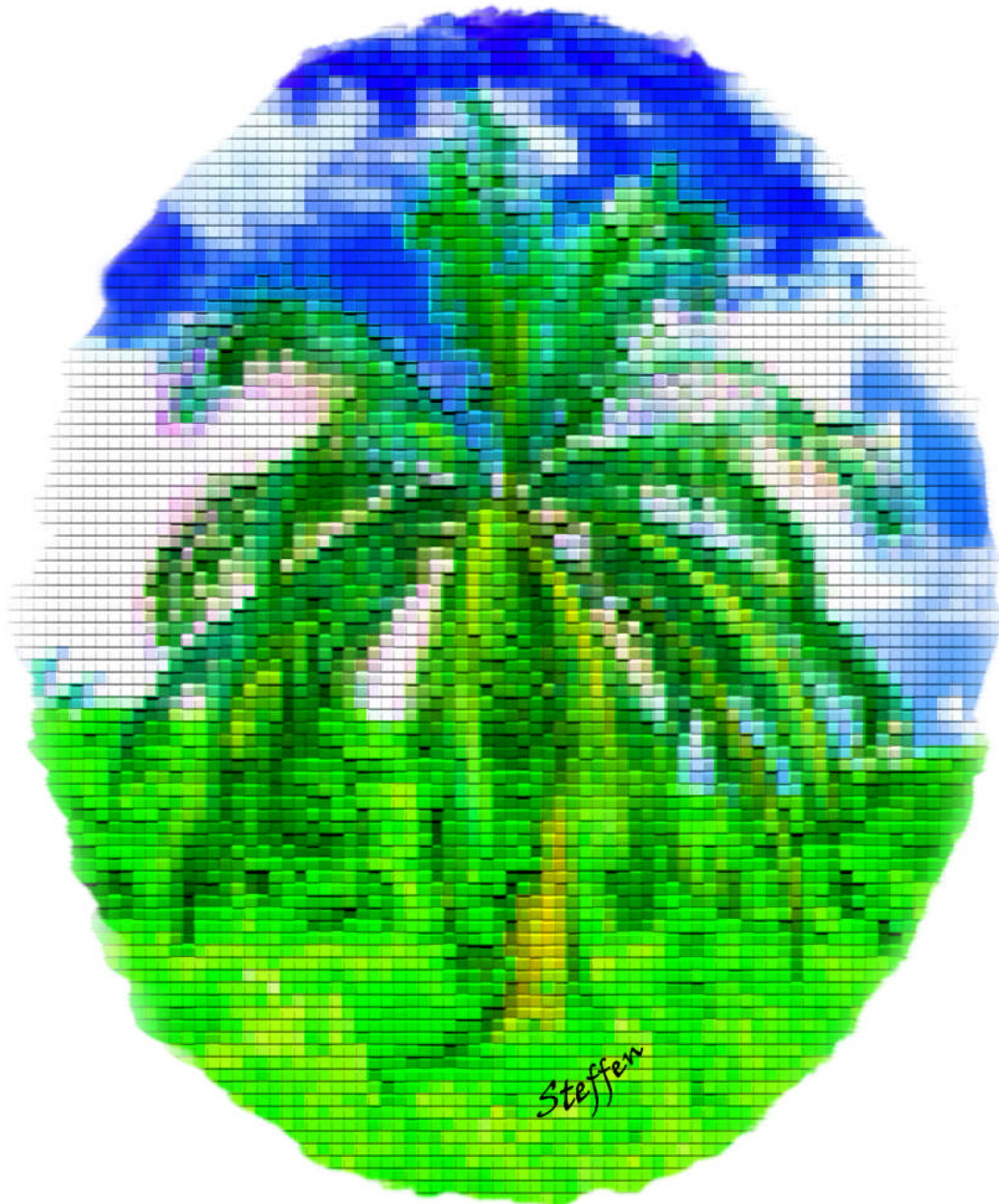


## Strengthening the RSPO Audit



Dr. Steffen Preusser 2017

***RSPO***

---

Roundtable on Sustainable Palm Oil

## Executive Summary

The Roundtable for Sustainable Palm Oil (RSPO) has developed a comprehensive set of Principles and Criteria (P&C) to define what constitutes sustainably produced palm oil. The P&C document is a blueprint for managing palm oil plantations such that they consistently meet acceptable legal, social and environmental standards. In order for plantation companies to assert their compliance with the RSPO standards and affirm their palm oil as sustainably produced, they must undergo an audit by a certifying body (CB). If the palm oil plantations meet or exceed the standard, they are issued a certificate by RSPO.

The integrity of RSPO audits has been questioned in a series of reports by non-government organisations (NGOs). In these reports, examples were reported of how palm oil plantations circumvent RSPO standards and are still able to obtain RSPO certificates. It was EIA's publication of "Who Watches the Watchmen?" during RSPO's annual conference in November 2015 that principally focused on weaknesses in the work of RSPO's certification bodies (CBs) and RSPO's accreditation body (AB), ASI, when it came to auditing palm oil plantations. As a consequence of EIA's report, a number of initiatives have been undertaken by the RSPO secretariat to improve the quality of the audits and the credibility of the resulting certificates. This report is part of that initiative and examines the auditing process from the point of view of the CBs.

The methodology focused on evaluating the statements of the RSPO-CBs, ASI, NGOs familiar with RSPO audits and audit experts with experience in forest-based audits. The structured interviews were transcribed into a written format and sorted according to pre-defined topics. This raw data was analyzed to gather an insight on different themes that directly or indirectly affected the quality of an audit. Based on these analyses, a series of recommendations were formulated. The goal of the recommendations was to examine the current auditing procedures and strengthen those points that would have an immediate and significant impact.

One recommendation that was judged to have an overriding impact concerned the harmonization of the interpretations between RSPO, CBs, ASI and the growers. These interpretations are essentially measurable criteria that divide compliance from non-compliance. The differing interpretations by the RSPO affiliates, has led to inconsistent audit results for some RSPO criteria. RSPO has already commenced the process of aligning the interpretations and it is advised that these efforts be intensified. In comparison to other certification schemes involving natural resources, RSPO is a relatively new scheme and the ongoing refinement of the interpretations is part of the maturation process.

The second key recommendation is the introduction of mandatory courses for plantations planning to undergo an RSPO audit to prepare them for the audit. Many CBs remarked that the middle management directly responsible for plantations and mills were often inadequately prepared for the audit. This resulted in a poor commitment by the companies in meeting the sustainability criteria. It was reported by one CB that some companies had already identified this obstacle and had commenced training their employees in preparation for an audit. It is recommended that sustainability training becomes

compulsory for all plantations seeking to be audited under the RSPO standard. In addition, there should be a six month implementation period prior to the initial audit.

A further recommendation focused on means to increase the motivation of palm oil companies to join RSPO and incorporate the sustainability standard into their business operations. By quantifying the financial and operational benefits of implementing the RSPO standard, the commitment of the palm companies is expected to rise.

Recommendations also included expanding the training opportunities for CBs.

A review of the accessibility of the RSPO website was also addressed due to the difficulty stakeholders have in locating files on the site.

It was ascertained that most CBs welcomed efforts to improve the quality of the audits; this includes recognizing ASI's role in harmonizing RSPO audit practices. Many CBs expressed the view that they can learn from ASI. To take advantage of this opportunity, it is advised that ASI cultivates a constructive relationship with the CBs to augment the quality of the audits.

One point that was raised by almost all CBs was the differences between the function of an audit and what NGO's perceived their function to be. Auditing is based on sampling documents and the opinions of stakeholders to evaluate if compliance is met. Sampling translates to about 5 days a year on-site at the plantation. In contrast, NGOs are able to monitor plantations on a continual basis to discover non-compliances. Likewise audits are not fault-finding exercises. As one CB expressed it, auditors are watchdogs not bloodhounds. None-the-less, most CBs were in favor of more NGO involvement in the auditing process (as stakeholders). Many CBs were familiar with EIA's "Who is Watching the Watchmen?" and initiated investigations into the incidents that were included in the report.

