# REVIEW OF RSPO SYSTEMS ON COMPETENCE AND INDEPENDENCE OF ASSESSORS AND AUDITORS

by Andy Whitmore

Commissioned by IUCN National Committee of the Netherlands

**2021**

## TABLE OF CONTENTS

# REVIEW OF RSPO SYSTEMS ON COMPETENCE AND INDEPENDENCE OF ASSESSORS AND AUDITORS

## Acronym list

APSCA - Association of Professional Social Compliance Auditors
ASC – Assurance Standing Committee
ASI – Assurance Services International
BAP – Best Aquaculture Practices
CB – Certification Body
FFTC -  Forestry Futures Trust Committee
FSC - Forest Stewardship Council
HCV - High Conservation Value
KPI – Key performance indicator
 MSC – Marine Stewardship Council
NGO – Non-governmental organisation
P&C -  Principles and Criteria
RSPO – Roundtable on Sustainable Palm Oil

## 1) EXECUTIVE SUMMARY

The Roundtable on Sustainable Palm Oil (RSPO) has been ranked on paper as the best standard for palm oil regarding its biodiversity and verification requirements.[1] The same holds for its social criteria.[2] However, in challenging governance circumstances, the *de facto* assessments and audits of plantations are key for the credibility of its standard. Aware of that, after criticism on its implementation in various case studies, RSPO is increasingly focussed on improving assurance. However, the process of improvement has encountered a number of difficulties. IUCN Netherlands commissioned this study to support the RSPO investigations by carrying out a multi-stakeholder review to explore the workability of various options for improving the quality and increasing the independence of audits.

That review shows that although the severity of the concerns with RSPO's auditing is disputed, particularly by those at the implementing edge of it, a majority of RSPO stakeholders identified it as a problem. This would appear to be matched by observations from stakeholders outside the RSPO, where certification – particularly in terms of social auditing – is coming under increased scrutiny. There seems to be less clarity among RSPO stakeholders on the causes of those problems, particularly on the relative importance of auditor independence, and therefore what the proposed solutions are. It is hoped that the analysis and recommendations in this report will assist the root cause analysis which has been commissioned by the RSPO's Assurance Standing Committee (ASC).

The report considers three separate areas of concern regarding auditing, which are: quality and competence; transparency and auditor independence. This report lists a number of potential solutions within those categories, particularly regarding auditor training and capacity building and the creation of a sound methodology for social auditing, many of which may already be under consideration. There are also suggested improvements around general capacity building and audit observation.

Although there has been action taken by the RSPO on the issue of auditor independence, via lead auditor rotation, it is not yet clear if this has worked or if it is enough to deal with the perceived problem. There is a great deal of heat in the debate over whether auditor allocation (a system to appoint auditors rather than it being a choice of the client, also known as decoupling) could be a solution to concerns regarding auditor independence. There needs to be engaged and informed debate on whether it is necessary, whether it will be worth it or whether it is a priority among other potential solutions. This report lays out the issues around auditor allocation to create a clearer understanding, and assist in guiding the debate forward. It is likely to remain an ongoing debate as more information, both internal and external to the RSPO, comes to light so it is best if it is as fully informed a discussion as possible.

This research has not proposed a complete system for auditor allocation, but it has suggested a number of ways to progress the debate. In terms of experience outside of the RSPO, there are

---

1     IUCN Netherlands, Setting the Biodiversity Bar for Palm Oil Certification, 2019,
https://www.iucn.nl/files/publicaties/iucn_nl_setting_the_biodiversity_bar_for_palm_oil.pdf

2     Forest Peoples Programme, A Comparison of Leading Palm Oil Certification Standards, 2017,
https://www.forestpeoples.org/en/responsible-finance-palm-oil-rspo/report/2017/comparison-leading-palm-oil-certification-standards

three examples highlighted which can be explored further. These are Rainforest Alliance Cocoa Assurance in Ghana and Cote d'Ivoire, the Independent Forest Audit and Best Aquaculture Practices. Of those schemes it is the recent Rainforest Alliance scheme, which uses a ranked system based on competence and risk for selecting auditors that offers the best guide on how RSPO could implement allocation in practice. The scheme provides guidance on whether auditor allocation can work and whether it can bring improvements either regarding quality or independence. There are already lessons in implementation, but it is early days, so there will be more to learn once Rainforest Alliance are able to evaluate the scheme. The Independent Forest Audit brings decades of experience in auditor allocation through independent experts and a pooled payment fund, while Best Aquaculture Practices have created an allocation system that allows them to take greater responsibility for their assurance. It is true that the latter two schemes are relatively small, and the ideas may not suit scaling-up. However, they all clearly demonstrate useful experiences, and perhaps more importantly proof of concept. On a separate issue, the Marine Stewardship Council may provide guidance in how the work of auditors can be more independently peer reviewed.

From the above examples, as well responding to concerns raised in the interviews, some clear options and guidance present themselves to address issues around auditor allocation. There seems to be three main options for the allocation, which are:-

- to run a system that ranks certification bodies (CBs) to match clients based on relative risk and competence – such a system could also utilise computer algorithms to prevent human bias in decision making;
- an independent body of experts; and
- an in-house system for allocation with dedicated staff (or even a separate company formed which acts as a subsidiary, but creates some independence).

There are potential merits and draw-backs in all of the above, and if a decision was taken to implement it would need to be judged against the specific circumstances and constraints.

Any auditor allocation system could also make use of a joint trust fund (a separately administered fund to pool direct payments), but this is not required by any of the three examples given. Also a joint trust fund could be set up under the principle of shared responsibility to address capacity building issues around assurance, particularly to assist with expanding or supplementing training, capacity building for workers or communities to better engage with the auditing process and/or to support independent observation.

If there is agreement to move forward – taking into account the root cause analysis - the contents of this report should assist the RSPO to create a proposal for further debate. Clearly all of the above is a matter of joint prioritisation, bearing in mind the constraints in resources, both within the RSPO, with CBs and auditors and with certificate holders. It is potentially a big change, so a key recommendation is that piloting is the most logical way forward, including some practical suggestions for implementing a pilot.

## 2) INTRODUCTION

### 2.1 Background to the report

The RSPO seeks to transform the market in palm oil through incentivising improved, sustainable production according to best practice standards agreed through negotiation among its multi-stakeholder membership. The RSPO has developed a comprehensive set of Principles and Criteria (P&C) to define what constitutes sustainably produced palm oil. Grower performance in compliance with this RSPO standard is ensured by assessors and 'independent, third party verification' by teams of auditors from organizations, known as certification bodies' (CBs), who are accredited by Assurance Services International (ASI) on behalf of the RSPO.

The RSPO has been ranked as the best standard for palm oil regarding its biodiversity and verification requirements on paper.[3] The same holds for its social criteria.[4] However, the credibility of RSPO and certified sustainable palm oil thus depends on the credibility of these assessments and audits. Buyers should be able to have confidence that RSPO certificates are a guarantee of good practice. However, as will be covered in section 3.1 there have been criticisms of the effectiveness of the certification system. These include disputes over both the severity and causes of the issues.

This report has been commissioned by the IUCN National Committee of the Netherlands in support of the RSPO to carry out a multi-stakeholder review to explore the workability of various options for improving the quality and increasing the independence of audits. It is also a basis for their own recommendations to RSPO.

There are a number of terms that can cover similar concepts. Therefore the following definitions are used throughout the report:
- **Auditor allocation** – the concept of a system to appoint auditors, or assessors, rather than it being a choice of the client. Sometimes the phrase 'decoupling' or 'delinking' is also used to describe a process of selection independent of client choice.
- **Auditor independence** – the level to which an auditor, or assessor, is independent of the client who is paying for them. This covers issues of unconscious or conscious bias, conflict of interest up to potential collusion.
- **Trust fund** – a jointly held fund administered by some form of neutral third party, which would pool and allocate direct payments. Sometimes referred to as a pooled fund or (independent) escrow fund.

---

3     IUCN Netherlands, Setting the Biodiversity Bar for Palm Oil Certification,, 2019, https://www.iucn.nl/files/publicaties/iucn_nl_setting_the_biodiversity_bar_for_palm_oil.pdf

4     Forest Peoples Programme, A Comparison of Leading Palm Oil Certification Standards, 2017, https://www.forestpeoples.org/en/responsible-finance-palm-oil-rspo/report/2017/comparison-leading-palm-oil-certification-standards

## 2.2 What the report aims to achieve

**The aim of this report is to explore various options for improving the quality and increasing the independence of audits. Its methodology includes a) carrying out interviews with a range of stakeholders and b) reviewing other systems to gather useful best practice. The full methodology is laid out in annex A2.1.**

In doing so, the information contained in the report aims to frame some of the ongoing discussions, as well as provide useful information and advice through its recommendations, to the RSPO Assurance Standing Committee (ASC), whose task it is to provide direction in contributing to the credibility and accountability of the RSPO Assurance System.

The remit of the report is wide ranging, in terms of reviewing the competence and independence of assessors and auditors within the RSPO assurance system. It has to some extent focussed on the issue of auditor independence, as this has been one of the more problematic topics of the assurance debate within the RSPO. Generally fundamental queries – such as whether concerns are rooted in how the whole assurance system is managed, or whether it is the system itself which is at fault - are outside of this study. However, it seemed impossible to complete the study without reflecting on issues such as the perceptions over the severity and the cause of the problems in the system. The information from stakeholders on these issues will be particularly useful for the RSPO's root cause analysis into the questions involving assurance.

It is in the nature of processing interviews that much of the material presented will not be new to those closely involved with RSPO assurance, although it is hoped that some of the external information may be new. However, the overall re-packaging and structuring of those views will help in re-framing and reflecting those ideas back at people. The consultant would like to thank the interviewees, and has endeavoured to accurately represent their views into this report (with detail preserved in Annex 1). Where possible those views speak for themselves, and there has been an attempt not to editorialise except where required (for instance in response to some key points in sections 3 and 4, or within the executive summary and recommendations).

The report is structured to first lay out the key issues, then to review other comparable mechanisms for best practice, followed by an attempt to synthesise that with the material from the interviews, followed by recommendations. There are then annexes, which give more detail on interview responses, list the interviewees and a list of relevant publications.

## 2.3 Caveats and limitations

**There are a number of limitations in this project, including:-**
- Due to time and resource limitations, only a selection of multi-stakeholder initiatives have been explored.
- The interviewees represent a relatively small sample of the relevant stakeholders.
- For reasons of brevity many comments have been stripped of context, sometimes with the removal of more positive statements. Many of the issues raised by stakeholders are already known, and even if it is not indicated may be part of the plans of RSPO, ASI or other

stakeholders.

- Some interviewees had different visions, or emphasis, of what auditor independence really means. Some seemed to assume it was only focussed on deliberate bad practice. It would be useful to start with definitions, and that is still a good starting point for any following discussion.

## 3) ANALYSIS OF THE PROBLEM

### 3.1 Breakdown of issues

As stated the report is focussing primarily on audits within the assurance system. There are interlinked parts of the RSPO assurance system, including certification, accreditation, audit and grievance. Although this report gives occasional consideration and reference to the other parts of the system, the arguments are narrowed down primarily to auditing; when the term assurance is used here it is generally referring to the auditing system. It has been stressed that many of the problems, at least historically, concern assessments, particularly High Conservation Value (HCV) assessments. Where assessors are part of the same general assurance system, recommendations should be applied to their work. It is worth highlighting that there is a limited consideration of the chain of custody because the problems seemed to centre on what was happening within plantations, but there may be issues there that a wider study could consider.

The interviews addressed the scale of the problems regarding auditing. The majority of those interviewed considered there is a significant – in some cases very significant – problem. However, a notable minority, mostly focussed upstream in the supply chain, rejected this notion. Those with fewer concerns noted that systems can be improved by smaller adjustments, at least some of which are in place and it will require patience for them to bear fruit. Those further downstream in the supply chain were more worried about the credibility of the auditing system, to the point where certification as a whole is being called into question.

It is worth noting that one interviewee considered the whole auditing system broken, and unfixable, which is an opinion that is gaining a foothold in various parts of civil society, and within other certification schemes. Industries which are heavily focussed on social auditing, such as textiles, are looking to 'go beyond audits' after constant scandals. This can include the idea of retailers conducting their own due diligence, which could be complementary, but is likely to duplicate and undermine certification schemes. A recent report has condemned commodity multi-stakeholder initiatives as not fit for purpose, although the subsequent question is what – if anything – would replace such schemes?[5] In line with those global concerns over social auditing, many interviewees pointed to the problems in RSPO assurance concentrating on that area, stating – or implying – that other parts of the system seemed to be working fairly well. Therefore the RSPO should be able to achieve a premier assurance standard to match its 'best in class' standard.

In this, as in other some other areas, the positions of some respondents were categorically opposed, with different stakeholders failing to understand each other's point of view. This may be problematic if the RSPO is now prioritising action on assurance, if there is such a strong belief from some key stakeholders that this is unnecessary. The two Environmental Investigation Agency

---

5     MSI Integrity, Not Fit for Purpose, 2020, https://www.msi-integrity.org/not-fit-for-purpose/

*Who Watches the Watchmen* reports, as well as ASI, have highlighted issues with the system[6], but some respondents questioned the motivation or the factual content of critical external reports. Any future root cause analysis will need to critically - and jointly- examine this evidence, to a level which should satisfy the vast majority of doubters.

The structure for examining auditing assurance in the report is based primarily on responses to the interviews, and separates out into three main areas:
- Audit quality and competence
- Transparency
- Auditor independence

All of these areas of concern need addressing and appear to be interlinked. One interviewee noted that in the garment sector clothing retailer Gap sought to by-pass impartiality issues they were experiencing by using in-house staff with a direct allegiance to the brand for inspections. However, their plans ran into problems because those staff lacked the necessary skills.

