

Understanding and Applying ‘Traceability’ in the Context of the Indian Palm Oil Value Chain

Briefing Paper

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1. Background

The need for better clarity about 'Traceability' in the Indian palm oil industry was highlighted at the 8th members meeting of the Sustainable Palm Oil Coalition for India (I-SPOC) held in August 2022 in Mumbai, India. I-SPOC is envisaged as a business-led multi-stakeholders initiative with the goal of promoting sustainable production, consumption and trade of palm oil and its derivatives along the supply chains through industry collaboration. The mapping of supply chains to trace the palm oil back to its origin (till plantation) will help to address critical sustainability challenges (deforestation, biodiversity loss, among others) in the palm oil sector.

As part of the exercise, a group of industry practitioners were approached to voluntarily contribute to this paper, together with the I-SPOC Secretariat. The aim of this briefing paper is to study the issues, gaps and challenges in the palm oil sector to achieve traceability in its value chain. Looking at measures and initiatives by the government and the private sector to promote traceability, the paper aims to create awareness about the importance of traceability in the current context of the sustainable palm oil value chain (including production-trade-consumption).

Significant attention is being invested on preventing and mitigating forest loss due to increasing demand of agri-commodities including palm oil.¹ Conventional/unsustainable palm oil production is a major driver of deforestation, biodiversity loss and climate change in Indonesia and Malaysia (major palm oil producing countries).² As per *FERN* Transformative Traceability Report, traceability conducted by actors in consumer countries is not designed to drive change in producer countries. Since India is the largest importer³ and second largest consumer⁴ of palm oil, it can play a pivotal role in transforming the palm sector not only domestically but also globally. India imports palm oil in the form of Crude Palm Oil (CPO) and refined palm oil (RBD Palmolein). The import of palm oil in India is majorly from Indonesia (CPO-1,995,008 tons), RBD palmolein-1,172,710 tons) and Malaysia (CPO-1,777,800 tons, RBD palmolein-204,108 tons)⁵.



¹<https://openknowledge.fao.org/server/api/core/bitstreams/f81551bf-0a78-498b-a0a6-17f21467389d/content>

² <https://ourworldindata.org/palm-oil>

³ <https://www.statista.com/statistics/1023677/palm-oil-importer-leading-global/>

⁴ <https://www.indexmundi.com/agriculture/?commodity=palm-oil&graph=domestic-consumption>

⁵ <https://seaofindia.com/import-of-vegetable-oils-nov-2023-up-by-13-jumped-in-import-of-rbd-palmolien/>

2. Traceability: Conceptual Clarity

As per International Organization of Standardisation (ISO), traceability is defined as the ability to follow movement of a food through specified stage(s) of production, processing and distribution.⁶

Traceability in a supply chain is the process of identifying and monitoring the origin and transit through the different stages of products and their components, from the beginning of the supply chain until they reach the end consumer. In other words, traceability provides information, making it possible to ascertain the location of a product at all times, as well as the route it has taken and will take. There are sectors in which traceability has historically been very important, such as food and pharmaceuticals, above all for reasons related to health.⁷

New regulations like the European Union Deforestation Regulation (EUDR) also commit importance of traceability. EUDR defines traceability as a process to trace commodities to georeferenced production plot(s), and conduct a risk assessment that ensures there is at most a negligible risk that those commodities were produced illegally or on recently deforested land.⁸

2.1 Need/Importance of traceability in supply chains

There is an emerging consent of the private sector playing a significant role in combating climate change, reducing biodiversity loss, providing ecosystem services and supporting communities relying on forests. The reduction in forest cover and its linkage to climate change impacts has been underlined at various international platforms/initiatives like United Nation Forum on Forest 14 (UNFF) and United Nations Framework Convention on Climate Change (UNFCCC) COP 26. Even at COP 26, commitments were made to prevent forest degradation/loss to achieve the net zero targets by 2050. Countries submitted Nationally Determined Contributions (NDCs) to cut their emissions by 2030 to fulfil the goal of limiting temperature rise within 1.5 degrees Celsius. COP 26 recognised that reducing emissions and building resilience will result in a positive impact on reducing climate change.⁹

In addition to this, at the UN Biodiversity Conference COP 15 held in Montreal, Canada from December 7-19, 2022¹⁰, the final version of Kunming-Montreal Global Biodiversity Framework (GBF) was accepted and released. The Kunming-GBF includes four goals and 23 targets to be achieved by 2030.¹¹ The conference was attended by the governments from around the world who came together to agree on a new set of goals to halt and reverse nature loss by 2030 to guide global action. The role of nature is important to meet the Sustainable Development Goals (SDGs) and limiting global warming to 1.5 degrees. The adoption of a global diversity framework will help in addressing the key drivers of nature loss and in securing the people's health and well-being of the planet.¹²

To combat the changing climate, the government and the private sector have pledged actions that will help to reduce deforestation and forest degradation. The member countries of the Organization for Economic Co-operation and Development (OECD) have developed or are in the process of developing deforestation free supply chain related legislations.¹³

⁶ <https://intracen.org/file/eqm-bulletin-91-2015traceabilityfinal-14oct15>.