## Table of Contents

Executive Summary .....	3
Commonly Used Abbreviations in this Study.....	7
Introduction .....	8
Methodology.....	9
Interview Analysis .....	11
Statistical Overview .....	11
Results of Discussions .....	13
1) “What works well with the RSPO scheme?” .....	13
2) Comments about identifying stakeholders and contacting them .....	13
3) Training programs for auditors .....	13
4) Manpower requirements.....	14
5) Staff turnover and auditor remuneration .....	15
6) What approach is used when questions arise about the interpretation of a standard .....	15
7) Comments about ASI and compliance audits.....	15
8) Relationships with clients, including when NCs (non-compliances) are issued .....	18
9) Familiarity with NGO reports .....	19
10) CB Comments about the EIA report: “Who Watches the Watchmen?” (WWtW) .....	20
11) What would you do differently when it comes to RSPO auditing? .....	20
12) Comments of interest.....	21
Discussion .....	22
Carrying out an audit (from an auditor’s point of view).....	22
Criteria for a successful audit.....	23
ISO audits and RSPO audits .....	25
What is the ideal length of an audit? How many man-days? .....	26
Is the money that RSPO spends on educating auditors well spent? .....	26
Are auditors adequately remunerated? .....	26
Is there a conflict of interest when the CBs are financially dependent on the companies that they are auditing?.....	27
Allegations of collusion between CBs and clients .....	27
Position on unannounced audits.....	28
NGO reports and NGOs’ role as stakeholders.....	28

How local politics influence audit quality .....	29
Motivating companies to commit to sustainability and prepare for an audit .....	30
The importance of public relations.....	31
The RSPO website .....	32
ASI .....	32
Lax-Grading .....	33
Recommendations .....	34
Appendix 1   CBs Interviewed.....	35
Appendix 2   Experts Interviewed.....	36
Appendix 3   Best Practices .....	37

### List of Tables

Table 1 Interview Topics and the approximate order in which they were raised during the interview.....	9
Table 2 CB Data (Sorted according to number of 'Total Certificates').....	12
Table 3 CB Manpower Estimates to Audit a Management Unit (1 mill, 4 estates and medium risk) .	14
Table 4 Familiarity with recent NGO reports concerning palm oil .....	19

## Commonly Used Abbreviations in this Study

AB	Accrediting Body
ASI	Accreditation Services International
CB	Certifying Body
EIA	Environmental Investigation Agency
FSC	Forest Stewardship Council
GHG	Greenhouse Gases
ISO	International Organization for Standardization
ISPO	Indonesian Sustainable Palm Oil
KPI	Key Performance Indicators
MSPO	Malaysian Sustainable Palm Oil
NC	Non-compliance
NGO	Non-governmental Organization
NPP	Procedures for New Plantings
OSH	Occupational Safety and Health
P&C	Principles and Criteria
PPE	Personal Protective Equipment
RM	Malaysian Ringgit
RSPO	Roundtable on Sustainable Palm Oil
UNFCCC	United Nations Framework Convention on Climate Change
WWtW	"Who Watches the Watchmen?" (EIA report)

# Strengthening the RSPO Audit

---

April, 2017

## Introduction

The Roundtable for Sustainable Palm Oil (RSPO) has developed a comprehensive set of Principles and Criteria (P&C) to define what constitutes sustainably produced palm oil. The P&C document is a blueprint for managing palm oil plantations such that they consistently meet acceptable legal, social and environmental standards. In order for plantation companies to assert their compliance with the RSPO standards and affirm their palm oil as sustainably produced, they must undergo an audit by a certifying body (CB). If the palm oil plantations meet or exceed the standard, they are issued a certificate by RSPO.

In the last four years, a number of non-government organization (NGO) reports have been published criticizing the RSPO audit procedures: These reports include EIA's "Who Watches the Watchmen?"<sup>1</sup>, Amnesty International's "The Great Palm Oil Scandal"<sup>2</sup>, Greenpeace's "Certifying Destruction"<sup>3</sup> and PAN's "The RSPO Roulette: How Profits Win Over People and Planet"<sup>4</sup>. It was EIA's publication of "Who Watches the Watchmen?" during RSPO's annual conference in November 2015 that focused on weaknesses in the work of RSPO's certification bodies (CBs) and RSPO's accreditation body (AB), ASI,<sup>5</sup> when it came to auditing palm oil plantations. As a consequence of EIA's report, a number of initiatives have been undertaken by the RSPO secretariat to improve the quality of the audits and the credibility of the resulting certificates. This report is part of that initiative and examines the auditing process from the point of view of the CBs.

The goals of the report are to make recommendations to the audit process taken from the point of view of the CBs and the formulation of best practices of forest-based auditing schemes, such as Forest Stewardship Council (FSC)<sup>6</sup> and the Roundtable on Sustainable Biomaterials (RSB)<sup>7</sup>. The methodology involves holding interviews with CBs, audit experts from non-RSPO schemes and with NGO representatives that work on palm oil related issues. For the CBs, the interviews were carried out in face-to-face interviews according to a pre-determined format. The topics concerned their auditing work, their interactions and assessments with other RSPO stakeholders, and their view on what they would like to see done differently.

The report also contains a recent statistical analysis of the distribution of RSPO certificates and staffing among the CB community.

---

<sup>1</sup> <https://eia-international.org/wp-content/uploads/EIA-Who-Watches-the-Watchmen-FINAL.pdf>

<sup>2</sup> <https://www.amnesty.org/en/documents/asa21/5184/2016/en/>

<sup>3</sup> <http://www.greenpeace.org/international/Global/international/publications/forests/2013/Indonesia/RSPO-Certifying-Destruction.pdf>

<sup>4</sup> <http://library.ipamglobal.org/jspui/bitstream/ipamlibrary/476/1/RSPO-critique.pdf>

<sup>5</sup> <http://www.accreditation-services.com/>

<sup>6</sup> <https://ca.fsc.org/en-ca>

<sup>7</sup> <http://rsb.org/the-rsb-standard/about-the-rsb-standard/>



## Methodology

Data collection for this study was done using interviews. A format involving pre-prepared written questionnaires was not used for a number of reasons:

- There is a risk of misunderstanding the written questions. If a topic was not clear to the CB in the interview, they had the opportunity to ask for clarification.
- Many CBs do not feel comfortable writing down their opinions.
- Some auditors' use of English is weak and they are more comfortable in giving an oral response rather than a written one.
- Topics of interest to the CBs could be explored in greater detail using an interview approach, as the focus of the interview could be shifted to better accommodate the CB's concerns.

Well in advance of the interviews, the topics of discussion were worked out with RSPO. Once the topics were set, the format of the interview was designed. The interview format and topics are presented in Table 1.

**Table 1 Interview Topics and the approximate order in which they were raised during the interview**

Order	Topics	Objective(s)
1	Personal introductions and a statement regarding the study's objectives	
2	Questions about number of lead auditors, certificates, etc.	To commence the session on a neutral footing, by asking for statistical information
3	Ask "What works well with the RSPO scheme?"	To introduce a positive frame of mind (part of appreciative inquiry technique <sup>8</sup> )
4	Discuss the following points: <ul style="list-style-type: none"> <li>• Priorities when preparing for audit</li> <li>• How to identify and contact key stakeholders</li> <li>• Desired qualifications for newly hired auditors</li> </ul>	To focus the discussion on the "nuts and bolts" of auditing (no evaluations or opinions are requested at this point)
5	Preliminary evaluations: <ul style="list-style-type: none"> <li>• What training programs do they employ for their auditors and their personal assessment of external training courses</li> <li>• Factors which are important in determining the manpower requirements for an audit including comments on the length of an audit</li> <li>• Rate of RSPO auditor turnover (follow up about remuneration of auditors)</li> <li>• What approach is used when questions arise about the interpretation of a standard</li> </ul>	To request opinions on typically neutral subjects

<sup>8</sup> [https://en.wikipedia.org/wiki/Appreciative\\_inquiry](https://en.wikipedia.org/wiki/Appreciative_inquiry)

6	<p>Evaluation and recommendations on contentious topics:</p> <ul style="list-style-type: none"> <li>• Views on ASI and the compliance audits that have been performed</li> <li>• Relationships with clients, especially when NCs (non-compliances) are issued</li> <li>• Have they read any of the NGO reports and what are their assessments of the reported criticisms? (especially EIA’s “Who Watches the Watchmen?”)</li> <li>• What would they do differently in RSPO audits?</li> </ul>	<p>To gather opinions about reports that are critical of the RSPO auditing procedure and, finally, the auditor’s recommendations for RSPO</p>
---	---	---

This order in which the different topics were raised had the goal of building rapport and trust as the interview progressed to permit an honest evaluation of the audit processes. This was evident in many of the interviews. At the beginning, the interviewees were typically focusing on facts and procedures and with a style that could best be described as cautious and dry. As the interview progressed, many auditors grew more comfortable with the interview by expressing opinions and sharing anecdotes. As expected, this wasn’t true for all interviews. For example, one auditor fixated on a particular topic and resisted every attempt to change topics.

It should be noted that not all CBs had comments on each topic. Interviews focused primarily on issues that the CB wished to discuss in detail.

Thirteen separate interviews were carried out with 18 auditors and scheme managers representing 11 CBs located in Malaysia and Indonesia. In addition, 9 international experts on forestry and biomaterial audits were also interviewed. The list of CBs and the participating auditors can be found in Appendix 1 while the list of audit experts is in Appendix 2. The interviews spanned a total of 30.4 hours, with the CB interviews comprising 19.6 hours. The interviews lasted between 50 and 135 minutes and were recorded as mp3 files.

Analysis of the interviews was carried out using the following procedure:

1. The interviews were reviewed and the responses to each of the major topics were transcribed to a written format.
2. The CB responses were evaluated for each topic to determine the key issues that were raised. A summary of these raw results can be found in the section titled Interview Analysis.
3. Different themes are analyzed in the Discussion Section using both the comments recorded in the Interview Analysis and the observations made by the experts. The themes are based on the topics raised in the interviews, discussions with RSPO and other topics of interest. Recommendations were synthesized based on an analysis of the responses. Topics that influenced the recommendations are raised in addition to the recommendation’s potential impacts.
4. The key Recommendations for this study are summarized in the final section.

## Interview Analysis

### Statistical Overview

At the start of each interview, each CB was asked for statistical information about their company. The results are summarized in Table 2.

