SPOTT Timber, Pulp and Paper
Tracking transparency, supporting sustainability
Presentation overview

1. Introduction to SPOTT
2. Development of SPOTT Timber, Pulp and Paper
3. SPOTT and certification
4. Future developments
Introduction to SPOTT
What is SPOTT?

- **SPOTT** is an **online platform** dedicated to supporting **transparency** amongst **upstream** commodity producers.
- **SPOTT** assessments focus on **environmental, social, and governance (ESG)** risks.
- The primary audience for **SPOTT** is the **financial sector**, including investment and banking.
Growth in responsible investment

- Investors are becoming more aware of ESG risks which can affect short and long term value
- These risks are both reputational...
Growth in responsible investment

- Investors are becoming more aware of **ESG risks** which can affect short and long term value
- These risks are both **reputational**...
  ...and **material**
Growth in responsible investment

• Investors are becoming more aware of ESG risks which can affect short and long term value

• These risks are both reputational... ...and material

• Investors are increasingly asking for non-financial information to inform their decision making
PRINCIPLE 1
WE WILL INCORPORATE ESG ISSUES INTO INVESTMENT ANALYSIS AND DECISION-MAKING PROCESSES.

PRINCIPLE 3
WE WILL SEEK APPROPRIATE DISCLOSURE ON ESG ISSUES BY THE ENTITIES IN WHICH WE INVEST.

Source: https://www.unpri.org
How does SPOTT work?

• Assessments of **publicly available** information – disclosures, commitments and indicators of progress

• An **online scorecard** allows comparison of companies and supports in-depth analysis of ESG risk

• SPOTT engages with both investors and assessed companies with a view to **improving performance**
Corporate transparency for ESG risk management and accountability

SPOTT provides transparency assessments and scorecards of companies to monitor the public disclosure of their policies, operations, commitments and progress towards implementing environmental, social and governance (ESG) best practice.