⁷ <https://centum.com/en/the-importance-of-traceability-in-supply-chains/>

⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R1115>

⁹ <https://www.wri.org/insights/cop26-key-outcomes-un-climate-talks-glasgow>

¹⁰ <https://www.unep.org/un-biodiversity-conference-cop-15>

¹¹ <https://www.cbd.int/article/cop15-final-text-kunming-montreal-gbf-221222>

¹² https://www.researchgate.net/publication/315477419_The_palm_oil_global_value_chain_implications_for_economic_growth_and_social_and_environmental_sustainability

¹³ <https://www.oecd.org/daf/inv/investment-policy/rbc-agriculture-supply-chains.htm>

The **European Union (EU) adopted EU Deforestation Regulation (EUDR)** on June 29, 2023 to prevent the import of products (**cattle, cocoa, coffee, oil palm, rubber, soya and wood**) associated with deforestation and forest degradation. The companies based on this legislation will demand evidence that production, trade and processing of commodities like palm oil have not led to deforestation or forest degradation in producer countries.¹⁴ The regulations imposed by the EU also have far-reaching implications for Indian producers and traders who are engaged in the trading of commodities like coffee, soy, oil palm, and wood.¹⁵ EUDR is the first law to require deforestation traceability for globally produced commodities other than timber.¹⁶

Similarly, there are other laws like UK Environment Act 2021 adopted by the UK government on November 9, 2021. It was enacted not to use forest risk commodities (cocoa, coffee, palm oil, rubber, soy, maize and beef) or a derived product in UK commercial activities unless its requirement complies with the relevant local laws.¹⁷ The due diligence law mechanism introduced through the Environment Act 2021 requires companies that use forest-risk commodities to conduct due diligence to ensure their products are free of illegal deforestation and conversion.¹⁸ The due diligence provisions will make it illegal for larger businesses operating in the UK to use key forest risk commodities produced on land illegally occupied or used.¹⁹

The Fostering Overseas Rule of Law and Environmentally Sound Trade (FOREST) Act was introduced by US Sen. Brian Schatz (D-Hawai'i) and US Reps. Earl Blumenauer (D-Ore.) and Brian Fitzpatrick (R-Penn.) in October, 2021 to deter commodity-driven illegal deforestation around the world. The FOREST Act prevents the import of products derived wholly or in part from illegally deforested land like **cattle, palm oil, soybeans, rubber, wood pulp, and cocoa**. Importers would need to prove their products are deforestation-free, including by ensuring more transparency and higher quality reporting in their supply chains.²⁰

The legislations listed above shows that there is a need to prevent forest degradation and deforestation in production of oil palm and other commodities. Further, they highlight the need for a mechanism to trace commodities like coffee, soy, palm, wood, etc. back to its origin to ensure products are deforestation free or not linked with illegally occupied land.

The importance of traceability is being highlighted in the supply chain of commodities in agriculture, forestry and other sectors. Some of the benefits of achieving traceability in the agri and forest derived products supply chain are:

- ↳ Essential in ensuring compliance with regulations and standards set by regulatory bodies (example EUDR)
- ↳ Identify and address concerns in agri food supply chains with food safety, optimising the supply chain and cutting losses and maintaining healthy and honest collaboration between stakeholders, manufacturers, and customers

¹⁴ <https://www.europarl.europa.eu/news/en/press-room/20221205IPR60607/deal-on-new-law-to-ensure-products-causing-deforestation-are-not-sold-in-the-eu>

¹⁵ <https://www.lakshmisri.com/insights/articles/navigating-the-eu-deforestation-regulations/>

¹⁶ https://www.fern.org/fileadmin/uploads/fern/Documents/2024/Transformative_traceability_How_robust_traceability_systems_can_help_implement_the_EUDR_and_fight_the_drivers_of_deforestation.pdf

¹⁷ <https://www.ropesgray.com/en/newsroom/alerts/2022/march/pending-and-proposed-deforestation-legislation-will-add-new-supply-chain-due-diligence>

¹⁸ <https://www.wwf.org.uk/what-we-do/due-negligence-report>

¹⁹ <https://consult.defra.gov.uk/international-biodiversity-and-climate/implementing-due-diligence-forest-risk-commodities/>

²⁰ <https://www.globalwitness.org/en/blog/tackling-global-forest-loss-what-us-can-do/>

- ↳ Reduce Scope 3 emissions, or indirect emissions resulting from an organisation's upstream and downstream operations. Over 70% of a business's carbon footprint is accounted for by Scope 3 Greenhouse Gas (GHG) emissions. An increasing number of businesses are utilising intelligent supply chain technologies that provide real-time, end-to-end traceability for all potential GHG hotspots in the value chain, both upstream and downstream, in order to get around the main obstacles in Scope 3 evaluations.²¹

2.2 Initiatives to promote traceability

There are various types of initiatives developed to strengthen the transparency of different commodities (forest-based commodities such as timber, pulp, and paper, among others, and other agri-commodities). A few of these initiatives are presented below to highlight the efforts to achieve transparency in different sectors:

- ↳ **Forest Stewardship Council (FSC)** is an international, non-governmental organisation dedicated to promoting responsible management of the world's forests. FSC has a Chain of Custody (COC) standards to identify and track the FSC certified material (wood-based products) during the manufacture and distribution process. FSC has also developed a supply chain and transaction verification system that allows FSC to investigate, uncover, and address fraudulent activities carried out by certified organisations.²²

FSC COC certification has been adopted by Indian wood-based industries (composite wood, solid wood, paper and pulp industry) to certify their end products and to ensure the procured raw material is free from deforestation. Few examples of Indian industries are Century Plyboards (India) Pvt Ltd, ITC Limited, and Designco Pvt Ltd, among others. To access the full list of adopted FSC COC certification in India [click here](#).

