



Palm Oil Innovations

Breaking through
the supply chain

Photo credit: Peter Bond

Palm Oil **Innovation** Group



Breaking through the supply chain



Photo credit: Ferrero

How the manufacturers in the Palm Oil Innovation Group lead new approaches to palm oil sourcing

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.

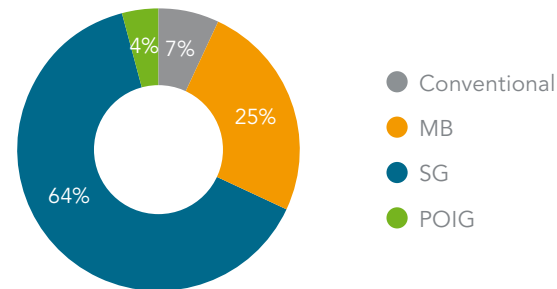
A journey towards **responsible** palm oil

Breaking through the supply chain

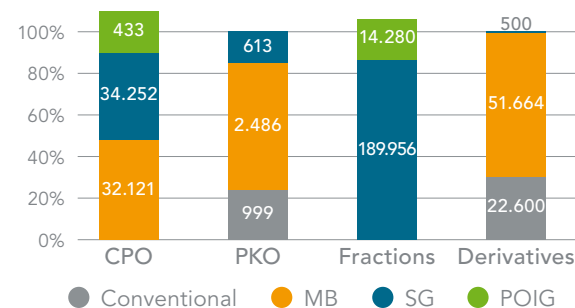
Originally guided by the general principles set out in the [POIG Charter for Retailers and Manufacturers](#), the members felt that measurable and ambitious targets were critical if POIG wanted to see real change in uptake of responsible palm oil. The POIG Retailers and Manufacturers Charter indicators were launched in 2018, and set a very ambitious bar for retailer and manufacturer members to work towards a fully RSPO Segregated certified and POIG-verified supply chain and eliminate credits based sourcing.

Each RMWG member has developed a strong response and solutions to complex sourcing challenges. **L'Oréal** has co-founded an initiative to address the difficulties in sourcing certified derivatives; Despite its limited market power, UK soap manufacturer **Stephenson** has achieved 100% segregated CPO, PKO and fractions, including 7% POIG verified CPO; **Danone** has built a dedicated segregated supply chain in the US for CPO and PKO, and **Ferrero** has successfully converted its large volume of palm oil fractions to segregated sources globally as at end of 2019.

2019 POIG Retailer and Manufacturer Sourcing



2019 POIG RMWG volumes by type



As at year-end 2019, POIG's members had achieved an impressive 68% segregated, including 4% POIG verified palm oil products. 25% mass balance was primarily PKO, and in transition to segregated by year end 2020.

Derivatives have remained the biggest challenge for our member brands, and make up almost all of the remaining small percentage of conventional products.



Resolving bottlenecks in the US market

Primary palm products:
Crude and palm kernel oil

Manufacturing bases globally

Danone joined POIG in 2015. In line with its ambition for a deforestation-free supply chain, the company moved quickly to convert its CPO and PKO to RSPO Segregated certified sources. However, following the acquisition of the US-based brand Whitewave, Danone faced difficulty in finding supplies of segregated palm oil for the North American market. Danone set up a unique partnership with two traders to create the first segregated palm supply in the United States, co-investing in dedicated infrastructure in ports that import palm oil for Danone. As a result, as of year-end 2020, Danone achieved 95% RSPO Segregated and 3% Mass Balance certified sustainable palm oil globally.

Danone supports the principles of POIG which brings together leading NGOs with palm oil producing companies, brands and other actors in the supply chain to share and develop leading practices to ensure that responsible palm oil becomes available in the market place.

Danone's 2020 target: To achieve 100% purchasing of segregated palm oil products by year-end 2020.





Committed to fully segregated palm oil and growth in **POIG-verified** oil

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

Manufacturing bases globally

Ferrero was among the first manufacturers to join POIG in 2015 and is one of the RMWG co-chairs. 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 2019 it increased the volume of POIG-verified oil to 7% of its purchases. In 2020 Ferrero expects to source over 99% RSPO Segregated certified palm oil as a result of the integration of recently acquired products which are currently using mainly conventional palm oil*.

* 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 is completed.



Photo credit: Ferrero

Ferrero joined the RSPO in 2005 and launched its own Palm Oil Charter in 2013. In January 2015, Ferrero became one of the first global companies to source 100% RSPO Segregated certified palm oil and achieved 100% traceability back to plantations (as at end of 2019). In 2015, Ferrero also became a member of POIG and started to assess its supply chain using POIG indicators. 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 and from October 2020 it started using the Starling satellite monitoring and verification service across all its supply chain.

