

Terms of Reference (ToR)

Initial Study on De-Linking Business Relations Between RSPO-Accredited Certification Bodies and Auditees

A. Introduction

The RSPO Principles and Criteria (P&C) is the world's leading sustainability standard for the palm oil sector. However, the credibility of the RSPO certification scheme has been consistently undermined by documentation of poor practices, as well as concerns on whether the Assurance System is being implemented with sufficient rigour. A series of external studies and reports have pointed to a suite of common failings that are not being sufficiently or consistently addressed, with a focus on the work of RSPO-accredited certification bodies (CBs) and RSPO's appointed accreditation body, Accreditation Services International (ASI).

An RSPO certification body (CB) is an independent third party responsible for the certification process, which provides assurance that an organisation or auditee complies with a set of requirements set within a standard. In general, the CB's business process involves providing assessments (often referred to as "audits"), which include a direct contractual agreement with the organisation or auditee that specifies the number of man-days and certification costs to be covered, audit planning, selection of auditors, desk review, site visits, and making an audit conclusion with reports that provide details on the outcomes of the assessment and, where appropriate, any gaps between the requirements of the standard and the way the organisation is currently operating. The CB is directly contracted by the company seeking certification, and thus has a commercial relationship with the organisation/auditee. This direct relationship may potentially create a conflict of interest between these two entities.

In 2016, WWF conducted a study (by Dr Steve Jennings, 3keel), which revealed that almost all the informants interviewed during the study highlighted the credibility gap in sustainability auditing due to the fact that certification bodies are contracted and paid by the company being audited. For instance, during the study, one informant gave a forthright response when asked whether certification bodies put sufficient resources into audits. It was revealed that small teams composed of just three or four auditors would spend only a few days assessing the compliance of large, complex companies that may also source palm oil from hundreds of smallholders in the vicinity, with a wide-ranging and sometimes ambiguous standard, that includes issues difficult to detect. The study also found that competing for work with other certification bodies often means minimising the time spent auditing, hiring relatively inexperienced and therefore low cost auditors, and paying even experienced auditors low rates, all of which serve to undermine the quality of work that auditors do. Some palm oil companies also feel that there is little transparency about how certification bodies price their work, which means that they are not assured of getting better quality audits if they pay more. Anecdotally, at least, a number of experienced auditors are leaving the field due to poor pay, whereas some certification bodies apparently see cheap audits as a way to more lucrative consulting.

Mindful of these challenges, the RSPO Secretariat through the Assurance Division has identified this issue along with some other key concerns and conducted a thorough analysis to identify gaps and root causes, and find solutions for improvement. The results of this analysis was presented in the Assurance Gap Analysis report, which was endorsed in 2021 by the Assurance Standing Committee (ASC) following several rounds of discussion and consultation in the ASC's meetings, two Assurance Forums, a workshop, and feedback gathering from a subgroup. Among the main issues addressed in the report are certification and accreditation, including the process of certification assessments and the monitoring of certification bodies (CBs) by the accreditation body.

Workstream 1 as defined in the Assurance Gap Analysis report, focuses on strengthening the Assurance Systems, indicating that the RSPO Secretariat should explore options for mechanisms to partially de-link business relations between CBs and auditees, in line with the applied RSPO Certification Systems Document. The next steps for this de-linking initiative include piloting mechanisms to increase assessors' independence and proposing a link to ASI's CB performance assessment. In the latter, high-risk growers must select from a pool of higher-performing CBs, which could serve as a potential basis for matching the risk levels of assessments to the level of CB performance.

In its recent meetings, the ASC requested the RSPO Secretariat to conduct an initial study on de-linking business relations between RSPO-accredited certification bodies and auditees. To this end, the RSPO Secretariat is looking for an independent consultant to carry out the study.

B. Objectives

The initial study aims to analyse the business model of CBs and provide recommendations on de-linking business relations between CBs and the companies being audited (i.e. auditees). The focus of the study will be to:

1. Review the practicality of commercial relation agreements or financial linkages between certification bodies and auditees;
2. Explore options to de-link the financial linkages between certification bodies and their auditees without affecting their business model;
3. Identify the actual and potential obstacles that may be faced by the CBs and their clients when there is no direct financial linkage;
4. Recommend a suitable financial scheme to manage the certification costs, which shall be independent and not have a direct linkage with CBs;
5. Highlight the advantages and disadvantages of de-linking business relations between CBs and Auditees, for the RSPO Secretariat and its members.