- ↳ **Better Cotton** is the world's leading sustainability initiative for cotton. With increasing demand for better cotton due to increased awareness, the Better Cotton began its journey to traceability in 2021. Further, Better Cotton, as a part of the 2030 strategy, launched its traceability solution in 2023.

Better Cotton's traceability solution makes it possible to trace Better Cotton back to its country of origin using the [Better Cotton Platform \(BCP\)](#).²³ BCP is an online system, which is used by more than 13,000 stakeholders, including ginners, traders, spinners, fabric mills, garment and end-product manufacturers, sourcing agents, and retailers to electronically document the volumes of cotton sourced as Mass Balance or Physical (also known as Traceable) Better Cotton as they pass through the supply chain.

In 2023, Better Cotton also developed Chain of Custody (CoC) standard 1.0 that allows organisations to implement different CoC models ([Mass Balance](#) and [Physical Chain of Custody](#)), enabling the sourcing of two types of Better Cotton- Mass Balance and Physical (traceable) better cotton. The suppliers like Arvind Limited, Cotton World, Top Star Textiles, and others have adopted the Chain of Custody Standard v1.0 and are able to trade Physical Better Cotton. To access the full list, please [click here](#).

²¹ <https://www.optelgroup.com/en/blog/leveraging-technology-to-identify-ghg-hotspots-and-reduce-scope-3-emissions/>

²² <https://fsc.org/en/chain-of-custody-certification>

²³ <https://bettercotton.org/developing-a-traceability-solution-for-better-cotton/>

- ↳ **Rainforest Alliance (RA)** is an international non-profit organisation working at the intersection of business, agriculture, and forests to promote responsible business practices. RA has a Sustainable Agriculture Standard containing supply chain requirements to encourage transparency and responsible business practices throughout the company's supply chain.²⁴ The organisation also has a Sustainable Agriculture Standard containing Farm Requirements designed to support certificate holders to maximise the positive, social, environmental and economic impact of agricultural practices.²⁵ Companies like Motley Brew Limited, AAK India Pvt Ltd, Cargill India Pvt Ltd. have adopted RA standards to certify their products. To access the full list, [click here](#).
- ↳ **Consumer Goods Forum** is working with a mission to bring together consumer goods manufacturers and retailers to follow the efficient business practices and positive change across industry to benefit shoppers, consumers and the world without impeding competition. Consumer Goods Forum has developed Sustainable Supply Chain Initiatives (SSCI) with the mission to provide clear guidance on the key sustainability requirements for third party monitoring and auditing services to the buyers and suppliers of the consumer goods industry.²⁶
- ↳ **AIM (Association des Industries de Marque) Progress** is a forum of leading FMCG manufacturers and common suppliers, assembled to enable and promote responsible sourcing practices and sustainable supply chains. They are working to build capability of the member organisations and their suppliers so that they have the knowledge, confidence and ability to develop and execute robust responsible sourcing programmes. They have also developed a Business toolkit for suppliers to help members make a business case with their suppliers for implementing responsible sourcing practices.²⁷



²⁴ <https://www.rainforest-alliance.org/resource-item/2020-sustainable-agriculture-standard-supply-chain-requirements/>

²⁵ <https://www.rainforest-alliance.org/resource-item/2020-sustainable-agriculture-standard-farm-requirements/>

²⁶ https://www.theconsumergoodsforum.com/press_releases/sustainable-supply-chain-initiative-launches-environmental-working-group-chaired-by-international-fresh-produce-association/

²⁷ <https://www.aim.be/news/aim-progress-responsible-sourcing-initiative-launches-new-website/>

3. Achieving Traceability in the Palm Oil Value Chain

Palm oil has a complex global value chain transgressing national boundaries. Every player in the value chain needs to act responsibly. Oil palm plantations have caused serious threats to the environment when cultivated unsustainably. To monitor and reduce the impacts of oil palm plantations the government, private sector & environmental organisations have taken initiatives to have a traceable oil palm supply chain.