Find out more →

SPOTT supports the finance sector and supply chain stakeholders to meet their own commitments, manage risks, and engage with companies to incentivise sustainable commodity production through responsible investment and sourcing.
<table>
<thead>
<tr>
<th>Company</th>
<th>Rank</th>
<th>Score</th>
<th>RSPO member?</th>
<th>Headquarters</th>
<th>Landbank</th>
<th>Market cap</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agropolma Group</td>
<td>3</td>
<td>84.8%</td>
<td>Yes, since 2004</td>
<td>Brazil</td>
<td>123,514.00 ha</td>
<td>Private company</td>
<td>97.5/115*</td>
</tr>
<tr>
<td>Anglo-Eastern Plantations plc</td>
<td>40</td>
<td>21.6%</td>
<td>No</td>
<td>UK</td>
<td>128,611.00 ha</td>
<td>$437,011,232</td>
<td>26/120.5*</td>
</tr>
<tr>
<td>Archer Daniels Midland Company (ADM)</td>
<td>24</td>
<td>55.8%</td>
<td>Yes, since 2007</td>
<td>USA</td>
<td>13,000.00 ha</td>
<td>$24,375,877,954</td>
<td>60.5/108.5*</td>
</tr>
<tr>
<td>Asian Agri Group</td>
<td>13</td>
<td>64.8%</td>
<td>Yes, since 2006</td>
<td>Indonesia</td>
<td>163,524.00 ha</td>
<td>Private company</td>
<td>75.5/116.5*</td>
</tr>
<tr>
<td>Astra Agro Lestari Tbk PT</td>
<td>32</td>
<td>42.7%</td>
<td>No</td>
<td>Indonesia</td>
<td>297,862.00 ha</td>
<td>$2,124,571,520</td>
<td>51/119.5*</td>
</tr>
<tr>
<td>Austindo Nusantara Jaya Tbk PT</td>
<td>28</td>
<td>48.1%</td>
<td>Yes, since 2007</td>
<td>Indonesia</td>
<td>161,401.00 ha</td>
<td>$399,216,576</td>
<td>57.5/119.5*</td>
</tr>
<tr>
<td>Bakrie Sumatera Plantations Tbk PT</td>
<td>34</td>
<td>33.9%</td>
<td>Yes, since 2007</td>
<td>Indonesia</td>
<td>154,464.00 ha</td>
<td>$23,078,662</td>
<td>38.5/113.5*</td>
</tr>
<tr>
<td>Boustead Plantations Bhd</td>
<td>37</td>
<td>28.3%</td>
<td>Yes, since 2004</td>
<td>Malaysia</td>
<td>82,745.00 ha</td>
<td>$608,450,176</td>
<td>31/109.5*</td>
</tr>
<tr>
<td>Bumitama Agri Ltd</td>
<td>18</td>
<td>59.8%</td>
<td>Yes, since 2007</td>
<td>Singapore</td>
<td>225,030.00 ha</td>
<td>$945,567,296</td>
<td>71.5/119.5*</td>
</tr>
<tr>
<td>Bunge Ltd</td>
<td>17</td>
<td>62%</td>
<td>Yes, since 2007</td>
<td>USA</td>
<td>0.00 ha</td>
<td>$10,393,000,000</td>
<td>40/64.5*</td>
</tr>
<tr>
<td>Cargill Inc</td>
<td>14</td>
<td>64.5%</td>
<td>Yes, since 2004</td>
<td>USA</td>
<td>169,032.00 ha</td>
<td>Private company</td>
<td>82.5/128*</td>
</tr>
<tr>
<td>Daabon Group</td>
<td>1</td>
<td>90.3%</td>
<td>Yes, since 2004</td>
<td>Colombia</td>
<td>11,346.70 ha</td>
<td>Private company</td>
<td>102.5/113.5*</td>
</tr>
<tr>
<td>Company</td>
<td>Rank</td>
<td>Score</td>
<td>RSPO member?</td>
<td>Headquarters</td>
<td>Landbank</td>
<td>Market cap</td>
<td>Total</td>
</tr>
<tr>
<td>------------------------------</td>
<td>------</td>
<td>--------</td>
<td>--------------</td>
<td>--------------</td>
<td>------------</td>
<td>-----------------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Daabon Group</td>
<td>1</td>
<td>90.3%</td>
<td>Yes, since 2004</td>
<td>Colombia</td>
<td>11,346.70 ha</td>
<td>Private company</td>
<td>102.5/113.5*</td>
</tr>
<tr>
<td>New Britain Palm Oil Ltd</td>
<td>2</td>
<td>86.8%</td>
<td>Yes, since 2004</td>
<td>PNG</td>
<td>136,268.00 ha</td>
<td>Private company</td>
<td>98.5/113.5*</td>
</tr>
<tr>
<td>Agropalma Group</td>
<td>3</td>
<td>84.8%</td>
<td>Yes, since 2004</td>
<td>Brazil</td>
<td>123,514.00 ha</td>
<td>Private company</td>
<td>97.5/115*</td>
</tr>
<tr>
<td>Wilmar International Ltd</td>
<td>4</td>
<td>77.5%</td>
<td>Yes, since 2005</td>
<td>Singapore</td>
<td>359,025.00 ha</td>
<td>$15,888,690,176</td>
<td>100/129*</td>
</tr>
<tr>
<td>Golden Agri Resources Ltd</td>
<td>5</td>
<td>74.8%</td>
<td>Yes, since 2011</td>
<td>Singapore</td>
<td>642,326.00 ha</td>
<td>$3,392,267,520</td>
<td>95/127*</td>
</tr>
<tr>
<td>Sime Darby Plantation Sdn Bhd</td>
<td>6</td>
<td>74.4%</td>
<td>Yes, since 2004</td>
<td>Malaysia</td>
<td>1,003,860.00 ha</td>
<td>$15,215,931,392</td>
<td>96/129*</td>
</tr>
<tr>
<td>Olam International Ltd</td>
<td>7</td>
<td>73%</td>
<td>Yes, since 2011</td>
<td>Singapore</td>
<td>121,810.00 ha</td>
<td>$4,126,934,567</td>
<td>85/116.5*</td>
</tr>
<tr>
<td>United Plantations Bhd</td>
<td>8</td>
<td>71.4%</td>
<td>Yes, since 2004</td>
<td>Malaysia</td>
<td>59,484.00 ha</td>
<td>$1,367,087,744</td>
<td>90/126*</td>
</tr>
<tr>
<td>Musim Mas Group PT</td>
<td>9</td>
<td>67.4%</td>
<td>Subsidiaries</td>
<td>Singapore</td>
<td>194,050.00 ha</td>
<td>Private company</td>
<td>87/129*</td>
</tr>
<tr>
<td>Indofood Agri Resources Ltd</td>
<td>10</td>
<td>67.2%</td>
<td>Subsidiaries</td>
<td>Singapore</td>
<td>364,195.00 ha</td>
<td>$477,361,152</td>
<td>86/128*</td>
</tr>
<tr>
<td>IOI Corporation Bhd</td>
<td>11</td>
<td>65.5%</td>
<td>Yes, since 2004</td>
<td>Malaysia</td>
<td>238,881.00 ha</td>
<td>$6,582,490,624</td>
<td>84.5/129*</td>
</tr>
<tr>
<td>R.E.A. Holdings plc</td>
<td>12</td>
<td>64.9%</td>
<td>Yes, since 2007</td>
<td>UK</td>
<td>93,581.20 ha</td>
<td>$166,813,568</td>
<td>77.5/119.5*</td>
</tr>
</tbody>
</table>
# Company assessment: Agropalma Group