Having said that much of the following research is concerned with auditor independence, which is clearly the most contentious issue regarding assurance. It appears that positions among RSPO stakeholders are entrenched, with general frustration, but particularly among NGOs and growers. The RSPO commissioned a report by Liza Murphy,[7] which generally concluded that decoupling was not needed or feasible. A number of interviewees have stated that has effectively closed the matter, while others have been critical of the report, denying it is definitive. Interviewees also pointed to a failed resolution (GA15-6c) at the 2018 RSPO General Assembly proposing procedures to delink CBs and auditors as proof that the matter is closed.

Yet new evidence is coming to light all the time; Liza Murphy noted she was unable to find a third-party example of delinking, and yet this report features at least three, with the most important being a pilot started in 2020. The debate will continue as long as there is new evidence and differing viewpoints, especially as this same discourse is continuing across different industries which engage auditors. There is obviously a great deal of heat in this debate, and clearly laying out the issues should allow for a shared understanding, and assist in guiding the debate on a pathway towards resolution.


**3.2 Summary of other systems**

The following are a review of best practices from comparable, or at times somewhat less comparable, schemes or industries.

### 3.2.1 External experience on competence and quality

There are a number of potential examples that may be useful around issues of competence and quality, but the points mostly focussed on social auditing training/competence.

---

6    Environmental Investigation Agency, Who Watches the Watchmen, 2015, https://eia-international.org/report/who-watches-the-watchmen/; Environmental Investigation Agency, Who Watches the Watchmen 2, 2019, https://eia-international.org/report/who-watches-the-watchmen-2/
7    Liza Murphy, Review of the Design of the RSPO Assurance Model, 2018

**Social auditing:**

- **Association of Professional Social Compliance Auditors (APSCA)** - APSCA is an industry association, whose members represent a substantial majority of the Social Compliance audit industry. APSCA has its own certification scheme for auditors, the Certified Social Compliance Auditor (CSCA) in social auditing. The certification includes trainings in how to audit workers and workforce risk (including how to be creative, sensitive, innovative to get to the truth).[8]
- **Consumer Goods Forum** - The Consumer Goods Forum is, through the Sustainable Supply Chain Initiative, benchmarking third-party auditing and certification schemes, building on the successful approach taken by the Global Food Safety Initiative. The benchmarking includes social benchmarks, and could be used to improve social auditing methodology.[9]
- **Sedex** – Sedex is an ethical trade membership organisation that can provide training and support best practice[10]

## 3.2.2 External experience on transparency

The following are some useful examples regarding transparency:-
Involving stakeholders in audits

- **Fairtrade** – Where there is a high risk of scheme non-compliance Fairtrade run a complementary programme with their producers on, for instance, workers' or women's rights. Funds for these are sought separately, or are sourced from the grower premium. This is not a direct audit issue, but is about ongoing support to extend and build up capacity.
- **Earthworm** – Earthworm has created a Centre for Excellence to improve joint capacity building among stakeholders including companies, non-governmental organisations (NGOs) and workers with a focus on social management.[11]

Observers:-

- **Fair Flowers and Fair Plants** – An interviewee reported that Fair Flowers and Fair Plants have a practice that when trade unionist or NGO workers accompany auditors as observers there is an informal exchange and reflection at the end of the day, which may be particularly useful for all parties to learn from each other.[12]
- **Wine Industry Ethical Trade Association** – WEITA is a South African ethical trade body, who have previously engaged independent trade union observation as part of the audit process.[13]
- **Bangladesh Accord** – The Bangladesh Accord on Fire and Building Safety on its one year anniversary published a commitment to transparency that welcomed journalists to accompany inspections (although it was working on a more technical, and therefore less contentious) issue.[14]

---

8    APSCA, https://www.theapsca.org/
9    Consumer Goods Forum, https://www.theconsumergoodsforum.com/social-sustainability/sustainable-supply-chain-initiative/
10   Sedex, https://www.sedex.com/
11   Earthworm, https://www.earthworm.org/our-work/programmes/cse
12   Fair Flowers and Fair Plants - http://fairflowersfairplants.com/en/home-2/#Certificering,%20audits%20en%20regelementen
13   WEITA - http://wieta.org.za/ (this information was from interview, current programme does not include this)
14   Bangladesh Accord, Bangladesh Accord commitment to transparency, June 2014,

**Peer review of CBs:**

- **Marine Stewardship Council (MSC)** – The MSC has useful guidance regarding assurance oversight.[15] The MSC have been focussed on conflict of interest for around a decade because of stakeholder pressure. Each CB (known as a CAB to the MSC) has a self-appointed impartiality committee, who review compliance and assess for conflict of interest on every audit, as opposed to more more structural impartiality issues. The report is then passed on to two assessors from a peer review college, who are independently appointed from a list of experts in fisheries to review the report again for quality assurance and to verify non-conformities, and the report – with any CB responses – is made public. ASI advise on questions of impartiality in the process. This process may not be as directly relevant as it takes up to 18 months to complete a report, based on significant public documentation. Some of the stakeholders feel this external reviewing is helping with independence issues, but some NGOs are critical.[16] However, it may be worth considering in terms of improving social audits if there was some form of social auditing peer review college.

**Publishing /sharing data**

- **ISEAL** – ISEAL are supporting standards to make better use of data sharing across audits so there can be improved cross-referencing and analysis, and have supported a number of ISEAL members on this through the ISEAL Innovation Fund.[17]
- **FSC** – FSC are introducing digital audit reporting to the FSC system in 2020/2021, in order to access audit data and easily identify trends, impacts and areas of risk. The standardized format for digital audit reporting will be implemented across all FSC Forest Management certificates starting January 2021. FSC is also working with ISEAL to develop an information and data standard for sustainability.[18]
- **Better Factories Cambodia** – Better Factories have published audit reports on a specific transparency website that anyone can access, including potential customers and third-party watchdogs.[19] Putting audits into the public domain prompted real change, both at the factory level, but also at the national level.
- **Aluminium Stewardship Initiative** – The Aluminium Stewardship Initiative have been increasing their transparency audits, and are publishing audit summaries through the Aluminium Stewardship Initiative. They are also working towards ensuring their audit data is published widely, excepting commercial confidentiality.[20]
- **Fair Labor Association** – Companies who are affiliates of Fair Labor Association agree to subject their supply chains to independent assessments and monitoring, and their assessments are publicly available.[21]

https://www.ids.trade/files/accord_statement_1.pdf

15  MSC, General certification requirements v2-4, 2019, https://www.msc.org/docs/default-source/default-document-library/for-business/program-documents/general-certification-requirements/msc-general-certification-requirements-v2-4.pdf?sfvrsn=d1b5f2f_20 ; MSC, Overview of the Peer Review College, 2020, https://www.msc.org/docs/default-source/default-document-library/about-the-msc/how-we-meet-best-practice/overview-of-the-peer-review-college---v2-jan-2020-final.pdf?sfvrsn=3cf4ca20_2

16  Make Stewardship Count, https://www.make-stewardship-count.org/scorecards-list/#_transparency

17  ISEAL, https://www.isealalliance.org/innovations-standards/leveraging-data-and-technology-innovations

18  FSC, https://fsc.org/en/innovation/digital-audit-report ; https://fsc.org/en/innovation/data-standard-report

19  Better Factories Cambodia - https://betterfactories.org/transparency/

20  Aluminium Stewardship Initiative, Assurance Manual, 2017, file:///C:/Users/awhit/AppData/Local/Temp/ASI-Assurance-Manual-V1-Dec2017-2-2.pdf

21  Fair Labor Association - https://www.fairlabor.org/transparency ; https://www.fairlabor.org/transparency/workplace-monitoring-reports

### 3.3 External experience on independence

The research discovered three commodity certification schemes that were using some form of auditor allocation, and their experiences are described below, detailing how they operate and any relevant lessons. This is followed by other examples, including on trust funds.

### 3.3.1. Rainforest Alliance Cocoa Assurance in Ghana and Cote d'Ivoire

The Rainforest Alliance certification scheme started an auditor allocation pilot in Ghana and Cote d'Ivoire in June 2020. The pilot has a number of stated aims, but one of them is to minimise the potential conflict of interest for CBs to audit robustly while being directly contracted by the certificate holder as a client, particularly where higher risk certificate holders were choosing CBs that were perceived as less thorough. As a result the better performing CBs were seeing a decrease in clients. So the dual aim of the pilot was to reduce certificate holder compliance risks by assigning higher quality audits to those with greatest risk, and promoting better audit and CB performance by allocating more audits to the best performing CBs. The audit allocation system was piloted in these two countries because of the high risk to the credibility of audits identified there, and the need to improve the quality of audits within the pool of CBs operating there.

#### How it works

The process for implementation is published online.[22] The scheme developed an evaluation system to assess the certificate holder's risk level, and also a system to evaluate the quality of CB performance. Rainforest Alliance calculates a compliance risk score (from 1-5) for each certificate holder. In a separate assessment a performance score is calculated for each CB (from 1-3) based on a set of transparent indicators. The certificate holders with the higher risk levels are assigned to the CBs with the highest performance. Better performing CB's are assigned more audits. Rainforest Alliance selects a CB for the certificate holder based on the relative scores, and the CB and certificate holder are both informed of this allocation. The certificate holder and the CB then contract for audit services based on a quote prepared by the CB. The Rainforest Alliance calculates a minimum audit duration for field audits based on the size and risk level of the certificate holder to ensure quality, and to reduce price differences between CBs. Generally the higher the risk the longer the audit, and therefore most likely the higher the audit price.

Other points worth noting:

- The CB is responsible for auditors (including freelancers), but Rainforest Alliance reserves the right to refuse individual auditors where there is clear evidence of conflict of interest, insufficient experience or poor performance.
- Rainforest Alliance stopped new farms entering the certification scheme in 2019 while a range of new measures were put in place to improve assurance, including the audit allocation system.
- In the new Rainforest Alliance / UTZ global certification system commencing in July 2021 rotation is built in so that certificate holders have to rotate auditors every three years.

---

22    Rainforest Alliance, Audit Allocation System – Implementation in Ivory Coast and Ghana, April 2020,  https://www.rainforest-alliance.org/business/wp-content/uploads/2020/04/Rainforest-Alliance_Audit-Allocation-System_Overview.pdf

- There is a plan to roll out an increased number of unannounced (one day notice) audits in the new global certification scheme.

Key lessons

It is still early days, and it needs critiquing from a range of stakeholders. It is provisionally judged by those who are working on it as primarily successful in achieving its goals, but an evaluation is planned (starting early 2021) and it will be key to learn lessons from that. Some initial observations and lessons that were shared:
- There was a deliberate decision to stay in control of the system, taking direct responsibility for it.
- The pilot was set up to test both the hypothesis, and how the audit allocation system performs. Although it is focussed in one region it is a sizeable test, with an iterative process with enough transparency to allow for external evaluation.
- Rainforest Alliance chose a system that 'automated' much of the decision-making through the rankings, which creates a form of independence in the system.
- The scheme is complex and requires intensive work. It is important to ensure there is the time for advanced planning and implementation (as there were some practical problems in allocation as it was rolled out). Also to allow time to ensure computerised systems can do most of the work (especially in information gathering, and system compatibility).
- Good communication was important, especially with the CBs and certificate holders. This was both in modifying the design of the scheme and in relaying information, particularly over scoring. There were several rounds of feedback and amendments to the process.
- Generally the feedback, at least from CBs, has been cautiously positive at the end of the first season (from initially negative). It is important that the allocation system was transparent, so CBs and certificate holders could understand how to improve, and could plan their business accordingly. All the CBs who were authorised for the scheme participated. It will be important to understand any cost implications, in case there are rising costs associated with the allocation scheme.
- One of the possibilities for future amendments is the idea of creating small pools of similarly rated CBs to allow some choice for certificate holders.

## 3.3.2 Ontario Independent Forest Audit

The Ontario Independent Forest Audit is a sustainable forest management model in the public sector of the Province of Ontario, Canada. It has been assigning auditors historically through an independent body, until a change in process led to more recent decisions being conducted directly by civil servants.

How it works

The most recent process can be downloaded.[23] There are 40-45 tenured forest management units within Ontario. The government of Ontario requires a regular review of those concession

---

23 Ontario Ministry of Natural Resources and Forestry, Independent Forest Audit, 2019,
   https://www.ontario.ca/page/independent-forest-audit-process-and-protocol

holders until recently every five years.[24] Under the old scheme auditors were appointed by the independently empowered Forestry Futures Trust Committee (FFTC), which is comprised of six to eight eminent forestry professionals. Committee members include retired or current university professors, or retired forest industry professionals or ex-civil servants. The FFTC evaluated proposals, selected the successful audit firms, participated as observers, reviewed the draft audit reports and approved the final reports and payments. Selection of auditors was made to a set of pre-agreed criteria, so price was not the only issue. The FFTC were supported by the Ontario Ministry of Natural Resources and Forestry. The fees for audits come from a set 'stumpage' fee which is deposited centrally and covers the costs of the audit as well as the scheme's expenses. There is a relatively limited pool of qualified auditing companies, and the FFTC's role recognised the importance of ensuring capacity in the province's auditing industry. In the last three years, the evaluation and selection role has shifted to Ontario's Ministry of Shared Services.

