

# POIG RMWG Annual Progress Report 2020

Closing in on fully  
responsible palm oil



Photo credit: DAABON

Palm Oil **Innovation** Group





Photo credit: DAABON

The manufacturers in the Palm Oil Innovation Group demonstrate sustained progress towards deforestation and exploitation free supply chains.

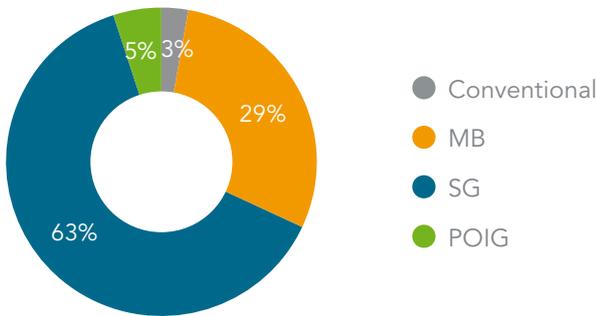
POIG's Retailer and Manufacturer Working Group (RMWG) was established in 2015 to provide a constructive space for responsible brands to inspire each other and to offer support and guidance on how to increase sourcing of traceable and responsible palm oil.

The RMWG is an ambitious but collaborative multistakeholder space set up to help companies go beyond and challenge the status. Jointly we find new pathways to responsible sourcing of palm oil, as long as you are 100% committed to the principles of the Charter.

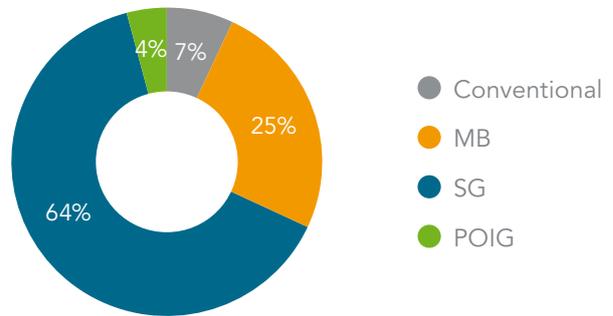
Members of POIG's RMWG set measurable and ambitious targets to move away from conventional palm oil products and see a real change in uptake of responsible palm oil. The [POIG Charter indicators](#), launched in 2018, sets a very ambitious bar for retailer and manufacturer members to work towards a fully segregated RSPO-certified and POIG verified supply chain and eliminate RSPO Credits based sourcing.

Since the Group's 2019 progress report, our members have continued to make effective changes to their supply chains through collaboration, innovation, and determination to exclude conventional, non-certified palm oil from their supply chains, and discontinue reliance on RSPO Credits based assurance. In some areas this has been a challenge, as each RMWG member has developed a strong response and solutions to complex sourcing challenges. **L'Oréal** continues to champion the availability of RSPO-certified derivatives in partnership with key supply chain actors and have made strides in converting conventional to mass balance certified derivatives; UK soap manufacturer **Stephenson** has achieved 100% segregated certified PO, PKO and fractions, including 10% POIG verified PO; Since setting up a dedicated segregated supply chain in the US in December of 2020, **Danone** now sources 97% of all its palm oil materials including fractions and derivatives from segregated RSPO-certified sources, and 99.6% of **Ferrero's** palm oil fractions is certified segregated, including almost 10% POIG verified palm oil fractions.