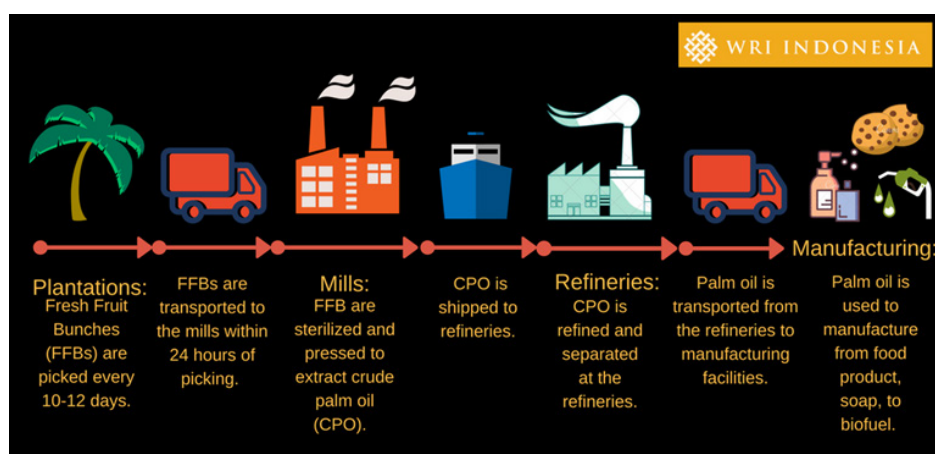
3.1 Preventing the risk of deforestation and forest degradation in the palm oil value chain

Unsustainable/conventional palm oil is a major driver of deforestation in Indonesia and Malaysia (major producer countries) which produce nearly 90% of the global supply and whose forests are home to key biodiversity areas.²⁸ The land clearing for oil palm plantations accounted for 23% of total deforestation in Indonesia between 2001 and 2016.²⁹ Over the years, oil palm plantations have replaced massive tracts of rainforests, particularly in Southeast Asian countries. Driven by the high yield and relatively low production cost of palm oil, global palm oil production has increased from 4.5 million tonnes to 70 million tonnes between 1980 and 2014. Palm oil demand is expected to grow at 1.7% per year until 2050.³⁰

3.2 Traceability tools/approaches/initiatives in palm oil value chain

Palm oil is used in a variety of products like cosmetics, detergents, soaps, toothpaste, cakes, biscuits, chocolates, etc. However, since palm oil is not a major constituent in these products, the traceability is difficult to obtain in its value chain. Many initiatives have been undertaken by different organisations working in the palm oil sector to have a traceability system in the palm oil industry.

The palm supply chain is an extremely complex structure with many parties involved, often constituting many intermediaries.³¹ After being harvested, the Fresh Fruit Bunches (FFB) are shipped to mills where Crude Palm Oil (CPO) is produced. The CPO then enters the refinery process before being transported to producers as raw material for food, oleochemical, or even biofuel.³²



Source: <https://wri-indonesia.org/en/insights/achieving-palm-oil-traceability-indonesias-complex-supply-chain>

²⁸ www.undp.org/china/publications/mapping-palm-oil-value-chain-opportunities-sustainable-palm-oil-indonesia-and-china#:~:text=It%20is%20also%20the%20most,India%2C%20the%20EU%20and%20China

²⁹ <https://iopscience.iop.org/article/10.1088/1748-9326/aaf6db>

³⁰ <https://www.iucn.org/resources/issues-brief/palm-oil-and-biodiversity#:~:text=Oil%20palm%20development%2C%20therefore%2C%20has,List%20of%20Threatened%20SpeciesTM>

³¹ https://wwfint.awsassets.panda.org/downloads/palm_oil_trade_from_key_landscapes_in_asia_sept_2021.pdf

³² <https://wri-indonesia.org/en/insights/achieving-palm-oil-traceability-indonesias-complex-supply-chain>

Due to the complexity and involvement of many actors in the palm oil value chain, it is difficult to attain palm oil traceability. To achieve full traceability in the palm oil value chain, it is necessary to track and map every actor in the palm oil value chain back to its origin. There are two methods of achieving the traceability in the palm oil value chain: Traceability to Plantation (TTP) and Traceability to Mill (TTM).

Traceability to Plantation (TTP): Traceability to Plantation (TTP) is the ability to track the journey of palm oil Fresh Fruit Bunches (FFB) from the plantation to the end of the supply chain. This includes the mills, refineries, traders, and brands.³³

Traceability to Mill (TTM): Traceability to Mill (TTM) is a process that identifies all palm oil mills in a supply chain and calculates a score based on the number of known and unknown mills. It is an intermediate step in achieving full traceability, which means knowing the source of all palm in a supply chain, including smallholders.³⁴

3.2.1 Standards, voluntary and government initiatives for traceability

Traceability also assists with determining the reliability of sustainability claims associated with Voluntary Sustainability Standards (VSS) to strengthen transparency along the supply chain. Also, as per United Nations Global Impact Guide for Traceability, traceability ensures the reliability of sustainability claims in the areas of human rights, labour (including health and safety), the environment and anti-corruption.³⁵

Organisations like Roundtable on Sustainable Palm Oil (RSPO), Earthworm Foundation, Rainforest Alliance (RA), and Malaysian Sustainable Palm Oil (MSPO) have developed a chain of custody standards for achieving traceability and transparency in palm oil value chains. Some of the standards are listed below:

1. **Malaysian Sustainable Palm Oil (MSPO)** is a national sustainability certification scheme of Malaysia endorsed by the government and is operated by the Malaysian Palm Oil Certification Council (MPOCC). This scheme is applicable for oil palm plantations, independent and organised smallholdings, and palm oil processing facilities to be certified against the requirements of the MSPO Standards.³⁶ As of July 2022, a total of approximately 6.66 million hectares of palm oil plantations in Malaysia have been certified by MSPO.³⁷

MSPO has also developed the Supply Chain Certification Standard (MSPO SCCS) that covers management requirements and traceability of the production throughout the supply chain from the raw materials to processing and manufacturing of palm oil and palm oil-based products. Under the standard, each group of players must perform their respective roles and undertake responsibility to enable traceability of all activities throughout the palm oil value chain.³⁸ **MSPO Trace**, launched in November 2019, offered by MSPO comprising four modules: Certification, Logo, Complaints and Grievance, and Traceability. MSPO Trace is a complete solution to track and trace the MSPO certification, from oil palm plantations to the end consumer covering palm oil value chain.