### Key lessons

The following observations were made by those familiar with the scheme:
- This is an example of an independent body undertaking audit selection that also uses a pooled fund which covers the costs for the allocation scheme as well the audit fees.
- The scheme has been running for over 20 years, and has inspired other forestry audit processes. It has been subject to a number of external reviews, providing reflections on its strengths and weaknesses. However, it has a relatively low profile, so there is little public awareness that it exists.
- Its independence came from both the selection criteria and from the FFTC team itself, which sought to foster healthy competition among CBs. The FFTC prided itself on ensuring decisions included a focus on audit quality, and not just price.
- It is not clear why the Ministry took over allocation. Opinions expressed were that it was worried that quality came at a price, and there was a desire to drive the price down. However no public explanation has been given. There are fears that there isn't adequate expertise to be making good decisions. For example, only two firms were chosen in the last audit process and there is a fear that long-term capacity will be lost.
- The process can be criticised for audits being too complex and for inefficiency, as reports can be published a year or two after the field visits. It is difficult to say if this is an issue of independence against efficiency, as there is no necessary causal link.
- The scheme has a relatively small number of participants, so it is difficult to know how well some of the lessons could be extrapolated.

### 3.3.3 Best Aquaculture Practices

Best Aquaculture Practices (BAP) is a certification for farm-raised seafood, which was set up with an initial focus on environmental grounds to reduce habitat damage, especially of mangroves. It runs a certification scheme where it allocates CBs directly, which has been running to this model since 2010.

---

24      There is a move to require it every 10 years

## How it works

Information explaining the process can be downloaded.[25] BAP approves and contracts the CB to carry out certifications. The decision is handled by BAP designated individuals in specific regions, but approved centrally. The scheme is working with a pool of seven CBs. There are guidelines to selection, including on costs. The client can request a particular CB but BAP are not obliged to accept that request. There is auditor rotation, so a client cannot keep the same auditor for more than three years, as well as a right of appeal within the system (which they noted can alert BAP to any issues with the auditors). There is a Certification Committee within the CB that approves the final report. BAP sets a schedule of fees, and the certificate holder pays the fees to BAP which then pays to the CB. Originally BAP used to do their own inspections, and it was only when key customers demanded a third-party certification that they created this process. The idea of keeping control was primarily to deal with issues of auditor independence, as well as to feel ownership of the system.

## Key lessons

The following observations were made by a representative at BAP:
- The scheme works for BAP, giving them control over what is done in the name of the scheme, and it is accountable. It is efficient, as the regional contacts are able to keep on top of the system. There is a belief it has succeeded in its aim of ensuring auditor independence. BAP are benchmarked by the Global Food Safety Initiative, who seem to approve of the system.
- It does create a lot of work, which is paid for through the general programme fee.
- It is a small scheme, but they note that they are growing fast and the scheme is so far growing with them.
- The issue of suppressing competition has not been raised with BAP to date. BAP are keen to allow any CB that matches their public criteria to join the scheme. They point out there is a choice for clients through the opportunity to join other aquaculture certifications.

## 3.3.4 Other experience – Trust Funds

There are a number of different schemes which have run using joint trust funds with a focus on supporting multi-stakeholder work (outside of the Ontario Independent Forest Audit), and these may provide useful examples.[26] These include:
- RSPO's Dispute Settlement Facility Mediation Fund – The RSPO has its own experience of establishing a trust fund to give financial support for those wishing to use the Dispute Settlement Facility. There is a framework document which explains roles and responsibilities. Initial seed money came from RSPO central funds, and it is hoped it could be topped up if required, but it has yet to be utilised.[27]

---

25    Best Aquaculture Practices, A Program with Integrity, website -
      https://www.bapcertification.org/WhatWeDo/ProgramIntegrity
26    Primary source with a useful summary of points: CCSI, Innovative Financing Report, 2019,
      http://ccsi.columbia.edu/files/2019/03/CCSI-Innovative-Financing-report-Mar-2019.pdf
27    RSPO, https://rspo.org/dispute-settlement-facility; RSPO, RSPO Dispute Settlement Facility Trust Fund Framework,
      https://www.rspo.org/resources/archive/893

- Samdhana Institute Blind Trust in Indonesia[28] - The Samdhana Institute ran a trust fund from 2011-2013 to advise project-affected communities in Sumatra, Indonesia. Money from the trust was provided to NGOs working with specific communities to pay for experts. The trust started with philanthropic funding and planned to transition to a "blind trust" with multi-stakeholder funding so that any recipient would not know where the funds were coming from. Unfortunately the trust was not able to complete this transition, but it nonetheless created systems for implementing a 'blind fund'.
- Kumacaya - Kumacaya is a basket fund initiative, based at the Earthworm Foundation, intended for specific monitoring or research jobs working with local communities or civil society organisations. The intention is to accept money from multiple private sector actors. The sources of funding for each job are kept confidential so that civil society organisations are not at risk of being influenced or discouraged from applying.[29]
- PeaceNexus Trust – PeaceNexus is a foundation focusing on peace-building in conflict-affected contexts. It sought to create a national fund in Morocco in 2015 whose goals were to strengthen and support community-company dialogue and to allow stakeholders to engage and influence decision-making. Unfortunately it wasn't able to commence, but the concept was taken over by the national employer association, CGEM, which used the basket fund model for negotiations.[30]

There were a number of other potential leads in terms of potential examples of auditor or professional allocation, which didn't seem to be so useful, but are worth listing. They included the following:
- Fair Labor Association, which has paid brands to do the audits (although this may not be a practical example to follow for RSPO).[31]
- EU & US financial regulation – EU Directive 2014/56/EU and the US 2002 Sarbanes-Oxley Act are both often referenced in terms of measures to ensure financial auditing independence, and both including auditor rotation provisions.[32]

---

28    Ibid, p.21; https://www.samdhana.org/program/grants#
29    Earthworm Foundation, Kumchaya: Learning Lessons from two years of building civil society and business, 2020, https://www.earthworm.org/uploads/images/Kumacaya-PDF.pdf
30    PeaceNexus, Company Community Trust Fund Concept Note, 2015
31    Fair Labor Association - https://www.fairlabor.org/transparency ; https://www.fairlabor.org/transparency/workplace-monitoring-reports
32    https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0056 & https://www.soxlaw.com/

## 4) ADDRESSING THE ISSUES

The following sections synthesise and summarise the external information (section 3) with the formal interviews (section A1). It reviews the key areas of concern, with some initial background points on the RSPO and ASI:

**RSPO Standard and interpretation:** In general the RSPO standard is viewed as both comprehensive and exemplary, particularly in how it covers social issues, with new and improved P&C released in December 2020 covering explicit criteria and indicators, although much is still guidance only. However, the standard's size and complexity are leading to difficulties for certificate holders and auditors, while updated and changing guidance can mean some of the requirements are not clear and/or difficult to implement. There were specific recommendations to bring potentially problematic issues, such as the new planting procedure and annual communication of progress for not yet certified units, more within the certification process.[33]

**Social audit methodology:** It seems that it is social concerns that are causing the biggest problems, with perhaps too much non-binding guidance. The RSPO assurance department and ASC are working on known issues and has a work-stream focussed on interpretation. The challenge is to create standardised social auditing competence, particularly regarding what is a non-conformity against an advisory, while accepting and adapting to differing social situations. This requires flexibility of auditors to go beyond box ticking. There have been proposals on methodology, particularly with a focus on communities, the scope of interviews and the sensitivity required, and how to better involve supporting NGOs or unions. All of this needs to be done considering the cost implications. Other schemes can offer guidance, including those listed in section 3.2.1 and the revised Rainforest Alliance standard Re-imagining Certification.[34]

**RSPO Management:** There is a call for more resources for the Assurance Department, with mixed calls in terms of directions, but a clear call that new capacity can be built, particularly regarding training and to bring in-house specific skills on the more complex issues around social auditing. There was also a call to wisely use the knowledge and experience in the ASC, as well as the knowledge and capacity from RSPO members.

**ASI assurance:** There is both praise and criticism of the role of ASI, and no unanimity on whether ASI's role should be reinforced, or whether RSPO needed to take on more responsibility itself. It was noted that ASI could take on more of a policy advisory role, in making more direct recommendations to the RSPO and ASC, and also whether there should be more coherence in the system for complaints against members and CBs, as they are processed by different bodies. Given the focus on social auditing it is important that ASI is able to support and accredit social auditors, and to potentially enlist more social auditing skills.

---

33    Certification generally starts when the palms are eight years old, and so problems may be missed if these younger palms are not part of an official certification process. Also because problems may be coming from other farms owned by a company, but not yet certified, it was proposed that the RSPO could explore bringing annual communications of progress on those farms not yet certified within the certification process.

34    Rainforest Alliance, 2020, https://www.rainforest-alliance.org/business/reimagining-certification/

## 4.1 Competence and quality

**RSPO training:** The RSPO Assurance Department is committed to ongoing training, with suggestions of possibly increasing the attendee numbers at CB workshops, and checking how far workshop attendees share knowledge. Key training needs to be mandatory to a certain level, and continuous, with a particular focus on the changes in the new P&C with practical exposure and the opportunity to verify understanding. There should be further advanced training on specialisations (e.g. production, environmental and social). Trainers need to be accredited and closely supervised by RSPO for quality, and more needs to be done to attract good trainers. Given the expense of training special consideration should be given to smaller CBs and regions where capacity is lacking.

**Social audit capacity:** The number of social auditors should be increased, with a review of how to recruit properly qualified and culturally sensitive social auditors. There should be a concentration on social auditing training, both at a basic level (to ensure all auditors have a mandatory, minimal understanding of the issues) and for specialist social auditors. Specialists could observe auditor training to critique and offer improvements. Examples can be drawn from APSCA training and verification methods.

**Improving auditor skills:** There is a need for improved auditor skills, particularly so-called soft skills for social auditing, rather than just knowledge. There should be a list of minimum requirements in terms of skills that auditors need to be able to show competence in before taking the standard training, and being allowed to audit RSPO members, followed by continual training on best practice skills. This can be presented in the ASI auditor registry for RSPO auditors.

**Cultural issues:** The interviews revealed that cultural norms play a large role in perceptions. Even with national interpretation, there was a feeling expressed that Western concepts were being imposed on other countries, and this lack of a shared vision was a source of some of the problems. A good example of this were the differing opinions on how much a trusting relationship was necessary for a successful audit. Work to make audits more rigorous can be viewed as a further imposition of Western values. There needs to be open discussion to come to an understanding of these different perspectives and what the implications are for maintaining a complex, internationally recognised standard within a multi-stakeholder initiative. It also challenges how to get regional delegation of authority while still operating to consistent global standards.

**Working conditions of auditors:** It is claimed that competition among CBs is deflating the cost of audits. Some CBs also consider cheap audits as a way into more lucrative consulting contracts.[35] This means auditors are at greater risk of being overworked, while CBs are under pressure to appoint less experienced, cheaper auditors or to fill any gaps with freelancers. More freelancers increases the risks of a poor job, given less responsibility for management and training, as well as an increased chance of conflict of interests.

**Minimum audit timing:** Although there is a stipulated minimum number of days for audit, there is a difference of opinion on whether they need to be extended, particularly to cover the

---

35    S. Jennings, WWF, 2016, Expecting Too Much Getting Too Little,
        https://wwfeu.awsassets.panda.org/downloads/expecting_too_much__getting_too_little.pdf

complexities of social audits, with the associated costs. Time and costs pressures may be leading to hours, or corners, being cut. The majority of interviewees considered it necessary to further increase the minimum amount of time that an audit team spends on one single audit to complete a good quality audit.

**Pre-warning of audits:** Short-notice or semi-announced audits may be effective in exposing any issues that might otherwise not be properly assessed. However, they presented logistical problems depending on length of notice, and unannounced or very short notice may be too confrontational to be productive. In general the limited use of shorter notice audits was favoured, particularly if targeted where there is suspicion of - or high risk of - bad practice, and could be extended on a limited scale to randomly sample auditing. It was proposed that the RSPO consider engaging ASI or a specific CB to conduct this random sampling.

**New technology:** The potential to integrate new technology with audits, and to improve HCV assessments, needs to be further explored. Such technologies include remote sensing, as well as satellite or drone imagery to track and monitor deforestation, forest fires and hot spots. It was noted that these tools were complementary to the traditional assurance system, and could cut down the time taken on some tasks to free up time to focus on what needs to be inspected in person. The major challenge is how properly integrate these within the certification system. However, the benefits seem to outweigh the costs.

## 4.2 Transparency

**Involving rights holders in audits:** A key concern was better involving impacted rights holders, including workers, union, local communities and NGOs, in a more meaningful way. It is a wider issue but in auditing terms is about those rights holders having resources to engage, ensuring enough of the relevant people are engaged and that they have the confidence that information will be properly regarded and processed. An issue that was specifically raised was with auditors' perceived independence, for example by travelling in company transport, or travelling with company management or security, which would affect cooperation.

**ASI witness (& compliance) audits:** ASI witness audits are important for identifying problems, and in understanding issues with audits and auditors. However, they can be unpopular and may result in an excess of non-conformities picked up. There was a general backing to do more, within the limits of resources, and potentially to make some of them random.

**Independent observation of audits:** This is allowed under the current rules, subject to various conditions, including confidentiality, non-interference, declaration of conflicts of interest and an agreed purpose. It was not clear how frequently observers joined, but it appeared to be a little used function and there may be merit in professionals of academics observing either for the benefit of the specific audit, or to understand and improve auditing in general. If one of the reasons for a lack of take up is funding related, then suggested that the RSPO could create a trust fund – either supported by the RSPO directly or via its members – with the aim of improving assurance, which could include financially supporting independent observation of auditing.

**CB peer review process:** Although useful, there should be a better structure to CB's peer review process with more defined questions and improved quality controls on the peer reviews. There

should be a process to identify and block any poor peer reviewers, and consider independently appointing them (as discussed under the MSC system in section 3.2.1), with action being taken under the 2018 P&C requirements.

