Achieving traceability as a key step towards supplier transformation

Supporting PT. SSN in attaining full Traceability to Plantation

As a responsible palm oil producer, Golden Agri-Resources (GAR) works closely with our suppliers to ensure they too operate in line with our No Deforestation, Peat and Exploitation (NDPE) commitments. Because we source from hundreds of third party mills, who in turn buy from tens of thousands of brokers and farmers, traceability is a crucial element in our palm oil supply chain. When we can trace end products back to their origin, we can ensure these suppliers are sourcing and producing responsibly.

GAR is working towards full Traceability to The Plantation (TTP) by end 2020. The process of mapping our suppliers (and helping them trace theirs) has also been a good opportunity for us to assess other potential areas of improvement. Our aim is to use the TTP exercise as a way of engaging our suppliers; as a key step towards continuously improving the way they produce.

Why traceability is important

In September 2019, Rainforest Action Network (RAN) brought forward allegations about illegal sourcing of Fresh Fruit Bunch (FFB), mentioning one of our suppliers PT Samudera Sawit Nabati (SSN). SSN was accused of buying FFB from farmers in the Rawa Singkil Wildlife Reserve, a protected area in the Aceh Province, through an agent called CV Buana Indah.

SSN is a palm oil company under Duta Marga group which is located in Singgersing village, Sultan Daulat sub-district, Subulussalam District, Aceh province. They have been supplying crude palm oil and palm kernel to GAR since 2014, delivering a total of 18,840.47 tonnes (CPO: 14,613.06 tonnes; PK: 4,227.41 tonnes) in 2019.

Upon investigation, the allegations by RAN were unsubstantiated. We verified that SSN did not buy from the agent CV Buana Indah. However, we did discover weak points within SSN's processes that made their sourcing unclear.

1. Low percentage of TTP,
2. Lack of standard operating procedures (SOPs) for TTP,
3. Lack of SOPs and documentation for supplier evaluation.

The investigation took three days to resolve. Had their supply chain been more traceable and sourcing practices been better documented, we could have resolved the issue in a matter of hours.

We shared this insight with SSN, to establish better traceability practices and avoid a repeat of these events.

Constructive engagement

Over the course of the next six months GAR and SSN embarked on tackling the issues via a series of engagements. After the field investigation, we invited SSN to a focus group discussion with other suppliers in the Aceh Singkil landscape.

“Our suppliers are important and we will continue to constructively engage with them particularly with regards to improving and implementing sustainable palm oil practices” (GAR Social and Environmental Policy Criteria 4.2, Support to suppliers)
SSN and other suppliers based in the Aceh Singkil landscape participated in a focus group discussion on traceability held in conjunction with Musim Mas.

To lend more detailed support to SSN, we followed that with a SMART DEAL (Development by Engagement, Action and Learning) training programme. SMART DEAL is a deep development programme focused on assisting our supplier in achieving certain objectives – in this case, developing a better traceability process.

Direct technical support on TTP for one of SSN’s suppliers during SMART DEAL field activity.
Timeline of GAR’s deep engagement with SSN. SMART Deal interactions took place pre-COVID-19 travel restrictions in Indonesia. Subsequent meetings were done virtually.

The results at the end of the intensive SMART DEAL programme were positive. Not only did SSN achieve 100 percent TTP, they also overhauled their supplier evaluation practices. They developed detailed SOPs, conducted socialisation of these SOPs to their suppliers, and developed a clear system for recording administrative details of suppliers. The combination of face-to-face meetings, site visits, and remote calls to monitor progress closely was effective in improving SSN’s practices in a timely manner.

Discussion on SMART DEAL milestones between GAR and the SSN team.
Good cooperation between GAR and SSN was a key factor in the success of these improvements. SSN was open to change, and proactive in reaching out to discuss each milestone they had achieved. SSN then further cascaded that good collaboration to its agents and farmers, to achieve 100 percent TTP (introducing them to our Ksatria Sawit programme).

“We sincerely welcome the support provided by GAR and are committed to maintaining 100 percent TTP as agreed upon in the action plan. Through collaboration, we hope that GAR can help us build better systems in the area of sustainability,” said Wendy Haryanto, President Director of SSN.

To demonstrate their long-term commitment, SSN has also since employed a new Sustainability Manager, to improve their sustainable practices, particularly in the area of traceability.

Supplier transformation is a long-term process

The next step for SSN is to make sure their SOPs are implemented consistently and regularly, to maintain traceability of their FFB sources. Suppliers must realise that this work in improving sustainable practices is not just for GAR’s benefit, but also for themselves. It is especially important for them when handling irresponsible sourcing allegations (if any) in the future.

What started as answering claims of illegal sourcing, has expanded into larger improvements in sustainable practices by our supplier. This transformation did not happen overnight; it was the result of open communication, strong technical support and a mindset of change. Having built a closer relationship through the entire process, GAR and SSN will continue to maintain an open line of communication to sustain these good palm oil production practices.

GAR believes in supporting our suppliers in their own transformation journey. We have a variety of tools ranging from self-assessment toolkits, to in-depth training programmes to help suppliers (and their agents and smallholders) in adopting more sustainable practices.

To find out more about how we are achieving 100 percent TTP by end 2020, visit our website.