPs were either submitted with incomplete data, or not submitted at all. It also highlighted that despite many pledges relating to sourcing and certification, many companies were a long way from reaching them.

The lack of complete reporting makes it impossible to track progress towards the shared vision of "making sustainable palm oil the norm".

Read the full analysis here: <https://www.spott.org/news/committed-to-sustainable-palm-oil/>

Palm oil: a business case for sustainability

In December we launched a new report in conjunction with Aviva Investors, which included the results of a commissioned analysis of SPOTT assessment scores and financial performance data.

The analysis found that on average, companies scoring higher on SPOTT outperformed lower-scoring companies on a total return basis by around 20%, when comparing the top- and bottom-scoring halves of the dataset from 2014-19.

The highest-scoring companies also appeared to show lower levels of volatility and more consistent returns.

The report sets out the main risks associated with unsustainable palm oil production – and the ways in which operational, reputational and regulatory risks may have financial impacts – and outlines the positive business case for producing, sourcing, and financing sustainable palm oil.

Read the full report here: [SPOTT.org/reports/](https://www.spott.org/reports/)

SPOTT



PALM OIL:

A BUSINESS CASE FOR SUSTAINABILITY



"As financiers, buyers and the public increasingly seek to avoid the environmental destruction and human rights abuses associated with unsustainable palm oil production, companies that fail to change risk losing investment and access to consumer markets. Improving both the transparency of reporting and the sustainability of actions on the ground is vital for a company to earn a better reputation and achieve long-term profitability."

Eleanor Spencer

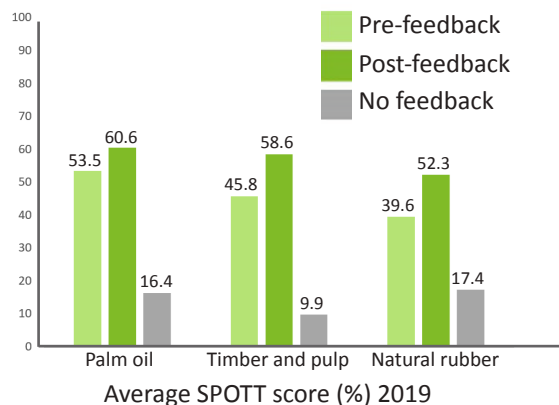
SPOTT Engagement and Impacts Coordinator
Zoological Society of London (ZSL)

Engagement with supply chain stakeholders and supporters

Engagement with commodity companies is an important element of the SPOTT assessment cycle, as it gives companies the opportunity to provide feedback on their draft assessments and to make further disclosures before final assessments are published. During 2019, 71 companies provided feedback on their draft assessments, resulting in an average increase of 7.1 percentage points for palm oil companies, 12.8 for timber and pulp companies, and 12.7 for natural rubber companies between draft and final assessment scores.

This not only demonstrates that it is in a company's interest to engage with SPOTT, as it may result in receiving a higher transparency score if further disclosures are made, but also that SPOTT's engagement process is effective at increasing the transparency of the companies it assesses.

SPOTT website user numbers increased by nearly 25% in 2019, with over 22,300 users visiting the site, viewing pages more than 170,000 times. By the end of the year, over 840 users had registered for a free Dashboard account, enabling them to access a greater range of ways to explore and analyse SPOTT data.



In September, we launched the SPOTT Supporter Network, inviting commodity supply chain stakeholders to promote corporate sustainability through public support of SPOTT's approach. By adding weight to the SPOTT initiative, supporters can help incentivise assessed companies to meet stakeholder expectations and increase transparency. Ultimately, both SPOTT and its supporters can leverage the influence of the Supporter Network, and amplify calls for companies to adopt best practices.

