

## Monitor, Verify and Report

The Palm Oil Toolkit supports companies in the responsible sourcing of palm oil, highlighting a wide range of tools and initiatives which aim to decouple palm oil production and trading from deforestation, development on peat and human rights violations. This document summarises the key points on how to monitor and report on progress towards meeting company commitments.



## 01 Introduction to Monitoring

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

As per the **AFi Core Principle 11: Monitoring and Verification**, companies should assess compliance to their commitments and targets on a regular basis, evaluating and monitoring the company's progress towards meeting targets and identifying the need to review existing commitments and actions.

### 1.1 Defining the purpose and scope

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

- What will be monitored: The scope of monitoring should cover the company's own progress towards desired goals and performance, within and beyond the supply chain.
- What are the expected results: Results and performance should be measured consistently to track progress.

### 1.2. Adaptive management

Monitoring processes provide a health check to ensure progress towards meeting commitments. Regular monitoring can provide pre-emptive or real time indications that certain activities are not moving towards commitments, or that there is non-compliance in terms of performance.

#### 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 provides a status overview of commitment delivery and aggregated level of progress.

## 02 Monitoring Progress and Performance towards meeting NDPE Commitments

### 2.1 Monitoring progress against NDPE implementation plan

Once companies have developed an implementation plan (as described in **Briefing Note 01 section 3.1**), progress should be monitored against the action plan by developing Key Performance Indicators (KPIs). The KPIs should enable the company to track progress for each activity against set targets or milestones (Table 1), in line with their **No Deforestation, Peat and Exploitation (NDPE) commitments**.

Example of key activities, respective milestones and related KPI's (Non-exhaustive list):

Key activities	Milestones	Key Performance Indicators (KPI)
Buy certified Roundtable for Sustainable Palm Oil (RSPO) palm oil products	<ul style="list-style-type: none"> <li>• Become an RSPO member</li> <li>• Obtain RSPO Supply Chain Certification</li> <li>• Source RSPO certified volumes</li> </ul>	<ul style="list-style-type: none"> <li>• Volumes of RSPO certified product produced or purchased</li> </ul>
Understand risks in supply chain	<ul style="list-style-type: none"> <li>• Implement traceability requirements</li> <li>• Assess environmental and social risks in supply chain periodically, e.g., with changes in supply chain</li> </ul>	<ul style="list-style-type: none"> <li>• Percentage of traceability achieved</li> <li>• Prevalence of high and low-risk production regions in supply chain both in terms of environmental and social risks</li> </ul>
Assess current suppliers' performance	<ul style="list-style-type: none"> <li>• Develop and implement assessment tools (e.g., scorecard)</li> </ul>	<ul style="list-style-type: none"> <li>• Number of suppliers assessed and engaged</li> <li>• Number of suppliers with action plan</li> <li>• Number of suppliers demonstrating year on year progress</li> </ul>
Stakeholder engagement and communication	<ul style="list-style-type: none"> <li>• Key stakeholders identified</li> <li>• Develop methods for regular communications with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Communication with stakeholders carried out as per plan</li> <li>• Number of stakeholders regularly engaged</li> </ul>

## 2.2 Monitoring of policy non-compliance through grievance mechanisms

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. Companies should monitor and remediate grievance claims of social and/or environmental harm arising from a company's operations, which can cause damage to a company's reputation. This can be done through a Grievance Mechanism. 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).

### Grievance Mechanism

Defined by **AFI** as:

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

## 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 (**Briefing Note 03**). To facilitate understanding of the performance of the supply chain, different strategies should be implemented to account for the large number of suppliers:

- **Monitoring of potential new or sporadic suppliers:** 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. You can find our more here: **Proforest guidance on supplier engagement for responsible sourcing (Nov 2021)**.

- Monitoring of established supplier and associated supply chains: It is recommended to have a combination of tools and methods for monitoring supplier performance and not just rely on one. Examples include: T1 Supplier Scorecards (introduced in [Briefing Note 03](#)); [Sedex Members Ethical Trade Audits \(SMETA\)](#); [The NDPE Implementation Reporting Framework \(IRF\)](#), a reporting tool designed by the Palm Oil Collaboration Group (POCG) to help companies systematically understand and track progress in delivering their NDPE commitments in their palm oil supply chains.