³³ <https://toolsfortransformation.net/wp-content/uploads/2022/01/Guidance-on-Achieving-Traceability-to-Plantation.pdf>

³⁴ <https://toolsfortransformation.net/wp-content/uploads/2017/06/Traceability-to-Mill.pdf>

³⁵ <https://www.iisd.org/ssi/wp-content/uploads/2019/09/Traceability-systems.pdf>

³⁶ <https://www.mpocc.org.my/ms25302022>

³⁷ <https://www.statista.com/statistics/1402614/malaysia-palm-oil-area-certified-by-mspo/>

³⁸ <https://transcert.com.my/sustainability/mspo-supply-chain-certification-standard-mspo-sccs/>

2. **Roundtable on Sustainable Palm Oil (RSPO)** is a global not-for-profit organisation with voluntary members that focus on bringing stakeholders from across the palm oil value chain to develop and implement global standards for sustainable palm oil. RSPO has developed a set of environmental and social criteria that companies must comply with to produce RSPO Certified Sustainable Palm Oil (CSPO). These measures help minimise the negative impacts of palm oil.

RSPO and RA have developed the Universal Mill List (UML) available at [Global Forest Watch](#) platform (updated by World Resource Institute (WRI) every six months) and [Rainforest website](#) (updated on monthly basis). The list collects palm oil locations across the world based on data contributed from processors, traders and consumer goods manufacturers, the Roundtable on Sustainable Palm Oil (RSPO). At present, it includes almost 2,000 mills globally. As a reliable resource for mill identification in supply chain mapping and traceability, the UML is utilised by the whole palm industry. The list has assisted in improving mill data accuracy on a global scale, addressing issues with reporting and enabling effective follow-up with mills.³⁹

RSPO has also developed [Palm Trace](#), which is RSPO's marketplace and traceability system for purchasing and selling RSPO certified oil palm products. The marketplace allows mills, crushers, traders, refiners, manufacturers, and retailers to sell and buy RSPO CSPO under one of the four supply chain models ([Identity Preserved](#), [Segregated](#), [Mass Balance](#) and [Book and Claim](#)). Palm trace offers traceability of certified oil palm with starting point from certified volume of mills, independent smallholders and outgrowers.⁴⁰

RSPO has launched new certification, trade and traceability system – [PRISMA](#), which stands for Palm Resource Information and Sustainability Management, aimed at enhancing trade and compliance to meet current and emerging global regulations. PRISMA embodies the core functions and interdependent ability of the new traceability system. As a platform that converges RSPO stakeholders in a single point of collaboration, it organises information and optimises efficiency, enhancing alignment and accountability.

3. **Earthworm Foundation** is a non-profit organisation driven to positively impact the relationship between people and nature. It started its journey with palm oil in 2010 with Nestle's responsible sourcing on palm oil.⁴¹ Earthworm Foundation and Airbus created a [Starling Satellite Technology](#) that used a combination of high-resolution imagery and radar data in order to provide monitoring of land cover change with major focus on forest loss. It is a private and independent tool that allows companies to monitor the implementation of No Deforestation Policy.⁴²

3.2.2 Incentives for smallholder certification

At present, there are not many incentives (premium prices, simpler regulations, or funding) or much application of certification standards. The government needs to provide the incentives essential to enhance the situation for smallholders. Incentives are needed in the form of regulatory measures, technical help, promotion, and awards for successful/good practices adopted by smallholders. The implication of the incentives will require better government coordination, a better comprehension of the difficulties smallholders face, and the adoption of creative approaches to financial resource management – all of which are essential to support smallholders' capacity and organisational development.⁴³

³⁹ <https://www.rainforest-alliance.org/business/certification/the-universal-mill-list/>

⁴⁰ <https://rspo.org/as-an-organisation/marketplace/>

⁴¹ <https://www.earthworm.org/our-work/products/palm-oil>

⁴² <https://www.earthworm.org/es/news-stories/pz-cussons-and-reckitt-benckiser-use-starling-satellite-technology-to-monitor-100-of-their-supply-chain>

⁴³ https://www.researchgate.net/publication/360019170_Incentives_for_Palm_Oil_Smallholders_in_Mandatory_Certification_in_Indonesia

Further, incentivisation to smallholders producing palm oil can be provided through adaptation of voluntary certification standards. For example, RSPO has developed an Independent Smallholder (ISH) standard for the production of Sustainable Palm Oil. The RSPO ISH Standard is part of a wider RSPO system. To support independent smallholders to move towards sustainability and livelihood improvements, the RSPO also has tools and training materials specifically targeted to smallholders, including the RSPO Smallholder Trainer Academy (STA). In addition to this, RSPO has offered independent smallholders access to support funds through the RSPO Smallholder Support Fund (RSSF).⁴⁴