**Sharing data:** One route to better transparency highlighted is the open sharing of data. This would include publishing full audit reports, excluding private business information, in a searchable format on publicly accessible platforms. Data on both audits, auditors and CBs should be accessible on databases so that they can be better aggregated and cross-referenced. Risk mapping can lead to better targeted auditing, to improve quality and potentially reduce costs.

## 4.3 Independence

The interview responses highlighted a series of issues involving audit allocation, the first were based around concerns as to why a system focussed on auditor allocation wouldn't work, the second on problems of implementation and the third on other issues such as trust funds. There is an initial response to each of the points, drawn from the interviews and/or background reading.

### 4.3.1 Will CB/auditor allocation help?

- "There is no real issue with CB/auditor independence", or "there is no evidence that it is a problem", and/or that "only NGOs support it"

There has been academic evidence previously presented in a number of papers and listed in the publication list (A.24).[36] Evidence produced specifically on the RSPO, conducted by ASI, seems to show that ASI observation means that CBs raise twice the number of non-conformities, as compared to audits when ASI is not present. The most recent non-conformity analysis shows this trend is increasing over time.[37] The ASI has set caveats on the conclusions, and it is true that this does not necessarily prove a causal link with auditor independence, nor how relatively important it is against other factors. However, it seems clear from responses from assurance bodies, and some of the actions being taken by other schemes as covered in section 3.3, that this is an issue which deserves serious attention. Part of the problem is it is a difficult issue to prove a causal link[38], but it would be useful to examine if research within the RSPO could be aimed specifically at interrogating data to explore how big a problem issues of independence are across a range of certificate holders and countries or regions. Failing that the best way to measure is to run pilot schemes and assess the results.

- "There may not be an issue as mechanisms are already in place to deal with independence

---

36      The General Assembly Resolution GA15-6c lists some in footnotes (https://garesolutions.rspo.org/_uploads/ResolutionGA15-6c.pdf) are there are a number of resources in the publication list, particularly S. Jennings, WWF, 2016, Expecting Too Much Getting Too Little, https://wwfeu.awsassets.panda.org/downloads/expecting_too_much__getting_too_little.pdf .
        There is a good round up of the literature in M. Read, Motion 61 FSC Certification Integrity and Credibility, 2020 (6.1.1.2, p.35)

37      ASI, RSPO nonconformity analysis - A comparative of P&C nonconformities raised, 2019, https://www.asi-assurance.org/s/post/a1J1H00000260SGUAY/p0763, p.11

38      S. Jennings, WWF, 2016, Expecting Too Much Getting Too Little, https://wwfeu.awsassets.panda.org/downloads/expecting_too_much__getting_too_little.pdf

issues." These include: (inter alia)

1. that "it is in the interest of certificate holders to build a 'healthy' relationship, but an unhealthy one will be bad for business";
2. "the professionalism of auditors, including declaring annual conflicts of interest and adhering to ISO 17065";
3. "CBs create independence from clients and assist with peer reviewers of auditors";
4. "independence assurance via ASI or grievance mechanisms should deal with any cases"; and
5. "there has been the introduction of lead auditor rotation"

There are a number of mechanisms in place, and clearly some of them may be addressing the issue, although the latest internal proof we have in the aforementioned 2019 ASI study seems to hint not. Given the auditor rotation has been recently brought in, and just amended, to deal specifically with this issue there is no direct proof it is having an effect.

- "Those mechanisms currently in place can be fine-tuned, for example through improved auditor rotation" (as noted in A5.1)

It would be ideal to review how effective the current use of auditor rotation is. If there are opportunities to run pilots it may be a good idea to run variations of auditor rotation schemes in conjunction with other pilots to test how effective they are.

- "Other sectors, such as the finance sector or aerospace, don't use this model"

There is a problem in directly comparing auditing in different sectors to commodity certification, as they may not be directly comparable. The most direct comparison is with financial audits, where clients choose their own auditors. A report produced for the EU looks to the complexity of auditing that is required for mandatory human rights due diligence, including certification, and this goes way beyond anything expected in the financial auditing world.[39] Also there have been a number of scandals in the financial auditing world that have led to legislation on auditor rotation, which is far from proving that the issue has been dealt with in that sector.[40] Other interviewees pointed out examples where inspectors are appointed, rather than chosen, for instance in the UK school inspection system.

- "Other certification schemes don't use this model, or there is no evidence it will work"

As has been pointed out in section 3.3 there are schemes which use auditor allocation, or some form of best practice.

---

[39]    ECCHR, BfdW & Misereor, The human rights fitness of audits and certifiers  A position paper, 2020,
         https://www.ecchr.eu/fileadmin/Publikationen/ECCHR_BfdW_MIS_HRDD_AUDITS_PREVIEW_EN.pdf
[40]    Sikka, P. et al, Technical Report , Reforming the auditing industry, 2018,
         https://www.researchgate.net/profile/Prem_Sikka/publication/330983629_REFORMING_THE_AUDITING_INDUSTRY/links/5
         c5ea11792851c48a9c49813/REFORMING-THE-AUDITING-INDUSTRY.pdf

- "If CB/auditor allocation is aimed at solving the risk of individual relationships of collusion, what you may end up doing is centralising the risk of collusion in a single allocation body"

This was a point specifically raised in the Liza Murphy report for RSPO.[41] This is indeed a theoretical problem (although it does seem to assume the problem is primarily overt collusion rather than conscious or unconscious bias), but it is one of the issues being considered in the design of systems. It appears this can be dealt with either by a) ensuring there is a clear system for allocation based on set criteria (as in the Rainforest Alliance system or utilising computer algorithms), b) that there is a randomly generated element or a pool in which there is a 'taxi rank' system of taking next CB or c) an entirely independent body of experts who take responsibility for allocation, but whose independence guarantees impartiality.

- "It won't solve every problem, and there is no guarantee a better quality audit team will be allocated."

It is true that it is a solution focussed on one particular issue, and there are other issues which should be addressed, as outlined in sections 4.1 and 4.2. It would be useful to review solutions to the different solutions collectively. Although there is no guarantee an individual case may show signs of improvement, it is noteworthy that the Rainforest Alliance pilot is focussed on quality as well.

### 4.3.2 Points around implementation:

- "No clear proposal for decoupling has yet been made, and at the moment only options have been discussed, options need to be laid out and safeguards considered."

The discussion within the RSPO has seemed to stall at the point of principle, although a lack of previous examples or models, as well as difficulties getting agreement on creating or presenting them, seems to have stopped progress. The contents of this report, and the examples given, will help to provide information to create a more detailed proposal for discussion.

- "Any proposal is likely to be major, and may do more harm than good, especially at a time when there is a level of unhappiness among at least some certificate holders and CBs."

A number of concerns were raised, particularly from those most immediately affected by any changes, which are listed here. These cover financial or procedural issues, for instance raised costs or administrative complications that could lead to either certificate holders or CBs leaving the scheme. These concerns would need to be considered if action was taken on auditor allocation. The proposal for trialling any changes seems a good idea, to test efficacy and any unintended harm. It would also be useful to consider incentives as part of any scheme, to encourage participation and to mitigate any negative effects.

- "It may destroy relationships based on trust, and certificate holders may be hostile to the scheme

---

41      Liza Murphy, Review of the Design of the RSPO Assurance Model, 2018

or specific auditors, and will not engage with auditors if they do not trust them."

This comes down to the issue of how much trust was necessary for a successful audit, and at what point that desire to build a relationship of trust on both sides becomes harmful in terms of the overall need for consistent and effective certification. This is clearly complicated by cultural perceptions. Based on the responses in interviews the consultant - while recognising his own Western cultural bias - believes there is a level of professional cooperation required in a basic business relationship. However, that basic business relationship should still be able to function if auditors are allocated or more frequently rotated. If there are genuine reasons for objection to a particular auditor these should be accommodated by appeal, and a form of complaints mechanism should exist for complaints of unprofessional conduct on either the side of the auditors or the certificate holders.

- "The system of allocation may lose the efficiency of the market and, either by the extra bureaucracy required or by being inefficient, may add to business costs directly or via delays, to the point of costing the certificate holder their license."

This concern will need to be dealt with in any auditor allocation model chosen, which should consider cost, and any scheme would need to function as efficiently as possible. There should be some form in-built recognition, or right of appeal, in a pilot system that bureaucratic difficulties will not cost a certificate holder their license. It is important that key time limits are set within the process, with penalties or consequences for not hitting those deadlines in order to create a respected and robust system.

- There were concerns that allocation in general, or specific issues – notably any attempt to fix prices - could break competition laws in specific countries

This has not been flagged as an issue in the allocation schemes reviewed for this research, and it was a specific question that was raised with Rainforest Alliance and BAP. However, those organisations running the schemes have not been challenged on their use of them (expect in theoretical questions, one mentioning WTO rules). It is an issue that can be clarified with the aid of lawyers as part of any modelling.

- "CBs need clarity in their overall business planning, and business insecurity could lead to lower investment and poorer quality, through lack of training or having to hire more freelance auditors." Also there may be a risk that CBs do not have an incentive to please the client if there is some random element in allocation, and may be less effective as a result.

The issue of the impact on a CB's business model needs to be carefully thought through, but so far the feedback from the CBs in the Rainforest Alliance scheme is that the scheme has allowed CBs commercial security in their planning. Because it is based on a transparent performance rating CBs have an incentive to improve that rating to get more business.

- "There may be an issue in not allowing CBs to freely choose clients, as this would rule out

potential reduced costs from integrated audits for different certification schemes at the same time. Allocation could not accommodate this"

It is not clear how often this particular situation arises, but it would need consideration with CBs to see if it was significant, and if so whether any allocation system can accommodate it.

- "A scheme needs to cover both auditors and CBs in order to work, and it will require a big enough pool of CBs and auditors to work properly"

Any scheme will need to consider which auditors, as well as CBs, are allocated (i.e. it would be possible to allocate a new CB but still have the same auditor). The issue of pool size is important, and deciding on a sufficient level of pool of auditors and CBs will be a factor for any pilot, or to consider across all regions (as highlighted in the Rainforest Alliance case study). Of course building up a sufficient pool or CBs and qualified auditors in all regions should be a priority anyway.

- "What if there are genuine reasons for objecting to a specific auditor that is appointed?"

There may well be good professional reasons, including business reputation or past experience, for not accepting an allocated CB or auditor. This could be dealt with either by having a small pool to choose from (so not allocating a single CB but a group) and/or an initial right of appeal. In the BAP case study (3.3.3) it was noted an appeal may help reveal problems with a particular CB or auditor.

- It can, and should, be focussed on improving quality. It could include some form of ranking of CBs/auditors using data from audits, although it was noted that any ranking should focus on significant improvement with the clients, but also to the affected and legitimate stakeholders

It is noteworthy that the Rainforest Alliance model is seeking to use such a system to improve quality, and so it should be possible to design such a system, and to learn lessons from this first attempt.

- "There needs to be incentives in the scheme - particularly for auditors, CBs and certificate holders – to ensure support for a change"

This idea should be explored in any model, and there are concepts that can be seen in the Rainforest Alliance pilot, which is focussed on a transparent scoring system based on clear criteria, which rewards a CB with more work and guaranteed work. Likewise if a certificate holder can reduce its risk rating then it would get a CB designated to deal with lower risk, and in theory a cheaper audit.

- There was a strong call for testing and piloting any changes, with a consideration that it may not need to be considered a universal system, but may apply in particular higher risk areas, or also consideration of how it applies on matters of scale (i.e. whether it applies to smallholders)

This is considered as part of the Rainforest Alliance pilot and reviewed under section A5.7 where various solutions are proposed.

## 4.3.1 Trust funds and shared responsibility

**Trust Fund:** A joint or trust fund could hold money to pay for allocated audits, or it could be used to improve the assurance and thus the credibility of the RSPO, or it could be used for both. This could be either two separate funds, or the same fund where any surplus after paying for audits could be dedicated towards projects that improve assurance.

It is possible that there could be misallocation or misappropriation or rising costs in the administration of the fund. Therefore any trust fund needs to be run to clear guidelines – notably that it is independent, transparent and efficiently managed, with a clearly agreed mechanism. If there is active auditor allocation, those overseeing or administrating the trust fund could or should be separate to that allocation. It is likely that a group of RSPO members and stakeholders would act as trustees to it, ensuring overall guidance and governance, while the Secretariat would administer it. There are a number of examples to draw experience from listed in section 3.3.4, including the Dispute Settlement Facility Mediation Fund within the RSPO.

**Pre-determined fees:** Another feature of auditor allocation is that fees could be set at pre-determined rates. It is not necessary for auditor allocation, but it is one of the options that becomes possible, especially if using a trust fund. In theory it would be beneficial for the system, because CBs will have a clearer idea of their budgets and there is some quality assurance in not having to compete on prices. Although there was some precedent for this, it was not necessarily popular and only became so, particularly for certificate holders who would likely bear any associated cost implications, if there was a potential to have other stakeholders add to a trust fund for audit payments.

**Contributions from RSPO members towards assurance:** Those downstream RSPO members interviewed rejected the proposal of contributing to, effectively directly topping up, a joint trust fund that would pay auditors. However, there was some willingness under the principle of shared responsibility to contribute if it was required, possibly through the likes of raising the membership fee. It may be worth exploring further any support for a specific trust fund focussed on capacity building for assurance, if such a fund is required.


