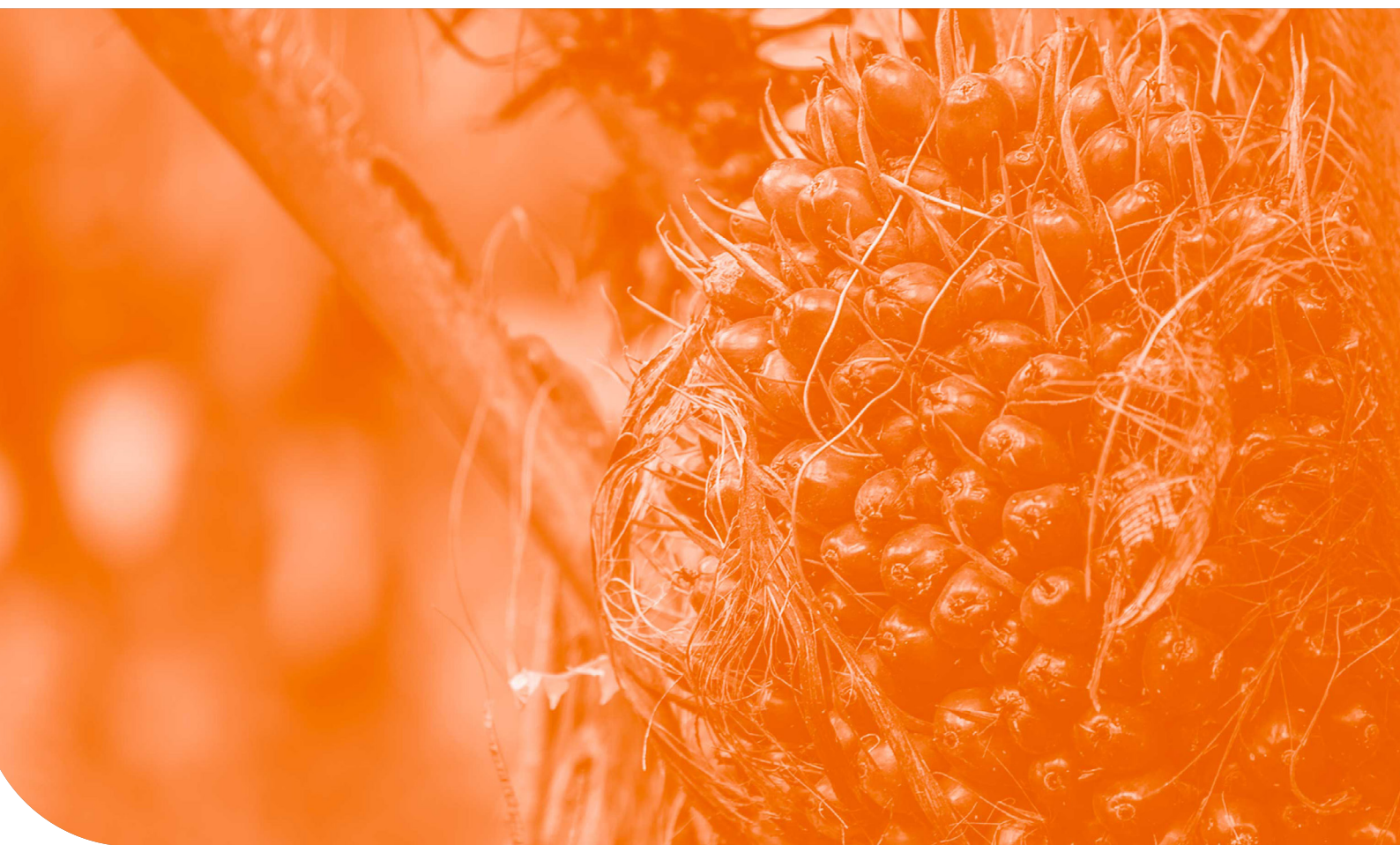

Monitor, Verify and Report

Monitoring and reporting progress of
meeting commitments.



Version 1.0



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Introduction to the Palm Oil Toolkit

“Responsible Sourcing: A Palm Oil Toolkit” aims to support companies (refineries, traders and manufacturers) in the responsible sourcing of palm oil, by-products and derivatives, especially for markets in Asia such as India and China. It is an accessible guide to the many initiatives that aim to address key environmental and social issues, namely deforestation, development on peat and human rights violations in the palm supply chain.

The Palm Oil Toolkit is structured around five key elements of the responsible sourcing process (Figure 1). Each element is the subject of a separate Briefing Note:

- **Element 1: Assess and plan implementation**
- **Element 2A: Understand the supply chain: main environmental and social risks**
- **Element 2B: Understand the supply chain: traceability and risk analysis**
- **Element 3: Engage within and beyond supply chains**
- **Element 4: Monitor, verify and report**
- **Element 5: Monitor emerging issues and responses**

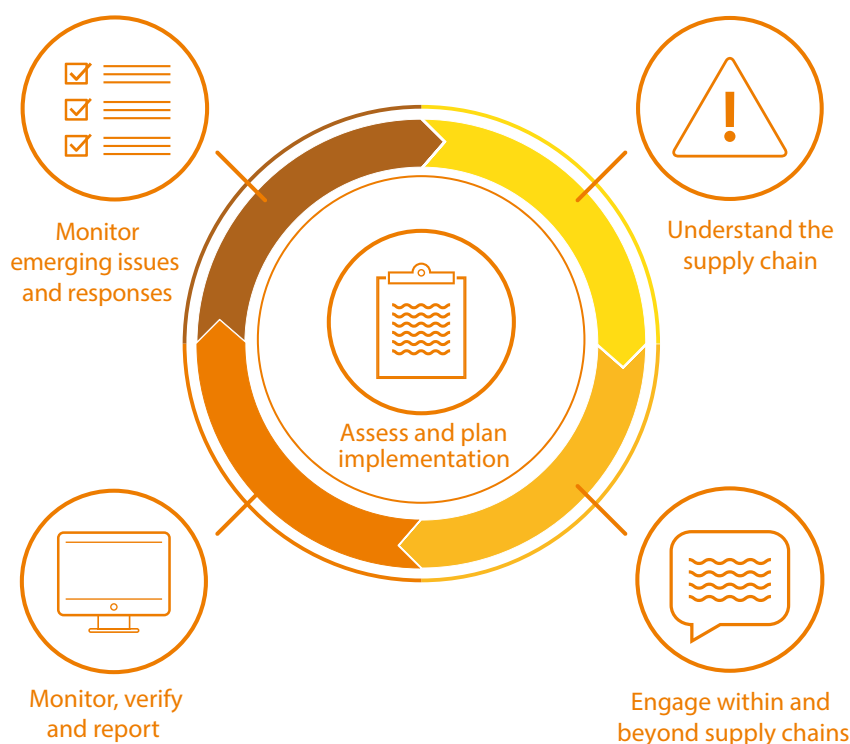


Figure 1:
The 5-element approach for sourcing palm oil responsibly

It is important for companies to understand their progress towards meeting NDPE and responsible sourcing commitments once they have begun the implementation of actions described in **Briefing Note 01: Assess and plan implementation**, **Briefing Note 02B: Understand the supply chain: traceability and risk analysis** and **Briefing Note 03: Engage within and beyond supply chains**. Monitoring progress ensures actions are delivering the results towards meeting commitments and allows the revision of strategies when targets are not met or have changed.