3.2.3 Examples of Fast-Moving Consumer Goods (FMCG) companies applying traceability*

A majority of FMCGs are also working to reduce their impacts on the environment by developing policies and commitments to tackle climate change caused due to their activities. The section below provides an overview of the sustainability policies and other initiatives undertaken by leading FMCGs to achieve sustainable palm oil chain

1. **Reckitt**⁴⁵ is committed to No Deforestation, No Peat, and No Exploitation (NDPE) which they deliver in their supply chains through the implementation of palm oil policy and programme. Reckitt's approach applies to 100% of palm oil sourced directly as Crude Palm Oil (CPO) and Palm Kernel Oil (PKO) in fats blends, soap noodles and palm derived surfactants volumes. Reckitt palm oil programme comprises a combination of direct supply chain activity including traceability exercises, satellite monitoring and supplier engagement, alongside collaboration with industry groups and NGO partners to progress industry level challenges. Reckitt's approach is to monitor compliance in their supply chain to No Deforestation, No Peat, and No Exploitation (NDPE) commitment, and progress towards achieving this commitment for fats blends by 2025, and palm derivatives by 2030.

Reckitt works directly with suppliers and partners to improve the transparency and traceability of the palm oil supply chain. Reckitt has achieved 94% traceability to plantation for fats blends and is focusing on increasing traceability for soap noodles and palm derived surfactants. Reckitt has maintained an ESG data book and mill lists for its traceability data.

2. **Ferrero** has also developed commitments for sustainable palm oil sourcing. In June 2021, Ferrero updated its palm oil charter, which was originally published in 2013. The new charter outlines the ambition to develop a palm oil industry that can address the challenges associated with palm oil production by engaging suppliers. As per Ferrero Sustainability report 2023, they have sourced 96.9% RSPO-certified segregated palm oil and 3.1% RSPO Certified Mass Balance with 98% total traceability to plantation between July 2022 and June 2023.
3. **Hindustan Unilever Limited (HUL)** one of leading FMCG companies has worked to protect and regenerate nature by emphasizing on their approach to sustainable and regenerative agriculture. HUL has committed to achieve deforestation free supply chain by ensuring procurement of raw materials from verified deforestation and conversion free places. Also, the company has developed a Responsible Sourcing Policy that has 12 fundamental principles raising the foundation of responsible business. This policy is applicable to HUL suppliers and across their extended supply chain. In addition to this, HUL has also developed the Unilever Procurement Framework that makes it mandatory for all suppliers to comply with responsible business practices.

⁴⁴ https://rspo.org/wp-content/uploads/RSPO_ISH_Standard_2019-English.pdf

⁴⁵ <https://www.reckitt.com/our-impact/healthier-planet/our-natural-raw-materials/>

4. **Cargill** is committed to a transparent, traceable and sustainable palm oil value chain. Policy on Sustainable Palm Oil aims to produce and source palm oil in an economical, environmentally sustainable and socially responsible manner. Cargill aims to achieve a transparent, traceable and sustainable palm supply chain. Cargill is also committed to 'No Deforestation, No Peat and No Exploitation' (NDPE) practices. Cargill has improved their traceability scores by achieving more transparency in the palm oil value chain. As per Cargill ESG report 2023, Cargill has achieved 99 % Traceability to Mill level and 72% Traceability to Plantation level.
5. **The Hershey Company** is committed to achieving a traceable and sustainable palm oil value chain in line with Responsible Palm Oil Sourcing Policy. Hershey employs a comprehensive approach to trace supply chain traceability, certified palm oil, and robust sourcing policies and codes of conduct. Hershey is committed to sustainable palm oil sourcing by getting RSPO certification. Hershey contributes to the responsible and sustainable transformation of the palm sector as it works with Earthworm Foundation, and supplier partners to assess and address the associated environmental and human rights issues in the palm oil value chain.⁴⁶ In 2023, they achieved 100% RSPO certification goal and 100% traceability goal to the mill level. Hershey is committed to achieving 100% traceability to plantation level.⁴⁷
6. **Nestle**, in 2010, committed to achieve zero deforestation in its supply chains. Palm Oil Traceability Dashboard has been developed to share updates of the progress in achieving deforestation free supply chain to the stakeholders. Nestle uses Starling (satellite-based system) to gather data required for development of palm oil traceability dashboard. Starling technology is used to monitor the entire palm oil value chain through satellite monitoring.⁴⁸ 95.6% of palm oil assessed as deforestation-free and 71.6 % of palm oil is sourced sustainably by adopting RSPO certification.⁴⁹
7. **AAK** has developed a Group Policy for responsible sourcing of plant-based oils.⁵⁰ This policy applies to all AAK's sourcing of plant-based oils and related raw materials. This includes palm oil, palm kernel oil, shea oil, coconut oil, soy oil, sunflower oil, and rapeseed (canola) oil and their derivatives. It defines the sustainability commitments for the responsible production and processing of the agricultural crops that are the source of AAK's plant-based oils and fats. This policy applies to all volumes sourced by AAK from direct and indirect suppliers globally.⁵¹ AAK has achieved 87% palm oil Traceability to Plantation level and 100% of palm supply chain is satellite monitored.⁵²
8. **Colgate-Palmolive** has developed a No Deforestation Policy that covers the commitments for responsible sourcing of forest commodities palm, soy, beef, pulp and paper. Colgate Palmolive is also a member of the **Consumer Goods Forum (CGF)- Forest Positive Coalition of Action**. Colgate-Palmolive is committed to sourcing responsible palm oil, palm kernel oil (PKO) and palm oil derivatives that do not contribute to deforestation or conversion of native landscapes and respects the rights of workers and communities. Furthermore, by 2030 Colgate-Palmolive will only source palm oil, PKO and their derivatives that are responsibly and sustainably produced from sources that can be traced back to the plantation.⁵³