SPOTT assesses companies against over 100 indicators across ten categories. Click on the icons or bars below to expand each category for further details, scoring and links to reports and sources.

<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
<th>Total Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability policy and leadership</td>
<td>5.5 / 7</td>
<td>78.6%</td>
</tr>
<tr>
<td>Landbank, maps and traceability</td>
<td>11.5 / 13</td>
<td>88.5%</td>
</tr>
<tr>
<td>Deforestation and biodiversity</td>
<td>11.5 / 12</td>
<td>95.8%</td>
</tr>
<tr>
<td>HCV, HCS and impact assessments</td>
<td>9 / 10</td>
<td>90%</td>
</tr>
<tr>
<td>Peat, fire and GHG emissions</td>
<td>11.5 / 17</td>
<td>67.6%</td>
</tr>
<tr>
<td>Water, chemical and pest management</td>
<td>10 / 12</td>
<td>83.3%</td>
</tr>
<tr>
<td>Community, land and labour rights</td>
<td>17 / 17</td>
<td>100%</td>
</tr>
<tr>
<td>Certification standards</td>
<td>11.5 / 14</td>
<td>82.1%</td>
</tr>
<tr>
<td>Smallholders and suppliers</td>
<td>6 / 6</td>
<td>100%</td>
</tr>
<tr>
<td>Governance and grievances</td>
<td>4 / 7</td>
<td>57.1%</td>
</tr>
</tbody>
</table>
## Sustainability policy and leadership

Companies should publish sustainability policies or similar in place covering their entire supply chain — including third party suppliers — implemented and enforced through high-level leadership that engages with wider industry schemes.