As per the Accountability Framework Initiative (AFI) Core Principle 11 Monitoring and Verification¹, companies should assess compliance with their commitments and targets on a regular basis as

per their timebound implementation plan. These regular assessment processes should include evaluating and monitoring the company's progress towards meeting compliance of set targets as well as identifying the need to review existing commitments and actions.

This briefing note provides an overview of tools and methodologies that companies can implement to monitor their own systems and processes, supply chain and applicable industry initiatives. Approaches to the verification of monitoring results, as well as their reporting are also provided.

01 Introduction to Monitoring

The monitoring of companies' progress towards meeting their targets is critical to ensure the actions are effective and drive positive outcomes. This requires the implementation of an effective measuring and evaluation system including process and impact Key Performance Indicators (KPIs).

Effective mechanisms are needed to monitor performance against action plans and KPIs so that those responsible for delivery understand what progress is being made and identify and react to problems.

Monitoring is an important part of the Human Rights Due Diligence system under the UNGPs, which recommend companies *track the effectiveness of the actions taken to mitigate and address human rights impacts*. It is important that a company monitors how its actions will address and affect human rights.

1.1 Defining the purpose and scope

To implement a robust monitoring process, companies need to define:

- What will be monitored?
- What are the expected results?

Inputs to the monitoring process include policy commitments and the implementation plan as described in **Briefing Note 01**, the activities and processes to be implemented as per **Briefing Note 02B** and **Briefing Note 03** and indicators developed in accordance with the targets and timelines.

The scope of monitoring should cover the company's own progress towards desired goals and performance, within and beyond the supply chain. Since suppliers have an impact on driving sustainability improvements upstream to the production level, where most of the risks are prevalent. It is important to closely monitor their progress against the expectations set across the business. Companies should work collectively with their Tier 1 suppliers to align supply requirements and monitoring efforts.

Companies should also monitor initiatives and factors beyond their control that can impact performance in meeting their **NDPE commitments**. This is especially important for inherent and systemic issues in structures and regulatory environments that supply chain actors operate within that are beyond their individual control.

1.2 Monitoring process

Monitoring processes provide a health check to ensure progress is in the right direction towards meeting commitments. As such, regular monitoring can provide pre-emptive or real time indications that certain activities are not moving towards commitments or there is non-compliance in terms of performance. If either of these are detected in the monitoring results, companies must react accordingly to develop countermeasures and new strategies, which can be designed as part of the monitoring process.

The **AFI Operational Guidance on Monitoring and Verification (M&V)** provides a good starting point for developing the M&V process:

1. Elaboration of approaches for monitoring the implementation and outcomes related to company commitments
2. Guidelines for the design of effective monitoring systems
3. Guidelines for credible verification of compliance and progress to provide the necessary level of assurance
4. Information on suitable monitoring tools and metrics

Measuring Progress:

The quantitative and/or qualitative measure of implementation status of the workplan. It is crucial to support internal decision-making and provide transparency to external stakeholders.

Measuring Performance:

Measures level of compliance with policy commitments in the supply chain. This is important to provide a status overview of commitment delivery and the aggregated level of progress.

02 Monitoring Progress and Performance towards meeting NDPE Commitments

This section refers to developing Key Performance Indicators (KPIs), to support monitoring progress of the activities and processes. More information on implementing NDPE commitments can be found:

- Towards supply chain transparency (e.g., supply chain mapping and assessing risks) as described in **Briefing Note 02A** and **Briefing Note 02B**
- For the progress and performance of suppliers engaged as per **Briefing Note 03** and non-compliance (e.g., grievance mechanism)
- For initiatives beyond supply chains and companies' engagement in such initiatives as applicable
- For other initiatives developed and implemented by key stakeholders that may impact progress towards NDPE commitments

2.1 Monitoring of policy non-compliance through a grievance mechanism

The United Nations Guiding Principles (UNGPs) on Business and Human Rights recommends companies adopt a Responsible Business Conduct approach to uphold their responsibility to respect human rights. Ensuring a process to enable remediation is a key pillar of the UNGPs.

A grievance is a claim of social and/or environmental harm arising from a company's operations that not only adversely impacts rights holders and the environment but can cause damage to a company's reputation. The common types of grievances raised against palm oil companies include:

- **Environmental:**
 - Deforestation and conversion of uncultivated peat
 - Burning for land preparation/Forest fires
 - Pollution
- **Social:**
 - Infringement of the rights of indigenous peoples and local communities (e.g. land tenure and customary rights)
 - Violation of workers' rights (e.g. forced labour, child labour, payment below minimum wage)

Often, these grievances are also a violation of national and/or local legislation as well as industry standards, such as unethical business practices and illegal activities.

All companies should have an effective system to address and remediate grievances raised by any interested parties in their supply chain and report transparently on the progress made. This is called a grievance mechanism.

Where grievances have occurred, it is important that a company provide remediation to rights-holders adversely affected by its operations and/or support suppliers to remediate impacts in

the supply chain. Please see **Guidance on grievance management**: an introduction to the series for more details.

In some instances, companies should work collectively with peers towards a shared and common response to effectively address identified grievances and monitor actions taken to resolve and remediate them.

Grievance Mechanism

Defined by **AFi** as:

Any routinised process through which grievances concerning business-related negative impacts to human rights or the environment can be raised and remedy can be sought.

