



SPOTT

SUSTAINABLE PALM OIL
TRANSPARENCY TOOLKIT

ANNUAL REPORT

2014 - 2015

SPOTT provides quarterly assessments of 50 of the world's largest palm oil producers using publicly available information about the sustainability of company operations across half of all landbank.

50

companies
SPOTT 2015

25


companies
SPOTT 2014

49%

landbank
(8,090,781 ha)
SPOTT 2015

29%

landbank
(4,676,212 ha)
SPOTT 2014

A background image showing a large pile of palm oil fruit (bunches of red and yellow fruits) and a metal railing in the foreground, suggesting a palm oil processing or plantation setting.

The financial sector has a responsibility to ensure it is not supporting environmentally unacceptable operations. Furthermore, the involvement of investors and banks in unsustainable practices presents them with financial and reputational risks. With a wave of commitments in the public and private sectors to address the environmental impacts of commodity production, including palm oil, recognition of the role the financial sector can play is growing.

Environmental, social and governance (ESG) criteria are increasingly being incorporated into portfolio management and informing investment decisions. At the Council on Ethics we advise the Norwegian Government Pension Fund Global on the exclusion or observation of companies whose acts or omissions may be inconsistent with the Ethical Guidelines for the Fund. This includes the assessment of companies' management of environmental and social risks associated with a company's activities. In this process, we also engage with companies. Acquiring the depth of information necessary for meaningful engagement is challenging, especially as the specific nature of environmental and social risk related to deforestation varies between countries, regions and companies.

We welcome ZSL's SPOTT as a tool that can assist in this regard. SPOTT provides a much needed mechanism for the financial sector to engage with producers and further the ESG agenda. Importantly, it opens the way for financiers and other influencers to communicate with companies on specific matters to be addressed in order to respond to environmental risk.

Hilde Jervan,

*Chief Advisor, Council on Ethics,
Norwegian Government Pension Fund Global*

ZSL launched SPOTT in November 2014 as a free, interactive website to support the financial sector and supply chain stakeholders to monitor and manage environmental risks from palm oil production.



The palm oil industry has significantly impacted our planet's biodiversity and continues to pose a substantial threat. ZSL is working to change this. We understand that to protect wildlife, we must engage industries with the most environmentally harmful activities and support them to become part of the solution. In addition, we must harness the influence of the financial sector. With over \$80 billion invested in palm oil companies globally, financial institutions have a responsibility to engage on these issues.

Increasing transparency and accountability is an essential first step, and SPOTT is at the forefront of these efforts, enabling the monitoring of corporate commitments with fairness and objectivity. SPOTT's expansion to 50 companies and half the world's oil palm landbank brings further clarity to the industry, and supports the constructive engagement and collaborative solutions required for us to see conservation successes on the ground.

ZSL looks forward to replicating the success of SPOTT with other industries and enhancing our ability to ensure the implementation of commitments, integrating site-based KPIs and high resolution satellite monitoring to help protect forest habitats worldwide.

Professor Jonathan Baillie,
Director of Conservation Programmes,
ZSL



About ZSL

The hazy world of palm oil production is becoming clearer with help from the Zoological Society of London (ZSL), a leading, international conservation charity with projects in over 50 countries worldwide.

ZSL first started working with the palm oil industry in 2001, advising companies on how to manage populations of Sumatran tigers discovered in their concession sites.