We welcomed our first supporters – Aviva Investors, BMO Global Asset Management, BNP Paribas Asset Management, Credit Suisse, Global Canopy, Investec Asset Management, NN Investment Partners, Proforest and Robeco – who lend their voice by making a simple and inclusive statement:



“ We support SPOTT’s call for increased transparency in commodity sectors to promote sustainable production and trade. ”



Engagement with sustainability initiatives

ZSL engages with sector-specific sustainability organisations, including the Global Platform for Sustainable Natural Rubber (GPSNR) and the Roundtable on Sustainable Palm Oil (RSPO). ZSL has been a member of the GPSNR – whose mission is to lead improvements in the socioeconomic and environmental performance of the natural rubber value chain – since October 2019, and currently sits on the Traceability and Transparency and Civil Society Organisations Working Groups. ZSL is playing a role in finalising the Terms of Reference of two pilot studies regarding traceability tools and mapping as part of the Traceability and Transparency group.

ZSL is also a long-standing member of the RSPO, which seeks to make sustainable palm oil the norm. In 2019 we continued to engage with the RSPO through our seat as an alternate environmental NGO on the Board of Governors, and through our participation in the Biodiversity and High Conservation Value Working Group, the No Deforestation Task Force, Smallholder Interim Group, and Resolution 6D Task Force. Several members of the team attended the Sustainable Palm Oil Dialogue in June, and the 17th RSPO Roundtable in November, where we presented the SPOTT Palm Oil assessment results.



BIAZA Sustainability Gold Award

In June, ZSL's work to support sustainability in forest-risk commodity supply chains was recognised in the annual BIAZA (British & Irish Association of Zoos & Aquariums) awards. The SPOTT initiative was awarded a Gold Award in the Sustainability category.

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 PengeLOlaan LAnskap means “Partnership for Landscape Management” in Bahasa Indonesia, while Sendang loosely translates to mean “spring water” and alludes to the landscape where the project operates: SEmbilang-DANgku. 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. KELOLA Sendang implements BMP trainings and support, as well as other interventions on the ground, to aid in realising this goal. 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.

Sumatran tiger caught on a camera trap in the KELOLA Sendang landscape



Timeline

February 2019

- Publication of *Smallholders: key to building sustainable supply chains. Disclosure and support by palm oil companies assessed on SPOTT*

February and March 2019

- SPOTT hosts five Forestry Transparency Forums in the Congo basin, China, and Indonesia

May 2019

- Publication of *Committed to sustainable palm oil?* in collaboration with WWF

June 2019

- Selection of 15 inaugural natural rubber companies to be assessed on SPOTT
- SPOTT initiative wins BIAZA Sustainability Gold Award

July 2019

- SPOTT publishes assessments of 97 timber and pulp companies
- Publication of *The need for spatial data transparency in the tropical forestry sector*

September 2019

- SPOTT launches the SPOTT Supporter Network

October 2019

- SPOTT publishes assessments of 99 palm oil companies
- ZSL joins the Global Platform for Sustainable Natural Rubber

November 2019

- SPOTT publishes assessments of 15 natural rubber companies

December 2019

- Publication of *Palm oil: a business case for sustainability* in collaboration with Aviva Investors



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ZSL would like to thank the following organisations

The SPOTT initiative is funded with the generous support of the following donors; however, the views expressed do not necessarily reflect our donors' views or official policies.



About SPOTT

SPOTT is a free, online platform supporting sustainable production, trade and financing in forest-risk commodity sectors. By tracking transparency, SPOTT incentivises the implementation of corporate best practice.

SPOTT assesses producers, processors and traders on their public disclosure regarding their organisation, policies and practices related to environmental, social and governance (ESG) issues. SPOTT scores tropical forestry, palm oil and natural rubber companies annually against over 100 sector-specific indicators to benchmark their progress over time.

Investors, buyers and other key influencers can use SPOTT assessments to inform stakeholder engagement, manage ESG risk, and increase transparency across multiple industries.

SPOTT is an initiative developed by ZSL (Zoological Society of London).

About ZSL

ZSL (Zoological Society of London) is an international conservation charity working to create a world where wildlife thrives. From investigating the health threats facing animals to helping people and wildlife live alongside each other, ZSL is committed to bringing wildlife back from the brink of extinction. Our work is realised through our ground-breaking science, our field conservation around the world and engaging millions of people through our two zoos, ZSL London Zoo and ZSL Whipsnade Zoo.