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

### 4.1. Engaging beyond supply chains through regular monitoring

It can be overwhelming for a company new to NDPE commitments to participate in all initiatives and programmes available, yet it is important for them to be involved at some level to support industry transformation. As stated in [Briefing Note 03](#), engaging beyond supply chains can be done at different scales and through different approaches:

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

### 4.2. Tools to monitor sustainability in palm oil production

In the palm oil sector, there are several initiatives that companies can use to support supply chain monitoring:

Initiative	Coverage	Description
<a href="#">Roundtable on Sustainable Palm Oil (RSPO)</a> certification scheme	Global	To address some of the issues facing palm oil producing countries, such as deforestation, planting on peatlands, fire, and loss of biodiversity, the RSPO Principles & Criteria sets out 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.
<a href="#">The Malaysian Sustainable Palm Oil (MSPO) certification scheme</a>	Malaysia	The MSPO certification scheme indicators 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).
Indonesia Sustainable Palm Oil (ISPO) certification scheme	Indonesia	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.
<a href="#">RSPO Jurisdictional Approach</a>	Global	The RSPO Jurisdictional Approach (JA) 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 i) achieving no deforestation, no new planting on peat, ensuring safe and decent working conditions, and upholding human rights, and ii) the certification of sustainable production and processing of oil palm products.
<a href="#">Sustainable Jurisdiction Indicators</a> – Identify indicators for Measuring Sustainability at Jurisdictional Level	Indonesia	The Sustainable Jurisdiction Indicators, formerly known as Terpercaya, is a jointly led initiative 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. It intends to create and illustrate a system that monitors progress of jurisdictional initiatives, to achieve the following purposes: <ul style="list-style-type: none"> <li>To identify and reward performing districts</li> <li>To attract districts that have the potential to achieve jurisdictional sustainability</li> </ul>

<a href="#">SourceUp</a> - A Collaboration Platform for Supply Chain Sustainability at Scale	Global	SourceUp 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.
<a href="#">LandScale</a> - A Standardized Approach to Measuring Landscape Sustainability Performance	Global	LandScale provides a standardized approach to assess and communicate 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, based on four pillars: ecosystems, human well-being, governance, and production.
<a href="#">ISEAL Good Practice Guidance - Supporting credible monitoring and claims</a>	Global	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.
<a href="#">The Consumer Goods Forum Forest Positive Coalition (CGF FPC)</a>	Global	The Consumer Goods Forum Forest Positive Coalition (CGF FPC) was launched to leverage the collective influence of its member companies to drive and accelerate efforts to remove deforestation from their suppliers' entire supply base. 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.

## 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, rigor and independence. Key tools and practices companies should be aware of:

### **AFi definition of Verification:**

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

- **Validation and verification of Traceability Data**

It is good practice for companies to establish credible traceability verification protocols for their supply chains, including for Tier 1 suppliers. Traceability data as outlined in [BN02B: Traceability and Risk Assessments](#) should be validated and verified, with companies supporting 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.

- **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](#).

- **Response and verification of Human Rights grievances in the supply chain**

The [UNGPs](#) outline 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 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. Supplier mechanisms for human rights grievances should also be verified through documentation review, management review and worker interviews by the company at production level.

- **Remote auditing**

Due to the COVID-19 pandemic, remote auditing is increasing in popularity amongst certification bodies and companies. For example, 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. However, they will not replace the role of the audit team even if issues with the technology used arises.

## 06 Key Tools and Approaches for Reporting and Communicating

Companies have a responsibility to publicly report and communicate their progress to all stakeholders in the palm oil supply chain. Common elements in public reporting and communication include:

- 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 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 (see **Briefing Note 04** for more details).

### Learn more and help us improve

For more information, see the full briefing note, available at [www.palmoiltoolkit.net](http://www.palmoiltoolkit.net)

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

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