2020 POIG RM sourcing (% of volumes)

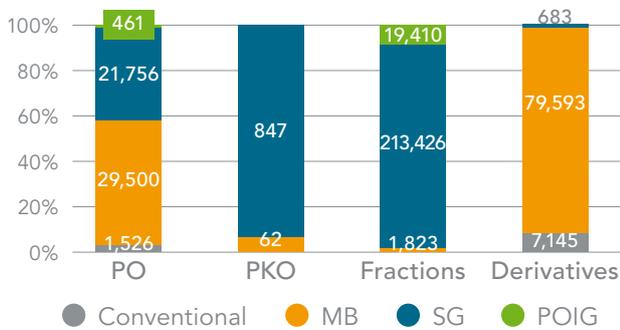


2019 POIG RM sourcing (% of volumes)



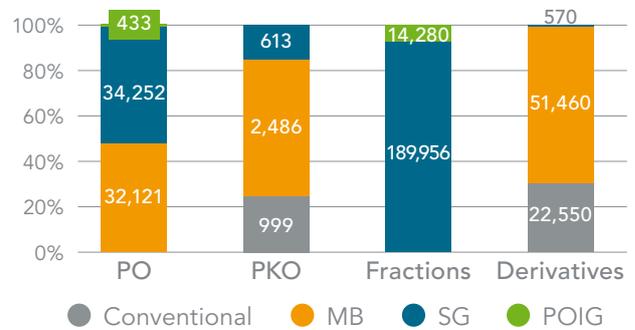
2020 POIG RM volumes by type (mt)

Total: 377,224 mt



2019 POIG RM volumes by type (mt)

Total: 349,720 mt



As at year-end 2020, POIG’s members full year volumes of palm oil and palm kernel oil products increased by 8% relative to 2019, from 349,720mt to 377,224mt. The share of segregated certified products remained consistent at 68%, including 5% POIG verified products. The increased share of mass balance certified products from 25% to 29% was almost all derivatives which were elevated from conventional sources. Derivatives remain the biggest challenge for our member brands. Only 3% of overall palm oil and palm kernel oil purchases are from conventional sources, and members are working to eliminate these volumes by continuing to seek partnerships and develop collaborations throughout their supply chains.

The POIG RM Charter goes beyond commitments to volumes. The group is also committed to being leaders in policy, transparency, and supply chain engagement. In the past year, we have supported several members in the development of new and

updated forest and palm oil policies and provided a forum for sharing of innovations in supply chains and standards.

In 2020, members were faced with difficult issues uncovered around deeply inadequate labour standards among major palm oil suppliers and have put a great deal of effort into engaging these suppliers. Consequently, in 2021, one of our objectives is to take a critical look at the grievance procedures which our members have in place. The combination of peer review and commentary by POIG’s member NGOs means that RM members can get frank and clear feedback on the scope and effectiveness of the procedures each company has in place to address complaints and grievances. It is our objective to publish a transparent review, enabling not just our members, but the wider supply chain to adopt strong means of addressing breaches to standards and policies.



## Closing in on 100% target

Primary palm products: Palm oil and palm kernel oil

Manufacturing bases globally

Danone, a member of the Palm Oil Innovation Group since 2015, has the ambition to become a forest positive business by focusing on supply chain management and collaboration.

Since 2014 and with the support of Earthworm Foundation, Danone has put in place a traceability mechanism to map their supply chain and enhance transparency. Since 2019 a grievance process has been used to enhance Danone's capacity to act. At the end of 2020, Danone achieved 94% RSPO SG and 4% RSPO MB certification for all palm oil materials sourced, and expects to close in on 100% SG thanks to the efforts to introduce a Segregated supply chain in the US.

Danone has also been working with its top Tier 1 suppliers in a Connect4Growth initiative to integrate their "One Planet" strategy commitments in supplier roadmaps. The framework enables Danone to monitor supplier performance against the elements of deforestation by fully engaging with their suppliers on Responsible Sourcing commitments, and by building concrete short, mid, and long-term roadmaps to improve performance in their supply chain.

Today, Danone is working on renewing its commitment to Deforestation and Conversion Free (DCF) beyond 2020 and aligned with Accountability Framework Initiative (AFI). The new commitment will include a larger scope of topics, as well as monitoring progress toward NDPE, using Implementation Reporting Framework (IRF). While finalizing the commitments, Danone has already started a pilot with a range of top suppliers to monitor progress toward verified NDPE using IRF.

