

Sustainable Jurisdictions Indicators Working Group
Traceability Consultation
Minutes of Meeting

Day/date:	Thursday March 2, 2023
Time:	14:00 – 18:00 Jakarta Time
Venue:	Santika Premier Hotel, Jakarta
Moderator:	Pak Rully Amrullah (EFI)
Participants:	See Annex 1

Agenda

1. Opening remarks
2. KAMI support for palm oil supply chain traceability – EFI
3. Traceability work by KAMI partners:
 - i. Surveyor Indonesia - Palm oil supply chain traceability
 - ii. WWF - Palm oil supply chain traceability work in Indonesia
 - iii. RSPO - Palm oil supply chain traceability under RSPO
 - iv. ISPO Secretariat - Palm oil supply chain traceability under ISPO
4. Discussion on actions to improve palm oil supply chain traceability by 2025
5. Closing

1 Welcome remarks

The meeting was opened by Rully Amrullah (KAMI Stakeholder Engagement Expert, Indonesia), who explained the purpose of the meeting to strengthen understanding of work by different actors on palm oil supply chain traceability and smallholder inclusion, and to guide future traceability priorities, including in relation to work planned by Surveyor Indonesia. He noted that Pak Anang Noegroho, Bappenas Director of Food and Agriculture, has much interest in reinforcing palm oil supply chain traceability in Indonesia including in relation to development of a traceability module for the Sustainable Jurisdictions Indicators data platform, which Surveyor Indonesia is working on.

2 KAMI support for palm oil supply chain traceability – Jeremy Broadhead, EFI

Jeremy Broadhead (EFI-KAMI Project Manager) reiterated the objectives of the meeting to strengthen understanding of the strategic importance of comprehensive palm oil supply chain traceability and to help coordinate initiatives in Indonesia in the context of new global market requirements. He noted the intended focus of the meeting on independent smallholders and outlined KAMI supported work with Surveyor Indonesia to develop a palm oil supply chain traceability module for the Sustainable Jurisdictions Indicators (SJI) data platform.

Jeremy presented key features of the EU Deforestation Regulation including the need for strict traceability and noted that in many global markets, traceability requirements are increasing so the EUDR can be seen as an early opportunity to reinforce traceability systems in maintaining market access. He outlined the supply chain information that will be required by EU operators, including on geolocation of oil palm plantations and evidence that it is legal and deforestation free. Such information collected by companies from smallholders, traders, and plantations could be complemented by information from the SJI data platform as well as palm oil sustainability

certifications and district company registries to allow EU operators to assess risk of supply chain deforestation and illegality.

Jeremy summarised key challenges related to palm oil supply chain traceability, in particular that traceability systems only exist for some companies and RSPO certified actors and include very few independent smallholders. Also that segregation of deforestation free palm oil will be necessary as mass balance does not align with the EUDR requirements. Options to address these challenges include developing comprehensive palm oil traceability systems and segregated supply chains; providing information to EU operators on risk through district company registries containing information on certification and business legal compliance; and district level sustainable jurisdictions indicators on palm oil supply chain traceability. Surveyor Indonesia is working in these areas and the discussions during the consultation will be useful to help plan the work so that it effectively builds on existing efforts and avoids overlaps.

Based on previous work included in briefs and related reports on the KAMI website, Jeremy noted key traceability information to be compiled and maintained along the supply chain by different actors. He further outlined proposed regulations on traceability data collection that could be developed to support palm oil supply chain traceability in Indonesia.

3 Palm oil supply chain traceability - Martinus Nata, Surveyor Indonesia

In his presentation, Martinus Nata outlined key points from KAMI supported work done by Surveyor Indonesia on palm oil supply chain traceability in Indonesia as follows:

- Ministry of Agriculture Regulation 38/2020 on sustainable palm oil certification contains strong traceability requirements and only minor adjustments appear to be needed for the requirements to be compliant with the EUDR
- This regulation will be the key legislation in implementing traceability to all palm oil producers and supply chain actors in Indonesia and thereby in helping to resolve one of the main EUDR related challenges
- The regulation also has rules for segregation of palm oil supply chains and how to ensure no cross contamination between certified and uncertified palm oil. The regulation also includes provisions related to mass balance supply chains where palm oil from certified and non-certified sources is mixed but certificated output volumes are equivalent to certified inputs.
- The regulation shows that it is possible to implement strict traceability in Indonesia.
- To support development of an EUDR relevant palm oil traceability system, Surveyor Indonesia has developed four pilot traceability indicators based on 2020 forest area, oil palm cover and the designated forest area in Indonesia, as follows:

1. **Traceable/certified area indicator** – this 2020 ‘baseline’ indicator represents the potential oil palm area from which palm oil is traceable per district and is defined as the sum of the area of certified (ISPO, RSPO, ISCC) company plantations plus certified plasma farmers (equivalent to 20% of the plantation area) and the area of certified independent smallholders divided by the total area of oil palm established in areas that were not forest in 2020. For this indicator a 2020 forest cover map was used together with the 2019 oil palm map produced by KEHATI.

For concessions established before 2007 there was no requirement to support plasma smallholders on a land area equivalent to 20% of the concession area and this needs to be taken into consideration in the analysis.

For Kotawaringin Timur district, a preliminary analysis suggests that 39.6% of the area is traceable/certified according to this indicator.

Q: Does the regulation concerning company obligation to support plasma farmers covering an area equivalent to 20% of the concession areas refer to area within or

outside the concessions, i.e., for a concession of 10 000 ha, should the certified area with plasma farmers be 8 000 + 2 000ha or 12 000ha?

A: The land should come from outside the concession but some companies use land within the concession area. This needs to be validated with ISPO / RSPO to make sure that using a 120% figure to estimate the potentially traceable area for each company/plantation is correct.

Comment: It should be noted the entirety of a single company's plantation area may not be ISPO certified even if the company is ISPO certified as some of the area may be in the forests zone.

2. **Deforestation free (2020) Area indicator** - This indicator represents the potential area from which 2020 deforestation free palm oil can be obtained from each district. The indicator is based on an overlay of oil palm plantations based 2019 oil palm map produced by KEHATI and a 2020 forest cover map and shows the proportion of the oil palm area that is on land deforested before 2020. The information feeds into indicator 1. For Kotawaringin Timur District a preliminary analysis suggests that 91% of oil palm plantations were established on land deforested before the EUDR 2020 cut-off date.

Q: Will the 91% figure for Kotawaringin Timur drop if plantation legality is also considered?

A: Yes, if oil palm in the forest zone/Kawasan Hutan or moratorium area is considered the yes, the area will drop. The is shown with another indicator to be explained shortly.

3. **Smallholder Deforestation free (2020) Area indicator** - This indicator represents independent smallholder oil palm plantations in areas deforested before 2020 as a proportion of the total area of oil palm plantations in the district. For Kotawaringin Timur District a preliminary analysis suggests that 69.6% the oil palm area in the district is managed by smallholder and is on land deforested before the EUDR 2020 cut-off date.
4. **Legal Area indicator** – This indicator represents the area of oil palm plantations outside the forest zone/Kawasan Hutan and the moratorium area (PIPPIB) as defined by the Ministry of Environment and Forestry (KLHK). For Kotawaringin Timur District a preliminary analysis suggests that 72% of oil palm plantations are outside the forest zone and moratorium area.

Comment: the figures seem low and need to be verified.

Q: Are these indicators a proposal or is this already agreed with the EU?

A: The indicators are proposed as a means to provide a baseline based on objective data and need to be discussed with EU and Bappenas and other stakeholders.

Comment: Efforts should be made to ensure that the information is accepted by EU and that the data collection and analysis is not for nothing.

Comment: It will be important to share this information with other ministries so efforts can be made to focus on areas that are not traceable.

- In addition to development of the above indicators, Surveyor Indonesia is developing a concept for a sustainability declaration linked to a QR code to facilitate palm oil compliance with global market requirements. The information in the declaration would correspond to that required under EUDR Article 9 (product description and quantity, geolocation of production, supplier details, and information that the products are legal and deforestation free) and would be passed between supply chain actors through use of a QR code.

Q: Is the system proposed by Surveyor Indonesia equivalent to certification? How will it be implemented? Will the QR code be a requirement?