<table>
<thead>
<tr>
<th>#</th>
<th>Feature</th>
<th>Score</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sustainable palm oil policy or commitment for all its operations?</td>
<td>0.5</td>
<td>Source</td>
</tr>
<tr>
<td></td>
<td>The company has a number of sustainability commitments, and was targeting publication of a sustainability policy by mid-2015.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Policy or commitment applies to direct and third-party suppliers?</td>
<td>0</td>
<td>No source</td>
</tr>
<tr>
<td>3</td>
<td>High-level position of responsibility for sustainability?</td>
<td>1</td>
<td>Source</td>
</tr>
<tr>
<td></td>
<td>Commercial and Sustainability Director</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Sustainability report published within last two years?</td>
<td>1</td>
<td>Source</td>
</tr>
<tr>
<td>5</td>
<td>Member of industry schemes or other external initiatives to improve palm oil sustainability or transparency?</td>
<td>1</td>
<td>Source</td>
</tr>
<tr>
<td></td>
<td>The company is a member of the Palm Oil Innovation Group (POIG) and InPacto (National Pact for the Eradication of Slave Labour).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Verification report on compliance with POIG Charter, if a POIG member?</td>
<td>1</td>
<td>Source</td>
</tr>
<tr>
<td>7</td>
<td>Activities with government and/or NGOs to improve palm oil sustainability?</td>
<td>1</td>
<td>Source</td>
</tr>
</tbody>
</table>
Media monitor: Sime Darby Plantation Sdn Bhd

SPOTT gathers reports and stories from global media sources, covering specific company activities related to the assessment indicator categories. ZSL does not assess the validity of these reports.

Category filter:

Search:

October 2015
Sime Darby hotspot dashboard
Visit external site

October 2015
News report on class action against Sime Darby
Visit external site

October 2015
Singapore request for haze information tricky for Indonesia
Visit external site

March 2014
Liberia: Sime Darby responds to fire outbreaks
Visit external site

Thomson Reuters news

Deaths of land rights defenders triple in a year as violence surges, says report
On average nearly 16 farmers, indigenous people and land rights advocates were killed every month, says rights group
Palm oil industry watchdog lays on human rights - report
Rights advocates say Roundtable on Sustainable Palm Oil’s labour guidelines show little concern for worker welfare
Labour abuses found at Indonesian palm plantations supplying global companies - Amnesty
Companies including Unilever, Nestle, Kellogg and Procter & Gamble source palm oil from Indonesian plantations with labour abuses and child workers

Download PDF Report
Meeting the needs of SPOTT users

• Supports internal ESG policies and processes
• Informs *due diligence* and screening procedures
• Increases understanding of complex risks
• Determines *priority areas* for company engagement
Datasets going back up to 3 years

200k+ unique visitors

3.2k+ email newsletter subscribers

500k+ page views since 2015

Shortlisted: Responsible Investor Awards 2017
Innovation and Industry Leadership
What SPOTT isn’t...

- A certification scheme – SPOTT doesn’t audit companies performance on the ground
- A self disclosure system – SPOTT conducts all assessments in-house using public data

SPOTT helps companies to better understand and meet the needs of the investment community
Development of SPOTT Timber, Pulp and Paper
Why SPOTT Timber, Pulp and Paper?

- Investor **portfolios** often cover multiple commodities – users need a single source for information
- Growing **markets** for timber, pulp and paper and high **production** potential in tropical zone countries
- Tropical forest landscapes **under threat** and production within them is linked with numerous ESG risks
Producer selection process

Companies selected for assessment on the basis of:

- **Scope**: operations in critical tropical landscapes
- **Size**: land bank in priority tropical areas, market cap
- **Leverage**: publically listed, access to investors
- **Impact**: past environmental and social impacts
Identification of target countries

- Large **number of countries** in the tropical zone, and a wide range of forestry contexts within them
- Identified an **short list** of countries with large areas of high quality forest cover under threat
Identification of target countries

• **FAO data**: levels of primary forest cover, forest cover

• **GFW data**: trees cover loss and intact forest landscapes (IFLs)

• **ITTO data**: roundwood production and removals

• **Literature review**: e.g. WWF deforestation fronts
Identification of producers

