



ANNUAL REPORT 2015 - 2016

sustainablepalmoil.org/SPOTT

SPOTT features biannual scored assessments of 50 of the world's largest palm oil producers using publicly available information about their operations and commitments to environmental and social best practice across more than 10 million hectares of land.



50

companies
scored

54

assessment
indicators

42

improved
scores

38%

average
score



Over the past years, private sector commitments to address the negative impacts associated with the production of commodities such as palm oil have gained increasing momentum. This momentum further emphasises the financial sector's need to include sustainability considerations in their investment and lending decisions.

Environment, social and governance (ESG) criteria are material to a company's performance and value. As Chair of the *Sustainable Palm Oil Investor Working Group* coordinated by the Principles for Responsible Investment, I am particularly aware of the sustainability challenges associated with palm oil production. Access to reliable and sector-specific data in relation to these challenges is a precondition for informed and responsible investment decisions.

Specialist tools like SPOTT are extremely helpful to identify areas of best practice and areas where strategic dialogue can make a real difference. Beyond offering a measure of progress against corporate commitments to environmental and social best practice, SPOTT provides a basis for investors to assert their expectations to their current and potential investee companies regarding ever improving production standards.

Mark Mills

Partner at Generation Investment Management, and Chair of the Sustainable Palm Oil Investor Working Group



This year's Roundtable on Sustainable Palm Oil (RSPO) annual conference takes place for the first time in Thailand, the third largest palm oil producing country after Indonesia and Malaysia. On the ground, the Zoological Society of London (ZSL) works in three protected areas in western Thailand, home to various endangered species including tigers and elephants. We monitor and mitigate human-wildlife conflict, in particular through highly effective community engagement programmes.

Through SPOTT, ZSL supports engagement with palm oil producers and their influencers, especially the finance sector. By monitoring commitments to best practice and their implementation, it provides another important approach to protecting habitats and species – one that makes it easier for business to deliver on their duty of care to the environment and society.

Over half of the companies assessed on SPOTT have directly engaged with us, and our dialogue with investors continues to gain momentum. Thanks to a successful ZSL-led resolution at last year's General Assembly, we are also working with RSPO to improve the Annual Communications of Progress reporting process, which offers a great opportunity for RSPO members to communicate how they are fulfilling their commitment to a responsible palm oil industry.

Similarly, our pioneering partnership with local communities, industry and the Government of South Sumatra – KELOLA Sendang – aims to develop a sustainable landscape management model for protected areas and production landscapes in the region, with the potential for adaptation to other contexts in Indonesia and beyond.

As ZSL seeks to adapt SPOTT to monitor transparency with new indicators for palm oil, as well as other commodities such as timber, we look forward to moving further into the "SPOTTlight" on best practice.

Elizabeth Clarke
Business and Biodiversity Programme Manager,
Zoological Society of London (ZSL)



About ZSL

The Zoological Society of London (ZSL) is a world leader in wildlife conservation with active projects in over 50 countries, and our two Zoos, London and Whipsnade.

ZSL recognises the significant threat posed by irresponsible business practices to global biodiversity and the landscapes in which we work.

Our Business and Biodiversity Programme helps to address these threats by engaging companies to improve reporting on their operations and commitments to best practice.

Through our flagship project, the Sustainable Palm Oil **Transparency Toolkit** (SPOTT), the programme is driving accountability, engagement and best practice frameworks with companies, industry groups and the finance sector.

SPOTT forms part of a wider ZSL mission target to ensure that best practice is business-as-usual in at least one million km² of priority production landscape.

Supporting the financial sector

The financial sector can play a greater role in supporting companies to implement social and environmental best practice in global commodity production. SPOTT provides reliable and accessible data on corporate commitments and non-financial material issues that are necessary to inform ESG processes.

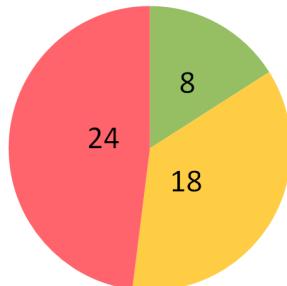
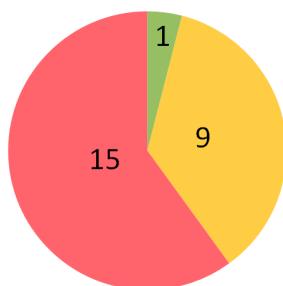
ZSL developed SPOTT in consultation with investors, for investors, to provide company and sector-specific data required to monitor and manage risks associated with palm oil production.

SPOTT's scorecard currently features assessments for 50 of the world's largest palm oil producers. ZSL scores companies against 54 indicators on their operational disclosure and commitments to environmental and social best practice.

SPOTT is an established and effective model with a focus on engagement between financiers and producers that ZSL is expanding to other commodities representing the most significant risks to biodiversity.

Scores on SPOTT

In June 2014, SPOTT started with assessments of 25 palm oil producers, and later expanded to 50 companies in November 2015. The number of companies scored as "green" for transparency on their operations, policies and commitments to social and environmental best practice has increased from one to eight.



- >66%
- 33-66%
- <33%

Going beyond disclosure

SPOTT bridges the gap between policy commitments and on-the-ground implementation. Biannual company assessments are based on public information available for download, helping stakeholders to monitor progress, support uptake of best practice, and foster better local and global outcomes.