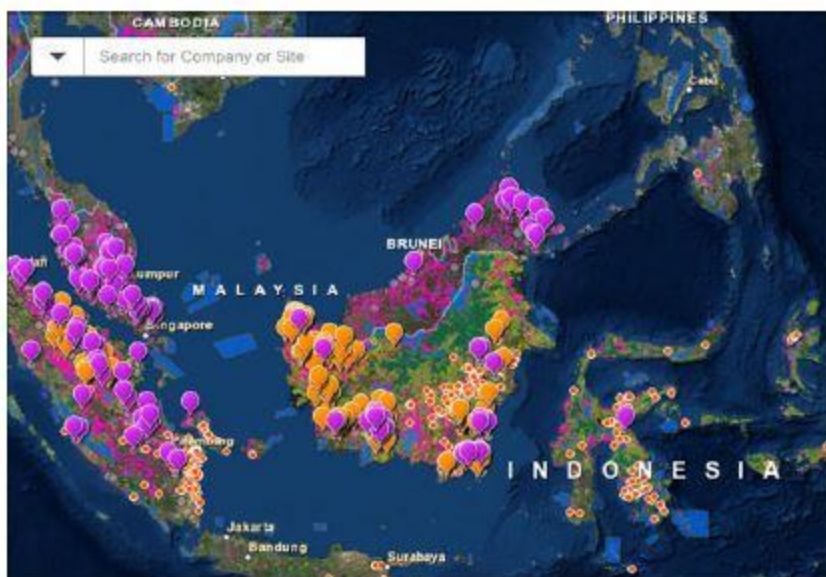
Over a decade later, ZSL has expanded its Indonesian projects on natural habitat conservation, anti-poaching patrols and ecological surveys using the Spatial Monitoring and Reporting Tool (SMART), as well as community engagement to improve the livelihoods of local people.

Supporting transparency

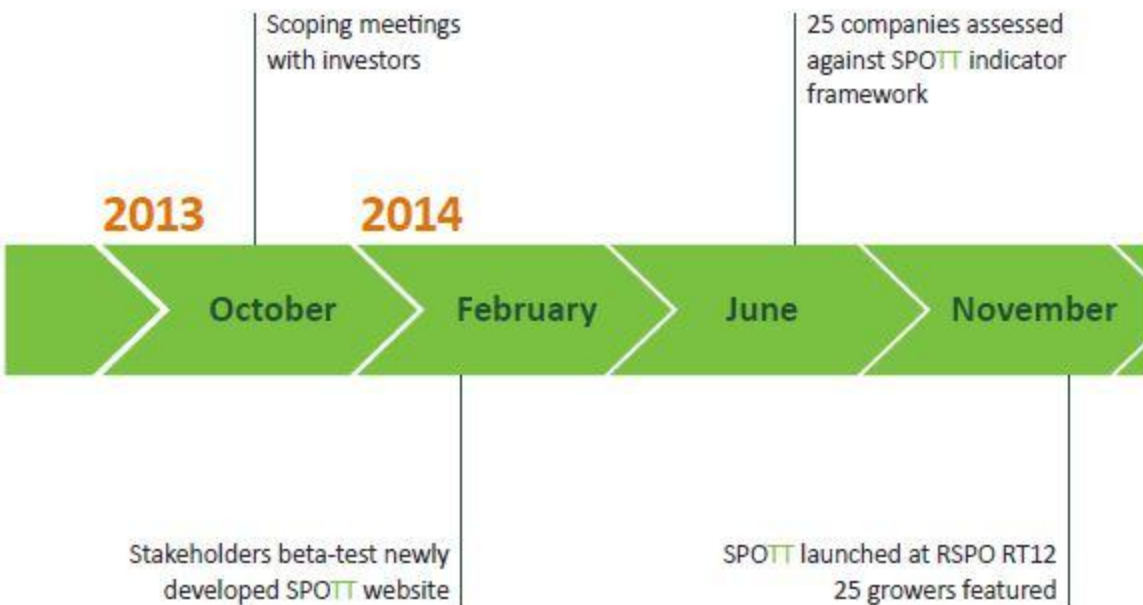
ZSL's Sustainable Palm Oil **Transparency Toolkit** (SPOTT) supports companies by clarifying how to report on sustainability commitments and their implementation. Increased transparency builds trust and facilitates constructive engagement between supply chain stakeholders.

SPOTT provides quarterly assessments of 50 of the world's largest palm oil producers using publicly available information about the sustainability of company operations. SPOTT also offers advice on best practice, as well as links to reports, case studies and infographics from many other sources.

SPOTT forest loss and fires in near real-time: Interactive map of concessions with data from Global Forest Watch



SPOTT timeline



Defining transparency

SPOTT research has shown that there are different interpretations of transparency.