A: Bappenas has noted that the SJI platform constitutes a B2B approach and today we are just demonstrating how verification information could be provided on the platform. Javlec will help to pilot the developments in Kotawaringin Timur and Katingan Districts.

Q: Where will the data platform be hosted?

A: The data platform is hosted by Bappenas

Q: Information on plantation boundaries is not only from ISPO and RSPO and the National Land Agency (Badan Pertahanan Nasional - BPN) should provide the polygons instead of asking for this information from ISPO, RSPO and companies.

A: Yes, accepted although BPN data not always accurate.

Comment: BPN don't have all oil palm plantation area information, only area that have been given commercial cultivation rights (HGU) but not smallholder areas. BPN data can be used for cross-checking but cannot be the only source of boundary information and Bappenas may have difficulty in accessing data from BPN.

Comment: It is important to start with BPN data as they are the main custodian of boundary data. Boundary data needs to be consolidated in the pilot districts drawing on BPN data to help assess and discrepancies in the data.

Response: Surveyor Indonesia is a state-owned company so it may be possible to access data from BPN and to validate it with other data sources. SI also has the capacity to conduct surveys on the ground.

Comment: There is privacy law in Indonesia (2022) that does not allow boundary information to be made public. Smallholders may also not want to disclose information and know their rights.

Response: Consent needs to be obtained before any information is made public. That's why the SJI initiative needs partners.

4 HARMURNI: Traceability and Risk Assessment - Smallholder Commodity Supply Chains - Kokok Yulicenko, WWF

In his presentation, Kokok made the following key points:

- Companies face increasing pressure to report on the environmental, social and governance impacts of their supplies and verification of origin and ESG risks is becoming increasingly regulated but because many commodities are produced by millions of farmers in remote places, data are difficult to collect and complex to compile and existing supply chain transparency tools have not kept up with market demands.
- Coffee and palm oil produced respectively in the areas of Bukit Basiran Selatan and Tesso Nilo National Parks, are not traceable and cannot be segregated. In Tesso Nilo deforestation has been driven by pseudo smallholders - criminal gangs posing as smallholders but organizing large-scale forest clearing for oil palm.
- The Hamurni traceability app (www.hamurni.com) is a digital platform developed by WWF and Agridence and is for commodities produced by smallholders. It was designed for oil palm but is being made available for other commodities for which smallholder production predominates and for which the EUDR applies such as coffee, cocoa and rubber.
- The Harmurni app tracks commodities across from farm supply chain actors to mill/factory and includes a risk tool and a dashboard. The app helps assess potential risk including legal risk based on the Indonesian legal framework and indicative High Conservation Value (HCV) and High Carbon Stock (HCS) areas although HCV 5 (community needs) and HCV 6 (cultural values) are not included in app at present because the data must be collected on the ground.
- Smallholders can register their own area and key in polygon points and receive points for information they key in. Rewards for the points are being considered.

- The app alerts mills if an arriving truck is high risk.
- The app can compile and show visualizations of supply chain data. As such, high risk/illegal production will be visible in the dashboard.

Q: What did it cost to make the app and what are the costs to collect the data?

A: Complete information on these costs has not been compiled.

Q: Do those who use the app get access to the map?

A: All supply chain actors need to provide data to map traceability to the mill for the map to be complete. Farmers may have difficulties to key in information. Financing is at the mill now because buyers are asking the mills for full traceability.

Q: How can this be aggregated at the district level and harmonized with SJI?

A: This is an important question that can hopefully be discussed today.