ZSL regularly contacts companies to discuss their performance, and we urge their investors and other stakeholders to engage directly for the greatest possible impact.



SPOTT's interactive satellite map provides near real-time data on deforestation and fires in and around concession sites of companies featured on the SPOTT scorecard.

Most improved companies

Since the assessments began in June 2014, the companies listed below have shown the largest score increases: 42 of the 50 companies have improved; one has retained the same score, and seven have decreased over time. For more detail, visit our score updates page (sustainablepalmoil.org/updates).

Companies	First assessment	Latest assessment*	Increase
Noble Group	12.5%	46.3%	+33.8%
Olam International	44.4%	76.6%	+32.2%
Wilmar International	41.8%	71.2%	+29.4%
SIPEF	29.1%	54.2%	+25.1%
First Resources	18.2%	40.7%	+22.5%

*scores as of October 2016 and subject to change

SPOTT's new features

- Landbank page compiling company data on areas for oil palm cultivation, planted and unplanted areas, protected or high conservation value (HCV) areas and infrastructure (sustainablepalmoil.org/landbank)
 - Updated interactive map of concessions with new interface and data
 - Regional and thematic information on industry supply chains and impacts
 - Media, events and team pages to help you identify ZSL staff at upcoming conferences and follow coverage of SPOTT in press and publications.
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Consultation on new indicators

ZSL developed SPOTT's 54 indicators to focus on the palm oil industry's main environmental impacts, reflecting and complementing the expectations set out in other environmental frameworks including UN Principles for Responsible Investment (PRI), RSPO and the Palm Oil Innovation Group.

We are now working to expand the framework to capture a wider range of ESG issues significant to palm oil operations. Through consultation with a range of stakeholders—including SPOTT companies, Ceres, Oxfam, and members of our SPOTT Technical Advisory Group—the new indicators will increase coherence in the expectations of palm oil producers to report progress in the implementation of best practice.

New draft indicator categories include:



Community, indigenous peoples' and labour rights



Governance and mainstreaming sustainability

Contact the team at @ZSLSPOTT or via sustainablepalmoil.org/contact if you would like to contribute.

KELOLA Sendang

ZSL is working with the Government of South Sumatra in Indonesia on a pioneering, new sustainable landscape management project, KELOLA Sendang.

This public-private-people partnership aims to address the challenges of deforestation, peatland degradation, wildfires and their associated climate impacts within the context of green growth and biodiversity conservation.

The project pilots a sustainable landscape management partnership model in the Sembilang-Dangku landscape of South Sumatra, an important landscape for tigers and other wildlife.

SPOTT's role is to promote green growth and implementation of best practice. By informing and facilitating fact-based dialogue between oil palm, forestry and other companies and their financiers and buyers, SPOTT can support delivery of corporate sustainability commitments in the South Sumatran landscape, and explore the delivery of a jurisdictional approach, which can be adapted to work in other locations and contexts.



Timeline

- **2013 OCTOBER-NOVEMBER**
Scoping meetings with investors to develop the Sustainable Palm Oil Transparency Toolkit (SPOTT)
- **2014 JANUARY-JUNE**
25 palm oil producers selected and draft assessments sent to company contacts
- **2014 OCTOBER-NOVEMBER**
SPOTT launched at RSPO RT12 meeting with 25 company assessments on sustainablepalmoil.org
- **2015 JANUARY**
Start of quarterly assessments and first newsletter published
- **2015 MAY**
Agropalma Group volunteers for SPOTT assessment in time for RSPO European Roundtable conference
- **2015 OCTOBER-NOVEMBER**
50 companies assessed for RSPO RT13 with volunteers Musim Mas and REA Kaltim; New SPOTT website launched and first annual report released
- **2016 SEPTEMBER**
ZSL attends PRI in Person in Singapore, IUCN World Conservation Congress in Hawai'i, and KELOLA Sendang landscape project begins
- **2016 NOVEMBER-DECEMBER**
ZSL begins consultation with companies on new and updated indicators
- **2016 OCTOBER-NOVEMBER**
ZSL attends Global ESG Investment Forum in London, RSPO RT14 in Bangkok and UN Climate Change Conference in Morocco
- **2017 APRIL-MAY**
First palm oil assessments to be published against new indicator framework; New indicators for pulpwood and timber companies to be announced
- **2017 OCTOBER-NOVEMBER**
ZSL to launch new Transparency Toolkits for other commodities

Testimonials

“SPOTT is invaluable in driving much needed positive change in the palm oil sector. It has been designed with investors in mind and offers a wealth of insight into a growing number of the leaders and laggards. SPOTT takes sophisticated data and makes it accessible and easy to use for those who have exposure to the sector.”

Abigail Herron, Head of Responsible Investment Engagement, Aviva Investors

“We are trying to be as transparent as possible. As SPOTT is followed by some of our bankers and other stakeholders, it gives us an incentive to be even more transparent.

SPOTT’s scoring system shows how we are doing over time and compared to our peers. The SPOTT methodology provides key areas to focus on.”

Sebastian Sharp, Head of Investor Relations, Eagle High Plantation Tbk PT

“Noble Ltd. has a number of important policies in place to steer the company’s palm oil production into more sustainable directions. We perceive SPOTT assessments as a useful tool to improve the transparency of these policies and activities.”

Noble Group Ltd



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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.

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