⁴⁶ https://www.thehersheycompany.com/en_us/home/sustainability/sustainability-focus-areas/responsible-sourcing/priority-ingredients-and-materials/palm-oil-sourcing.html

⁴⁷ <https://www.thehersheycompany.com/content/dam/hershey-corporate/documents/pdf/hershey-2023-esg-report.pdf>

⁴⁸ <https://www.nestle.com/sustainability/sustainable-sourcing/palm-oil#:~:text=We%20are%20working%20with%20industry,palm%20oil%20sourced%20by%202023>

⁴⁹ <https://www.nestle.com/sites/default/files/2023-03/creating-shared-value-sustainability-report-2022-en.pdf>

⁵⁰ <https://www.aak.com/sustainability/better-sourcing/palm/>

⁵¹ <https://www.aak.com/sustainability/better-sourcing/palm/>

⁵² <https://www.aak.com/siteassets/sustainability/sustainability-reports/aak-sustainability-report-2022-final.pdf>

⁵³ <https://www.colgatepalmolive.com/en-us/sustainability/our-sustainability-policies/palm-oil>

9. **Fuji Oil** has also developed a Responsible Palm Oil Sourcing Policy that shows commitment to No Deforestation, No Peatland Development and No Exploitation (NDPE) and to procuring palm oil produced in a responsible manner from suppliers who respect people and the global environment. Fuji Oil continues to promote responsible palm oil procurement to ensure that palm oil becomes a sustainable raw material.⁵⁴
10. **Godrej Industries** has developed Sustainable Palm Oil Action Plan in 2017 and amended in 2021 that aims to follow zero deforestation, no cultivation on peat land, protection of High Value Carbon (HVC) areas and High Carbon Stock (HCS) and Free, Prior and Informed Consent (FPIC) of communities. The action plan also aims to achieve 100% transparency up to mills and refineries by 2025.
11. **Galaxy Surfactants** has implemented effective measures to reduce the adverse effects within their supply chain resulting from the procurement of palm oil derivatives. To mitigate environmental and social risks associated with palm cultivation, the company procure RSPO certified raw materials. Galaxy has been an ordinary member of the Roundtable on Sustainable Palm Oil since 2012.⁵⁵

**The above list is a non-exhaustive list obtained from secondary sources/research based on publicly available information*

Several companies (Colgate Palmolive, Ferrero, P&G, Nestle, PepsiCo, HUL, etc.)⁵⁶ have also adopted No Deforestation, No Peat and No Exploitation (NDPE) policies that aim to ensure palm oil is more sustainable. NDPE policies first emerged in 2011, when Golden Agri Resources (GAR) adopted its Forest Conservation Policy. No Deforestation is typically achieved through protecting High Conservation Value (HCV) and High Carbon Stock (HCS) areas, No Peat through avoiding planting on peat, and No Exploitation through protecting human rights, workers' rights and the rights of local communities and indigenous people.⁵⁷

The cost of palm oil traceability tools can vary depending on the tool and the services it provides. It is different for each tool and it also depends on the organisation's needs. Each traceability tool is different as it provides different kinds of services in terms of mapping of suppliers, mills, plantation etc. The organisation could opt for a specific traceability tool depending on its requirement.



⁵⁴ https://www.fujioilholdings.com/en/sustainability/palm_oil/

⁵⁵ <https://www.galaxysurfactants.com/interactive-report/pdf/Galaxy-ESG-Report-2023.pdf>

⁵⁶ https://www.ran.org/wp-content/uploads/2022/06/KFS-Scorecard-Brief-2022-_WEB.pdf

⁵⁷ <https://www.efeca.com/wp-content/uploads/2020/03/Certification-Scheme-NDPE-Infobriefing-5-Part-4-Final.pdf>

4. Emerging way forward for India

There is an ongoing domestic production of palm oil as per the centrally sponsored scheme - National Mission on Edible Oils-Oil Palm (NMEO-OP). The aim of NMEO-OP is to increase the area of oil palm by 6.5 lakh hectares by 2025-26 and 16.71 lakh ha by 2029-30. India is at the initial stage of palm oil production and initiatives could be taken to achieve a sustainable and traceable palm oil value chain.

This section contains factors and perspectives of the experts from the palm oil industry to achieve traceability in the context of the Indian palm oil value chain. To achieve traceability in the palm oil value chain in India, **the government and the private sector** both can play an important role.