The majority of the CBs are multinational companies with predominantly European roots. Mutu is the only Asian multinational with offices in a number of Asian countries. SIRIM operates only in Malaysia, as it is a government-linked company with the Malaysian Finance Ministry as the major shareholder. Sucofindo, which is 95%-owned by the Indonesian government, is also a government-linked company with offices located only in Indonesia.

All of the CBs manage a portfolio of certification schemes. This permits them to employ a pool of experts that can be engaged for a variety of certifications. Depending on the CB, these can include other palm oil certification standards such as MSPO and ISPO; occupational safety and health (OSH) standards; forestry, tourism and security standards or the ISO standards such as 19000 or 14000. Most CBs also have capabilities in greenhouse gas (GHG) assessments, as well as carbon and energy footprint evaluations. Control Union is unique in that it specializes in agricultural schemes, forest-based certifications and textiles.

Not surprisingly, CBs with the largest number of certificates are also the ones with the largest number of certificates per lead auditor. For example, Mutu with 73 certificates has 9.1 certificates per lead auditor. The average number of certificates per lead auditor for all CBs is 4.9 and the median is somewhat lower at 4.4. Of the CBs with the lower limit of 2 certificates per auditor, SGS and Bureau Veritas mentioned that they are planning to rapidly increase the number of certificates that they manage in the near future through new client acquisitions.

When examining what percent revenue RSPO contributes to a CB's total revenue, Control Union has the largest exposure with 85%. The Control Union manager pointed out that they are too dependent on RSPO in Malaysia. If a value of 20% of the 'Total Revenue' is chosen as the lower limit to define a business dependency, then 5 CBs are very dependent on RSPO business for their turnover: Control Union, TÜV Nord, BSI, Intertek and Mutu.

Another measure of the economic importance of RSPO can be evaluated by comparing the 'Ratio of Lead Auditors to the Total Staff' to the 'Percent Revenue Derived from RSPO Certifications'. For six of the CBs, the RSPO auditors appear to leverage more revenue than their colleagues in other schemes and for four CBs the RSPO fraction of the revenue is roughly equivalent to the number of RSPO staff. (As these numbers are based on the CB's rough estimates both for the revenue and the total staff, the calculation of a leveraging factor would be unjustified.)

**Table 2 CB Data (Sorted according to number of ‘Total Certificates’)**

	Name of CB	Type (4)	Lead Auditors - RSPO P&C	Auditor Pool	Full-Time Auditors	Sub-Contracted Auditors	Total Staff (MY & IND Offices) (6)	Certificates			% Revenue (RSPO P&C contribution)	Certificates per Lead Auditor	Share of all RSPO Certificates	RSPO Lead Auditors / Total Staff	Leveraging Effect (7)
								Current	Pending	Total					
1	Mutu	MN	8	28	23	13	300+	73		73	15 - 20%	9.1	22.9%	3%	+
2	TÜV Rheinland	MN	7	10	10	10+	170	53		53	~10%	7.6	16.6%	4%	+
3	BSI	MN	9	6	15	0	68-78	52		52	30%(MY) 20%(IND)	5.8	16.3%	12%	+
4	Control Union (3)	MN	5	20	23	2	40	35	5	40	85%	8.0	12.5%	13%	+
5	SAI Global	MN	4	8	12	0	90	24		24	3%	6.0	7.5%	4%	0
6	Intertek	MN	5	12	6	11	36	14	8	22	20%	4.4	6.9%	14%	0
7	SIRIM	MY	6	7	4	2	400+	21		21	< 10%	3.5	6.6%	2%	+
8	TÜV Nord (5)	MN	4	7	8	3	60	0	14	14	40%	3.5	4.4%	7%	+
9	SGS	MN	4	11	10	5	150	0	8	8	Too early	2.0	2.5%	3%	
10	Sucofindo (5)	IND	4	6	10	0	120	8		8	< 5%	2.0	2.5%	3%	0
11	Bureau Veritas	MN	2	2	4	1	~ 500	1	3	4	< 1%	2.0	1.3%	0.4%	0
<b>Total</b>			58	117	125	47		281	38	319	Average	4.9	100%		
											Median	4.4			

Notes:

- (1) Information for CBs includes both Malaysian and Indonesian offices (if applicable).
- (2) Supply chain staff was excluded.
- (3) Control Union data includes their one lead auditor based in Central America.
- (4) Company type acronyms: MN – Multinational; MY – Malaysia only; IND – Indonesia only
- (5) Sucofindo and TÜV Nord both have 2 lead auditors on staff and 2 in training.
- (6) Data on ‘Total Staff’ and ‘% Revenue’ is approximate and depended on how the interviewer interpreted the question. For example, for ‘Total Staff’ some included all staff (including product testing departments and non-certification scheme employees) and, for ‘% Revenue’, the reference may be to the departmental budget or the country budget.
- (7) Comparison of the ‘Ratio of Lead Auditors to the Total Staff’ to the ‘Percent Revenue Derived from RSPO Certifications’.  
‘+’ : ‘% RSPO Revenue’ is greater than ‘% RSPO Staff’ ; ‘0’ : ‘% RSPO Revenue’ is approximately equal to ‘% RSPO Staff’

## Results of Discussions

This section contains comments by the CBs that have been sorted according to the topics in Table 1. Similar comments by different CBs have been merged into one statement. The numbers in brackets after a particular finding refers to the number of CBs that raised this point. Viewpoints of particular interest have been included even if only one auditor mentioned it. For orientation, the maximum number of CBs commenting on any one comment is eight. If three or more CBs have similar views, it can be regarded as significant.

The comments have been rephrased for brevity and grammar.

### **1) “What works well with the RSPO scheme?”**

- a. RSPO is a good standard for the environment. It addresses environmental protection for future generations. It has benefits for the country and the country’s reputation. (2)
- b. Engagement of the RSPO secretariat. Examples include: fast response rates to enquiries, regular CB workshops and guidance in the form of documentation. (4)

### **2) Comments about identifying stakeholders and contacting them**

- a. When compiling a list of stakeholders, CBs request a list of stakeholders from the auditee and then supplement this list with additions from an internally generated stakeholder database. (8)
- b. Feedback from stakeholders is very low; typically about 10%. (6) ASI has asked CBs to be more pro-active in contacting stakeholders, specifically NGOs.
- c. NGO responses tend to be limited to general comments about the company and often do not refer to the management unit being audited. (1)
- d. Informal complaints by stakeholders are received by the CB but the stakeholders often abandon the process when the CB requests further information. For example, a complaint is received that the company has polluted the local river. After asking for the location on the river and the day it occurred, the complainant does not reply. (1)
- e. Use of English language can create transparency issues with stakeholders. For example, small holders and government officials (i.e. Indonesia) have difficulty navigating the RSPO website and would like the reports to be available in their native language (i.e. Bahasa). The issue that some stakeholders do not have internet access was also raised. (2)
- f. The use of town-hall meetings for obtaining stakeholders’ opinions can become unmanageable. (2)

### **3) Training programs for auditors**

- a. When it comes to sharing information and learning new auditing techniques, CBs use ongoing in-house training which includes workshops and external trainers. (4) Two CBs utilize a competency matrix for each auditor to determine their strengths and weaknesses. (2)

- b. RSPO’s CB forums are well received and are considered a valuable training opportunity. (5)
  - c. External training gets mixed reviews. The most common criticism is that the training is too abstract with no practical applications in the field. (5) As one CB put it, the trainers are not auditors; inferring that no metric is given as to how the criteria in the course can be assessed in the field. For this reason, two CBs requested that RSPO and ASI send representatives to these trainings. (2)
  - d. A question was raised as to why training in Indonesia is held in Bahasa when the documentation and the final reports have to be in English. The CB felt that this leads to misunderstandings and is a major source of confusion when it comes to interpreting the assessment criteria.<sup>9</sup> (1)
  - e. The training period required for RSPO lead auditors is long. (2)
  - f. A number of CBs assessed the RSPO scheme as “not mature yet” and requiring additional work to strengthen the standard. (3) Subjectivity in the interpretation of the criteria was also raised in this context. (1)
- One CB requested more training from RSPO to better define what needs to be checked. (1) On the other hand, still another CB stated that the RSPO is quite comprehensive and that there are sufficient training opportunities. (1)

#### 4) Manpower requirements

- a. CBs were asked to estimate the number of man-days required for both a stage 1 and 2 audit of a management unit with 1 mill and 4 estates rated as medium risk. The respective estimates can be found in Table 3. Most estimates are in the low twenties with three significant outliers.

**Table 3 CB Manpower Estimates to Audit a Management Unit (1 mill, 4 estates and medium risk)**

	CB	Estimated Number of Man-Days
1	BSI	12
2	Bureau Veritas <sup>10</sup>	12
3	Control Union	23-24
4	Intertek	19-24
5	Mutu	22-24
6	SAI Global	20-25
7	SGS	20-21
8	SIRIM	20-26
9	Sucofindo	46
10	TÜV Nord	20-23
11	TÜV Rheinland	20-25

<sup>9</sup> In the same vein, a CB mentioned that audit reports translated from Bahasa into English are either inaccurate or too vague because the translators are not familiar with the concepts.

<sup>10</sup> Bureau Veritas’ estimate may not include a stage 1 audit. This is based on the context of the auditor’s response.