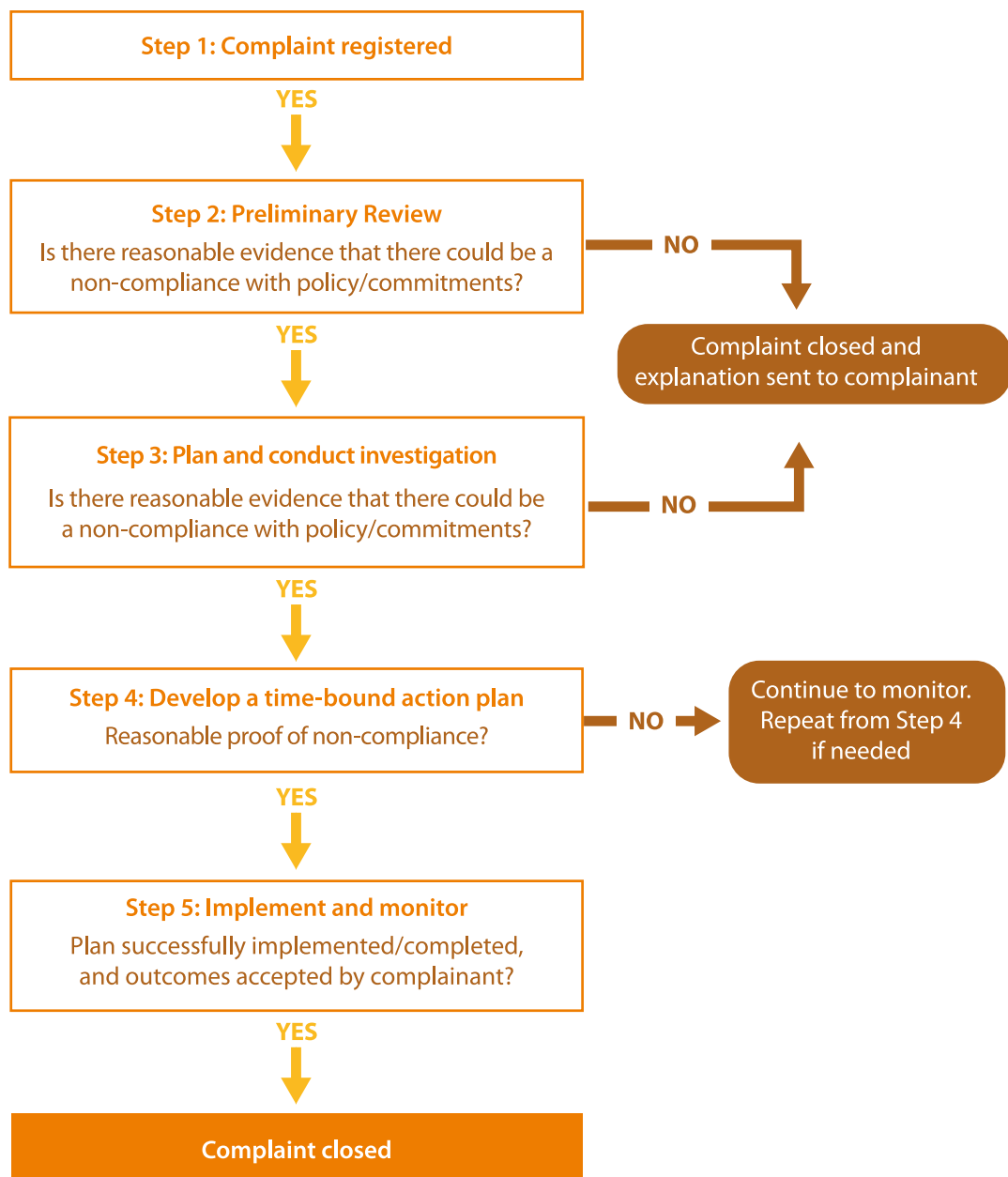


Figure 2: An overview of the mechanism that can be used by companies to address grievances in their supply chain.

Note: The majority of downstream companies will only be linked to grievances around palm oil production through their supply chain as they do not own any operations themselves at the production level. The main resolution and remedial actions will have to be taken by the direct or indirect supplier against whom the grievance was raised. Therefore, the main purpose of the grievance mechanism for downstream companies is **to communicate with suppliers on addressing the grievance and provide support where needed.**

03 Key Tools for Monitoring progress and performance within Supply Chains

Supplier engagement is key to the implementation and cascading of NDPE commitments throughout the supply chain (see Section 1.2 Supplier Engagement in **Briefing Note 03**).

To facilitate an understanding of the performance of the supply chain, different strategies should be implemented to account for the large number of suppliers. These can range from satellite monitoring of known production areas, self-assessments on NDPE criteria, scorecards, reporting frameworks to direct engagement in the form of site visits and regular supplier meetings.

This section covers the tools, methods and strategies that can be implemented to monitor the performance of suppliers and the supply chain.

3.1 Monitoring of Potentially New or Sporadic Suppliers

While the overall oil palm supply chain is relatively stable, there can be fluctuations due to situations such as replanting, low crop yield, pricing and delivery delays. Trading and commercial teams will seek out suppliers outside the regular supply base to fulfil production targets. These suppliers can be companies that are not supplying consistently nor regularly or who have not been in the company’s supply chain for a significant period of time. It is expected that these suppliers will have minimal to no engagement on NDPE commitments due to the sporadic commercial relationship.

To minimize the introduction of potential risks to NDPE compliance from these types of suppliers, companies should develop a monitoring process with indicators that can be checked remotely at feasible frequencies and require minimal direct engagement. This monitoring process can be adapted to support and complement more comprehensive due diligence procedures when considering onboarding the suppliers for more regular supply or support the continuation of long-term ad-hoc purchasing situations.

Direct engagement with potential and/or sporadic suppliers may be challenging due to a lack of long-term commercial relationships, especially when obtaining information that is key to demonstrating NDPE compliance. Several methods involving analysis of publicly available information and monitoring platforms as described in **Briefing Note 02B** can be implemented to carry out remote monitoring with minimal initial engagement.

Companies can maintain a No Buy list that is regularly updated based on known active grievances and violations of NDPE commitments. This list will filter out known risks. Companies can also maintain lists of suppliers who are performing positively towards meeting NDPE commitments and/or who pose minimum risks (e.g. certified suppliers, suppliers sourcing from regions with little risk of deforestation).

The monitoring of these types of suppliers should be done regularly to align with the dynamic nature of the supply chain, as well as in response to extraordinary events such as the occurrence of verified grievances or newly acquired certification to accepted sustainability standards. The table below provides examples of information that can be monitored for these types of suppliers.

Table 1: Examples of information that can be monitored by companies

Information	Metric	Information source
Certification status	Certified to any credible and accepted sustainability standard e.g. RSPO, ISCC, MSPO, ISPO	Certification scheme websites Company websites and public summaries Proof of certification
NDPE commitments	Public commitment or policy(ies)	Supplier Website Public scorecards

Traceability	Mill list TTM TTP	Supplier reporting on traceability and supply chain mapping
Non-compliance to NDPE commitments	Active grievances	Supplier's grievance tracker/log NGO/media reports
	Deforestation alerts	Monitoring platforms, such as Global Forest Watch, Satelligence, Earth Equalizer

3.2 Monitoring of established suppliers and associated supply chains

There are several tools and methods that can be implemented to monitor the progress of suppliers towards NDPE commitments. Some of the tools such as scorecards focus on the activities of the Tier 1 supplier while others such as the NDPE Implementation Reporting Framework (IRF) are structured to gather inputs from the upstream supply chain namely mills. It is recommended to have a combination of tools and methods for monitoring supplier performance and not just rely on one.

It is good practice to include the results of regular monitoring of supply chain risks, using the methods described in **Briefing Note 02B** and as described as part of monitoring the company's progress on commitments, as inputs for determining suppliers' performances.