5 Palm oil supply chain traceability under RSPO. Tiur Rumondang, RSPO

In her presentation, Tiur made the following key points:

- RSPO principles and criteria (P&C) show how members should comply with the different supply chain models and reporting by mills on third-party suppliers.
- There are problems in the system related to oil palm expansion and associated risk in Fresh Fruit Bunch (FFB) supply, contamination of Mass Balance Certified Sustainable Palm Oil (CSPO) supply chains containing 'non legal' FFB and associated potential for supply chain 'leakage' and RSPO standard credibility.
- According to RSPO P&C, compliance with all applicable laws and regulations is necessary, including local, national and internationally ratified laws and regulations and FFB from direct suppliers must include the following information:
 - Information regarding the geolocation of the origin of FFB;
 - Evidence of status of ownership or rights/claims to land by the growers/farmers;
 - Where relevant, a valid planting/operational/trade license to allow buying and selling of FFB.
- All FFB supplies from outside the unit of certification need to be from legal sources but requirements to report on location of production of products from third parties may not happen because of the use of middlemen.
- With respect to plasma/scheme smallholders, their legality is linked to a company and for independent smallholders group certification applies.
- RSPO Palm Trace is a platform to record CSPO, and Palm Kernal (PK) oil supply chains from mills. Palm Trace does not contain information on the section of the supply chain upstream from the mills, i.e., before CPO is extracted from FFB and audit reports are relied upon for this information.
- RSPO has shape files/polygons for all certified plantations but Indonesian regulations do not allow for geolocation information of oil palm plantations to be made public so there may be challenges in providing information for due diligence in relation the EUDR.
- There are four supply chain models implemented by RSPO:
 - Identity Preserved – This involves production and supply chain certification to show that palm oil is from a single identifiable certified source and is kept separate from ordinary palm oil.
 - Segregated (but 100% RSPO certified) – this is palm oil from different certified sources that is kept separate from ordinary palm oil throughout the supply chain. Separate tanks must be used to store and transport the palm oil.
 - Mass balance – This is RSPO Certified Sustainable Palm Oil from certified sources that is mixed with ordinary palm oil throughout the supply chain but the certified volume that is sold is equivalent to the certified input volume. It can be a problem to show that the non-certified/ordinary palm oil meets some RSPO criteria.

- Book and claim – This for trade of non-certified products and is where credits are bought from RSPO certified entities and sold separately to the actual palm oil to encourage production of CSPO and is used by companies that use only a small amount of palm oil in their product.
- In relation to the EUDR, geolocation information needs to be strengthened under RSPO so that it is available to operators but it may be that under Indonesian law it is illegal to disclose this information as previously mentioned. Training related to third-party suppliers also needs to be increased. Additionally, High Conservation Value (HCV) and High Carbon Stock (HCS) areas cannot be cleared in oil palm concession area.

Q: What proportions of the 93% of palm oil imported by the EU that is RSPO certified/CSPO are segregated/mass balance/identity preserved?

A: No information available on this but RSPO will respond to this question if sent by email. Identity preserved has the highest premium and is the safest for EU and other global markets.

6 ISPO – Pak Herdrajat

In his presentation, Pak Herdrajat made the following key points:

- Traceability under ISPO is based on Ministry of Agriculture Regulation 38/2020. Principle 6 is on transparency and has six criteria. Articles 28 - 30 are on supply chain assessment.
- Article 28 covers supply chain assessments to guarantee the traceability of FFB which are processed into oil crude palm oil (CPO) palm kernel oil (PKO) and by-products.
- Article 29 covers the scope of the traceability and notes that traceability includes the farm palm oil processing and bulking/storage. When upstream certification is clear then certification can move downstream in supply chains and a regulation that covers downstream certification is being developed by the Ministry of Industry. Two models of supply chain traceability are used: segregated and mass balance.
- Article 30 notes that the segregation supply chain model requires 100% ISPO certified FFB and that mass balance requires at least 30% ISPO certified FFB.
- ISPO segregated palm oil only comes from certified plantations but is not traceable to the farm.
- ISPO mass balance palm oil is mixed with non-ISPO certified palm oil but organisations can only make claims on ISPO mass balance.
- ISPO has identified all farmers supplying to mills but geolocation information is not yet available.
- ISPO certification for smallholders will be mandatory in 2025 although the number of certified smallholders is currently still small. After 2025, farmers will struggle to sell FFB to mills unless they are fully certified.

Q: Is there an information platform or traceability system to disseminate information on ISPO certified palm oil location of production?

A: A platform is being developed but government funding and clearance regarding data dissemination is needed before it can be launched. Certification bodies need to report data monthly, but the data still needs to be uploaded.