• Data on timber, pulp and paper producers obtained from the Bloomberg Terminal

• Also utilised information from:
  – PwC’s Top 100 Global Forest, Paper and Packaging Industry Companies
  – The Global Canopy Programme’s Forest 500 initiative
  – RAN’s Forests & Finance initiative
### Timber, pulp and paper producers selected
24 companies chosen for assessment on SPOTT

<table>
<thead>
<tr>
<th>Companies selected</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>APP</td>
<td>Klabin S/A</td>
<td>SLJ Global Tbk.</td>
</tr>
<tr>
<td>APP China Group Limited</td>
<td>Oji Holdings</td>
<td>SODEFOR</td>
</tr>
<tr>
<td>APRIL</td>
<td>Olam International</td>
<td>Sumitomo Forestry</td>
</tr>
<tr>
<td>Cikel Group</td>
<td>Pallisco-CIFM</td>
<td>Suzano Papel e Celulose S.A</td>
</tr>
<tr>
<td>Duratex S.A.</td>
<td>Precious Woods</td>
<td>TA ANN Holdings Bhd.</td>
</tr>
<tr>
<td>Groupe Blattner Elwyn</td>
<td>Rimbunan Hijau (RH) Group</td>
<td>Toba Pulp Lestari</td>
</tr>
<tr>
<td>Groupe SEFAC</td>
<td>Rougier Group</td>
<td>Vicwood Group</td>
</tr>
<tr>
<td>Interholco A.G.</td>
<td>Samling Group</td>
<td>WTK Group</td>
</tr>
</tbody>
</table>
New indicator framework developed

- Total of 108 indicators grouped into ten categories
- Turned on/off according to a company's scope of operations

|----------------------------------------------------------|----------------------------------------|------------------------------|-----------------------------------|------------------------------------|-------------------------|----------------------------------------|-----------------------------------|----------------------------------|-------------------------------|---------------------------------|
Alignment sought with existing standards, including:

- International **FSC** and **PEFC** Principles and Criteria
- Global Reporting Initiative (**GRI**) guidelines
- United Nations Global Compact (**UNGC**) principles
Broad consultation on indicators and company selection, including:
- Finance sector representatives
- Industry representatives
- Civil society
- Technical Advisory Group
Technical Advisory Group
Representatives from finance, civil society, and other sectors
SPOTT and certification
SPOTT and certification

- Relatively low penetration of FSC into tropical forest production, especially in natural forests.
- An advantage of SPOTT is it reveals commitments made that apply to forest areas outside of certification.
- However – very important that SPOTT recognises achievements of FSC-certified companies in the tropics.
Indicators on voluntary certification

• The ‘Certification’ section of the SPOTT framework contains indicators on levels of voluntary certification

• Of these indicators:
  – Two relate to legality verification
  – Five relate to levels of FSC certification
  – One relates to PEFC certification
Points awarded for the PfA

• Points are automatically awarded to companies subject to the FSC Policy for Association

• Indicators covered include:
  – Four relating to rights
  – Three relating to deforestation
  – One relating to GMOs
  – One relating to ILO Conventions
Links to FSC normative framework

• Total of **31 indicators** in the SPOTT framework are closely linked to **FSC requirements**

• Points automatically awarded for these commitment on basis of a companies **certified landbank**
To be awarded all automatic points a company must have either:

I. 100% landbank FSC certified; or
II. 75%+ landbank FSC certified and a public commitment to certify the remaining area within five years
Future developments
SPOTT

Engagement with industry stakeholders

Draft assessments based on publicly available data

Final assessments published on SPOTT website

Consolidation based on further disclosures

Company receives draft assessment for comment
Launch of SPOTT Timber, Pulp and Paper

• First round of assessment results to be launched in November – *date TBC*

• Second round of assessments in Q2 2018 following:
  – Selection of an **additional companies**: total of 50
  – Further **engagement** with **investors and producers** to define information needs and reflect realities
Thank you

Any questions?

Chris Eves
Zoological Society of London
chris.eves@zsl.org