3.2.1 T1 Supplier Scorecards

Supplier scorecards (introduced in **Briefing Note 03**) are used as an evaluation and monitoring tool for companies to assess their Tier 1 suppliers' performance on social and environmental criteria, usually based on their policies and commitments. Scorecards allow companies to:

- Inform suppliers of the company's sustainability requirements;
- Evaluate supplier performance in meeting the company's requirements and rank suppliers on overall sustainability performance (e.g. low, medium, high);
- Monitor and report progress of suppliers' performance over time;
- Develop supplier engagement strategies tailored to their performance.

To ensure that all companies score in a standardised way, Proforest has developed a scoring methodology covering 14 criteria that align with its **ACRES** approach.

Table 2: Evidence and criteria used in Proforest ACRES scoring methodology.

Scorecard Criteria	Evidence
Criterion 1: Commitment to environmental protection and respect for human rights	<ul style="list-style-type: none"> • Company's policy documents
Criterion 2-4: Traceability	<ul style="list-style-type: none"> • Supplier reports TTM% • Verification results if being required • Mill list available for all relevant palm oil products • Supplier reports TTP% and has a document or text on their website explaining their approach to TTP

Element 4: Monitor, Verify and Report

Criterion 5-6: Assessing environmental and human rights risk	<ul style="list-style-type: none">• Full risk assessment report or summary
Criterion 7: Timebound implementation plan	<ul style="list-style-type: none">• Timebound implementation plan document(s)
Criterion 8: Compliant volumes	<ul style="list-style-type: none">• Supplier company name found on RSPO members webpage• Valid RSPO certification document
Criterion 9-10: Engaging with suppliers	<ul style="list-style-type: none">• Written procedure or new supplier assessment criteria• Example of supplier contracts with clause(s) on sustainability requirements• Verbal or written explanation by supplier on how they are implementing this process• Example of human rights assessment of suppliers and supply base• Examples of scorecards used with suppliers• Examples of supplier improvement plans• Examples of supplier capacity building sessions• Reporting on supplier performance
Criterion 11: Engaging/ supporting beyond supply chain initiatives (landscape/sector)	<ul style="list-style-type: none">• A documented strategy of initiatives• For human rights issues: how the companies' salient human rights issues inform the selection of sectoral/jurisdictional/multistakeholder initiatives• A strategy for monitoring the impact of these initiatives regarding the impact they have had on the issues they are intending to address.• Public information and reporting on suppliers' engagement in various sector/ landscape initiatives.• Internal knowledge from Proforest landscape and company collaboration team
Criterion 12: Monitoring	<ul style="list-style-type: none">• Written monitoring procedure/system• KPIs• Written or verbal explanation of the company's monitoring system
Criterion 13: Public reporting	<ul style="list-style-type: none">• Public annual report• Dashboards• Grievance log• Mill list
Criterion 14: Grievance management	<ul style="list-style-type: none">• Written grievance mechanism/procedure• Grievance log• Evidence of action taken to provide remediation (where found to be causing or contributing to a human rights abuse), or evidence of action taken to use or increase its leverage to have the harm caused remediated

3.2.2 Sedex Members Ethical Trade Audits (SMETA)

SMETA audits are part of the services and tools offered by Sedex, a membership organization working with global supply chain companies across numerous sectors.² Sedex members are required to complete a Self-Assessment Questionnaire (SAQ) prior to the audit. The questions in the SAQ are based on the four pillars of SMETA which comprise Labour Standards, Health and Safety, Business Ethics and Environment. The main audit outputs are the SMETA Audit report and Corrective Action Plan Report which are usually submitted by palm oil supplying companies to their buyers during the supplier onboarding process. Companies such as Nestlé³ and Mondelez International⁴ are using SMETA audits to monitor the commitments and implementation of their direct suppliers, particularly on social and labour standards.

3.2.3 NDPE Progress and Performance: The Implementation Reporting Framework

Monitoring direct suppliers through different tools and engagement strategies can provide insights into the performance of the upstream supply chain. It is good practice for companies to align or consolidate their methods of data collection for performance evaluation and monitoring so that upstream supply chain actors are not inundated with multiple tools and questionnaires that are generally asking for the same information but in different formats.

The Implementation Reporting Framework (IRF) is a reporting tool designed by the Palm Oil Collaboration Group (POCG)⁵ to help companies systematically understand and track progress in delivering their NDPE commitments in their palm oil supply chains. This framework allows companies to:

- understand what is required to deliver NDPE commitments
- monitor the progress of suppliers
- identify gaps and drive improvement.

The IRF works by aggregating information on NDPE performance across the whole production base supplying to palm oil buyers. This automatically generates summary profiles for the mills and volumes of FFB processed by each mill. The IRF will display the proportion of mills and the corresponding volumes under the following six categories:

Unknown	Known	Awareness	Commitment and starting action	Progressing	Delivering
Untraceable volumes	Traceable, but no further action known	The mill's company has received training or workshop which means they are aware of expectations	The mill's company has a policy or commitment to No Deforestation	Some of the supply to the mill is delivering through e.g. certification or satellite monitoring	All of the supply to the mill is delivering through e.g. certification, satellite monitoring

Figure 3:
The six categories of the NDPE IRF.

Note: More details are available on the [NDPE IRF](#) website. The current templates outline the requirements for No Deforestation and No Development on Peat. The social IRF templates are in the pilot stage.

Companies that have generated their IRF profiles can utilise the data to carry out their implementation plans on high-priority mills and monitor their progress with ease. Downstream actors can also be assured of the credibility of the IRF mill data, systems and processes through independent verification.

04 Key Tools, Methods and Platforms to Monitor Performance Beyond Supply Chains

Monitoring performance beyond supply chains is usually more complicated as the activities and processes typically involve multiple stakeholders and vary depending on the scale and scope of interventions. As such, having a robust and credible monitoring, verification and reporting framework is crucial to ensure the claims made through these activities with the goal of improving social, environmental and economic performance beyond the supply chain are contributing to the desired transformation on the ground.

Element 4: Monitor, Verify and Report

It is important to note that monitoring beyond supply chains does not just refer to a company’s participation or potential participation, but also includes initiatives that are led by external parties, such as local and national governments and civil society organizations, that address systemic and inherent issues that are risks to meeting NDPE commitments. Many of these issues are beyond the capabilities of individual supply chains or supply chain actors to manage as they may stem from national or regional regulations and national socio-economic conditions. Therefore, companies need to be aware of such initiatives as there may be impacts, both positive and negative, on NDPE compliance in their supply base.

4.1 Pathway to Engaging Beyond Supply Chains through Regular Monitoring

As stated in **Briefing Note 03**, these activities can be carried out through three different approaches:

- Landscapes or jurisdictional approaches
- Sectoral initiatives or collaborations
- Broader multi-stakeholder initiatives.