Role of Government: The state and central governments can play an important role in promoting traceability as mentioned below:

↳ Centre government should:

- » Endorse the nation specific palm oil value chain certification standard. The Malaysian government has endorsed the Malaysian Sustainable Palm oil value chain Certification Standard (MSPO SCCS) that covers management requirements and traceability of the production throughout the supply chain
- » The Indian government should also take steps in developing/endorsing the standards developed for palm oil value chain certification

↳ State government:

- » Could make it mandatory to provide land maps to assess land-use change/land degradation
- » Have legislation that requires the mill owners to establish digital tools to ensure traceability to the mill to plantation
- » Include clause(s) on traceability for businesses involved in oil palm production
- » Make data on palm oil production publicly accessible
- » Provide additional support to farmers' organisations to ensure they can effectively participate in the multi-stakeholder design and monitoring of public traceability systems, in particular by forming representative structures

Role of private sector: Users (businesses) of palm oil can support traceability by making amendments in their procurement policy. Some of the organisations (HUL, Nestle, Reckitt, etc.) already have policies and tools to achieve traceability in their supply chain. The industry players (Godrej Agrovet, 3F India Pvt. Ltd., Patanjali Foods, etc.) who are active in domestic palm oil production can also play a significant role in developing traceable palm oil value chains given their engagement in 'upstream' segment of the palm oil value chain (i.e. in production of palm oil).

Below listed are some factors that could be considered by businesses while aiming to achieve a traceable supply chain:

- ↳ Recognition for good performers in achieving traceability targets
- ↳ Continued engagement/dialogue and the process of trust-building between suppliers and clients
- ↳ Inclusion of clause on 'making traceability data available' in contracts with the suppliers
- ↳ Provide direct support to smallholder farmers and farmer organisations to imply traceability compliance work in the company policy and procedures
- ↳ Learning from the experience of other countries like Indonesia and Malaysia on the sustainable production of palm oil and the measures they have adopted for achieving traceability in the palm oil value chain

In addition to emphasising on the achieving traceability in palm oil produced in the country, it is imperative to adopt traceability measures to the palm oil imported to India. India is the biggest importer of palm oil. India's imports of palm oil from Indonesia are about five million metric tons annually, which amounts to approximately 43% of its total palm oil imports. Another quarter of India's palm oil imports come from Malaysia.⁵⁸

Considering high import volume of palm oil to India, it is important to adopt traceability measures for imported palm oil both by government as well as private sector.

Role of government in achieving traceability:

The central government could adopt traceability measures to implement traceable supply chains. Below listed are few measures that could be adopted at government level:

- ↳ Development of law/policy/regulation to strengthen deforestation free supply chain in palm oil. The policy should be enforced to all the importers who are dealing with palm oil
- ↳ Development of a central repository of palm oil imports at all terminals and ports. This will improve transparency and accountability through better documentation of origin, port of import, company specific responsibly sourced volumes and overall volumes
- ↳ Strengthen the Indian Palm Oil Sustainability Framework and making it mandatory for companies active in importing palm oil

Role of Private Sector: The majority of India's total Palm oil imports (46%) is accounted to Ruchi Soya Industries Limited, Emami Agrotech Limited, And Adani Wilmar Limited. The private sector could play role in achieving traceability in Indian palm oil value chain in case of imported palm oil:

- ↳ Development of policy to trace back imported palm oil back to its origin
- ↳ Development of repository of details of palm oil imported containing source, volume of palm oil imported

⁵⁸ <https://www.statista.com/statistics/1023677/palm-oil-importer-leading-global/#:~:text=India's%20imports%20of%20palm%20oil,oil%20imports%20come%20from%20Malaysia>

Perspectives from Industrial Palm Oil Experts

As part of drafting this paper, several one-on-one discussions were conducted with industry experts from the leading national and international FMCG companies. Experts expressed their views and experiences on achieving traceability in the palm oil sector in India and some of the major pointers of discussions are presented below:

- ↳ In India, understanding of the word 'traceability' varies in different agri value chains. It is essential to develop a common understanding of both buyers and suppliers in terms of achieving traceability
- ↳ In the Indian palm oil sector, achieving traceability is difficult due to less contribution by local players in sharing the required information to achieve a fully traceable supply chain. The availability of data majorly depends on the amount premium companies are willing to pay
- ↳ Traceability is achievable till plantation level if there is an agreement between the buyer, supplier and companies to share the required information
- ↳ In India, to achieve traceability in the palm oil value chain, regional players like government agencies, and control shops need to be targeted
- ↳ In the Indian palm oil sector, awareness needs to be created on why data plays a crucial/integral role in achieving traceability. The awareness programmes need to be carried out by big multinational companies, through government initiatives and regional players by conducting conferences, knowledge sharing sessions and booth sessions. The supply chain players need to be made aware that disclosure of traceability data will not lead to the business loss
- ↳ Limited 'bargaining power' (power dynamics) is present between supplier and clients and it impacts the willingness to extract/obtain data on traceability. Also, the complex supply chain of palm oil makes it difficult to trace palm oil till plantation level
- ↳ Development of a standard/universal document that contains information about the mills actively working in India to convert the Fresh Fruit Bunches (FFBs)

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