



18 August 2014

PZ Palm Oil Promise

actively supporting the responsible development of the palm oil supply chain

Context

Palm oil is the most widely traded vegetable oil in the world and is used in many food, household and personal care products including soaps and detergents. It is high-yielding and land-efficient when grown responsibly and contributes positively to economic development in several emerging markets, including in West Africa.

Global demand for palm oil is continuing to rise and rapid development of new palm oil plantations has led to well-documented environmental and social problems including deforestation leading to loss of habitat and climate change.

Securing a long-term sustainable supply of palm oil for our global operations is a priority for PZ Cussons. We took another step towards achieving this goal by becoming members of The Forest Trust (TFT) in May 2014. TFT is a not-for-profit organisation with expertise and experience of setting up traceability systems and tackling environmental and social issues throughout the palm oil supply chain.

Our membership of TFT builds upon our on-going membership of the Roundtable on Sustainable Palm Oil (RSPO), which we joined in 2010. It strengthens our global commitment to actively supporting sustainable development of the palm oil supply chain.

Our commitments

We are committed to working towards ensuring that the palm oil used in our range of personal and home care, beauty and food products is responsibly sourced, respects local and indigenous communities, protects animal habitats and does not contribute to deforestation. We will focus on:

- Achieving traceability of our palm oil supply chain back to source
- Working with our suppliers to find palm oil from sources that demonstrably:
 - o Do not contribute to deforestation, by which we mean:
 - No development of High Carbon Stock (HCS) forest areasⁱ
 - No development of High Conservation Value (HCV) areasⁱⁱ
 - No use of fire to clear or prepare land
 - No planting on peat soils
 - o Comply with international and local legislation and implement RSPO Principles and Criteria
 - o Do not use toxic chemicals (as listed by the Stockholm (POP) Convention), including Paraquat
 - o Respect the rights of Free Prior and Informed Consent (FPIC) of indigenous and local communitiesⁱⁱⁱ
 - o Ensure zero exploitation of workers (including Contract, Temporary and Migrant Workers) or indigenous and local communities

Scope

Our commitment applies to all our palm oil procurement globally, including fractions. Equally, it covers our interests in two joint ventures, PZ Wilmar, in Nigeria and Norpalm in Ghana, through which we are able to take an active role in helping build a sustainable future for palm oil in West Africa.

Of course we are not able to meet our commitments in isolation. We will need to actively engage with our suppliers, JV partners and other stakeholders to make clear our requirements and expectations. Our objective is to actively support the responsible development of the palm oil supply chain and we will support our suppliers and partners as they move towards meeting our commitments. Therefore if there is evidence of non-compliance by a supplier or JV partner, we will expect the supplier or JV partner to cease non-compliance and develop a time-bound action plan to come into compliance. If a supplier or JV partner does not demonstrate adequate and timely progress against the action plan to meet compliance we will find alternative sources that can meet our needs.

Our action plan – phase one

We will develop a publically available detailed action plan on an annual basis to move us towards meeting our commitments. If necessary, we will review our action plan more frequently.

We are at an early stage of the process and the first step must be to map our current supply chain. We are working with TFT who is undertaking a review on our behalf so that we can improve our understanding of our direct and indirect suppliers of palm oil. The findings will inform our action planning and help us identify our priorities.

We are also embarking on a programme of stakeholder engagement to enter into dialogue with and build buy-in from suppliers, JV partners and invested stakeholders to help us to meet our Promise. Initially this will involve:

- Sharing our ultimate goals and our commitment to realise them
- Setting up a PZ Palm Oil Advisory Panel representing of key stakeholder groups which will help develop our understanding and inform the development of our action plan
- Participating in relevant industry bodies to ensure that PZ Cussons is aware of the latest thinking and best practice and can incorporate this into our own action plan

We aim to have achieved our first phase by the end of 2014. We will then update our action plan and agree with our suppliers by when we need them to deliver their time-bound implementation plans to meet these commitments.

The findings from the first phase will inform our approach and priorities in the subsequent phases and their timing. Broadly our approach will follow three stages:

1. Trace our palm oil back to the refinery
2. Trace our palm oil back to known mills
3. Trace our palm oil back from known mills to the plantation (FFB)

Stakeholder engagement

Working with our suppliers

We will engage with all our suppliers, both direct and third party, throughout our supply chain, including small-holders, to make clear our expectations. We believe it is important to work with and support our suppliers to develop a time-bound implementation plan to achieve these commitments.

In phase one, we are working with TFT to map our palm oil supply chain and identify any immediate priorities for action within our current supply chain.

Working with our Joint-venture partners

We will continue to engage with our joint-venture partners to ensure that they understand the new commitments PZ Cussons has made and what we expect from them as a result.

Our Joint Venture partner Wilmar International announced its integrated No Deforestation, No Peat, No Exploitation Policy in December 2013. This included an immediate end to development of HCS, HCV, or peat. The PZ Wilmar JV in Nigeria is covered by Wilmar's commitment as well as our own.