It can be overwhelming for a company new to NDPE commitments to participate in all initiatives and programmes available, yet it is still important for them to be involved at some level to support industry transformation. Companies should also be aware of initiatives and programmes that may impact the production regions they are sourcing from, even if they are not yet engaged for participation. This is especially important for initiatives that private sector companies may not have access to participate in, such as government-led initiatives.

Monitoring these initiatives will also provide a pathway for companies to get involved further down the line and add to their implementation plan as part of continuous improvement.

The following schematic pathway (Figure 4) provides a guideline of how companies can monitor initiatives beyond supply chains in both their progress and performance, and then target their participation in these initiatives as per availability. Companies can then include the monitoring of their own progress in terms of participation.

Commitment Stage: 1st Year	Taking Action Stage: 2nd Year Onwards	Sector Leadership Stage: 5th Year Onwards
<p>Companies explore existing initiatives to understand the latest thinking in the industry and identify the most suitable actions. For example:</p> <ul style="list-style-type: none"> • Consider purchasing RSPO credits • Identify progress made through other certification schemes (e.g. MSPO, ISPO, ISCC, etc). • Identify landscapes initiatives in production regions and monitor their performance (e.g. Landscape, Terpercaya, etc). 	<p>With the experience and learnings gained, companies prioritise actions to be taken through the initiatives identified based on available resources and alignment with companies' palm oil sourcing strategy. Companies can:</p> <ul style="list-style-type: none"> • Purchase RSPO credits. • Purchase certified palm oil from other certification schemes. • Source from a performing landscape that is monitored, verified, and reported on any landscape platforms. • Identify sector initiatives and actively participate in working group activities. 	<p>With insights and influence gained through involvement and exposure in different initiatives, companies take on more active roles in leading sectoral discussion and implementing innovative approaches. Companies can:</p> <ul style="list-style-type: none"> • Continue supporting existing initiatives (e.g. certification schemes and landscape initiatives). • Become active member and contributing partners of sector initiatives. • Co-convene new initiatives to address emerging sustainability challenges (optional opportunity).

Figure 4: Pathway to engage beyond supply chain: using regular monitoring to inform next steps for engagement, involvement and participation.

For companies to start monitoring performance beyond the supply chain but have limited exposure to landscape or jurisdictional approaches and sectoral collaboration initiatives, the existing longstanding multi-stakeholder initiatives such as RSPO certification provides a good entry point to begin understanding ways to start monitoring performance beyond the supply chain. Buying RSPO credits is also a recommended entry point to supporting progress beyond supply chains.

Monitoring the progress and performance of certification initiatives is also key to setting targets for suppliers and understanding if and how the certification schemes support achieving the company's NDPE commitments.

4.1.1 RSPO Performance and Credits

To address some of the issues facing palm oil producing countries such as deforestation, planting on peatlands, fire, and loss of biodiversity, RSPO Principles & Criteria 2018⁶ involves requirements for growers to protect and conserve High Conservation Value (HCV) areas, High Carbon Stock (HCS) forests, and rare, threatened or endangered (RTE) species, minimise greenhouse emissions and prevent fire. As of 31 December 2019, a total of 230,195 ha of HCV set-aside areas are identified and managed by members within certified concessions. RSPO has reported a total of 1.4 million tCO₂e/year of carbon emission savings from avoided land clearance, peat avoidance and conservation area sequestration in new development by RSPO members.⁷

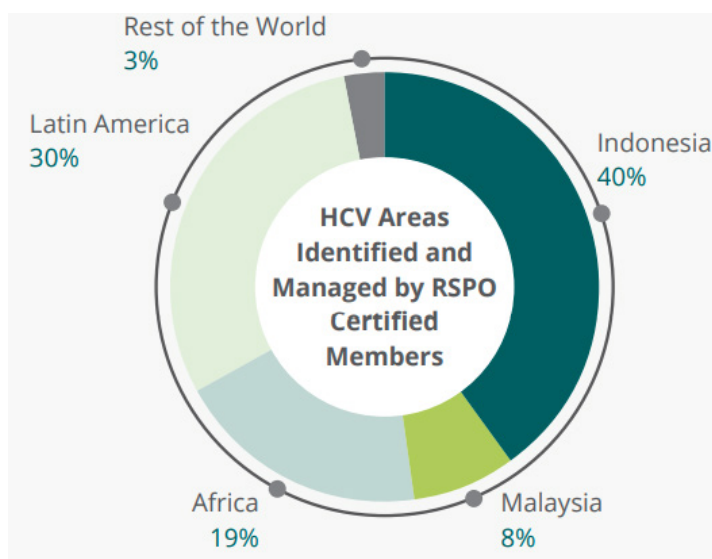


Figure 5: Distribution of HCV areas by country that are identified and managed by RSPO certified members (Image source: RSPO, 2020).

RSPO Credits

As defined by the RSPO, an RSPO Credit is proof that one tonne of certified palm oil was produced by an RSPO-certified company or independent producer and has entered the global palm oil supply chain.

By purchasing Credits, companies encourage the production of certified sustainable palm oil, supporting RSPO Certified Independent Smallholders who offer their Credits on the RSPO trading platform, indirectly supporting performance beyond the supply chain. As a supporter of RSPO Credits, companies should also understand and monitor the impact on these smallholders. Companies can refer to the RSPO Impact Report to consistently monitor the indirect impacts that they have on independent smallholders by supporting RSPO Credits.

Element 4: Monitor, Verify and Report



Figure 6: Positive impacts generated through the uptake of RSPO certification and initiatives in 2019 (Image source: RSPO, 2020).

4.1.2 MSPO Performance (Malaysia)

Companies that source from production regions in Malaysia should monitor the progress of the MSPO certification scheme uptake by the palm oil industry in Malaysia. The indicators monitored include hectareage, volumes, types of producers (smallholders, estates), mills and supply chain actors and are available publicly through the Malaysian Palm Oil Certification Council (MPOCC). This allows companies to understand how well the MSPO certification schemes are being executed on the ground and provide a starting point to start monitoring the progress beyond supply chains, especially in Malaysia through increase in adoption of MSPO. Companies should also monitor the progress of the updates and revisions of MSPO requirements to understand how the standards align with their NDPE commitments.⁸

4.1.3 ISPO Performance (Indonesia)

Companies that source from production regions in Indonesia can monitor the ISPO certificates of supplying mills. ISPO is the national standard for all oil palm growers and exporters designed by the Government of Indonesia. This certification requires annual surveillance or audits. Hence, companies can request annual reports from the supplying mills to check for any major non-conformances.⁹

4.2 Landscape Approaches

Landscape or Jurisdictional approaches are becoming a popular tool to address systemic sustainability challenges. Currently, the palm oil sector has a wide range of Landscape or Jurisdictional Initiatives in development or in various phases of implementation, in which companies may want to participate. Companies can also follow existing guidance to set up a new Landscape Initiative to meet desired goals. There are also guidance materials being developed on indicators for the performance of landscapes and how to monitor them. For example:

Table 3: Approaches and guidance materials on landscape initiatives

RSPO Jurisdictional Approach	<p>The RSPO Jurisdictional Approach (JA)¹⁰ to Certification was introduced to minimise the negative environmental and social impacts of oil palm cultivation at the scale of government administrative areas (Jurisdictions). The approach aims to continuously progress towards</p> <ul style="list-style-type: none"> • achieving no deforestation, no new planting on peat, ensuring safe and decent working conditions, upholding human rights, and • the certification of sustainable production and processing of oil palm products. <p>In 2015, RSPO made the JA commitment at the 13th RSPO General Assembly and launched the Sabah and Seruyan RSPO JA pilot projects. The Ecuadorian Amazon later became the third region worldwide to pursue RSPO certification under JA. In order to measure landscape performance at a jurisdictional level, a set of requirements capturing a stepwise approach for JA was developed to monitor systems that are in place within the Jurisdictional Entity (JE). The progress of each JA Pilot site is reported regularly by RSPO in their annual impact reports.¹¹</p>
Sustainable Jurisdiction Indicators, Indonesia – Identify Indicators for Measuring Sustainability at Jurisdictional Level	<p>The Sustainable Jurisdiction Indicators, formerly known as the Terpercaya study, is jointly led by the European Forest Institute (EFI) and Kaleka. The study aims to explore jurisdictional sustainability as a pathway to promote clearer market visibility and incentives for districts and provinces in Indonesia.¹² It intends to create and illustrate a system that monitors the progress of jurisdictional initiatives, to achieve the following purposes¹³:</p> <ul style="list-style-type: none"> • To identify and reward performing districts • To attract districts that have the potential to achieve jurisdictional sustainability <p>The study is also working closely with Trase, the Transparency for Sustainable Economies initiative to develop a tracking system of the Indonesia palm oil sector and to show how sustainability indicators can be used to inform decision making regarding sourcing practices.¹² These indicators consist of key elements¹³ namely legality, legitimacy, scale, mutual benefits, supportiveness and complementarity. The indicators are grouped into 4 major thematic areas, Environment, Social, Economic and Governance. Having the indicators allow market actors to monitor the progress of jurisdictional initiatives and identify possible opportunities to make impactful arrangement to implement their sustainability commitments. This has the potential to create an environment that incentivise and reward producing districts that demonstrate good sustainability implementation in palm oil production and trade.</p>
SourceUp – A Collaboration Platform for Supply Chain Sustainability at Scale	<p>SourceUp¹⁴ is a new platform that aims to connect the buyers of agriculture and forestry commodities and products who are interested in engaging in landscape-level sustainability efforts with coalitions of local stakeholders who are already involved in a landscape initiative, also known as the Compacts. Through SourceUp, areas that perform better in terms of sustainability are rewarded with preferential sourcing, funding, and technical assistance. This allows companies to work with local producers, governments, and civil society in a structured manner. The platform verifies the sustainability performance of an entire jurisdiction according to SourceUp Impact Themes, which, in its current draft covers four key themes of global concern: forest and peat protection, labour, land tenure and livelihoods.</p>
LandScale – A Standardised Approach to Measuring Landscape Sustainability Performance	<p>LandScale¹⁵ provides a standardized approach to assess and communicate the sustainability performance of given landscapes. It allows the private sector, governments, and civil society to access reliable information that can guide and incentivize sustainability improvements at scale. LandScale¹⁶ supports scaled up progress by assessing the cumulative impact of all activities within a landscape based on four pillars: Ecosystems, Governance, Human Well-Being, and Production.</p>

Element 4: Monitor, Verify and Report

ISEAL Good Practice Guide – Making Credible Jurisdictional Claims

The new ISEAL Good Practice Guidance was developed to serve as a reference for existing and future landscape and jurisdictional initiatives to stimulate discussion and seek alignment on practices for credible monitoring, verification and claims at a jurisdictional scale. The Guide¹⁷ provides detailed guidance on ways to monitor and verify operational and performance outcomes achieved by jurisdictional initiatives, as well as actions that companies and others can take to support improved sustainability performance in a jurisdiction. It is especially relevant for individuals and organisations that are actively involved in the development and implementation of landscape and jurisdictional initiatives and are supporting actions to improve the performance of the initiatives.

4.3 Sectoral Initiatives

Companies should have a clear understanding of the trend of initiatives, directives and legal mandates, especially led by public sectors in both market destinations and producer countries that are developed to address systemic issues in oil palm production. Many of the issues described in **Briefing Note 02A** are beyond the capabilities of individual companies to address on their own.

4.3.1 Government and Public Sector Initiatives and Developments

For companies that are further downstream, monitoring of public sector initiatives in the scope of regular engagement with Tier 1 suppliers can help enhance companies' understanding of the recent progress and development in production regions. Tier 1 suppliers can then replicate such practice with their supplier further upstream, therefore cascading the information across the supply chain while proactively engaging with suppliers in understanding performance in the production area. Companies can also reach out to their suppliers and other local stakeholders to understand developments in the production region that may positively or negatively impact the delivery of NDPE commitments such as changes in government policies and amendments to the law.

4.3.2 Consumer Goods Forum Forest Positive Coalition of Action

The Consumer Goods Forum Forest Positive Coalition (CGF FPC)¹⁸ was launched to leverage the collective influence of its member companies to drive and accelerate efforts to remove deforestation from, not only their own commodity supply chains, but across their suppliers' entire supply base. Commodity roadmaps are created to capture the commitments and actions for each commodity to complement Coalition-wide Actions and provide commodity-specific details.

The roadmaps build on five main elements that combine action within and beyond supply chains. Each of these five elements includes commitments that have been agreed upon by all members, individual and collective actions that member companies will take to deliver on the commitments, and key performance indicators (KPIs) that member companies agree to report on to provide transparency and demonstrate progress.

The CGF FPC Element 3 (Monitoring & Response) under the **Palm Oil Roadmap** highlights the need for a 'Response Framework' to monitor deforestation in or linked to CGF FPC members' palm oil supply chains.

The **Deforestation Monitoring and Response Framework** was formally adopted by CGF FPC members in 2022 and features the **Minimum Requirements Guidance** to improve the consistency of monitoring information and the **Response Framework** to clarify the roles and responsibilities of the CGF FPC and streamline responses to deforestation. The scope of this framework focuses primarily on deforestation and peat conversion in the main production areas for palm oil and secondarily on fire monitoring. The framework also outlines good practices to address deforestation non-compliances in the following scenarios:

- **Scenario 1:** Non-compliance inside a concession linked directly to a mill in the supply base or to a group with mills in the supply base of CGF FPC members
- **Scenario 2:** Non-compliance in an independent concession not part of a producer group and without any known links to existing mills
- **Scenario 3:** Non-compliance outside any known concession.

05 Key Tools and Approaches for Verification of Monitoring Results

Verification provides assurance that commitments are met and compliance is achieved through defined points for validation and carried out adhering to good practices of credibility, rigour and independence.