- b. Typically a minimum of 4 auditors are used in an on-site audit.
- c. A number of CBs added that they will not reduce the estimated number of man-days for an audit to reduce costs. (6)
- d. One CB noted that the profit margin is approximately 20% on RSPO audits (later in the interview he described the margins as “thin”). (1)
- e. One CB wished to have more time to do more sampling but also felt that expanding the audit time is not a good solution. (1) Another CB said that the estimated audit manpower is sufficient. (1) Still another CB suggested that RSPO reviews the length of the audit to determine if there is sufficient time to carry out the mandatory stakeholder interviews. (1)
- f. RSPO was requested to develop a binding formula for determining the manpower requirements for an audit. The CB felt that this formula is needed to prevent unhealthy competition. (1) The same CB also suggested that RSPO set the man-day rate for all CBs.<sup>11</sup>

#### **5) Staff turnover and auditor remuneration**

- a. A number of CBs stated that staff turnover is low, with audit teams staying constant over a number of years. (4) The exception to this trend is government-linked CBs; SIRIM and Sucofindo. Since their contracts have to be approved by a government ministry, their auditor salaries are typically lower and, consequently, their auditor turnover is higher. (2) Two CBs specifically mentioned that the auditor remuneration is appropriate. (2)

#### **6) What approach is used when questions arise about the interpretation of a standard**

- a. Most differences in interpretations were resolved internally, either within the audit group or by consulting a senior auditor. (4)
- b. RSPO was also consulted if an interpretation was unclear. (4) In part, this was to reduce any potential conflict with ASI’s interpretation. RSPO’s quick response rate was appreciated.
- c. Only one CB mentioned that an online RSPO interpretation forum exists and that they use it. (1)

#### **7) Comments about ASI and compliance audits**

- a. The high cost of ASI’s accreditation fees and their compliance audit charges was a predominant comment. (5) One CB mentioned that based on an internal review, ASI’s accreditation fees are the highest for all the schemes they manage. The compliance audit invoices are comparable to the cost of two CB audits. (3)<sup>12</sup> [Based on what I was

---

<sup>11</sup> SAI reported that an Indonesian CB had dropped their man-day rate to 5 million Rp (about US\$370).

<sup>12</sup> One CB quoted 80-90,000 RM per compliance audit. Another CB quoted €30,000.

told, compliance audits were introduced without much warning: Meaning that the CBs were unable to factor the price of the compliance audits into their fees. As a result, the compliance audits have a direct effect on the CBs' bottom lines.]

- b. The second most important comment concerned ASI's interpretation of RSPO's criteria. Many CBs observed that ASI works with another set of interpretations; they recommended that there should be an alignment of these interpretations between ASI, CBs, RSPO and the growers. (7)

Other discrepancies between the compliance audit and the original audit can be accounted for by different sampling bases. (4) One example recounted how the posting of a new manager had changed the sampling basis because he had commenced spraying herbicide too near to a river and consequently killing the ground cover. Since the CB had no proof that the ground cover had been there during the original audit, this was recorded as an NC. (1)

- c. A recurring theme was ASI's preparedness and conduct during the compliance audits. The following examples illustrate the problem.

- i. The opinion of 2 CBs is that ASI's approach to compliance audit is fault-finding. (2) ASI's pursuit to find non-compliances had also made a negative impression on the client. One CB observed how the ASI auditor manipulated the questions in an interview with a plantation worker to draw out complaints of the company. One example that the CB recalled was, "Is your salary sufficient?" (1) The nature of this question leads to a subjective and, anticipated, negative response.

- ii. ASI auditors that are sent to the plantations are not familiar with Asian regulations or with palm oil plantations. (5) One CB described two incidents to illustrate the point. One case involved PPEs<sup>13</sup>, where the ASI auditor insisted on a particular model despite the fact that RSPO criteria do not specify any PPE brands. A second incident involves the presence of a pesticide that, although being banned in Europe, is permitted in Indonesia in small concentrations. In both cases, NCs were issued by the ASI auditor. The CB described the ASI auditor as having a "European mindset that is incompatible with Asian practices".

In another event, the designated ASI auditor (local expert) was Malaysian and not familiar with Indonesian law. (1) Still another CB mentioned that the background of the ASI auditors is insufficiently described on the ASI website with no list of their skills or experience (the CB's client had requested the information). (1)

- iii. Many CBs were critical of ASI's last minute scheduling changes. [This may be a consequence of the fault-finding mindset mentioned above.] (3) For example, by making last minute changes the ASI auditor hopes to catch the plantation

---

<sup>13</sup> Personal protection equipment



management off-guard. Since the plantation managers have to make time for the audit, last minute changes often disrupt their work schedule. On one occasion, this practice soured the working relationship between the auditor and the plantation. (1)

- iv. ASI focuses on only certain indicators in the compliance audit. This differs from the original audit where the auditors must divide their time to ensure sampling of all the indicators because they cannot afford to concentrate on any one indicator. (1)

In the interview with ASI, they confirmed that they have a practice of focusing on specific topics.

- v. Despite being informed that the original audit had been carried out before the new national interpretation had been released, the ASI auditor insisted on using the most recent national interpretation for the compliance audit. (1)
- vi. Too autocratic. ASI dictates the terms of the audit and the RSPO interpretations and is not willing to listen to the CB's explanation (under threat of being issued an NC due to lack of cooperation). (2) One CB mentioned that, in comparison, a UNFCCC auditor from Germany was open to dialogue about procedures.
- vii. Some CBs felt that ASI has the intention of suspending CBs (quote: "They want to get rid of us"). (3) In one case, the ASI auditor used one non-compliant assessment to generate 5 NCs. The five NCs were then used as grounds to suspend the CB. (1) This CB expressed the desire that ASI adopt a more constructive attitude.
- viii. In one case, ASI required that the CB repeat the audit due to the number NCs that were issued as part of a compliance audit. ASI insisted that the new 'special' audit take place before the planned surveillance audit or the CB would risk suspension; resulting in the CB having to pay for the audit out of its own revenue. After the special audit, the client refused to accept the resulting NCs because they were not issued during a planned audit. As a consequence, the client fired the CB and switched to another CB. In addition, ASI was unhappy with the results of the special audit and required that the CB redo the audits for, at least, 4 other certificates – with the CB responsible for all costs. (1) [During this consultant's interview with ASI, ASI stated that using repeated audits at the CB's costs is part of ASI's strategy to weed out underperforming CBs. In other words, if ASI assesses a CB as inadequate, it will force the CB to use up its budget/revenue by requiring the CB to repeat as many audits as possible (presumably until the CB's management is forced to exit the RSPO scheme due to high operational losses). (1)]
- ix. When ASI receives a complaint, it contacts the CB responsible for the certificate and requests the necessary background documentation. The CB is

not asked for input or clarification during the process. The costs for the resulting audit are then charged to the CB.<sup>14</sup> (1)

- x. ASI discourages discussions between CBs and the auditees on the topic of interpretations because this is viewed as guidance on the part of the CB. (1)
  - xi. Inappropriate dress of ASI auditors when on-site. Examples were given of auditors going barefoot and in a singlet when eating in the plantation canteen. (1)
- d. It is important to note that some CBs mentioned that ASI was improving and that ASI is now more open to discussing different solutions. (2) One CB described this as ASI's learning curve. (1)
  - e. Despite the above-mentioned comments, a number of CBs (even the suspended ones) felt that ASI had an important role to play in ensuring the quality and consistency of RSPO audits. (6) One CB who is familiar with ASI's management of the Forest Stewardship Certification (FSC) scheme, stated that ASI is much more demanding with the RSPO CBs. (1)

#### **8) Relationships with clients, including when NCs (non-compliances) are issued**

- a. Clients are primarily interested in the cost of the audit, not the manpower requirements. (2) As the CB's audit costs are directly tied to the manpower estimates, tenders can be lost due to high manpower estimates. (2)
- b. Clients are screened beforehand to determine the risk factors for the audit. The results may be used to refuse clients. Clients must accept CB's conditions for the audit which can result in their losing clients. Clients change CBs if the audit is tough. (2)
- c. One CB informs clients that a thorough audit reduces their liability. (1)
- d. Companies with ISO certification are better prepared – they know what is expected of them in the audit. (1) Some growers are sending their people for training to prepare for the audit. (2)
- e. Some clients appreciate their findings and want a solid assessment – they expect suggestions on how to improve their operations. Smaller clients are often not pleased with negative findings and contest the results. (1) Other CBs discussed how clients are unhappy about the NCs and associate an NC with a negative KPI<sup>15</sup>. (2)
- f. Instead of denying certificates for major non-compliance, the CB instead puts the audit on hold until the client meets the conditions for compliance. (2) One CB referred to ISCC and UNFCCC audits that employ similar mechanisms. (1)
- g. Growers are not familiar with the RSPO interpretations of the indicators and their level of understanding is weak. As a result, the implementation of RSPO's P&C is weak. (2)
- h. Growers have complained about delays in issuing certificates. (1)

---

<sup>14</sup> On the surface, this procedure appears to be open to abuse if certain individuals or groups regularly submit complaints.

<sup>15</sup> Key performance indicators are used by companies to evaluate their employees.