## 5) RECOMMENDATIONS

General

- Input any relevant analysis and recommendations in this report into the forthcoming root cause analysis.
- Undertake further research - possibly as part of the root cause analysis - to systemically list and explore other certification and multi-stakeholder schemes, as well as other industries, for best practice.
- Consider creating a joint trust fund to assist with capacity building issues around assurance, particularly to 1) assist with expanding or supplementing training, 2) capacity

building for workers or communities to better engage with the auditing process and 3) to support independent observation. The proposed trust fund needs to be run to clear guidelines – notably that it is independent, transparent and efficiently managed, with a clearly agreed mechanism, such as the RSPO's Dispute Settlement Facility Mediation Fund.

## Competence and quality

- The ongoing work on drafting and implementing social auditing methodology should consider the recommendations, and best practice from other schemes highlighted in this report.
- Direct more resources towards the RSPO Assurance Department for training and to bring in-house specific skills on the more complex issues around social auditing.
- Increase the number of social auditors, with a review of how to recruit properly qualified and culturally sensitive social auditors and social auditing trainers. Specialists in aspects of social training should observe auditor training to critique and offer improvements.
- Ensure general soft skills for social auditing, enforcing a list of minimum requirements in terms of skills that auditors need to be able to show competence in before taking the standard training and being allowed to audit RSPO members, followed by continual training on best practice skills.
- Increasing the attendee numbers at CB workshops, and check how far workshop attendees share knowledge, encouraging best practice in information sharing from the workshops.
- Given the expense of training, special consideration should be given to smaller CBs and regions where capacity is lacking.

## Transparency

- Ensure resources for worker and local community capacity building to assure understanding and engagement with the audit, so that key representatives can participate in audits. If requested assist the participation of supporting community NGOs or unions.
- Ensure that worker and local community representatives, or their support networks, have the confidence that information given to auditors will be properly regarded and processed. This includes emphasising independence from the certificate holders, i.e. by not travelling in company transport, or travelling with company management or security.
- Encourage the independent observation of audits, particularly by experts in social auditing, if necessary providing the resources, potentially through a trust fund.
- Reappraise the CB peer review process, considering identifying and blocking poor peer reviewers, and methods to independently appoint them.
- Work towards better data sharing on easily searchable and publicly accessible platforms. Data on both audits, auditors and CBs should be accessible on databases so that they can be better aggregated and cross-referenced. Risk mapping can lead to better targeted auditing, to improve quality and potentially reduce costs.

## Independence

- Ensure the root cause analysis considers the issue of different visions, or emphasis, of what auditor independence really means within the ASC and RSPO stakeholders. This should start with a clear agreement of definitions, different perspectives and a clear understanding of how cultural values affect positions.
- Consider auditor rotation applying to all CBs, head auditors and auditors where there is a sufficient pool of auditors to do so, and ensure there is systematic research on its efficacy.
- Review the information given in examples of other systems, particularly after the Rainforest Alliance has been able to evaluate their own West African pilot in auditor allocation. Based on feedback consider the relative merits of the different auditor allocation tools, with if necessary a complementary trust fund.
- Consider how pilots could trial different versions of the solutions proposed to deal with independence (such as different forms of auditor rotation), potentially simultaneously, which should provide data on efficacy and impacts. There are a number of recommendations in 4.3.2 and A5.7 which can be considered when designing pilots.

## ANNEX 1 - ANALYSIS OF KEY VIEWS OF DIFFERENT STAKEHOLDERS ON RSPO ASSURANCE

## A1 Analysis of the issues

### A1.1 Scale of problems with assessments and audits

There is an obvious split in opinion over how large a problem there is in assurance. The majority of respondents felt it is a significant problem, if not the most significant issue that RSPO is currently facing. One respondent described the assurance system as wrecked, noting that many of the complaints reaching the Complaints Panel are issues that have been missed by audits.

However, there is a significant minority – mostly focussed upstream in the supply chain – who reject this notion. They are generally not denying that there are issues, but characterise them as relatively minor, so that any systems can be improved by smaller adjustments, at least some of which are in place or require patience for them to be implemented. Reasons that were given for the perceived exaggeration of auditing concerns include (*inter alia*):

- palm oil itself being a notoriously controversial commodity;
- RSPO's transparency and multi-stakeholder nature encouraging criticism;
- the success of watchdog NGOs and empowered unions and/or communities;
- expanding ambitions of the RSPO standard, with more expected of certificate holders;
- at least some of the complaints not being justified; that more complaints mean issues are being picked up in the wider system (i.e. if is not necessarily a sign of overall assurance failure);
- the RSPO doesn't always recognise its own improvements, nor communicate them well, so the bad is drowning out the good;
- problems outside the RSPO (e.g. fires lit elsewhere but encroaching on RSPO certified land);
- and, that including more non-RSPO growers is a bigger problem to prioritise. Although another respondent stated the opposite, that the priority was to fix the problems with current certificate holders before expanding.

Those further downstream in supply chain were more worried about the credibility of the auditing system, to the point where certification as a whole was being called into question. This is impacting the credibility of not just the RSPO, but the concept of sustainable palm oil. At least one respondent considered the whole auditing system as broken, and unfixable, which is an opinion that is gaining a foothold in various parts of civil society, and within the certification schemes of other commodities or industries.

An opinion was expressed that there is the problems in the system were not being challenged because the main players within the audit regime were benefiting from the system, which is why there was resistance to change. A potential problem is that auditing is both a sample and a snapshot in time so it may miss a number of issues. Also the increasing complexity of social issues and cost pressures mean that level of sampling was inadequate, and potentially shrinking because of rising costs.

Many people pointed to the issues being around social auditing, stating – or implying – that other

areas seemed to be working fairly well. At least one person emphasised the difference between assessments, for the likes of HCV, and audits, in order to stress that many of the problems are with assessments as auditing. They also noted the situation with assessments has been improving.

One interviewee noted that the conversation is completely disconnected with different stakeholders failing to understand each other's point of view. This will be a problem if the RSPO prioritises action on assurance while there is such a strong belief from key stakeholders that this is unnecessary. The two Environmental Investigation Agency *Who Watches the Watchmen* reports, as well as ASI have highlighted issues with the system[42], but some respondents questioned their motivation, their veracity or what the data proves in terms of what the causes are. One respondent noted nothing would really have been done without the *Who Watches the Watchmen* reports. Any future root cause analysis will need to critically examine this evidence, to a level which aims to satisfy many doubts and engage stakeholders in jointly examining those root causes.

## A1.2 What causes issues with auditing?

Given the difference of opinions as to the scale of the problem, it is no surprise that there were widely differing responses to what was behind any auditing concerns. Unsurprisingly, the issue of independence was the most controversial. What was notable is that it was the only factor that was completely rejected, i.e. those who raised auditor independence also emphasised that other issues of audit quality needed to be addressed, but there were respondents who believed independence was either not an issue, that there was no evidence for it or that current measures already addressed it.

As previously flagged a root cause analysis is planned, which will go into this in greater depth. Such an analysis can look at the whole certification system and beyond, while this study is focussed on the verification of certification. But it is worth considering what appears to be an increasing trend across all commodities that audits are irrelevant in sustainability circles, with an argument for an increased governmental role if voluntary, business models were being rejected.

It is important to explore causality because the responses on the nature of the problem set the overall framework for further examination of the issues and potential solutions. That framework consists of the following broad categories:
- RSPO standard and management
- Audit quality and competence
- Transparency
- Independence

As noted, auditor independence is the most contentious issue and will be addressed again under section A5. However, it is worth stressing that people either noted there was a spectrum of issues around independence (from unconscious bias created by familiarity up to collusion or corruption), or concentrated on one or other part of that spectrum. A key divergence was around the issue of trust, with some stakeholders proposing a certain level of trust in a relationship

---

42    Environmental Investigation Agency, Who Watches the Watchmen, 2015, https://eia-international.org/report/who-watches-the-watchmen/ ; Environmental Investigation Agency, Who Watches the Watchmen 2, 2019, https://eia-international.org/report/who-watches-the-watchmen-2/

between a certificate holder and auditor is necessary for a good result. Effectively an audit is in essence 'negotiated'. Whereas it is true that some level of cooperation is required, others considered that this concept of a trusting relationship was already on the lower end of the spectrum that required remedial action. One point that was raised around independence is the pressure on certificate holders to pass an audit, as it is vital for their business. Of course this pressure can manifest positively, in working towards higher standards, but it can also cascade down to the CB, and then to auditors, to relax standards to ensure that there are no major non-conformities. Given there is no similar counter-incentive – only professional integrity and the threat of being inspected – for the CBs and auditors to find faults, there are clearly greater incentives in a CB-certificate holder relationship to accommodate contentious issues.

There are two observations on the issue of trust. Another respondent opined that the RSPO was cast in the role of an insurance company, but because of distance it was no longer sure if it could trust its inspectors; it was unclear where their loyalties lie. Other schemes had noted a strong desire to take control of their system as a long-distance relationship was laying them open to blame for when things went wrong, without having the ability to fully understand or correct things. Another respondent extrapolated from the relations of trust in the audit to assert that all of certification was based on trust, and the overall challenge was to maintain the trust among stakeholders and consumers, when it was scaled up to apply to commercial-scale activities.

**A2 RSPO Standard and management**

## A2.1 RSPO Standard and interpretation

There was near unanimity among respondents that the RSPO Standard itself is both comprehensive and exemplary, particularly in how it has covered social issues. Others pointed to how good the most recent new P&C are, with improved explicit criteria and indicators.

However, a few respondents noted the standard was too broad and complex, making it a struggle for certificate holders and those auditing. It was also noted that with updating and changing guidance some of the requirements are not clear and/or difficult to implement. The living wage in the 2018 P&C was specifically mentioned, as benchmarking has been delayed and difficult. It seems that it is social issues that are causing the biggest problems, with indicators within the P&C open to interpretation. One interviewee stressed that no matter how good the standard and P&C are, auditors are more concerned with indicators and evidence, and there may be less focus on those.

Another respondent pointed out that the standard has created a lot of useful guidance, especially around social issues, partly because of complexities in making such guidance mandatory. However because it is guidance and not enforceable, there is a perception gap between the ideal and what is happening on the ground that is adding to frustrations.

There are also generic issues in allowing for gradual improvement and for differentiated interpretation (e.g. for smallholders or between different languages or countries), while everybody understands the same requirements. In general all of the above are known issues, and the RSPO has a work-stream focussed on interpretation, including the RSPO interpretation forum, and feedback from those using the standard. However, it seems more resources are required to

ensure all stakeholders, especially certificate holders and those auditing, understand and are trained on the new P&C, as well as being able to provide feedback.

There was a general point made that because certification starts when the palms are eight years old, there were problems missed before that. Although there are assessments done, often supported by CBs, there may still opportunities missed because it is not part of an official certification process. Also because problems may be coming from other farms owned by a company, but not yet certified, it was proposed that the RSPO could explore bringing annual communications of progress, on those farms not yet certified, within the certification process.

## A2.2 Social audit methodology

Given the concerns that the majority of problems lay on the social side - regarding land, communities and workers - there has been a recent focus on improvement in that area. There was some praise that audit teams include social auditors and local experts, who undertake stakeholder consultation, which is very clearly laid out in the 2018 P&C. The RSPO Assurance Department have highlighted the criteria for social auditing in the certification system document as an area that needs improving, particularly how to improve practical auditing techniques, and effectively develop a guide for acceptable field behaviour around interviews and engagement, as well as reviewing risks. It has been noted in section 3.2.1 that there are other systems that can give practical guidance to this, as well as internal guidance on gender generated by Oxfam Novib via the Human Rights Working Group. Oxfam Novib submitted recommendations in 2016,[43] while ASI also developed an RSPO Labour Auditing Guidance for Audits Conducted on the RSPO P&C 2018, which is being considered by the ASC. There has been a request to test it, but due to restrictions on the COVID pandemic that has not happened. However, although there are parts of the Guidance that apply to communities the focus is very much on labour only.

The challenge is to create standardised social auditing competence, particularly regarding what is a non-conformity against an advisory, while accepting and adapting to differing social situations. It may well be worth drawing on RA's experience with their new 2020 standard, *Re-imagining Certification*, which is attempting to incorporate continuous improvement criteria, as opposed to critical criteria, so that in theory data collection and decision-making can be more contextualised.[44] This is particularly regarding human rights, where the risk-based approach aims to incentivise certificate holders to tackle human rights issues rather than hide them.

However, in order to get away from social auditing being more tick-boxing the auditors themselves need better skills and knowledge, which is covered in section A3. Such competencies will also need to be continually assessed, which is currently undertaken by ASI, but ideally such social certification will need to test how a social auditor applies their knowledge and skills to match conditions on the ground, and against an agreed methodology.

A small number of respondents offered advice on the methodology of social auditing, particularly on stakeholder consultations. Some stressed that the work on labour was more advanced than that of communities, with claims that social stakeholders were limited to workers. Others focussed

---

43    Oxfam Novib, Improving Social Auditing - Recommended Actions for the RSPO, September 2016
44    Rainforest Alliance, 2020, https://www.rainforest-alliance.org/business/reimagining-certification/

on generally widening who should be spoken to, including villagers outside the farm and to sample across social groups, including age and gender. This requires sensitivity, actively involving those who are engaged so they are made aware of the outcomes and any corrective actions plans.

The issue of how to better involve local, social NGOs and good quality unions was raised. Notices 0f they are initial and re-certification audits – but not surveillance audits – are sent out to NGOs and communities ahead of audits, inviting input in person or documents, and audit reports are placed on websites allowing at least 30 days online for comment. However, there has been little engagement to date. The reasons for this from the NGO side seemed to be partly a lack of capacity, but also a lack of trust that issues raised would be dealt with. From the community perspective it was proposed that there were practical difficulties in attending, and that people either didn't understand the opportunities an audit may provide or there was also a lack of trust. This is a theme that is expanded on in section A4.