7 Discussion

Koltiva supports the private sector in 24 provinces – 120,000 smallholders have been mapped (~500,000 ha) and 1000 farmers have been RSPO certified this year. In undertaking this work it is often found that legal documents do not match the reported area information and a lot of back and forth is necessary. Traceability systems have also been developed for 87 mills. However, there are 5000 dealers and agents and 1000 mills in total and more collaboration and support is needed. There are also problems for smallholders to use these systems. Key questions relate to the benefits of certification and traceability, gaining consent from smallholders to share data and how systems could be monetised. Are buyers willing to invest to map the suppliers? This is why the cost of RSPO certification is high. How can we collaborate to ensure full traceability and compliance?

Mapping, registration and certification of smallholders to include them in legal, sustainable and deforestation free supply chains is expensive and it is also very important to communicate with farmers so they understand what is going on, what they need to do and why. An RSPO smallholder certification group may contain 300 farmers and someone has to visit all of them.

In the context of the EUDR, it is very difficult to segregate supply chains from legal and deforestation free supply chains and those that are not, as evidenced by WWF's work in Tesso Nilo National Park and elsewhere. In depth assessments often found that palm oil was mixed.

Companies have already done a lot of mapping of producers and smallholders but they do not want to share information so the government must enforce sharing of data.

769 companies are ISPO certified out of ~3000 and ~700 are under GAPKI (the Indonesian Palm Oil Association). ISPO has also certified and audited 10,000 farmer groups, each including 500-1000 farmers. In this context, there is a great need to strengthen district capacity to support certification.

Q: Is what has been presented on traceability today sufficient to meet EUDR requirements? What is needed for full traceability and for the EUDR?

A: Surveyor Indonesia suggested that what is needed is to integrate systems and build on lessons learned by different companies and organisations including in Malaysia.

EFI summarised key points and challenges related to traceability in Indonesia including data sharing issues due to commercial sensitivity of information; privacy concerns regarding sharing of personal information and information on geolocation; scale of effort required to map and register smallholders across Indonesia; finding incentives to promote supply chain traceability; and practical challenges in segregating legal and deforestation free palm oil supply chains. A further note was made that EFI would produce minutes from the meeting and where possible work with Surveyor Indonesia and SJI WG members to come up with proposals to address traceability challenges. Key issues could be discussed at a second traceability consultation where EU and Government of Indonesia representatives and private sector stakeholders could be invited to consider how challenges might be addressed.

Meeting minutes prepared by EFI.

15 March 2023.

Annex 1: List of Participants

No	Name	Gender	Institution
1	Ibrahim Gulagnar	M	Proforest
2	Desriko	M	LTKL
3	Nur Maliki Arifiandi	F	CDP
4	Devyandra Eka Putri	F	CDP
5	Putri Utami	F	CDP
6	Anton S	M	Kehati
7	Sabar H	M	SPKS
8	Heriyadi	M	ISPO National Secretariat
9	Herdrajat	M	ISPO national Secretariat
10	Dwiyana	F	ISPO National Secretariat
11	Rismansyah	M	ISPO National Secretariat
12	Ino Syafaat	M	PisAgro
13	Hendry M	M	PisAgro
14	Ferron Haryanto	M	PisAgro/eKomoditi
15	Ainu Rofiq	M	PisAgro/Koltiva
16	Andra Andrian Hidayat	M	Javlec
17	Panji Anom	M	Javlec
18	Mukhlis Sai	M	Javlec
19	Martinus Nata	M	Surveyor Indonesia
20	Erwin Widodo	M	Surveyor Indonesia
21	Novi Ayu	F	Surveyor Indonesia
22	Hafizh Farhan	M	Surveyor Indonesia
23	Hadityo Fuad	M	Surveyor Indonesia
24	Satria Gundara	M	Surveyor Indonesia
25	Dominik Schab	M	GIZ Safe Project
26	Silfi Iriyani	F	GIZ Safe Project
27	Tiur Rumondang	F	RSPO
28	Kokok Yulicenko	M	WWF Indonesia
29	Puah Chie Wei	F	CPOPC
30	Jeremy Broadhead	M	EFI
31	Rully Amrullah	M	EFI
32	Josil Murray	F	EFI