- i. Clients can be tricky and hide things, including blocking access to certain areas included in the audit. Auditors are placed under pressure by the client during the audit (2). Some clients just expect an easy audit before a certificate is issued. (1)
- j. Senior management may have interest in pursuing sustainable practices but the middle management does not have the same commitment; they are only interested in reducing expenditures and maximizing profit. (3) Hence, the on-site management has little motivation to comply with the standard. In addition, a constant rotation of management negatively influences the quality of an audit. Further difficulties include the low level of education of the workers; they do not understand the relationship between certain practices and the environment.

**9) Familiarity with NGO reports**

- a. Two NGO reports that were discussed in the interviews. The first was “Who Watches the Watchmen?” by the EIA and published in 2015: It concerns weaknesses in the RSPO audit process. The second most recognized report is “The Great Palm Oil Scandal” by Amnesty International published in 2016. This report focuses on the abuse of workers’ rights on Wilmar palm oil plantations in Indonesia. Table 4 summarizes how many CBs had read each of the reports. A number of CBs had heard of the reports but had not read them.

Table 4 Familiarity with recent NGO reports concerning palm oil

<b>NGO Report</b>	<b>Not Read</b>	<b>Read</b>
“Who Watches the Watchmen?” (EIA; 2015)	4	8
“The Great Palm Oil Scandal” (Amnesty International; 2016)	8	4

- b. Other NGO reports that were referred to in the interview include:
  - i. “The RSPO Roulette: How Profits Win Over People and Planet” published by Pesticide Action Network Asia and the Pacific (authors Andrew Ng and Si Siew Lim) in 2013. This report focuses on four main themes; social and human rights issues, the use of paraquat, RSPO’s audit and certification system and RSPO’s complaint procedure. No CB had heard of this report.
  - ii. “No One Is Safe” by Eyes on the Forest (a coalition of NGO groups in Indonesia) in 2016. The report concerns the presence of illegal palm oil plantations inside government protected areas deep inside Sumatra and how the fresh fruit bunches harvested there have entered the supply chains of several of the most well-known palm oil suppliers in the world – many of which are RSPO certified. A few CBs had heard of the report.
  - iii. “Certifying Destruction” published by Greenpeace in 2013 and relates how weaknesses in the RSPO certification standard are responsible for

deforestation. This report was known to some of the CBs but as it is four years old, they were not familiar with its content.

**10) CB Comments about the EIA report: “Who Watches the Watchmen?” (WWtW)**

- a. The report has helped bring attention to these issues. (6) In fact, a majority of the CBs that had read the reports praised them and used the findings in the reports to initiate investigations of their own.
- b. Many CBs pointed out how NGO investigative work differs from auditing. For example, auditors are only present at the management unit for up to 10 days a year, whereas NGOs can collect information up to 365 days a year. (8) The difference is due to the sampling nature of auditing work. This sentiment is repeated in a number of different ways by the CBs, including a comment comparing the audit and NGO activities to those of a “watchdog” versus a “bloodhound”.

One CB mentioned that the NGO information is often collected by stealth and constant observation. The comment was based on their personal experience when working for an NGO. (1)

- c. Some work is incorrectly attributed to the CBs. (1) For example; the NPP (Procedures for New Plantings) referred to in the report was not completed by the CB. The CB had accepted the report based on an existing validation by a government department.
- d. Incidents concerning the CB (as reported in WWtW) could not be verified. (2)
- e. The reports often fault RSPO and the auditing work for deforestation, whereas this occurs with government approval or as part of a contractual requirement with the government. As an example, the CB related how the (Indonesian) government fines companies that do not plant palm trees on all the available land that they have been leased for palm oil plantations. (1)
- f. One CB mentioned that some of the incidents referred to in the report are older (for example, before ASI became the AB). (1)
- g. One CB noted how their headquarters are concerned about the effect of the NGO reports is having on the reputation of their other activities. RSPO business is not a significant contributor to the company revenue but the impact of the NGO reports is huge on the brand name. (1)

**11) What would you do differently when it comes to RSPO auditing?**

- a. Would like more guidance from RSPO. (4) One CB criticized that certain RSPO documentation is “still in the infancy stage” whereas growers and CBs need up-to-date guidance documents. One of the CBs was hoping for consistency in the guidance. They also requested that the Indonesian office should handle technical questions, especially those relating to Indonesian regulations. (1)
- b. Faster and wider dissemination of new policies or interpretations among CBs, ASI and clients. (3)

- c. Improving the website to make it easier to find documents. (3)
- d. Bring growers, ASI and CBs together to work out a uniform set of interpretations for the different criteria. (3)
- e. Growers have to commit to complying with the standard. Training is one approach. (2)
- f. More cooperation, less confrontations with ASI. (2) Likes the way RSPO is working to empower the CBs. (1)
- g. Introduction of unannounced audits by the CB – with 1-2 weeks of warning. (2)
- h. Recommends a practical approach as opposed to a book-based approach. (2)
- i. RSPO audit should be more systematic rather than performance based – in other words, more like the ISO structure. (1)
- j. Would like to hire experienced auditors. Training takes a long time. (1)
- k. Improve training of CBs. (1)

**12) Comments of interest**

- a. A company takes about 6 months to prepare for an audit if they have no previous experience with audits. If the company is an RSPO member with experience, this timeline could drop to 3 to 4 months. (1)
- b. None of the CBs could give any feedback on the complaints system, as they didn't have any direct experience with the process

For a list of best practices that were collected from the interviews, please see Appendix 3.

## Discussion

In order to better follow the discussions of the various themes, this section will start with the topic of what constitutes an audit and what RSPO's stakeholders think an audit should be. Once this foundation has been laid, an expansion can follow into the different facets of the audit process. For this reason, the Discussion will start with defining the typical framework that is necessary for an audit and what is required to conduct an effective audit. Topics, such as 'manpower requirements' or 'the impact of NGO reports', will be examined from the point of view of the CBs.

### Carrying out an audit (from an auditor's point of view)

One auditor explained their philosophy with respect to carrying out an audit.

*"An auditor can select what they want to see but must be respectful of the client's wishes. Auditors cannot 'strike out on their own' to carry out investigative work, as this can be dangerous. Auditing is not a fault-finding exercise. Principally, auditors are looking to see how a company is complying with the standard that they are being audited for. The auditor does not dig extremely deep into a subject (into any one topic – ed.)."*

This is in line with the viewpoints and practices shared by other CBs. Their opinion is that auditing work is not analogous to a (police) investigation. One of the experts confirmed that it was a common misunderstanding by NGOs that they assume certifications and audits are regulations. NGOs believe that a company can be compelled to hand over any documentation that the auditor requests. In his words, "Certification is a lousy way to detecting and identifying fraud".

Realizing that RSPO auditors have completed ISO training, their experience would be with management or environmental audits in a business culture. Under such situations, the companies have voluntarily dedicated resources to prepare for the audit and have already adopted many of the necessary best practices to comply with a desired standard. It would be unusual during such an audit to search for illegal business activities which the company **may** be attempting to conceal. Yet, it appears that for an RSPO audit this scenario is expected by NGOs and, based on the CB's comments, ASI as well. The Amnesty International Report (2016), "The Great Palm Oil Scandal", states on page 11:<sup>16</sup>

*The implementation and monitoring of the RSPO criteria are extremely weak and based on a superficial assessment system.*

This appraisal of auditing essentially condemns the sampling approach, which is one of the key tools for carrying out an audit, because this method is not appropriate to uncover illegal activities. To their credit, the authors of "The Great Palm Oil Scandal" recognize this fact as their recommendations call upon the Indonesian authorities to investigate the infractions and violations.

---

<sup>16</sup> "The Great Palm Oil Scandal" by Amnesty International, page 11.  
(see <https://www.amnesty.org/en/documents/asa21/5184/2016/en/>)

None-the-less their passage about RSPO criteria and its assessment system leaves little doubt about their opinion of the value of an RSPO audit.

### Criteria for a successful audit

Based on the CB's comments, a successful audit requires that two conditions be fulfilled.

1. That the criteria for the audit are well understood by both the auditor and the business being audited and
2. The business is committed to fulfilling the audit requirements by having undergone the requisite training and developed the necessary procedures for compliance.

By focusing on these two topics, RSPO will be able to strengthen the audit process and simultaneously address a number of other related issues.

The first condition mentioned above involves an alignment of the interpretations of RSPO's criteria between the RSPO, ASI, the CBs and the growers. Upon reviewing the comments made by the CBs about the ASI compliance audit, it is evident there are numerous differences in what compliance means to the four key affiliates in the RSPO process. These differences have contributed to disagreements between CBs and growers and, during the compliance audit, between CBs and ASI.

According to an audit expert, RSPO's standard is written in a vague style which results in criteria that are difficult to audit because they are open to interpretation. In his words, a standard should have:

1. A statement of requirement,
2. A measure to evaluate and
3. A threshold which divides compliance from non-compliance.

A number of CBs also recognized this deficit in the standard, although they used terms such as "not practical" or "too theoretical".

Likewise the language of the standard should be a technical English that follows strict grammatical and style rules. This makes it easier for non-native English speakers to understand the document and facilitates a translation of the standard into foreign languages.

The authority that works out what constitutes compliance is the scheme holder, RSPO. It should never be the AB, the CB or the client. One expert mentioned that in the early days of RSPO, the CBs were essentially self-accredited and developed their own interpretations. It was only when ASI became the AB that this policy changed. Realizing that most CBs have well established internal training programs, it becomes easy to understand how the interpretations that were established by the individual CBs in the early days continue to be in use today.