5.1 Validation and verification of Traceability data

A good practice is for companies to establish credible traceability verification protocols for their supply chain. Traceability data as outlined in **Briefing Note 02B** should be validated and verified. Systems and processes used for validation and verification must also be declared by Tier 1 suppliers as shown in Table 4.

AFi definition of Verification:

Assessment and validation of compliance, performance, and/or actions relative to a stated commitment, standard or target.

Table 4: The recommended minimum points of verification for traceability

Verification point	Criteria
Definition of Traceability	A definition of traceability needs to be declared.
Mill Location	Mill name, parent company and coordinates are verified against the Universal Mill List (UML)
Production locations	Data on the geographical locations of FFB origins such as: <ul style="list-style-type: none"> • Concession boundaries • Representative points • Planted area • Aggregated production areas represented by small administrative units <p>Area verified using credible GIS platforms such as Google Earth or ArcGIS. Ground truthing of production locations shall be carried out as well.</p>
Traceability linked to volumes	Traceability outputs and reporting shall be linked to volumes of sourced products. Equivalents of primary products and raw materials volumes shall be included as part of the reported traceability information.
Data quality control system	Traceability data provided by supply chain actors need to undergo a consistent quality control process for data completeness, accuracy, and validity.
Frequency of traceability process	Traceability data need to be updated frequently, at minimum on annual basis, and traceability status monitored regularly, at minimum on a quarterly basis.
Validity of traceability declarations	For any traceability declarations, reporting or publishing, traceability data/ records per supplier should be from maximum the past 2 years, not older. This is to ensure data collection, calculation and reporting is streamlined to a uniform timeline. Annual traceability is usually done for the previous year if not closer to real time.

Companies can support traceability verification in the upstream supply chain by encouraging their direct suppliers to carry out similar verification on their immediate and direct suppliers and so forth. Therefore, an aligned process for traceability and its verification is implemented throughout the supply chain thus streamlining assurance of methods, data and reporting.

5.2 IRF Data Verification

The purpose of independent data verification is to provide assurance to companies receiving aggregated IRF profiles on the accuracy of IRF mill data. Currently, various certification bodies are undergoing training to conduct IRF data verification. These verifiers will examine the system and processes adopted by data aggregators such as refineries and traders to enable the accurate supply of IRF data. More details are provided in the NDPE IRF Data Verification Protocol.¹⁹

5.3 Response and Verification of Human Rights grievances in the supply chain

The UNGPs²⁰ outlines several principles for companies to adopt in their human rights reporting framework. Principle 31 Criterion 8 specifies that businesses should establish grievance mechanisms based on engagement and dialogue with relevant stakeholder groups. This ensures that the design and performance of the mechanism fulfil the needs of affected groups and that there is a shared interest in ensuring its success.

Companies are increasingly reporting on the frequency and typology of grievances raised along with their progress and status of resolution. Companies can check if their Tier 1 suppliers have a policy commitment that includes an effective grievance mechanism (i.e. as described in Monitoring of policy non-compliance through grievance mechanism). This should entail commitments to provide access to grievance channels for both workers and management, assurance of non-reprisal and confidentiality and an appeal system for unfavourably resolved complaints or disciplinary actions.²¹ Supplier mechanisms for human rights grievances can also be verified through documentation review, management review and worker interviews by the company at the production level.²²

5.4 Remote auditing

Due to the COVID-19 pandemic, most companies have transitioned to using virtual or hybrid approaches to adapt to restrictions in conducting on-site verifications. Remote auditing is increasing in popularity amongst certification bodies and companies. An ISEAL²³ study examining eight supply chain companies on remote auditing practices and assurance responses found that one of the potential opportunities linked to this practice lies in the increased time and cost efficiencies of both offsite document checks and pre-audit work. This allows for more efficient controls and trust building between the certification body and the audited company. Companies that are considering transitioning to remote or hybrid (on-site and remote) auditing should first conduct a feasibility and risk analysis of the following factors²⁴:

- confidentiality, security and data protection agreement between the certification body and the company undergoing audit.
- use and quality of ICT tools to access relevant documented information including software, databases and records as well as feasibility to conduct remote observations of facilities, processes and activities if relevant to audit objectives.
- digital quality of the data to be reviewed especially when physical copies of information is required to be scanned for remote review.
- feasibility of accessing and interviewing relevant staff and workers for the audit.
- if the company is not operating regularly due to a contingency, whether the processes or activities audited are representative and allow the fulfilment of audit objectives.
- complexity of the organisation and audit type, whether the audit objectives can be fulfilled entirely through remote auditing or will require a combination of remote and on-site methods to be completed in stages.

RSPO Remote Auditing Procedure

RSPO has informed all their certification bodies to carry out a combination of remote and on-site audits of their Supply Chain (SCC) and Principles and Criteria (P&C) certified clients only. These accredited certification bodies will be conducting remote audits with the participation of one or more 'Audit Facilitators' on-site. The facilitators will support the audit team in verifying and recording appropriate evidence using video conferences, remote interviews, site tours and verification by utilising available technology. However, they will not replace the role of the audit team even if issues with the technology used arises.

06 Key Tools and Approaches to Reporting and Communicating

Companies have a responsibility to publicly report and communicate their progress to all stakeholders in the palm oil supply chain. Public reporting improves companies' transparency through disclosure of their supply chain performance and progress towards meeting their commitments. Companies should disclose the scope of their reporting. The common elements in public reporting and communication include²⁵:

- Supply chain transparency (traceability information)
- Monitoring and engagement (grievance management and risk assessment)
- Land acquisition and development (procedures for new plantings and addressing land conflicts)
- Environment (managing HCV and HCS forests, spatial monitoring methodology and GHG emissions from company operations)
- Human rights (identification of risks and risk management plan)
- Smallholder support
- Compliance (third-party verification and certification)
- External initiatives (multi-stakeholder collaboration and landscape approaches)

Companies generally have dedicated sections on their websites to publish their policy commitments, sustainability initiatives and progress monitoring. Formats used include annual sustainability reports, dashboards and online statements or articles. Some examples of the public reporting formats used by companies are shown below.

Table 5: Examples of public reporting formats used by companies to communicate their progress monitoring

AAK



Figure 7: AAK's palm oil sustainability KPIs as displayed in their annual sustainability report (Image source: AAK, 2021).²⁶

Cargill

Palm Oil Roadmap

Our goals toward 2025 & 2030

Since the launch of our [Policy on Sustainable Palm Oil](#) in 2014, we have made solid progress toward our commitment to help ensure a traceable, transparent and sustainable palm oil supply chain. To guide our future actions, we have updated our KPIs* and developed a roadmap to help us address the complex challenges facing the palm sector and our planet with new 2025 and 2030 goals in the areas of Climate, Land & Water and People.

*The 2021 progress KPIs that we are reporting in our dashboard and 2021 palm oil sustainability report correspond with our previous roadmap. We will report progress against the 2025 roadmap starting in 2023.

