

Traceability to Mill (TtM)

Dale Garner, Shea C.L. ; Jan 2017

Background

Rationale

Palm oil mills (POM) are the first major aggregator of palm oil producers and knowledge of the mills within a supply chain provides a good indication of the location of plantations and allows for a meaningful and efficient analysis of likely social and environmental impacts in a supply chain.

By knowing all the mills within a supply chain refiners can identify practices not aligned with sourcing policy requirements and identify priority mills to commence the engagement and transformation process to address practices not aligned with sourcing policy requirements.

It facilitates the verification of practices on the ground at individual mills within a supply chain against the policy or certification commitments of buyers

Traceability is a means to an end - the end being changing practices at the point of production and is central to achieving transformation of the palm oil industry.

Definition

Mills and Crushers are the first major aggregator of oil palm products within the supply chain. Traceability to Mill is a process of identifying all palm oil mills within a supply chain to a refinery and calculating a score based on the total number of *known* and *unknown* mills.

Traceability for a refinery is calculated as a weighted average of the traceability of the supplying sources (mills, crushers and refineries). For a mill to be considered traceable, all information as identified below must be documented and verified (see Palm Oil Mill Verification).

Table 1. Requirements for traceability to Mill

Traceability information requested	<ul style="list-style-type: none">• Parent company name• Mill name• Validated Latitude and Longitude coordinates*• Certification (RSPO) status• Volume per mill
Data timeframe	<ul style="list-style-type: none">• Mill list represents a year supply to the refinery/aggregator• Traceability information updated every 6 months
Responsibility for obtaining information	<ul style="list-style-type: none">• Origin Refinery/Aggregator to contact mills in supply shed

*Validated Latitude and Longitude coordinates requires cross checking the self-declared coordinates against various data sources, such as Google Earth, to confirm the presence of the mill at the location declared.

How

TtM is the first step in understanding where palm oil comes from, increasing transparency and identifying potential risks in a supply chain.

Establishing TtM involves following commercial relationships up the supply chain, e.g. between a refinery and its supplier mills. It is a relatively simple process as refineries already know their sources and can often access information on the location, volumes supplied and certification status from existing records. It enables buyers to know which regions, companies and Groups they purchase from, providing visibility for downstream companies into the origins and impacts of their supply chain.

In the past, traceability to mill was also calculated numerically based on the number of mills that met the above requirements. In this case, the number of *traceable mills* would be summed and divided by the total number of mills declared. This method is, however, imperfect as it does not adequately reflect the proportion of traceable oil in a supply chain. As such, it is discouraged and largely no longer used given that suppliers are more willing to provide transparency of the supply chain in the form of mill lists and volume of purchased oil.

- Step 1: Identify all direct suppliers (mills, crushers and refineries) from purchasing data within a defined period of time (i.e. 6 months)
- Step 2: Compile traceability data from each source (i.e. from dashboards, a traceability declaration documents, or spreadsheets)
- Step 3: Review and validate data for all suppliers (see *POM Verification*).
- Step 4: Calculate the respective volume from each supplier as a percentage of the total oil received by the refinery
- Step 5: Determine the volume of oil that is traceable and non-traceable from each supplier based on self-disclosed traceability information and calculate a traceability score
- Step 6: Produce traceability reports according to the corresponding timeframe of purchasing data (i.e. 6 months)

DISCLAIMER: The information in this document are prepared for a brief understanding on Environmental Impact Management in Palm Oil Mill in Malaysia and have been compiled using various sources publicly available. Every effort has been made to ensure that all relevant data have been included; however TFT does not claim that the information in this guideline is exhaustive. Further, this document does not purport to contain all the information that the end user or reader including but not limited to employers, buyers, importers, manufacturers, suppliers or distributors (collectively "End User") may desire in understanding regarding the processes, practices or laws in Malaysia in respect of Environmental Impact Management in Palm Oil Mill in Malaysia. The intent of this document is to provide basic guideline which may be of some help to the End User. With the help of this document, the End User should re-ensure that the relevant laws, rules, regulations and guidelines are applicable, suitable, updated and relevant to their company or business as a whole.