It is recommended that RSPO intensifies its efforts to find pragmatic and effective interpretations to the most controversial criteria. RSPO, ASI and the CBs should be able to share their experiences in a suitable forum to discuss their views on how compliance can best be achieved. An effective forum to

date has been the RSPO CB workshops. The praise CBs have voiced for the RSPO workshops indicate their effectiveness and their significance. Other potential media include on-line forums or live chat-rooms. Although discussions about the interpretations can include RSPO, CBs and ASI, only RSPO has the final authority on what constitutes compliance to a particular criterion.

The finalized interpretations or policies should then be publicly distributed so that RSPO members will also have access to this information. A summary of the channels open to RSPO to accelerate the dialogue for a more consistent audit process includes:

- CB Workshops
- External training with experienced auditors (from other schemes such as FSC)
- Witness audits involving experienced auditors
- On-line discussion forums exclusively for CBs, ASI and RSPO
- Improved dissemination of new policies and interpretations.

With harmonized interpretations, RSPO audits will gain in credibility and compliance will be easier to identify in the field. Further advantages will be discussed in the following sections.

**Recommendation #1:** RSPO, ASI and CBs should harmonize their interpretations of the P&C criteria (focusing on the contentious ones) to develop practical assessment procedures. The resulting interpretations should be made publicly available for the growers as well.

An NGO representative gave the following examples of controversial criteria, where a harmonized approach is necessary:

- Clear set of verifiers regarding the certification protocol for Free, Prior and Informed Consent (FPIC) for indigenous people.
- If social criteria have been met for land rights or the settlement of claims.
- How to tell if labor is forced or health issues are present.

Five individuals that were interviewed specifically referred to the RSPO scheme as immature. It is worth noting that the expert with the most experience with certification schemes felt that it typically takes 10-15 years for a scheme to mature: According to this metric, RSPO's development is progressing normally.

The second condition for a successful audit has its origins with ISO management audits. These audits are voluntary and indicate a commitment by the company to align its processes with the appropriate ISO standard. In contrast, CBs described how the middle management responsible for the palm oil plantations is often poorly prepared for a RSPO audit. One CB referred to the different perceptions of sustainability audits depending on whether it was the senior management located at their headquarters or the middle management located in the management units. The CB illustrated a situation where the senior management developed a sustainability policy and then passed the responsibility for acquiring the RSPO certificates to middle management, who were, in turn, left uninformed as to why this was necessary or how to accomplish this. To counter the lack of



preparedness of the management units, a number of CBs proposed that growers also prepare for the audit by taking part in a course about the RSPO audit.

Ideally such a course should be given on location at the estate planning to undergo an audit to involve as many staff as possible. The preparation time would be six months for companies with no previous audit experience or 3-4 months for companies that have had other units audited. This will ensure that management units are fully prepared and understand what is required to successfully comply with the RSPO standards. The observation that growers which had already successfully received ISO certificates were better prepared for RSPO audits confirms the merits of this approach.

**Recommendation #2:** Management units that are planning to undergo a registration-audit must be required to take a course, preferably at the management unit location, to inform the on-site management about the RSPO P&C, their benefits to the operation and examples of best practices how to comply with the criteria.

### ISO audits and RSPO audits

Realizing that many CBs have a strong ISO background, to the extent that one CB suggested that RSPO change its scheme to better resemble an ISO audit, it is worth examining some of the differences between ISO audits and RSPO (or FSC) audits. The first key difference is that an RSPO audit is much more complex. This is reflected in the fact that an ISO management audit can be carried out by one person, whereas an RSPO audit requires a team of auditors with different areas of expertise. A Canadian expert summarized the differences between an ISO audit and an FSC audit.

*“ISO is based on procedures where evidence of contact with a community is sufficient. In contrast, the Forest Stewardship Council needs to know that the community is satisfied. For this reason, FSC audits must be deeper in content and results.”*

This statement can be extended to an RSPO audit, as both include strict environmental and social standards.<sup>17</sup>

The CB forums can be used to stress the inherent differences between the different schemes and that ISO can be used as a guideline for the procedural part of the audit but an RSPO audit requires more engagement by the auditors to be successful.

---

<sup>17</sup> <https://ca.fsc.org/en-ca/fsc-certification>

### What is the ideal length of an audit? How many man-days?

Table 3 contains each CB's estimates on the manpower necessary to carry out an audit of one mill and four estates rated as medium risk. Except for three outliers, the man-day estimates all lie in the lower twenties. CB comments as to whether the estimates are sufficient to carry out a thorough RSPO audit are inconclusive with all points of view represented.

The question of an ideal length may answer itself once there is a harmonization of the interpretations as discussed earlier in this section. Once the CBs are required to follow a standardized approach when assessing compliance, the variation in the manpower estimates will also decrease, settling around the 'ideal' length.

If an auditor were to lower their manpower estimate to reduce their fees and attract more business, ASI can follow-up abnormally short audits with a compliance audit to ensure that all standards were met. Over the long-term, this would be a self-correcting mechanism because if a short audit times consistently result in NCs by ASI, the CB will (quickly) come to the conclusion that their manpower estimates are too low to carry out a thorough audit.

### Is the money that RSPO spends on educating auditors well spent?

Based on the uniform praise that CBs had for RSPO CB workshops, it is safe to say that the effort is a success. Most CBs appear to be using the workshops to harmonize their interpretations of the standards with RSPO, other CBs and with ASI. A regular review, based on the feedback of the workshop participants, can be used to determine which topics are of interest and if the regularity of the workshops need to be increased or decreased.

RSPO may wish to consider expanding the role of the workshops to include talks by experienced forestry auditors on best practices in social and environmental auditing. This will allow the CBs to pick up practical techniques. I would also encourage recording these sessions and preparing suitable handouts. Many of the CBs use the information learned at the workshops to train their colleagues that did not attend, so these recordings and documentation can be used as part of their training process (and minimize the information loss).

**Recommendation #3:** Continue with CB workshops and consider expanding their scope to include experienced auditors that can offer practical auditing techniques.

### Are auditors adequately remunerated?

Most CBs reported that auditor turnover is low, indicating that auditors are satisfied with their contracts. Only the government-linked CBs, which cannot offer the same salaries as the multi-national certification bodies, have to be more creative in holding their staff.

Remuneration appears to be sufficient to attract qualified auditors to the profession.

### Is there a conflict of interest when the CBs are financially dependent on the companies that they are auditing?

Criticisms that there is an inherent conflict of interest between the function of CBs and their clients, the plantations, are, for the most part, unsubstantiated. The criticism is based on the perceived impression that if CBs are dependent on the clients for their revenue, their objectivity is negatively affected during the audit. In reality, this CB-client relationship is typical for most auditing schemes (such as ISO, OSH or FSC audits) and there are no concerns that this has compromised the auditors who are responsible for carrying them out. From the point of view of the CBs, carrying out a credible audit is part of the corporate philosophy of a CB; whether it is based on the RSPO scheme or any other scheme. For the multi-national certification bodies that offer the RSPO certificates as one of their products, it would be counter-intuitive to suffer a loss of reputation that affects all their areas of business for a scheme that constitutes less than 1% of their total revenue.

### Allegations of collusion between CBs and clients

The issue of collusion between the CBs and the growers was raised in EIA's "Who Watches the Watchmen?" report (page 9). This appears to be unlikely for two reasons. The first has to do with corporate governance. All the CBs that offer the RSPO scheme in their portfolio, also offer a wide variety of other certification schemes. In addition, some of these companies offer product testing services or accredited lab services.

It is inconceivable that the senior management of these CBs would endanger the reputation of a certification company that must maintain its reputation of reliability and honesty. As one CB put it, RSPO business represents less than 1% of the international revenue, yet it produces more than 90% of the problems. It is likely that if criticism about a CB's RSPO-business does have a negative impact on the CB's other business activities; these companies will drop the RSPO scheme for fear of damaging their corporate reputation. It is also for this reason that active public support by the RSPO secretariat for their CBs is important to maintain and expand the CB pool. (see Recommendation #6)

The second reason that collusion is unlikely is based on the comments made by the CBs during the interviews. CBs were resolute in their endeavor to improve the auditing process and their auditing methods. For example, many CBs related how they used criticisms of their work as opportunities to improve their auditing skills: The criticisms include NCs issued by ASI, critical NGO reports, even, for one CB, being suspended by ASI! Many CBs were prepared to lose clients rather than change their manpower estimates to carry out an audit. In fact, there were two cases where clients did switch CBs because the original CBs were considered too tough. (It would be of interest to investigate these cases to find out which CB was chosen and what their audits reported.)

It should be noted that some CBs do discuss interpretations with their clients to arrive at mutually satisfactory resolutions. ASI auditors do not approve of this practice and judge it as evidence of collusion. Once an alignment of the interpretations of the criteria occurs between RSPO, ASI and the

CBs (Recommendation #1), clients will be obliged to accept the RSPO interpretation and there will be fewer discussions of this type.

In conclusion, there is little evidence that CBs are colluding with clients to cover up violations of the RSPO standard.