C. Scope of the Study

1. The Consultant will carry out a desk study on sampling basis using an appropriate methodology developed by the Consultant and agreed upon by the RSPO Secretariat. The methodology shall cover the following areas:
 - analysis of the business model and practices of certification bodies as profit-oriented organisations;

- analysis of current practices on commercial relations and direct contracts between certification bodies and auditees, and provision of possible practices to disconnect the direct relationship;
 - analysis of potential impacts on certification bodies as profit-oriented organisations when the financial linkage with auditees is disconnected;
 - analysis of possible financial models that can cover certification costs of certification bodies without having a direct linkage with auditees, including examples of adoption of such models by other certification schemes.
2. The Consultant is responsible for ensuring the study is done satisfactorily, and this shall include preparation, document review, interview with informants, data collection and analysis, field visits (if required), reporting, and any other relevant activities related to this study.
 3. The scope of this study will be defined and agreed upon between the Consultant and the RSPO Secretariat following principles of independence and avoidance of conflict of interest as outlined in RSPO's key documents such as the RSPO Certification Systems Document 2020.

D. Intended Outcomes

1. A comprehensive report that evaluates each of the objectives above, including all relevant points in this Terms of Reference, as well as other issues that may arise during the study;
2. A written recommendation to propose a possible financial scheme to manage the certification costs for auditees that is independent and not have a direct linkage with CBs.
3. A written recommendation to propose a process, resources and methodology of pilot testing together with an appropriate timeline.
4. Close coordination and collaboration with the RSPO Secretariat and other parties involved in the study.

E. Reporting

The Consultant will report to the RSPO Secretariat through the Integrity Unit of the Assurance Division. The format and components of the report will be further discussed and agreed upon prior to the commencement of the study.

F. Required Expertise

To achieve the objectives listed above, the RSPO Secretariat requires a Consultant with specific expertise, including:

- a. Familiarity with the RSPO Certification Systems document and other RSPO key documents, particularly with regard to the accreditation requirements for Certification Bodies.
- b. Experience in RSPO audits or in any similar certification schemes under the Certification Bodies arrangement.
- c. Acceptable knowledge of the business model of Certification Bodies as profit-oriented organisations that carry out certification audits.

- d. Proven track record in conducting similar studies in any relevant sustainability certification scheme(s).
- e. Experience in the study of corporate relationships in accordance with applicable standard requirements.
- f. Ability to maintain independence and impartiality, including avoiding conflict of interest, and not currently being hired or working with any RSPO-accredited certification bodies.
- g. Ability to carry out an independent analysis of the data and information captured to meet the objectives outlined in this Terms of Reference (ToR).
- h. Fluency in English – both written and spoken.

G. Timelines

Interested applicants are expected to adhere to the anticipated timelines below:

Week 1 to 4 of October 2023	Call for proposal
Week 1 to 3 of November 2023	Review of proposals by the RSPO Secretariat
Week 4 of November to Week 2 of December 2023	Response from applicants on any required clarifications in the proposals
Week 3 of December 2023 to Week 2 of January 2024	Preparation of legal contract between the RSPO Secretariat and the appointed Consultant
Week 3 of January to Week 4 of February 2024	Technical meeting and preparation of the study
March 2024 – May 2024 (three months)	Conducting the study
Week 1 to 4 of June 2024	Submission of draft report to the RSPO Secretariat
Week 1 to 4 of July 2024	Review of draft Report by the RSPO Secretariat and necessary clarification and response from the appointed Consultant
August 2024 (ASC Q3 2024 meeting)	Submission and presentation of the final report to the ASC

H. Proposal Submission

Interested parties are invited to submit their proposals and include the following information in their expressions of interest:



- A brief statement addressing the rationale for application based on the required expertise.
- An overall work plan with a time frame, including fee quotation.
- Curriculum vitae(s).
- Examples of similar or previous projects demonstrating the ability to undertake work of similar nature.
- Declaration of any potential conflicts of interest with related parties, including whether the Consultant is a subsidiary of the same parent company as any RSPO-accredited Certification Body.

Interested parties are advised to read this Terms of Reference (ToR) thoroughly and submit their expressions of interest, proposals and other required documents to freda.manan@rspo.org by 6:00 PM MYT (GMT + 8) on 31 October 2023. All documents submitted in response to this ToR must be written in English.

-----THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK-----