# Committed to playing a leading role in the sustainable transformation of the palm oil sector

Primary palm products: Palm olein, palm stearin, palm mid-fractions

Manufacturing bases globally

With purchasing volumes of more than 200,000 tonnes, Ferrero is POIG's largest purchaser of palm oil, primarily in the form of palm oil fractions. Ferrero started to source 100% RSPO Segregated certified sustainable palm oil in 2015 and in 2020 increased the volume of POIG-verified oil to 9% of its total purchases (approximately 19,000 tonnes). In 2020 Ferrero expects to source over 99% RSPO Segregated certified palm oil materials as a result of the integration of recently acquired products which are currently using mainly conventional palm oil materials\*.

Ferrero joined the Roundtable on Sustainable Palm Oil (RSPO) in 2005 and launched its own Palm Oil Charter in 2013. Ferrero was among the first manufacturers to join POIG in 2015 and is one of the RMWG co-chairs. As a POIG member, Ferrero started to assess its supply chain using POIG indicators and achieved 100% traceability to plantations as of end of 2019. Ferrero's POIG membership represents a further step on its journey to ensure the sustainability of its palm oil supply chain. Ferrero actively supports POIG and shares its vision to break the link between palm oil production and the destruction of forests and peatland, the exploitation of communities and workers, and climate change. Ferrero also supports the High Carbon Stock Approach (HCSA) and from October 2020 it started using the Starling satellite monitoring and verification service across all its supply chain.

In collaboration with [Earthworm Foundation](#), in 2020 Ferrero worked to develop its new [Palm Oil Charter](#) and [Action Plan](#) in order to further strengthen its commitments and actions to achieve a palm oil industry that is good for both people and nature. Also in 2020 Ferrero started to work with the Sustainable Agriculture Network ([SAN](#)) on a [pilot project](#) that aims to advance Integrated Pest Management (IPM) and biodiversity conservation practices at the plantation level for palm oil producers.

*Ferrero's 2021 target: to maintain 100% segregated palm oil materials (without considering acquired brands), including 10% from POIG verified growers.*

\* Ferrero's acquired products include: Thorntons, Fannie May and the brands that were part of Nestle's chocolate business in the United States. Ferrero is working to extend its commitment to source only sustainable palm oil that is 100% RSPO Segregated certified to these acquired products. More information is available [here](#). The brands that Ferrero acquired from the Kellogg Company in 2019 will be included in Ferrero's palm oil mills list when the integration process will be completed.

## The challenge of complex derivatives

### Primary palm products: Derivatives

#### Manufacturing bases globally

In 2020, the global beauty brand L'Oréal purchased only 309 tonnes of palm oil, but significantly more in a quantity equivalent to 83,074 tonnes of palm oil and palm kernel oil derivatives. As part of its Zero Deforestation Policy, L'Oréal has implemented since 2014 an action plan covering traceability (98% of volumes traceable to refineries, 94% to mills and 50% to plantations), continuous risk monitoring, and suppliers and sources compliance. Since 2016, L'Oréal has in place the [Sustainable Palm Index](#) to align business decisions to its direct suppliers' commitments and practices. In 2020, 97% of the palm derivatives volumes purchased were compliant with L'Oréal's policy based on the criteria set of the Sustainable Palm Index.

100% of the company's purchased refined palm oil is RSPO Segregated certified, and within that, 85% is POIG verified. 100% of palm-based derivatives is RSPO certified, including 95% following mass balance and segregated models in 2020. The remainder is covered by RSPO Credits. In addition, around 30% of its physical sourcing is connected to field projects supporting independent smallholders and conserving ecosystems (10,479 beneficiaries in 2020 and 100,000 tonnes of CO<sub>2</sub> emissions avoided since 2017). L'Oréal will continue to develop and source from sustainable field projects which support smallholders and promote regenerative agricultural practices and forest/peatland conservation.