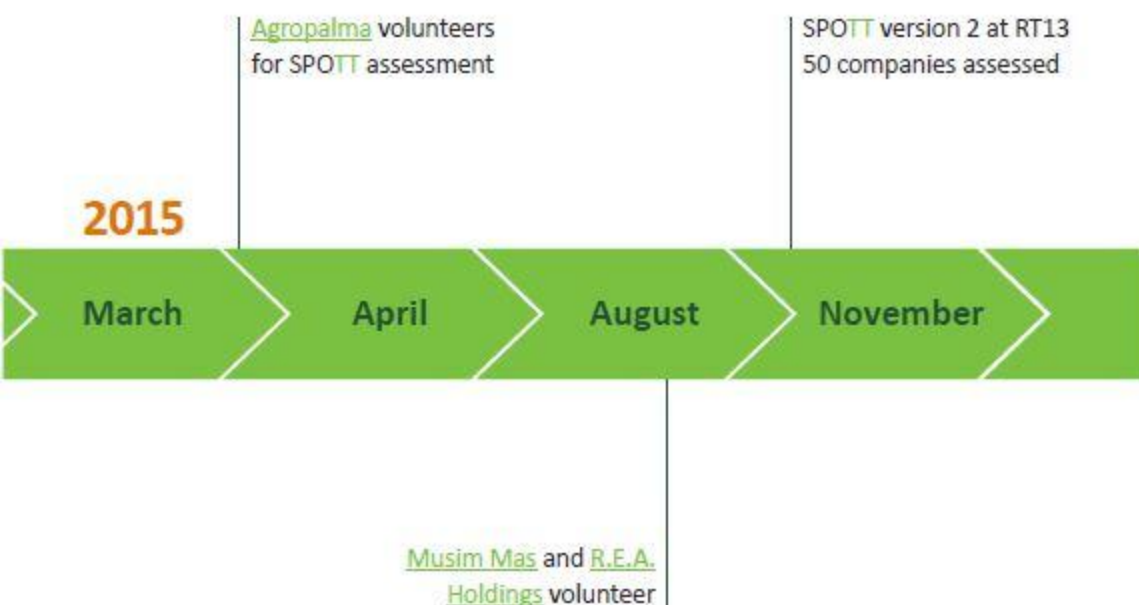
Measuring sustainability progress requires reporting across a number of areas:

- scope and location of operations;
- commitments and policies to manage risks;
- progress in implementation.

Currently, there is no widely accepted minimum standard for transparency, and a lack of publicly available information by which to measure progress effectively.

Through SPOTT, ZSL addresses these issues by spearheading the conversation on transparency and working with others to come to agreed definitions and reporting requirements to measure progress towards responsible production.

Read more: www.sustainablepalmoil.org/topics/transparency



Monitoring sustainability

The environmental risks inherent in palm oil production extend beyond potential, initial impacts on forests, throughout the life cycle of production, and far beyond a company's concession boundaries.

Producers must also take steps to address impacts at a landscape scale with long-term monitoring to enable adaptive management. SPOTT provides quarterly updated company assessments against indicators measuring

how producers are responding to impacts, including how they reduce deforestation, peat planting, fires, pollution and emissions.

While the assessments focus on progress towards the RSPO standard, SPOTT also recognises other initiatives, aligning with indicators adopted by the Palm Oil Innovation Group and Sustainable Palm Oil Manifesto, among others.