A final point is that many of these suggestions should make social audits more professional and effective, but will have increased cost implications, and so there is a question as to who should bear those costs.

## A2.4 RSPO management

A number of respondents drew attention to the RSPO secretariat's capacity, particularly the Assurance Department, which it was felt is one of the more under-resourced departments within the organisation, while the work is particularly high pressure and challenging.

There were suggestions that the Assurance Department get more involved with the situation on the ground, ideally building local capacity, and identifying and dealing with high risk areas. It was also proposed that the Department take more assurance activities in-house. This could include additional control over the auditor certification and review process, but it was more raised in the context of training. However, all of these suggestions noted that the first step was to direct more resources towards assurance, which seems to be agreed within the organisation. Clearly directing more money into assurance will help, but will also take time to create capacity given the steps necessary to build up human resources. Any expansion can bring in, or second, specific skills on the more complex issues around social auditing.

There was praise for the multi-stakeholder nature of RSPO, noting that there was a great deal of knowledge and experience in the ASC, as well as the knowledge and capacity of RSPO members. However, it was also noted that there needed to be a greater shared sense of purpose, and a recognition that some aspects of assurance are technical, and that the ASC works best when it is setting overall strategic direction, based on the best available data.

## A2.5 ASI assurance

There were mixed responses in terms of ASI's oversight role, with many not expressing strong opinions. Some of the respondents praised it for doing a good job, noting CBs responded to ASI actions taken, for being well resourced and for its community membership of ISEAL. There was

also praise for the work being done on publishing data on CBs. It was noted that there are KPIs for ASI's performance, so their performance can be critically measured.

There were critical comments as well, which included the need for more active oversight, the fees making them the most expensive accreditation body (and questioning if that was value for money), and a questioning of whether it was too Western-focussed with its base in Bonn. One respondent noted that serious compliance only really started after the first Environmental Investigation Agency *Who Watches the Watchmen* report (although that may be more to the direction given to them). Another expressed the opinion that ASI was not being held accountable for the problems. There was a question of whether there was a capacity issue, as ASI had not been able to focus on accreditation because they were busy working on the primary steps of educating, training and building the capacity of the CBs.

In terms of the relationship between RSPO and ASI there appeared to be no unanimity on whether ASIs role should be reinforced, or whether RSPO needed to take on more responsibility. There were those who felt RSPO was not using ASI to full capacity, while one interviewee raised ASI undertaking a more policy advisory role, in making more direct recommendations to the RSPO and ASC. There was a feeling that their commercial position made ASI less able to join a learning community, i.e. that they may make themselves commercially vulnerable. There was a question on the division of labour between ASI and RSPO where the complaints system of RSPO looks into non compliance of its members while ASI is focussed more on the performance of the CBs. It was noted that complaints about CBs were meant to be directed to those CBs first before escalation, which seems to undermine confidence in bringing complaints.

Two respondents raised the question as to whether having more than one accreditation body for RSPO would improve the situation, ensuring there would be competition. However, given the size and complexity of the scheme it is not clear what the benefits would be in practice, against the costs or effort involved, and it may lead to potential confusion and duplication.

Given the focus on social auditing it was noted how important it was for ASI to be able to support and accredit social auditors, given the complexity of social auditing. As with RSPO, it was also suggested that ASI could look to bring in more social auditing skills, including through secondments.

There was praise for the transparency of ASI's auditor registry, but it was noted the data could be freely accessible to review and rank performance for auditors, but particularly for rating CBs. This would also ensure that the performance of auditors could be monitored across CBs, to check any bias on reporting non-conformities.


**A3 Audit quality and competence**


### A3.1 Capacity building and training

There were a number of specific points made around auditor and CB training and capacity building, which included the following:-
- The RSPO Assurance Department is committed to continuous training which is improving

the situation, with four CB certification workshops a year, and a focus in the ASC on how to build capacity of CBs and assessors. CB workshops were praised, but it would be ideal to open them to more trainees, as primarily for capacity reasons it is not always guaranteed that learning will cascade down through CBs. It may be worth reviewing a random sample of CBs with workshop attendees to gauge the action that had been taken, and possibly share best practice.

- Key training needs to be mandatory to a certain level, and continuous as auditors cycle through. The high expectation of the broad range of knowledge required was commented on. There should be a particular focus on the changes in the new P&C with practical exposure and the opportunity to verify understanding. There should be further advanced training on specialisations (e.g. production, environment and social). There was a specific mention that auditors needed improved training and understanding of the 2018 Policy on Human Rights Defenders, Whistleblowers, Complainants and Community Spokespersons.
- There should be more continual support and assessment by senior auditors when juniors are operating in the field.
- Trainers need to be accredited (as in schemes such as the FSC) and closely supervised by RSPO for quality, which may not always be measured just by pass rates (as that may not indicate a thorough level of understanding, particularly for nuanced or complex issues such as land tenure or FPIC).
- The level of remuneration for trainers needs to be sufficient to attract good quality candidates.
- Training can be expensive. It was noted this could favour larger organisations, and global or Western-run firms. As such, there needs to be specific consideration for smaller CBs, as well as building capacity in specific regions that lack auditors, such as Africa or Latin America. However, given the relative lack of business in certain regions this will remain a challenge.

The following specific points were raised on capacity building and training for social auditing:-
- There was a call to increase the number of social auditors, with a review of how to recruit properly qualified and culturally sensitive social auditors.
- It was stressed that most recruits for auditing came from an agricultural educational background, and were not equipped to deal with social auditing requirements. As such there should be increased social auditing training, both at a basic level - to ensure all auditors have a mandatory, minimal understanding of the issues - and for those specialising, creating a pool of well-trained social auditors. It was suggested the CB workshops can focus on key aspects of social auditing, referring back to the 2018 P&C.
- Specialists, such as academics or socially-focussed NGOs, could observe auditor training to critique and offer improvements.
- Social audit training has to allow for specific cultural norms, ideally with flexible and specialised field instructions. It should also focus on how to be creative, sensitive and innovative to get to the truth, but should have some form of practical testing to ensure trainees have practically understood.

Respondents also drew attention to the CB peer review process for audits within RSPO, and to a lesser extent assessments. While acknowledging its positive roll, it was pointed out that peer reviewers for audits are currently appointed by the CBs, and their peer reviews can tend towards

being unstructured. There has been work undertaken to improve the structure, with more defined questions and improved quality controls on the peer reviewers. There should be an ability to block poor peer reviewers, and potentially independently appoint them. It was noted that the new RSPO P&C certification system document, released in December 2020, specifies an RSPO Peer Review college to be overseen by ASI by April 2021.

## A3.2 Auditor skills

Although it has been alluded to above, respondents stress a specific need for improved auditor skills, rather than just knowledge. A significant number of respondents drew attention to the importance of teaching so-called soft skills on the social auditing side, such as knowing who to talk to, how to sensitively interview people, and an awareness of concerns to allow people to speak freely without fear of retribution. It was noted that there was already a focus on this in CBs, continuous working on and skills and assertiveness, for instance dealing with difficult situations. However, others with experience on the ground noted they felt many new auditors frequently seemed to lack these skills.[45]

It was suggested there is a list of minimum requirements in terms of skills that auditors need to be able to show competence in before taking the standard training, and being allowed to audit RSPO members, followed by continual training on best practice skills. This can be presented in the ASI auditor registry for RSPO auditors.

One respondent noted that good social auditing is a talent, which needs to be nurtured. There is a need for social audit specialists who need time and space to explore the issues, going beyond just a checklist route.

## A3.3 Cultural issues

A particularly divisive issue that arose in some of the responses was the issue of culture, and perceptions of how this affected assurance. Even with national interpretation, there was a feeling expressed that Western concepts were being imposed on other countries, both in terms of issues – such as a decent living wage – or in process, such as auditing. The expectations raised by such concepts were either not understood, or being passively or actively resisted. Auditing was described as a "very Western concept, trying to deal with a very Eastern problem." As such it was seen as a battle of wills, where auditors don't understand the psychology of growers who are seeking to outwit them. If this is correct then recruitment and/or training need to take into account of this dynamic.

Another manifestation of these arguments reflected the idea of the trust necessary for a good audit was focussed on a desire not to be audited by people outside your own culture "who are ignorant of our context". The ASI finding more faults during witness or compliance audits was seen as another attempt to impose these Western values. The idea of decoupling was seen as a further attempt to impose 'Western auditors' against the will of 'Eastern growers', to the benefit of Western assurance businesses and NGOs.

---

45    One respondent relayed an experience where a new auditor had not brought a GPS tracker with them, and when
      questioned on that – given it meant relying on others to direct – stated that it wasn't stipulated in the handbook

Reflections from Western respondents saw issues from a different perspective. The idea of trust in business relationships was seen as natural in Southeast Asia, whereas it may be viewed as collusion or corruption from a Western perspective. Describing it as corruption may not be effective because it is not understood in those terms. It was separately claimed that new Asian auditors sometimes culturally struggled to assert themselves or their independence during the audit process.

There was also a point raised regarding gender, that there should ideally be more women in audit teams, particularly social auditing, where they may be in a better position to conduct certain interviews. This was also a point made in Short *et al*'s paper *Monitoring Global Supply Chains*.[46]

Clearly there needs to be more open discussion to come to an understanding of these different perspectives and what the implications are for maintaining a complex standard within a multi-stakeholder initiative. One respondent stressed the importance of ensuring a regional focus in the management and execution of the programme; it was asserted that regional delegation of authority was possible while still operating to consistent global standards.

## A3.4 Working conditions of auditors

There were a number of concerns raised around the working conditions of auditors, and the constraints they imposed. The general background to this was the perception that RSPO was one of the most expensive schemes for CBs to maintain as a certification, that auditors were at greater risk of being overworked and underpaid, and that competition was driving the price down and tightening the budgets of CBs. Certificate holders noted that price is only one factor, and they actively try to choose the best CB. Another respondent said they believed that in general the certificate holders chose the cheapest. It was pointed out that this price pressures contributed to CBs leaving the RSPO scheme. In an open market that may help stabilise prices, but it seems unlikely the current numbers make a material difference, and there is an agreed benefit to quality in having a larger pool of experienced, accredited CBs and auditors.

These factors produce a driver for CBs either appointing less experienced auditors, because they are cheaper, or to fill any gaps with freelancers. It was proposed by a number of respondents that an increased number of freelancers increased the risks of a poor job, given they have less responsibility for management and training, as well as an increased chance of conflict of interests. The latter was raised partly because of less knowledge of the freelance auditor, but there was less chance to know if they undertake freelance consultancy for the certificate holder, which would be a conflict of interest with their auditing responsibilities.

CBs noted they have to use freelancers to balance their books, especially to cover some geographical regions, but they recognise the concerns. As such they try to keep it to a minimum, dealing with the risk through incorporating training where possible and asking a freelancer to declare conflicts of interest. However, it is not clear if this happens in all CBs, or also if sometimes freelance auditors may be seen as handy scape-goats.

---

46 Short, J.L, Toffel M.W. & Hugill, A.R., Monitoring Global Supply Chains: Working Paper 14-032, Harvard Business School, 2015

It is clear that a certification scheme relies on a credible pool of skilled, independent, professional auditors, who understand the crop as well as the RSPO Standard, and the nuances of the supply chain. Training and retaining such auditors requires adequate remuneration, good working conditions and support in the field.

## A3.5 Minimum audit timing

Having reviewed auditor competence, another key area is having adequate time to conduct an audit. This is assessed by a CB via an initial risk assessment (approved by a technical reviewer). The RSPO has set a guideline on the minimum time needed, in terms of number of auditor days for audit. Apparently this was felt necessary as there was the perception that the allocated time for audits was getting shorter.

Some of the respondents complained that more recently, possibly as a result of the change, audits were increasing in length and complexity, which was increasing the costs, primarily to certificate holders. However, there were more interviewees who considered it may be necessary to further increase the amount of minimum time that an audit team spends on one single audit, particularly to complete a good quality audit. Again it was noted that the most time consuming areas to do right were likely to be social auditing including dealing with human rights, labour rights, issues on land tenure and FPIC, as well as child and vulnerable group issues.

It was also suggested that sometimes auditors were cutting down on hours spent during visits or cut corners through less rigorous sampling. This was seen primarily as a reaction to cope with reduced pricing. Another interviewee noted it was less about absolute time, but being able to stay focussed on core points.

Another issue raised on audit timing was the potential for auditors to take on too much work, and being too tired or not having the time to adequately prepare or write-up findings. This may be an issue around pay and conditions, but points towards ensuring there are adequate breaks between audits and/or adequate built in time for preparation and write-ups.

## A3.6 Pre-warning of audits

Another time consideration was around the amount of warning required for an inspection. Short-notice or semi-announced audits may be effective in exposing any issues that might otherwise not be properly assessed. However, completely unannounced or very short notice audits may be impossible, or very difficult logistically. That could be because of logistical issues on travel to, and within, a plantation, problems with security and issues of accompaniment. It was also noted that unannounced or very short notice created a confrontational dynamic, and may not be entirely productive as a result. Short notice or semi-announced audits were proposed as more of a practical solution.

In general the limited use of shorter notice audits was favoured, particularly if targeted where there is suspicion of - or high risk of - bad practice, or for the compliance audits undertaken by the

ASI. It was felt they were part of the operating procedures of other schemes, and there could be a limited pilot to extend it to random audits. At least one respondent was more sceptical, noting that proper methodologies and adequate time were more effective ways to uncover non-conformities.

It was proposed that RSPO could (possibly through) ASI engage a specific CB to undertake these types of audits, either focussed on high risk or to conduct random sampling.