The Group has continuously increased its percentage of physically certified supply chain for palm-based derivatives with the target to reach 100% RSPO Mass Balanced (MB) certified in 2020. However, some challenges remain for the remaining 5%:

1. Inconsistency in the quality of existing MB certified supplies for several palm and palm kernel-based derivatives.
2. Unavailability of MB certified raw materials for specialty derivatives purchased in small volumes.
3. Low availability of MB certified volumes in certain markets and geographical regions.

To overcome these challenges, L'Oréal has been proactively working within its supply chain by involving its direct and indirect suppliers, and also by supporting sector transformation efforts; since 2019, L'Oréal has been a founding member of [Action for Sustainable Derivatives \(ASD\)](#). L'Oréal will continue to find collective solutions with peers, convinced that a company cannot realistically address these challenges individually. L'Oréal will continue to share its methodologies throughout the sector and encourage its direct suppliers to engage in ASD.

L'Oréal is a strong supporter of RSPO and joined POIG in 2016 to continue building and testing forward-looking approaches, setting benchmarks with the most progressive supply chain actors within the RSPO membership, and to serve the progression of the entire palm oil sector. Notably, through the design of dedicated tools and indicators, and more broadly to continue to find innovative solutions to address the challenges that remain.

## Building a stronger sustainable business

Primary palm products: Palm oil, palm kernel oil, fractions and derivatives

### UK manufacturing base

UK-based, solid format product experts Stephenson offer a range of palm oil, palm kernel oil, fractions, and derivatives-based products.

As the first soap company to offer 100% segregated sustainable palm oil soap bases, they are committed to challenging and improving their sustainable and environmental impact, starting with significant developments over the past three months.

The company has recruited a dedicated Sustainability Manager and partnered up with global sustainability consultancy, Anthesis to manage its strategy and CSR projects. Its aim is that by the end of 2022, it will have switched 85% of its palm derivatives volume to physically RSPO certified mass balanced, segregated or identity-preserved supply chain models. In the next 12 months we also plan to review options and feasibility to buy POIG verified material when possible.

Continuing demand from consumers to search for and buy more sustainable and environmentally friendly products has driven a significant shift in purchase habits. The company has seen a notable increase in product launches with 100% RSPO certified ingredients and more sustainable or even less packaging.

With the objective of procuring 4,300 tonnes of RSPO certified derivatives, which will add to the 5,600 tonnes of PO, PKO and fractions already 100% RSPO Segregated certified, Stephenson is now driving an essential change in the personal care industry by putting the RSPO certification as a standard in their portfolio.

Stephenson plans to regularly report on these and other initiatives to their stakeholders and customers.

# What is POIG?

The Palm Oil Innovation Group (POIG) is a multi-stakeholder initiative that strives to achieve the adoption of responsible palm oil production practices by key players in the supply chain through developing and sharing a credible and verifiable benchmark that builds upon the Roundtable on Sustainable Palm Oil (RSPO) and creating and promoting innovations.

Founded in 2013, the initiative was developed in partnership with leading NGOs as well as with progressive palm oil producers.

## POIG’s Retailer and Manufacturer Working Group

### Why join the POIG RMWG

- POIG RMWG is an ambitious but collaborative multistakeholder space set up to help companies go beyond and challenge the status quo. Our discussions help companies to find new pathways to responsible sourcing of palm oil.
- Input from leading NGOs and brands provides your organisation with valuable feedback and ensure that your sourcing strategy remains ambitious and world-leading.

### What do I need to do to join?

- Most importantly, your organisation will need to be 100% committed to the principles set out in our RM Charter and indicators. We welcome all members who want to work towards segregated and POIG verified supply chains.
- To support your commitment, POIG requires members to report annually on their progress on the RM indicators.
- We want to encourage both small and large organisations to be involved in our work, so annual fees are determined based on company revenues.
- The best first step is to contact the POIG Secretariat [info@poig.org](mailto:info@poig.org) who can supply your organisation with the paperwork required to apply.

## POIG Members



# Palm Oil Innovation Group

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If you want to know more about the **Palm Oil Innovation Group**, please contact us:

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