Read more: www.sustainablepalmoil.org/topics/sustainability

SPOTT's new features

- Consult best practice advice linked to company assessment indicators
- Track trends in company score changes over time on interactive charts
- Compare indicator questions and answers across multiple companies
- Download the data for all companies, indicators and assessments
- Search the interactive mapping tool for specific concessions
- Navigate the fully responsive, mobile optimized website



81%
of companies
have improved
their scores

45%
average score
for 40 **RSPO**
members

7%
average score
for non-**RSPO**
members

Most improved companies

	06/2014	10/2015	increase
<u>SIPEF</u>	29%	53%	+24%
<u>First Resources</u>	18%	41%	+23%
<u>United Plantations</u>	42%	63%	+21%
<u>IOI Corporation</u>	38%	57%	+19%
<u>Sime Darby</u>	51%	66%	+15%



Technical Advisory Group

SPOTT's indicators, assessments design and functionality have benefitted from the guidance of our Technical Advisory Group, comprised of experts from the finance, manufacturing, environmental NGO and consultancy sectors:

- Paul Chandler, UN Principles for Responsible Investment
- Adeline Diab and Abigail Herron, Aviva Investors
- Adam Harrison, WWF
- Hilde Jervan, Council on Ethics for the Norwegian Government Pension Fund
- Geraldine Lim and Thomas Ursem, Rabobank
- Mark Mills and Sally Bovensiepen, Generation Investment Management LLP
- Therese Niklasson, Investec Asset Management

- Gary Paoli, Daemeter Consulting
- Ben Ridley, Credit Suisse AG
- Sharon Smith, Union of Concerned Scientists
- Cherie Tan and Yulia Kurniawan, Unilever

Sign up
for quarterly
e-newsletters
on SPOTT

150k+
website visits
this year from
190 countries

1,500+
subscribers
receiving
updates

Testimonials

Ben Vreeburg, *Director of sustainability at IOI Loders Croklaan:*

"SPOTT gives companies a chance to report progress on a level playing field."

Tulio Dias Brito, *Corporate Social Responsibility Manager at Agropalma:*

"SPOTT is a very important tool because it provides means to palm oil companies and their stakeholders to identify and benchmark the best examples in our industry. Being part of SPOTT on a voluntary basis is one important step for Agropalma to meet the new transparency requirements of society."

Dr. Sanath Kumaran, *Head of Impacts, RSPO*

"The RSPO welcomes sustainability indicator frameworks such as SPOTT, which support RSPO members in their commitment to transforming the market to make sustainable palm oil the norm and to ensure commitments are translated into results on the ground."

Ben Ridley, *Asia-Pacific Head of Sustainability Affairs at Credit Suisse:*

"SPOTT can be a valuable resource for financial institutions and investors in making informed decisions that support a sustainable palm oil industry."

Charles Spencer, *Executive Director, Morgan Stanley Research:*

"The SPOTT website contains many useful features for industry researchers and the ranking of company performance helps to quickly identify companies that are best achieving CSR success as well as those that may require further due-diligence."

SPOTTlight on fires and haze

This year some of the worst fires on record have occurred, particularly in Indonesia, where peak fire-related emissions exceeded those of the entire US economy, and are set to cost Indonesians over \$30 billion. Over the past 18 months, SPOTT-assessed companies have improved, by 15% on average, in making clearer commitments to strict policies of zero burning and by extending these to smallholders, but are these policies translated into action on the ground? SPOTT helps monitor the implementation of commitments by providing NASA fire hotspot data on the mapping tool, as well as displaying media reports linking palm oil producers with incidents of fire and haze.

SPOTT indicator categories



RSPO reporting requirements



Landbank



Environmental management



Fragile, marginal and peat soils



Zero burning



Greenhouse gas emissions



Traceability

www.sustainablepalmoil.org/SPOTT

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Business and Biodiversity Programme Manager, Elizabeth Clarke
Global Palm Oil Manager, Leonie Lawrence
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Business and Biodiversity Communications Coordinator, Alexis Hatto
Transparency Research Assistant, Eszter Wainwright-Déri
SPOTT Interns, Jane Brown and Eleanor Spencer

The Zoological Society of London (ZSL) is a world leader in wildlife conservation, science and education. Through our efforts, we guide and enable others all across the world. Protecting, educating, inspiring – working for wildlife. As a charity we have active conservation projects in over 50 countries together with our two Zoos, ZSL London Zoo and ZSL Whipsnade Zoo.

The Zoological Society of London is incorporated by Royal Charter – Registered Charity in England and Wales no. 208728.

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