### Position on unannounced audits

Two CBs raised the issue of using unannounced audits (audits with a maximum of two weeks of notice) to keep a closer eye on the compliance of growers. This seems to be the CB version of ASI's compliance audit. If such an audit was introduced, it would send a message of mistrust to the grower. Just as many CBs felt that ASI's last-minute changes to the compliance audit schedule was inconsiderate towards the grower, the use of unannounced audits will have an identical effect. Such a process is comparable to police using random searches of suspicious individuals.

By requiring that growers prepare for the audit by taking courses well before the audit, the level of compliance of the management units should be sufficiently elevated, to reduce the need for even considering employing an unannounced audit.

On the other hand, organizing special audits on short notice when allegations of non-compliance are reported in NGO reports, or in the press, may have merit.

In short, unannounced audits should not be introduced.

### NGO reports and NGOs' role as stakeholders

The NGO reports on the palm oil industry have a considerable audience and are often viewed as impartial and representative. In reality, NGOs have an inherent conflict of interest which can influence the veracity of their reports. NGOs must raise funds from the public to support their work and one of their most effective tools is the reports they publish. To enhance the impact of their findings they hint at widespread violations within the industry. For example, in the "Who Watches the Watchmen?" report, one of the incidents was outdated. In another case, a CB is held accountable for a report they did not write. Also worrying is that it is impossible to gauge the extent of a problem based on the number of incidents that are reported. For example, when asked about an estimate what percentage of audits is substandard, an NGO responded "probably less than half". The possibility that up to 50% of audits are substandard has consequences. For example, ASI has required a CB to repeat many of their audits (special audits) based on only one NC issued as part of single compliance audit. ASI's response is based on the assumption that if an NC issued in a compliance audit, this is sufficient evidence that similar lapses occurred in other audits.

It is telling that when requested for stakeholder input for an audit, according to CBs, most NGOs do not respond or respond with only general comments about the company. When asked about stakeholder requests by CBs preparing for an audit, one NGO commented:

- CB requests are rare (he had had only one such request).
- CBs distribute their audit results using local means which do not reach the international NGOs.
- With the large number of audits, it is difficult for NGOs to keep track and comment on each one. This requires a lot of checking and manpower to prepare the required input. NGOs cannot know all the companies and use their manpower to provide input on RSPO audits.

The third point is likely the closest to the actual situation. In effect, supporting CBs through timely contributions to their audit does not lead the NGOs to any new source of operating funds.

International NGOs in Malaysia must be careful regarding any criticisms directed at government-linked plantation companies as there is a threat of expulsion from the country. If these NGOs were to give evidence, a procedure must be developed that keeps their statements anonymous.

It should be noted that CBs reported that they use the NGO reports as a source of information about non-compliance issues for upcoming surveillance audits. In addition, ASI has made contacting NGOs a prerequisite for an effective audit. This means CBs must make an active effort to contact the NGOs.

**Recommendation #4:** If input from these NGOs is considered important to carry out a credible audit, a practical mechanism should be developed to actively engage them to participate as stakeholders.

Just as CBs employ a sampling approach to determine whether a client is compliant to the RSPO standard, NGOs employ a sampling approach to identify growers that are non-compliant to the RSPO standard. Since NGOs filter out growers that are compliant, it would be interesting to determine the ratio of non-compliant to compliant growers. This could be the basis of a study by ASI, once the interpretations of the RSPO standard have been harmonized as stated in Recommendation #1.

### How local politics influences audit quality

One of the inherent difficulties of applying the RSPO scheme in many jurisdictions in South-east Asia is the existing political and legal backdrop. One CB pointed out the problems associated with applying the RSPO standard in a territory where the local government authorities are not enforcing the existing laws. The report “No One is Safe” by Eyes on Forest illustrates this problem: An illegal palm oil plantation located inside a national park (the Tesso Nilo National Park) has been operating for at least 5 years (enough time for the palm oil trees to mature and yield fruit) with no government interference and no attempts to shut it down and arrest the operators. If a government doesn’t enforce its laws then companies will not feel compelled to do so either. Under these conditions, RSPO will have a limited effect on deforestation.

Based on press articles and NGO reports, the prevention of deforestation due to the illegal cultivation of palm oil have become the responsibility of the palm oil companies and RSPO. In the absence of a functioning national enforcement agency in Malaysia and Indonesia, a number of NGOs expect that RSPO through CBs and ASI assume the role of “sustainability” policemen. This erroneous perception by NGOs was noted a number of times by CBs in their comments about the report “Who Watches the Watchmen?” (see the section: CB Comments about the EIA report: “Who Watches the Watchmen?” on page 20).

There may also be legal consequences for auditors if they unearth illegal activities during an audit. Many countries require that citizens report crimes that they have witnessed to the local authorities or face prosecution. (This consultant is not aware whether such laws exist in palm-growing countries.) For example, what would an auditor do if they discovered, in the course of an audit, that a government-linked corporation, such as Felda, was employing forced labor through one of their sub-contractors? A clear operating procedure should be developed either by the CB or by RSPO in anticipation of such an event.

The only recourse for RSPO when such a situation becomes known is to suspend the company that has been implicated in illegal activities. This offers a level of protection to the CBs and puts the onus on the company to resolve the infractions/allegations at the earliest opportunity.

### Motivating companies to commit to sustainability and prepare for an audit

A common thread expressed by the CBs is that management units are often unprepared for the audit and, as a consequence, there is little to no commitment among the employees to adopting sustainable practices. In fact, the audit is often viewed as an expensive burden by the on-site management. This is reflected in the comment made by many CBs that the grower’s only interest is to reduce the cost of an audit. Only one CB mentioned the situation where a plantation was interested in a thorough audit so that they could improve their operations.

RSPO should invest resources to improve the motivation of the growers, preferably based on financial arguments. In a previous study for RSPO, this consultant carried out a study correlating profitability and sustainability for RSPO certifications.<sup>18</sup> Although this study is now 1-2 years out of date, it provides a solid basis to demonstrate that auditing should be welcomed by the palm oil growers due to the inherent financial gain that can result from a comprehensive audit. By committing to the RSPO standard, the plantation companies will be able to improve their operations, the reputation of the company and, most importantly, their revenue streams. Increased value can be expressed according to the following pathways:

- ❖ Higher FFB yields per hectare
- ❖ Enhanced market access and/or long-term contracts
- ❖ Premiums for certified sustainable palm oil

---

<sup>18</sup> <http://www.rspo.org/news-and-events/announcements/the-correlation-between-economic-and-financial-viability-with-sustainability-for-palm-oil-plantations-study>

❖ Increased attractiveness to investors

By stressing the financial benefits, the foundation for motivating senior and middle management to undergo a thorough RSPO audit will have been laid.

**Recommendation #5:** RSPO should undertake a more active approach when promoting the financial benefits of a thorough RSPO audit with the goal of motivating plantation companies to commit to producing certified sustainable palm oil.

An active strategy underlining the financial benefits of an RSPO audit would also contribute to dispelling (dis)information to the contrary. For example, in 2016, The Journal of Oil Palm, Environment & Health published an article with the title “The Burden of RSPO Certification Costs on Malaysian Palm Oil Industry and National Economy”.<sup>19</sup> The report is filled with inaccuracies and unsubstantiated estimates about the costs of an RSPO audit and has the potential to influence members of the palm oil industry.

### The importance of public relations

The importance of developing an active RSPO public relations policy follows naturally from the previous section. Although the topic of RSPO’s public relations was not explicitly raised during the interviews with the CBs, it does have a significant impact on at least three audit-related activities. One of these activities was covered in the preceding section on motivating palm oil companies to commit to sustainability.

The second audit-related activity concerns RSPO’s response to NGO reports. If RSPO’s press release(s) concerning “Who watches the Watchmen?”<sup>20</sup> is reviewed, only one press release was found. Although this press release addressed what actions were to be undertaken in response to the criticisms, it was not followed-up with more press releases discussing what progress had been made and if the actions were making a difference. In addition, it also would have been of interest if subsequent investigations were able to confirm the allegations made in the report and if they had been resolved.

The third audit-related activity that should be covered in greater detail concerns reports that support the activities of CBs and ASI, especially when they have been (prejudicially) maligned. CBs are integral to the success of the RSPO scheme. When they are publicly criticized by NGOs and then have their suspension announced by ASI, a show of public support from RSPO for the CB’s contribution to the audit process would be a positive sign that their work is appreciated. By not publicly commenting, the assumption is that RSPO has no interest in improving or defending their auditing process or their auditors.

---

<sup>19</sup> <http://www.jopeh.com.my/index.php/jopecommon/article/view/102>

<sup>20</sup> <https://www.rspo.org/news-and-events/announcements/rspo-statement-on-the-environmental-investigation-agencys-report>

**Recommendation #6:** RSPO should examine its public relations policies with the intent of finding more ways of voicing its support for the auditing work. Press releases can also be used to communicate RSPO's efforts to improve the audit process and thereby enhance the credibility and reliability of the audits.

### The RSPO website

A number of CBs expressed the opinion that RSPO's website is not user-friendly and that documents were difficult to find. For users that are not native English-speakers, navigating the RSPO website can be an overwhelming exercise. It is also curious that the RSPO website is available in English and Chinese but not Bahasa. Given that most of RSPO's clientele resides in Malaysia and Indonesia, Bahasa would have been a logical choice.