Cargill palm oil sustainability roadmap



Figure 8: Cargill’s palm oil roadmap with actions taken and targets (Image source: Cargill, 2022).²⁷

Nestlé



Sustainably Produced Palm Oil at Nestlé 2021 Progress Report

Report Summary

In 2021, Nestlé sourced more than 465,000 MT of palm oil, which came to us through 58 suppliers, originating from 24 countries. Our supply chain mapping traced 97% of that volume back to the mill and 68% to the plantation level. At the end of 2021, 91% of our palm oil volume was assessed as deforestation free, a number that will continue to progress towards 100% by the end of 2022. We worked directly with companies in our supply chain on have palm oil supply chains in which action is taken towards preserving and restoring nature, and respecting human rights, and where workers and smallholder farmers are offered decent work and livelihoods.



Bureau Veritas’ Independent Assurance Statement

To: The Stakeholders of Nestlé S.A.

Introduction and objectives of the engagement

Bureau Veritas UK Limited (‘Bureau Veritas’) has been engaged by Nestlé S.A. (‘Nestlé’) to provide independent assurance over the Creating Shared Value and Sustainability Report 2021 (the ‘Report’) published on Nestlé’s website. The aim of our engagement is to provide assurance to Nestlé’s stakeholders over the accuracy, reliability and objectivity of the reported information and that it covers the issues material to the business and its stakeholders.

Figure 9: Nestlé publishes an annual progress report specific to palm oil sourcing. These reports are verified by an independent third-party auditor and the assurance statement produced are publicly available (Image source: Nestlé, 2022).²⁸

Wilmar

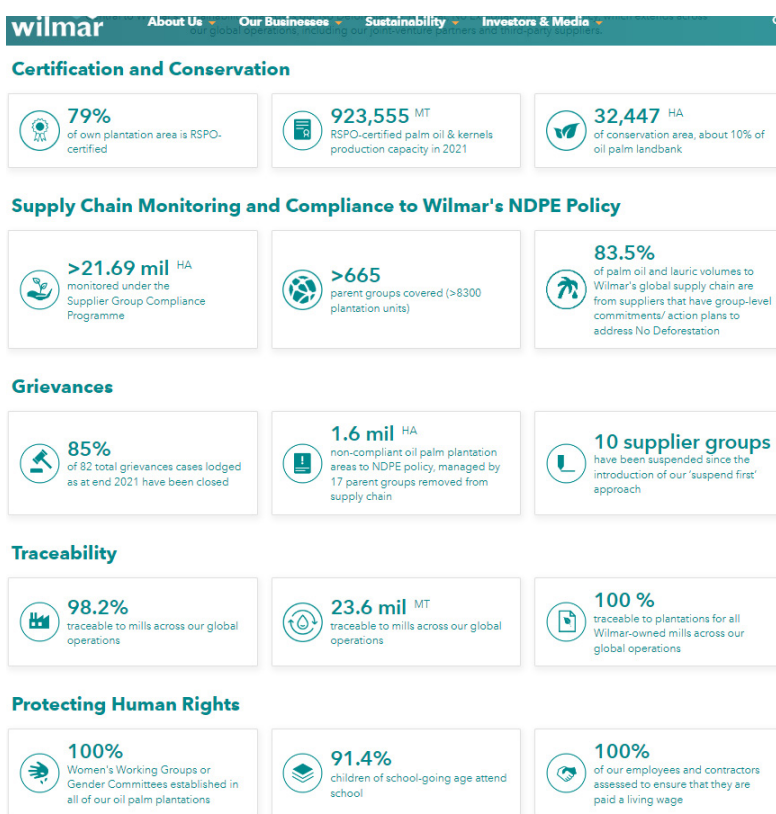


Figure 10: Wilmar publishes a Sustainability Dashboard on its website highlighting key palm oil data (Image source: Wilmar International Ltd, 2021).²⁹

6.1.1 Public reporting

Companies can gather inputs on the performance of their suppliers and supply chains by referring to publicly available tracking and monitoring tools that cover actors at different levels of the supply chain (Table 6).

Table 6: Monitoring platforms recognised in the palm sector

Public Monitoring System	Details
Mighty Earth Rapid Response ³⁰	<ul style="list-style-type: none"> The Trader Tracker system documents and files companies' grievances and ranks them based on the number of unresolved grievances. Their monitoring system uses satellite imagery with supply chain data to identify deforestation, peatland development and the companies responsible
WWF Palm Oil Buyers Scorecard ³¹	<ul style="list-style-type: none"> Assesses 227 manufacturers, retailers, food service and hospitality companies on their NDPE commitments. Inputs are company responses from questionnaires, publicly available information, company sourcing policies and reports. Criteria is based on AFi and comprise two categories (Own Supply Chain and Beyond Supply Chain)

Element 4: Monitor, Verify and Report

Roundtable on Sustainable Palm Oil Annual Communication of Progress (ACOP)³²

- ACOP reports are submitted by RSPO members to monitor their progress towards 100% RSPO-certified sustainable palm oil.
- Members are required to provide information on their certified volumes (CPO, PKO etc), supply base, time-bound action plan and policies.

Sustainability Policy Transparency Toolkit (SPOTT)³³

- Assesses palm oil producers, processors and traders on their public disclosure of organisation, policies and practices related to environmental, social and governance (ESG) issues.
- 100 sector-specific indicators to benchmark companies' progress over time.
- Assessment reports are used by investors, buyers and key influencers to inform stakeholder engagement, manage sustainability risks and increase transparency

Carbon Disclosure Project (CDP)³⁴

- Disclosure system for investors, companies and public administrations to manage their environmental impacts.
- Scoring methods on climate change, forests and water security which is fully aligned with the Task Force on Climate-related Financial Disclosures (TCFD).

Forest 500³⁵

- Annual ranking of 350 companies and 150 financial institutions that have the greatest influence in forest risk commodity supply chains
- 4 categories (overall approach, content of commitments, social considerations and reporting and implementation) that are aligned with AFI's Common Methodology.
- Information is assessed only from publicly available sources directly from the companies such as their websites, reports or through reporting portals such as CDP Forests and certification schemes.

07 Next steps

It is important that companies continuously monitor, verify and report on their progress and performance made within their supply chains by utilising tools such as the IRF. This should also extend beyond the supply chain through participation in various collaborative and sectoral approaches as described in this Briefing Note. The outputs of monitoring and verification should also be communicated to internal and external stakeholders transparently.

The systems deployed by companies towards meeting their NDPE commitments should also consider potential risks in their supply chain. The emerging environmental and social risks in the palm oil sector, mitigation efforts developed by industry stakeholders and trends in international regulations will be detailed in **Briefing Note 05**.

Learn more and help us improve

More information is provided in the references below and at www.palmoiltoolkit.net

Please also share with us information that will improve this Briefing Note (via palmoiltoolkit@proforest.net).

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