## A3.7 New technology

The potential for new technology was raised by a number of interviewees, noting it was already used for, or its use could be increased in, a number of areas including (*inter alia*): remote sensing to improve HCV assessments; satellite or drone imagery of deforestation; real-time satellite tracking on forest fires and hot spots; and on-line tools for registering complaints or grievances. It was noted that these tools were complementary to the traditional assurance system, and could cut down the time taken on some tasks to free up time to focus on what needs to be inspected in person. Many of the tools dealt with production and environmental issues, but there were fewer dealing with social audits. A couple of interviewees noted how the experience of auditing during COVID19 pandemic had opened up new possibilities to use technology, although it is unclear how much of a lasting effect there would be in a post-COVID world. The issue of new technology, also opened up possibilities to better map and monitor HCVs, and to ensure more potential input from the HCV Resource Network,

One respondent noted that the RSPO is very open to utilising technology, but the problem may be in integrating it. They gave the example of using different tools to monitor the occurrence of fires, which is not necessarily linked to the certification process, so it isn't really clear if or how auditors interact with the data. The issue of how data can be used for transparency is covered under section A4 below.

## A4 Transparency

The issue of transparency can take a number of forms. There are four different elements discussed below: the involvement of stakeholders, ASI undertaking witness audits, independent observation of audits and the sharing of data.

## A4.1 Involving rights holders in audits

A concern that was raised in a number of interviews was how to better involve those impacted rights holders, i.e. workers and local communities, in a more meaningful way. There is a real concern that auditors do not get proper feedback from local stakeholders if they do not feel safe to speak out. Although this refers to involvement in social auditing, it is a more fundamental concept of ensuring that communities can report, and is increasingly seen as part of 'ground-truthing'.[47] It is clearly a complex process outside of the scope of this report, but ties into

---

47      Forest Peoples Programme, Ground-truthing to improve due diligence on human rights in deforestation-risk supply chains 2020, https://www.forestpeoples.org/sites/default/files/documents/Ground-truthing%20Discussion%20Paper.pdf

assurance in seeking to ensure that issues are reported, understood and dealt with swiftly and effectively. Sharing an experience of forestry on indigenous land, one interviewee noted that the only time that there was an absence of community complaints was on concessions at least part-owned by the indigenous landowners where the company had committed to, and implemented, regular community visits.

As noted it is good that there are methods to allow NGOs, unions, workers and communities to engage with the RSPO audits, but there is still more that can be done to ensure all stakeholders can feed in directly to the findings of an audit. One interviewee noted they had replied to a CB's call for input to an audit, raising an outstanding conflict which they felt should be dealt with before auditing. Apparently there was no response despite sending follow up emails, and they felt it was pointless to continue and gave up pursuing.

There needs to be improved confidence that information will be properly regarded and processed, but also capacity building to ensure that support NGOs or unions can submit documentation or attend meetings if that is what local workers or communities want. It could address concerns that auditors will properly investigate concern, and not overly rely on evidence from the certificate holder. It may also mean capacity building so that workers of communities understand and trust the process, knowing how the auditors are independent of the company, and to ensure that a sample of all relevant stakeholders are consulted, which may include communities outside, but still impacted by, a concession. An issue that was specifically raised was with auditors' perceived independence, for example by travelling in company transport, or travelling with company management or security.

## A4.2 ASI witness audits

It was recognised that witness audits, as conducted by ASI, were a key part of ensuring transparency. ASI are best placed to undertake them, and they exist to identify problems, and understand issues with audits and auditors. There was evidence that when ASI conducted witness audits that non-conformities rise, and this has helped in ensuring quality, and in picking up different interpretations across CBs. This praise even came from one of the CBs, who noted it helped them to maintain standards.

However, it was also noted that they were not universally liked, particularly by the certificate holders concerned who felt victimised if selected, although it was the CB which was primarily being assessed. They were very stressful and high stakes for everybody involved. Also because witness, and compliance, audits were done in response to complaints, the data identifying more non-conformities may be biased if it is only focussed on the worst offenders. It was also claimed that both were conducted with an effective target to find more non-conformities, and so would pick up every issue possible. One respondent noted that despite being thorough that there were methods to hide concerns from a witness. Another complained that it still felt like any information was still kept within the system through it being ASI led, and so it was difficult to fully and independently understand the conditions and problems on the ground.

Despite the complaints, there was no call to do less of them, and there seemed to be backing to do more, within the limits of resources. One interviewee noted this was particularly in terms of

assessing social competency. It was also suggested that more random witnessing of audits may be better, to ensure general standards and uniformity of data.

## A4.3 Independent observation of audits

Another area of transparency is the idea of observation of the certification/audit process in practice, independent of the ASI and RSPO. It was noted that this was currently allowed, as long as the certificate holder agrees, and certain protocols are respected including not influencing the independent audit and agreeing to confidentiality and what the purpose is (i.e. supporting auditors, reviewing aspects of the audit process, improving criteria etc.). There was some disagreement over how many independent observers had joined audits, with one participant noting they have had NGOs join while another noted that no-one applied.

A few respondents were sceptical of the idea in general, noting that an element of trust was required because people may not stick to the agreed protocols or ground rules, or there may be potential conflicts of interest. Also a certain knowledge level (of the RSPO, the issues and/or growing palm oil) was required to be of use, and that there may be a capacity issue, either for audit teams, certificate holders or the RSPO logistically or in terms of suitable candidates having the time and resources to engage.

In terms of responding to the above points, it seems that if observers are willing to sign agreements laying out the terms and conditions then it should be possible to hold them to those conditions. There is a potential for conflict of interest, particularly with some NGOs or unions, so a declaration of conflict of interest should be part of any pre-agreement, including around the handling of sensitive data. If stakeholders, such as workers or communities, consider there is any problem or undeclared conflict of interest they should be allowed to exclude any independent observer.

As to who could take up the role of independent observers there are a number of professions to draw on including: academics; NGO workers or good quality union representatives not involved in that particular concession; or (semi)retired auditors. Any of those may be able to particularly assist on social auditing, with areas of preferred expertise including issues such as gender, human rights and international, national or customary law. It could also include those who are still engaged in the certification process but have less engagement with field work, such as some trainers, in which case it is about the benefit to the observer, as much as to the auditor, CB or the RSPO process. One respondent noted that any expert assisting the social auditing should also ensure they are part of the auditor's report back to stakeholders directly.

On the question of financial support it depends on the scale of accompaniment envisaged. It is clear that at lower levels of engagement NGOs or other observers could support their own presence. However, it is also clear that funding is a limitation, and it is not fair to ask either the CB or certificate holder to bear the costs. It was suggested that the RSPO could create a trust fund – either supported by the RSPO directly or via its members – with the aim of improving assurance, including financially supporting independent observation of auditing. This will be considered again under section A5.4.

## A4.4 Sharing data

One route to better transparency is the open sharing of data. This would ideally include publishing full audit reports, excluding private business information, on easily searchable and publicly accessible platforms, so that they can be reviewed by other stakeholders. Data on both audits, auditors and CBs should be accessible on databases, so that they can be better aggregated and cross-referenced.

This would allow data to be cross-referenced against other landscape or satellite data, as well as internally cross-referenced to pick up trends, patterns and anomalies. It should allow for pin-pointing higher risks for better targeted auditing. Such targeting could have benefits to certificate holders, as in theory it could reduce the level of auditing for lower risk certificate holders if it is concentrating on the higher risk. The same could apply to CBs and auditors, in terms of rewarding good performance, and supporting/targeting where there is poor performance.

An example given where data sharing would be important involves three different auditors inspecting three different company sites, and all reported the same issue separately, as a minor non-conformity. However, if this trend had been spotted across the whole company it would have been escalated as a more serious non-conformity.

There would clearly be implications require confidentiality and ensuring any shared data is held securely, which would need to be well thought through. Commercial confidentiality is a real issue, but data can be aggregated and/or anonymised where necessary. It would also likely need a large investment to integrate the data as successfully as possible, but afterwards could save money as long as data is only added the one time. Greater integration with apps for auditing, which would allow data to be uploaded directly, and so save time and money.

This is an area where there is increasing interest and activity. ASI already publishes some key data, including an incident handling management system, which is a mechanism to gather data from different sources, and can act as a trigger on higher risks. One respondent noted that many schemes are working actively on full reporting and ISEAL are supporting standards to make better use of data.


## A5 Auditor Independence

This section starts with the issue of auditor allocation, and how it responds to issues of independence. Then the contentious proposal for CB/auditor allocation is dealt with. There was a split, with - for information purposes - a small majority in favour of trying under conditions (but that is not scientific as although trying for a breadth of opinions interviewees were not chosen with this specific question in mind). However, perhaps more interestingly there was a small group very much in favour, a small group very much opposed and a larger group who were supportive or concerned in different measures. In many ways the 'yes but' and 'no but' answers helped the most in laying out the following concerns around why it wouldn't work or provisos to help it work covered in 4.3.1 and 4.3.2. It then explores the issue of trust funds and finishes around recommendations on testing any new systems.

## A5.1 Auditor rotation

One way of dealing with issues of potentially inappropriate relationships forming is to ensure there is auditor rotation, and many people saw the merits of this, potentially as a simpler and cheaper alternative to allocation. Others noted that it had merit as a system, but felt it did not go far enough.

In term of how it is currently applied, CB's risk assessments should currently consider the risks from over familiarity. The 2017 RSPO Certification Systems documentation ensures the lead auditor cannot act in that role for more than three consecutive audits.[48] The newly released 2020 Certification Systems documentation says the same lead auditor should not be used as audit team leader, for more than two consecutive audits, and should not participate in any associated audit activities for at least two years.[49]

There is a logic for concentrating on lead auditors, as the team leader plays an important role in terms of decision making and engagement. The new 2020 provision seems a sensible one as a number of respondents noted that rotating a head auditor back into a team means there is still a chance for them to exert de facto influence. It will need time for the new provision to be applied and tested.

However, other respondents noted that rotation should apply not just to head auditors but also include all auditors in the team, CBs and peer reviewers. This would ensure a greater level of independence. However, it was pointed out that it may not always be possible as it would require a large enough pool of auditors and CBs to draw from, which could be an issue in specific regions. It may be possible to consider a rule that would have exceptions if there was not a minimum pool of CBs or auditors within a country or region.

It should be noted that one respondent felt that the current provision on rotation has not been stringently applied, but the complaint seemed to merge into the issue of whether the head auditor could still influence an audit.

## A5.2 Will CB/auditor allocation help?

There were a number of points made by interviewees concerning why auditor allocation wouldn't work or be helpful. These have been transferred, with any answers given, to section 4.3.1.

## A5.3 Concerns around implementation

There were a number of responses around implementation, and this has been transferred, with any answers given, to section 4.3.2.

A more general point made was to ensure any model is simple and maintains a certain level of predictability, with suggestions for business efficiency. There were a number of suggestions of

---

48    RSPO, Supply Chain Certification Systems, revised 2017 - https://www.rspo.org/publications/download/e93ae07bdabafb2
49    RSPO, RSPO Certification Systems for Principles & Criteria and RSPO Independent Smallholder Standard, November 2020

how allocation could work. There was another point made that if auditors are directly assigned there may be no need for CBs, as this can happen in smaller schemes. However, to my understanding given the scale of RSPO certification and the current set up no-one has suggested that this be implemented with the RSPO.

Finally, echoing the point that other issues need to be addressed as well, one respondent noted it wouldn't even solve every problem around independence, as you would still need to deal with the issues of auditors not being associated with the company to allow interviewees to speak freely without concerns of reprisals.

## A5.4 Pooled trust fund

One potential element of an auditor allocation scheme could be the use of a trust, or escrow, fund as outlined in section 4.3.1. It was noted that such a fund could hold money to pay for allocated audits, or it could be used to improve the assurance and thus the credibility of the RSPO, or it could be used for both (either two separate funds, or the same fund where any surplus after paying for audits could be dedicated towards projects that improve assurance).

There were mixed responses to this idea, with a number of people believing that it was not necessary and will inflate assurance costs that would fall on the certificate holders. In general people noted that any trust fund needed to be run to clear guidelines – notably that it was independent, transparent and efficiently managed, with a clearly agreed mechanism. If there was active auditor allocation, those overseeing or administrating the trust fund could or should be separate. There clearly needs to be agreement on where such a fund is hosted, and its level of independence within RSPO. It is likely that a group of RSPO members and stakeholders would act as trustees to it, ensuring overall guidance and governance, while the Secretariat would administer it. It was noted there were a number of examples to draw experience from, including the Dispute Settlement Facility Trust Fund within the RSPO.

## A5.5 Pre-determined fees

Another feature of an auditor allocation scheme is that fees could be set at pre-determined rates. This is not necessary for auditor allocation, but it is one of the options that becomes possible especially if using a trust fund. Theory is it would be beneficial for the system, because CBs will have a clearer idea of their budgets and there is some quality assurance in not having to compete on pricing.

Of those who had an opinion, some (mainly certificate holders) were generally against the idea, partly because it was likely to lead to generally higher fees for audits, while they were already considered comparatively high. It is also possible, as per point A5.6 below, that downstream users could be invited to 'top up' the trust fund, and if that lowered prices then this was a consideration. However, that is a separate decision. Some of those objecting believed that attempting to set fees could breach competition rules, in at least some jurisdictions. Others pointed out it wasn't a necessary feature of audit allocation.

Some noted they would be happy with this idea potentially, and some said it was a system they

either were used to or that it would be fairly easy for CBs to adapt to, given their current system based on pricing auditor-days (as long as it incorporated any necessary variations in expenses). It was stressed that there would need to be a method to control costs – of jointly setting and reviewing at a reasonable rate – with independent, and ideally multi-stakeholder, oversight.

