3. Traceability

SPOTT indicators: Does the company disclose...

16) Number and names of supplier mills?
17) See factsheet 2. Landbank and maps.
18) See factsheet 2. Landbank and maps.
19) Time-bound commitment to achieve 100% traceability to mill level?
20) Time-bound commitment to achieve 100% traceability to plantation level?
21) Percentage of supply traceable to mill level?
22) Percentage of fresh fruit bunches (FFB) from own mills traceable to plantation level?
23) Percentage of fresh fruit bunches (FFB) from supplier mills traceable to plantation level?

Context

Traceability is an important component in the implementation of sustainable sourcing commitments as it links palm oil products with palm oil production on the ground. Traceability allows companies to understand where they source palm oil from, what the associated impacts on the ground may be and consider potential interventions. It is relevant to palm oil companies who purchase fresh fruit bunches (FFB) from smallholders, to traders and buyers who might buy palm oil in various forms from growers, as it allows them to prioritise areas associated with high environmental risk.

It is important to recognise that, while traceability is a necessary first step in ensuring sustainability and the effective implementation of company policies, traceability in itself does not equate to sustainability. Palm oil producers can facilitate traceability, the verification of sustainability claims, and the fulfilment of commitments by increasing the transparency of their operations, including regarding the location of their plantation and mill sites. In turn, this can demonstrate to buyers and investors that companies are employing good governance, due diligence, leadership and openness.

Obligations and expectations

While there are no legal requirements related to the traceability of palm oil, companies suggesting or stating that their supply chains are ‘deforestation free’ or entail ‘zero deforestation’ when this is false or misleading or where no sufficient evidence can be produced, may be liable to claims under EU consumer protection law and similar legislation in other jurisdictions.

Several European governments (Denmark, France, Germany, Netherlands, Norway, UK) and sector organisations (e.g. Belgian Alliance Sustainable Palm Oil, Danish Food and Drink Federation Initiative) signed the Amsterdam Declaration in December 2015. The signatories are committed to support 100% sustainable palm oil in Europe by 2020, with one of the actions focusing on “supporting and participating in developments in the area of traceability, leading to a more transparent and sustainable palm oil supply chain.”

Glossary

Traceability

IDH defines traceability as ‘knowing all palm sources within one’s supply chain all the way to plantation level (including smallholders), and traceability to mill as an intermediary step in achieving full traceability. In this context traceability is not a chain of custody concept and traceable is not the same as segregated’.

Segregated

Certified palm oil is kept segregated from non-certified palm oil, but is blended with other batches of Certified Sustainable Palm Oil (CSPO) and cannot be traced back to a specific plantation.

Identity Preserved

CSPO is kept segregated from all other sources (certified and non-certified) and a batch of certified palm oil can be traced from plantation to factory to retailer.

Challenges

• The definition of ‘traceability’ used by a company is important. ‘Traceable’ may mean either that palm oil can be traced back to where it first entered the supply chain at a mill or primary processor, or it may mean ‘traceable’ back to the original farm or plantation.

• Achieving traceability poses significant challenges for companies, particularly for traders and downstream players who try to establish traceability back to mill or plantation level. This is due to: (1) the complexity of the palm oil supply chain and (2) confidentiality. Therefore, to a certain extent, downstream players rely on their suppliers’ own traceability efforts.

• The palm oil supply chain is complex, involving multiple layers of suppliers: palm oil producers (from large plantation companies to smallholders), crushers, refiners, traders, processors, manufacturers and retailers. Mixing of palm oil and palm oil products may occur at each of these different stages in the supply chain, making traceability difficult to achieve.

• Confidentiality: direct suppliers may be unwilling to disclose detailed information to their customers about whom they buy from and how much they buy, as this is commercially sensitive information. Suppliers may not wish for their customers to by-pass them, making traceability difficult. It may therefore be necessary to involve a third party, bound by a confidentiality agreement, so that commercial information is not passed on.
**Best practice for traceability**

For companies that only source from their own mills and plantations, traceability should be straightforward; however, for companies that also buy from growers and smallholders, tracing back to mills and/or plantations is more difficult. There are several steps that palm oil buyers should follow to implement best practice:

- Companies should engage with their direct suppliers. The conversation should start with companies explaining their sustainability commitments and clarifying the need for traceability.

- Supplier workshop and/or webinars should be arranged to help suppliers understand the concept of traceability and what is required to fulfil a company’s requirements.

- Palm oil companies should start gathering information from their direct suppliers on where they source their palm oil and palm oil products from.

- Companies should analyse supply chain maps and categorise palm oil sources. For example, as a first step, any product that can be traced back to the producer, or the originating mill, can be considered a “known source.”

- It is important to prioritise interventions in high impact sourcing areas for improvement. This can include working with suppliers to identify “unknown sources” or conducting field visits to validate information from high risk sources.

**Recommended resources**


Other SPOTT indicator framework factsheets in the series

This document is part of a series of factsheets in the publication: From disclosure to engagement: A guide to the SPOTT indicator framework for assessing palm oil producers and traders. Below is a full list of the factsheets:

- Factsheet 1: Sustainability policy and leadership
- Factsheet 2: Landbank and maps
- Factsheet 3: Traceability
- Factsheet 4: Deforestation
- Factsheet 5: Biodiversity
- Factsheet 6: HCV, HCS and impact assessment
- Factsheet 7: Peat
- Factsheet 8: Fire
- Factsheet 9: Greenhouse gas emissions
- Factsheet 10: Water
- Factsheet 11: Chemical and pest management
- Factsheet 12: Community and land rights
- Factsheet 13: Labour rights
- Factsheet 14: Palm oil certification
- Factsheet 15: Smallholder support
- Factsheet 16: Supplier selection
- Factsheet 17: Governance and grievances

About SPOTT

SPOTT is an online platform promoting transparency and accountability to drive implementation of environmental and social best practice for the sustainable production and trade of global commodities. SPOTT assessments score some of the largest palm oil producers and traders on the public availability of corporate information relating to environmental, social and governance (ESG) issues.

Reframed as the Sustainability Policy Transparency Toolkit in 2017, SPOTT now supports transparency for other industries that pose some of the greatest risks to the environment, with SPOTT assessments of timber, pulp and paper companies launched in November 2017.

For more information, visit SPOTT.org or contact SPOTT@ZSL.org.

About ZSL

Founded in 1826, the Zoological Society of London (ZSL) is an international scientific, conservation and educational charity whose mission is to promote and achieve the worldwide conservation of animals and their habitats.

Our mission is realised through our groundbreaking science, our active conservation projects in more than 50 countries and our two Zoos, ZSL London Zoo and ZSL Whipsnade Zoo.

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