Ferrero's 2020 target: to achieve 100% segregated palm oil products (without considering acquired brands), including 10% from POIG-verified growers.



Photo credit: Ferrero

Taking a lead in complex derivatives sourcing

Primary palm products:
Derivatives

Manufacturing bases globally

Global beauty brand L'Oréal purchases 325 tonnes of palm oil each year, but purchases derivatives in a quantity equivalent to 71,000 tonnes of palm oil. As part of its Zero Deforestation Policy, L'Oréal has implemented since 2014 an action plan covering traceability (98% of volumes traced back to refineries and 92% to mills), continuous risk monitoring, suppliers and sources compliance. Since 2016, L'Oréal has in place the [Sustainable Palm Index](#) to align business decisions to its direct suppliers' commitments & practices. In 2019, 97% of the palm derivatives volumes purchased are compliant with L'Oréal's policy based on the Sustainable Palm Index.

100% of the company's refined palm oil is RSPO Segregated certified and POIG-verified and 100% of palm-based derivatives is RSPO certified, including 73% following Mass Balance and Segregated models in 2019. The remainder is covered by RSPO Credits, among them 2,000 tons (23% of total volumes) connected to field projects supporting independent smallholders and conserving ecosystems (7,900 beneficiaries in 2019 and 73,500 tons of CO₂ emissions avoided since 2017).

L'Oréal will continue to develop and source from sustainable field projects which support smallholders, promote regenerative agricultural practices and forest/peatland conservation in order to reach between 30% and 40% of palm volumes connected to field projects by the end of 2020.



Photo credit: Musim Mas

To support sector transformation, 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 to encourage its direct suppliers to engage in ASD.

L'Oréal strongly supports RSPO in its transformation process, and decided to join the Palm Oil Innovation Group late 2016 to continue building and testing forward-looking approaches with the most innovative players, to serve the progresses of the whole palm sector, notably through the design of dedicated tools and indicators and more broadly to continue to find innovative solutions to address the remaining challenges of the palm sector.

*L'Oréal's 2020 target on source compliance:
To achieve 100% RSPO Mass Balance certification
for palm derivatives and maintain 100% RSPO
Segregated certification and POIG-verified CPO.*



Size isn't everything

Despite being POIG's smallest private-sector member, Leeds-based soap manufacturer Stephenson punches above its weight when it comes to sustainability. It was the first soap manufacturer to offer 100% segregated sustainable palm oil soap bases in 2010, and was in the first batch of manufacturers joining POIG in 2015.

With total volumes of 5,600 tonnes and operating in a competitive business-to-business marketplace, Stephenson's progress has been impressive. Stephenson sources 100% segregated CPO, PKO and fractions, and has been actively pursuing solutions to its derivatives through constant engagement

with suppliers, and uses its membership in POIG to share good practices with larger brands. Although yet to find success in this venture, Stephenson has not stood still. In 2019, the company converted just under 7% of its CPO purchases to POIG-verified oil.

Stephenson's most recent success is in the Solid Shampoo Bar market. The product uses a number of palm derivatives and fractions and from January 2021 it will be 100% RSPO MB.

Stephenson's 2020 target:

To increase POIG-verified CPO to 8% and convert some derivatives to MB.

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

UK manufacturing base





Commentary from Ilka Petersen, WWF Germany, Co-Chair of the POIG RMWG

If your work as an NGO involves palm oil, chances are high you need some positive spirit and examples of best practices to keep yourself motivated, and POIG helps to provide this. One of our key asks for companies using palm products is that they must ensure that their own supply chain is sustainable and free from deforestation and conversion of natural ecosystems. They have a responsibility and a role to play. While the continued occurrence of burning forests and peatlands for oil palm plantation expansion is a stark reminder that the industry still has a very long way to go,

the members of the POIG RMWG are showing that sustainability is indeed possible. They are setting benchmarks in supply chain innovations for others to follow. While others are still pointing out how difficult it is to get POIG verified palm oil for example, they took the leap and started buying it even though it's not easy. That is why they were ranked highly in the latest WWF's Palm Oil Buyers Scorecard. What we need now is for more members, including innovative retailers, to join the group.

Breaking through the supply chain

What is POIG?

The Palm Oil Innovation Group 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, 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.



Breaking through the supply chain



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 who can supply your organisation with the paperwork required to apply.

POIG Members



Palm Oil Innovation Group

Photo credit: Daabon



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

C/O Helikonía
Suite 15-2a Plaza See Hoy Chan
Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

Phone: +603 2072 2130
Email: info@poig.org
Web: www.poig.org