## A5.6 Downstream RSPO members contribution

As noted in A5.5 the concept was raised of downstream RSPO members, potentially those buying or financing certified palm oil, contributing to a joint trust fund. This would be to improve the quality of assurance and deal with potentially inflated costs from any solution. The argument is that if there are costs involved in improving assurance then there should be some form of shared responsibility for it.

Although a number of respondents answered this question, the most important responses are from the downstream users. In terms of a direct question to contributing to a trust fund for auditor allocation their response was overwhelmingly negative. There were a number of reasons given, which included (*inter alia*): it may be complex or confusing in how it works; there is no guarantee it will be value for money (to justify within organisations); it may create expectations on those organisations paying into it or confuse roles; it could undermine payment of the premium; it would further increase the disparity paid between RSPO and non-RSPO palm oil, which will discourage take up of RSPO; and financiers were investing only in equity, and not the product and so it was difficult to justify within the financial institution.

Having given those responses there was some unanimity that it was more the proposed mechanism that was the problem, and that there may be some willingness to support, at least from some downstream quarters, if required and such support would be effective. This was in keeping with a shared responsibility to contribute to RSPO's vision of making sustainable palm oil the norm. That could be through raising the membership fee, especially as this would ideally not be too onerous on individual members. However, obviously there needs to be consideration of overall budgets to see if this was necessary, and what such a contribution would be.

Finally, as the initial questions were focussed around supporting a joint fund to hold money to pay for allocated audits, the concept of paying into a smaller, specific fund to support more sundry assurance costs was not fully explored. This is something that may be of more interest assuming it is a clearer, more focussed and less ambitious goal. That may require further exploration.

## A5.7 Piloting new solutions on independence

In general there was strong support expressed for finding ways to trial any changes around auditor allocation. This was so that any changes could be properly assessed for efficacy, and constantly improved, as well as any negative impacts understood and mitigated. It was suggested that given how polarising the issue is that working in an iterative fashion was important, even if some stakeholders considered change urgent. Stakeholders need to be able to transparently scrutinise the process and the results of any trials to have confidence that changes are having a positive impacts. However, couple of respondents were wary of trialling, noting that learning lessons from other systems may ensure that no pilot necessary.

The following points were made advising how any pilot could be conducted:

- A pilot could trial different versions of the solutions proposed to deal with independence, potentially simultaneously, which should provide data on efficacy and impacts.
- There was some disagreement on the size of any test sampling, with some noting it should be larger and others smaller, but to an extent that also depends on what is being piloted. One suggestion was to start small, and then over time to increase the numbers involved in the trial as well as the indicators. However, it will clearly need to be at a scale where there would be enough variation in the pool of CBs and auditors.
- On the question of who could conduct a trial it was noted that a mix of certificate holders would be ideal to ensure a wide range of different data to analyse. It was suggested that specific companies could volunteer, and that may be especially possible in early trials, but theoretically it could skew any results, as those most likely to volunteer are likely to be those with least potential problems.
- On where, it was suggested starting with one country, or a smaller region. There would need to be a large enough sample size in either. It was suggested that it could be aimed where there is a greater problem, and – although that may also skew the data – at least it will be able to give a better idea of whether problems will be dealt with. It was also noted that if there was a concentration on problem areas, then it may not need to be extended beyond there depending on results.
- Regarding when, it was suggested to run for at least two cycles, but evaluation and modification could be made at certain way points. It will be important to allow enough time for planning.
- Regarding what will be analysed, the idea would ideally benchmark different solutions against each other and against other audits. There should be strong KPIs associated with it in terms of being able to assess whether or not it has been successful, particularly – but not only – around measuring non-conformities.
- At least one certificate holder stressed how problems arising from a trial should not lead to a loss of certification. So it would be important to have some form of appeal or adjudication if there was a claim that the trial itself had created a problem.

## ANNEX 2 – METHODOLOGY AND BACKGROUND

### A2.1 Methodology

The aim of the research is to carry out a multi-stakeholder review to explore the workability of various options for improving the quality and increasing the independence of audits. It has been based on desk-bound research, primarily with formal interviews. An exploratory stage started with an initial literature review, and a set of informal interviews to establish background, helping to confirm formal interviewees, formal and informal interview questions and identify other literature and avenues of research. The aim was for a deep exploration of key assurance issues within the RSPO, while referring to useful experience from other certification schemes or types of assurance.

Formal interviews were conducted across a representative sample of RSPO stakeholders, with a structured set of questions, and a further set of semi-structured interviews were undertaken across a range of different stakeholders, including those with general experience of assurance

and auditing, or with specific knowledge of other assurance systems. There were 14 different formal interviews with 17 interviewees, and 30 informal interviewees in total. They are listed in annexes A2.2 and A2.3. Some questions asked were slightly adapted for each individual, and the interviews were conducted under the Chatham House rule to allow individuals to speak freely.

The formal interview questions covered three thematic areas:
- the first enquired into perceptions of whether there was a problem with RSPO assurance and what the causes were;
- the second focussed on issues around auditor competence, training and transparency, and what could be done to improve them (with transparency eventually becoming a separate focus), while;
- the third focussed on issues around the independence of auditors, whether proposals to decouple auditing would be effective or not, and what may or may not work.

The formal, and key informal, interviews were transcribed and the texts of the interviews were carefully analysed, with the key points collated in an anonymised spreadsheet under specific headings. Those headings, based on responses from the interviewees, produced the structure of the report The results of these interviews were collected under Annex 1, and they - and the further literature that was gathered as a result of ongoing interviews and searches, informed the final report, conclusions and recommendations.

## A2.2 List of formal interviewees

| Interviewee | Organisation | Interviewee | Organisation |
|---|---|---|---|
| Agus Purnomo | Golden Agri Resources | Norman Jiwan | TUK Indonesia |
| Aminah Ang | RSPO | Olivier Tichit | Musim Mas Group |
| Bart W van Assen | Independent auditor | Paul Wolvekamp | Both Ends |
| Claudine Musitelli | Unilever | Peter van der Werf | Robeco |
| Dian Susanty Soeminta | TÜV Rheinland | Petronella Meekers | Unilever |
| Lázsló Máthé | New Britain Palm Oil Ltd. | Sonke Fischer | ASI |
| Hugo Byrnes | Royal Ahold Delhaize N.V | Supun Sachithra Nigamuni | Control Union |
| Marcus Colchester | Forest Peoples Programme | Wan Muqtadir Wan Abdul Fatah | RSPO |
| Michael Guindon | World Wildlife Fund | Norman Jiwan | TUK Indonesia |

## A2.3 List of informal interviewees

| Interviewee | Organisation | Interviewee | Organisation |
|---|---|---|---|
| Andrew Ng | Grassroots | Olivier de Vos | Rainforest Alliance |
| Beverley Postma | RSPO | Patrick Mallet | ISEAL |
| Bilge Daldeniz | Proforest | Paula den Hartog | Rainforest Alliance |
| Chris Wedeles | | Perrine Toledano | CCSI |
| Conrado Guinea | Rainforest Alliance | Richard Donovan | RZDonovan Ltd |
| Dan Lee | Best Aquaculture Practices (BAP) | Sam Szoke-Burke | CCSI |
| Daniel Seligman | | Santiago Porto | PeaceNexus |
| Dr Inke van der Sluijs | RSPO | Shinta Puspitasari | Proforest |
| Fiona Gooch | Traidcraft | Siobhan Pearce | EIA |
| James Whitehead | Forest Peoples Programme | Sonia Slavinski | Marine Stewardship Council |
| Julee Boan | Ontario Nature | Thuong Minh Bui | Rainforest Alliance |
| Kendyl Salcito | University of Denver | Tim Aldred | FairTradeUK |
| Lanash Tanda | Sabah Environmental | Tom Clark | |

| | | | |
|---|---|---|---|
| | Protection Association (SEPA) | | |
| Lisa Ryser | Rainforest Alliance | Tom Griffiths | Forest Peoples Programme |
| Neil Judd | Proforest | | |

## A2.4 List of publications

| Name, organisation, publication | Date | Title |
|---|---|---|
| Albersmeier. F, et al, Food Control | 2009 | The reliability of third-party certification in the food chain |
| Church, B.K. et al, Accounting Horizons | 2015 | Auditor independence in fact: Research, regulatory, and practice implications |
| CIPS & Traidcraft | Undated | Win/Win: Achieving Sustainable Procurement with the Developing World |
| Clean Clothes Campaign | 2005 | Looking for a Quick Fix: how weak social auditing is keeping workers in sweatshops |
| Cockburn, M & Yapp, T., World Bank | 2004 | OBA Payment Mechanisms and Risk Mitigation |
| Colchester, M. Policy Matters | 2016 | Do commodity certification systems uphold indigenous peoples' rights? |
| Duflo, E. et al, NBER | 2013 | Truth-telling by Third-party Auditors and the Response of Polluting Firms: Experimental Evidence from India |
| ECCHR, BfdW & Misereor | 2020 | The human rights fitness of audits and certifiers  A position paper |
| Environmental Investigation Agency | 2015 | Who Watches the Watchmen |
| Environmental Investigation Agency | 2019 | Who Watches the Watchmen 2 |
| Forest Peoples Programme | 2020 | Ground-truthing to improve due diligence on human rights in deforestation-risk supply chains |
| Greenpeace | 2019 | Burning Down the House |
| Impactt & Traidcraft Exchange | Undated | Material concerns: responsible garment sourcing |
| IUCN Netherlands | 2019 | Setting the Biodiversity Bar for Palm Oil Certification |
| Jennings, S., WWF | 2016 | Expecting Too Much Getting Too Little |
| Kumacaya | 2020 | Learning Lessons from two years of building civil society and business |
| Moore, D.A. et al, Judgment and Decision making | 2010 | Conflict of interest and the intrusion of bias |
| Morgans, C L et al, Environmental Research Letters | 2018 | Evaluating the effectiveness of palm oil certification in delivering multiple sustainability objectives |
| MSI Integrity | 2020 | Not Fit for Purpose |
| Palm Oil Innovation Group | 2017 | http://poig.org/wp-content/uploads/2017/11/Innovating-Assurance_POIG-Brief_27-Nov-2017.pdf |
| Palm Oil Innovation Group | 2018 | http://poig.org/wp-content/uploads/2019/11/POIG-Verification-Audit-Requirements_v1.1-August-2019-Final.pdf |
| Profundo | 2018 | Study of Labour Compliance in RSPO, Indonesia |
| Santika T. et al, Nature Sustainability | 2020 | Impact of palm oil sustainability certification on village well-being and poverty in Indonesia |
| Short, J.L, & Toffel M.W., HBS | 2016 | The Integrity of Private Third-Party Compliance Monitoring |
| Short, J.L, Toffel M.W. & Hugill, A.R., HBS | 2015 | Monitoring Global Supply Chains: Working Paper 14-032 |
| Sikka, P. et al, Technical Report | 2018 | Reforming the auditing industry |
| Silva-Castaneda, L. Agriculture and Human Values | 2012 | A forest of evidence: third party certification and multiple forms of proof |
| Szoke-Burke, S. CCSI | 2019 | Innovative Financing Report |
| Wessels, J-A., Impact Assessment and Project Appraisal | 2013 | Factors that influence the independence of EIA follow-up verifiers |
| Willekens M., et al | 2019 | EU statutory Audit Reform - Impact on costs, concentration and |

| | | competition |
|---|---|---|

**Internal documents and procedural manuals**

| Name, organisation, publication | Date | Title |
|---|---|---|
| ASI | 2020 | Draft Labour Auditing Guidance ASI |
| ASI | 2019 | RSPO nonconformity analysis - A comparative of P&C nonconformities raised |
| ASI, Mathé L. | 2017 | RSPO Integrity Project - RSPO Compliance assessments in 2015 and 2016 |
| Best Aquaculture Practice | 2020 | Requirements for Certification Bodies Offering Certification |
| Best Aquaculture Practice | 2018 | Complaints Appeals and Disputes |
| Harrison, A. RSPO | 2020 | Review of the Assurance Task Force |
| Herding W., & Fischer A., ISEAL | 2015 | Smart Data: An Exploration of Technology Innovations for Sustainability Standards Systems |
| Marine Stewardship Council | 2019 | General certification requirements v2-4 |
| Marine Stewardship Council | 2020 | Overview of the Peer Review College |
| Murphy, L. | 2018 | Review of the Design of the RSPO Assurance Model |
| Ontario Ministry of Natural Resources and Forestry | 2019 | Independent Forest Audit Process and Protocol |
| Oxfam Novib | 2016 | Improving Social Auditing - Recommended Actions for the RSPO |
| PeaceNexus | 2015 | Company Community Trust Fund Concept Note |
| Preusser, Dr. S,, RPSO | 2017 | Strengthening the RSPO Audit |
| Rainforest Alliance | 2020 | Audit Allocation System – Implementation in Ivory Coast and Ghana |
| Read, M. | 2020 | Motion 61 FSC Certification Integrity and Credibility |
| Roundtable on Sustainable Biomaterials | 2020 | RSB Procedure for Certification Bodies and Auditors - Version 3.7 |
| RSPO | Undated | RSPO Dispute Settlement Facility Trust Fund Framework |
| RSPO | 2020 | RSPO Certification Systems for Principles & Criteria and RSPO Independent Smallholder Standard |
| RSPO | 2020 | Supply Chain Certification Systems |
| RSPO | 2017 | Supply Chain Certification Systems |
| SENES Consultants | 2016 | Review of the Independent Forest Audit |
| Verité and Oxfam Novib | 2015 | Improving Social Auditing Within the RSPO - gap analysis |

# For further information please contact

The researcher: Andy Whitmore:
whit@gn.apc.org

For IUCN NL:
Heleen.vandenHombergh@iucn.nl

February 2021