Through PZ Wilmar we are involved in the entire supply chain from plantation to plate. We are investing in the regeneration of old state-owned plantations and developing new plantations following RSPO Principles and Criteria. The JV also operates a refinery in Lagos State and markets its own domestic consumer brand of cooking oil. Our direct involvement enables us to work towards ensuring full supply chain traceability back to the plantation.

It also enables us to invest in skills development; infrastructure, medical facilities and education; and the creation of new markets and income for small-scale palm oil farmers. We are also training local farmers in modern farming techniques to help improve the yield and quality of their crop.

Our plantation's Standard Operating Procedures ensure our plantations follow RSPO principles and criteria and this is enforced by our expert Sustainability Coordinator and local supervisors. Ultimately, PZ Wilmar will contribute to the world's supply of deforestation free palm oil produced using best practices.

Working with TFT and other NGOs

PZ Cussons joined TFT in May 2014 to strengthen our commitment to actively supporting the responsible development of the palm oil supply chain and build upon our membership of RSPO.

We will continue to meet our membership obligations to report on our progress in a full and transparent manner and to engage with other invested NGOs to deepen our understanding of best practice and share our plans.

We recognise the complexity of the palm oil supply chain and welcome the support and input of those with more first-hand experience and knowledge of the challenges and opportunities at stake.

Working with our industry

Traceability of palm oil remains an issue for the industry as a whole and presents a challenge for all palm oil users. We will engage with others in our industry to share our experience and improve our understanding.

Working with our shareholders

Maintaining the support of our investors will be an essential part of our success in meeting our commitments on palm oil. We will engage with shareholders to secure understanding of the importance of our commitments and buy-in for our action plan towards achieving them.

Working with Consumers

Recognising the needs of our consumers is extremely important to us. We will engage with consumers / consumer groups to improve our understanding of consumer priorities. This in turn will inform our action planning and facilitate further engagement and transparency.

Evaluation and Reporting

We will informally assess our progress on an on-going basis and will formally evaluate the effectiveness of our action plan on a six-monthly basis.

We will report on our progress formally on an annual basis via our Annual Report, will continue to submit our Annual Communication on Progress to the RSPO and will provide data to enable PZ Cussons' update to be available on the TFT website.

In addition, we will provide informal ad hoc updates, as part of our engagement programme and via our website, as appropriate.

ⁱ High carbon stock (HCS) forest areas include primary forests, high, medium and low-density forests and regenerating forests. We will continue to adopt best practices for identifying HCS as they are developed for different contexts. Please read [The High Carbon Stock Forest Study Report](#) for more information.

ⁱⁱ High Conservation Value Areas refers to the areas necessary to maintain or enhance one or more High Conservation Values (HCV), where a HCV is a biological, ecological, social or cultural value of outstanding significance or critical importance. Specific definition of the six HCV categories follow:
HCV1 Species Diversity: Concentrations of biological diversity including endemic species, and rare, threatened or endangered species, that are significant at global, regional or national levels.
HCV2 Landscape-level ecosystems and mosaics: Large landscape-level ecosystems and ecosystem mosaics that are significant at global, regional or national levels, and that contain viable populations of the great majority of the naturally occurring species in natural patterns of distribution and abundance.
HCV3 Ecosystems and Habitats: Rare, threatened, or endangered ecosystems, habitats or refugia.
HCV4. Critical Ecosystem Services: Basic ecosystem services in critical situations, including protection of water catchments and control of erosion of vulnerable soils and slopes.
HCV5. Community Needs: Sites and resources fundamental for satisfying the basic necessities of local communities or indigenous peoples (for livelihoods, health, nutrition, water, etc.), identified through engagement with these communities or indigenous peoples.
HCV6. Cultural Values: Sites, resources, habitats and landscapes of global or national cultural, archaeological or historical significance, and/or of critical cultural, ecological, economic or religious/sacred importance for the traditional cultures of local communities or indigenous peoples, identified through engagement with these local communities or indigenous peoples.
More detail is available through the High Conservation Value Resource Network. Many non-forest area also have High Conservation Value, including high social and cultural values.

ⁱⁱⁱ Free is the absence of coercion and outside pressure, including monetary inducements (unless they are mutually agreed to as part of a settlement process), and “divide and conquer” tactics. It includes the absence of any threats or implied retaliation if the results of the decision are to say “no”.

Prior is having sufficient time to allow for information-gathering and full discussion, including translations into traditional languages, before a project starts. It must take place without time pressure or constraints that in any way may compromise traditional decision-making structures and processes of the people in question. A plan or project must not begin before this process is fully completed and an agreement is reached.

Informed is having all the relevant information available reflecting all views and positions. This includes the input of traditional elders, spiritual leaders, subsistence practitioners and traditional knowledge holders, with adequate time and resources to consider impartial and balanced information about potential risks and benefits.

Consent is the demonstration of clear and compelling agreement, in keeping with the decision-making structures of the people in question, including traditional consensus procedures. The existence of consent is usually demonstrated by a signed agreement which may include an Indigenous Land Use Agreement, Memorandum of Understanding or Plain English Statement, and a signed Consent Form by the parties.

The RSPO document “FPIC and the RSPO: A Guide for Companies” should be followed when negotiating land use rights with communities. The document can be downloaded here: <http://bit.ly/1qPKYwQ>