A further recommendation is the incorporation of an online (password-protected) forum for CBs, ASI and RSPO to exchange views on interpretations and auditing best practices. [One CB mentioned that this forum exists but I was unable to locate it on the RSPO website.] This forum could also be a vehicle to disseminate new interpretations and policies. The FSC approach to queries about their scheme involves publishing the question with the respective answer on their website.

In support of the recommendation to train growers in preparation for an audit, a webpage can be set up for growers that permits ready access to recent updates to the interpretations. Also helpful would be a section dedicated to best practices that growers can use to comply with RSPO standards.

**Recommendation #7:** It is advised that RSPO review the structure of its website to better meet the needs of its users.

### ASI

ASI's role as the accreditation body elicited some of the strongest CB comments. On the positive side, many CBs are cognizant of ASI's (potential) contribution to the credibility of the RSPO standard. ASI is viewed as a "tough" AB both by the CBs and one of the North American auditors who was interviewed. Many CBs expressed the view that they can learn from ASI.

On the negative side, ASI has used a heavy-handed approach in their dealings with CBs; including issuing suspensions and refusing to consider the CB's points of view. Since ASI's lax approach was also criticized in the report "Who Watches the Watchmen?", there is an impression that they have over-compensated for their earlier negligence. This behavior has demoralized some of the CBs to the point where they are under the impression that ASI wishes to terminate their services. There were numerous CB comments about how the ASI auditors were not sufficiently knowledgeable to carry out the compliance audit. It was of interest to note that one of North American experts had experienced similar problems with ASI auditors.



Troubling is ASI's approach to CB's it judges as unfit to audit the RSPO scheme (see 7c viii on page 10): ASI requires the CB to repeat numerous audits that the CB has to self-finance, with the result of reducing the CB's operating budget until the CB withdraws from the RSPO scheme. Given that differing interpretations of the criteria are a major source of ASI's NCs, a review of this policy is overdue.

Some CBs have reported that ASI's auditors are becoming more familiar with auditing palm oil plantations and have started to discuss different interpretations to the criteria with the CBs. It is hoped that this trend continues.

**Recommendation #8:** ASI should review their relationships with the CBs to cultivate a more constructive relationship.

Another common issue that CBs raised is in reference to ASI's fees. Both the accreditation fees and the fees charged for audits are considered excessive by the CBs. As ASI fees are in Euros or US dollars and the CBs charge in Malaysian Ringgits or Indonesian Rupiahs, the current exchange rates are resulting in exorbitant ASI fees which the CBs cannot easily pass onto their clients.

**Recommendation #9:** ASI should review their fee structures to account for exchange rate fluctuations and to examine ways to bring them in line with other certification schemes.

As mentioned earlier in this section, growers, CBs and ASI all have differing working interpretations of the RSPO P&C. As a consequence, ASI's compliance audits have generated a considerable number of NCs. Although this may give the impression that the CBs are not adhering to the RSPO standard, it could also be said that the NCs simply reflect a different interpretation of the criteria. The problem arises when these NCs are statistically evaluated to justify a conclusion or a plan of action. As the data collection is subjective, such evaluations are virtually meaningless.

### Lax-Grading

ASI coined the phrase "lax-grading" to describe the alleged practice of CBs who gave easy audits to avoid confrontations with the clients. Two NGOs expressed much the same sentiment. Two CBs mentioned putting audits on hold to allow the client to fix any major NCs to avoid imperiling the certificate. One mechanism to eliminate these practices is to ensure that the clients prepare for the audit by taking a suitable course as stated in Recommendation #2. Another approach is to empower the CBs to be stricter. Time can be allotted during a CB workshop to generate confidence in the CBs to feel comfortable issuing NCs to their clients (when the situation warrants it).

As the RSPO continues to strengthen their auditors in their work, the number of sub-standard audits will inevitably decrease.

## Recommendations

The following is a summary of the recommendations made in this report:

- Recommendation #1:** RSPO, ASI and CBs should harmonize their interpretations of the P&C criteria (focusing on the contentious ones) to develop practical assessment procedures. The resulting interpretations should be made publicly available for the growers as well.
- Recommendation #2:** Management units that are planning to undergo a registration-audit must be required to take a course, preferably at the management unit location, to inform the on-site management about the RSPO P&C, their benefits to the operation and examples of best practices how to comply with the criteria.
- Recommendation #3:** Continue with CB workshops and consider expanding their scope to include experienced auditors that can offer practical auditing techniques.
- Recommendation #4:** If input from these NGOs is considered important to carry out a credible audit, a practical mechanism should be developed to actively engage them to participate as stakeholders.
- Recommendation #5:** RSPO should undertake a more active approach when promoting the financial benefits of a thorough RSPO audit with the goal of motivating plantation companies to commit to producing certified sustainable palm oil.
- Recommendation #6:** RSPO should examine its public relations policies with the intent of finding more ways of voicing its support for the auditing work. Press releases can also be used to communicate RSPO's efforts to improve the audit process and thereby enhance the credibility and reliability of the audits.
- Recommendation #7:** It is advised that RSPO review the structure of its website to better meet the needs of its users.
- Recommendation #8:** ASI should review their relationships with the CBs to cultivate a more constructive relationship.
- Recommendation #9:** ASI should review their fee structures to account for exchange rate fluctuations and to examine ways to bring them in line with other certification schemes.

## Appendix 1 CBs Interviewed

	<b><u>Name of CB</u></b>	<b><u>Name of Participant</u></b>	<b><u>Position</u></b>
1	BSI Services Malaysia	Nicholas Cheong	Operations Manager
2	Bureau Veritas	Valence Chem	Lead Auditor
3	Control Union (Malaysia)	Supun Nigamuni	FSC & RSPO Scheme Coordinator
4	Intertek	Augustine Loh	RSPO Program Manager
5	Mutu Certification Int. (Indonesia)	Octo H.P.N. Nainggolan	Agriculture Certification Manager
6	Mutu Certification Int. (Indonesia)	Taufik Margani	GM, Agriculture Food & Fisheries
7	Mutu Certification Int. (Indonesia)	“Budi”	Supervisor for Certification Schemes
8	Mutu Certification Int. (Malaysia)	Hari Naveen Christopher	Managing Director
9	SAI GLOBAL	Joko Prayitno	Certification Manager
10	SGS Ind	Aryo Gustomo	Worldwide Manager for RSPO Program
11	SIRIM QAS International	Aminah Ang	Head (Sustainability Certification Section)
12	SIRIM QAS International	Ruzita Abd Gani	Lead Auditor
13	Sucofindo	Tuti Suryani Sirait	Senior Lead Auditor
14	Sucofindo	Amelia Rizky R.	Auditor
15	Sucofindo	Sansong (Anki)	Auditor
16	TÜV Nord	Robert CY Cheong	Head of Sustainability and Carbon Services
17	TÜV Rheinland	Dian Susanty Soeminta	General Manager of Sustainability Assurance
18	TÜV Rheinland	Hendra Fachrurozy	Auditor

## Appendix 2 Experts Interviewed

	<b><u>Name</u></b>	<b><u>Organisation</u></b>	<b><u>Position</u></b>
1	Mike Larock	Association of BC Forest Professionals	Director of Professional Practice & Forest Stewardship
2	Andrew Ng	Grassroots	Sustainability Specialist
3	Erik Wakker	Aidenvironment	Consultant
4	Shawn W H Ellsworth	Price Waterhouse Coopers (PWC)	Director, Risk Assurance Services
5	Jason Zimmermann	Zimmfor Management Services Ltd.	Owner, CEO
6	Rolf Hogan	Roundtable for Sustainable Biomaterials	Executive Director
7	Matt Rudlof	SCS Global Services	Auditor (Until 2015, was a director at the Roundtable for Sustainable Biomaterials)
8	László Máthé	ASI	Lead Assessor and Accreditation Program Manager
9	Jim Sullivan	JS Consulting	Owner, CEO
10	Salahudin Yaacob	RSPO	Technical Director

## Appendix 3 Best Practices

Best Practice 1) After completing the audit, some CBs use an internal review to:

- Check the auditor's performance,
- Assess whether the findings are credible and accurate, and
- Check that the language used in the report is understandable to the public.

When this internal review is completed, the audit report is published on the website.

Best Practice 2) Putting at least one woman into each audit team so that she can discuss gender-related issues with female stakeholders.

Best Practice 3) Instead of using stakeholder meetings to obtain feedback for an audit, another strategy which is employed by North American forestry companies, involves the setting up of a public board that meets on a regular basis to provide input on the activities of the company and its management. The company would have to be committed to working with this board and acting on the board's recommendations. Membership on these boards is limited to 2 years, to prevent complacency or the development of a 'friendship' between the board members and the company. The board is made up of individuals from the community representing the following interests:

- Politics. For example, elected officials or bureaucrats.
- Business community.
- Public at large.

During an audit, the advisory board members (past and present) would provide invaluable insight on the company and its relationship with the community.

Best Practice 4) Forestry certification bodies in North America have a policy of hiring aboriginal foresters as subject matter experts to audit a company's performance from a First Nation's perspective. In order to ensure that there is a pool of aboriginal foresters in Asia, a scholarship program should be established.

Best Practice 5) Use of local experts adds credibility and value to the audit report. These experts must be impartial and objective.