

Our Palm Oil Promise

# Our 2020 Action Plan

December 2019



# Our Palm Oil Promise

## Our strategic approach & action plan

We first published our action plan in October 2018 with the aim that by 2020 100% of the palm oil we use would come from producers whose entire operations have been independently verified compliant with No Deforestation/No Peat/No Exploitation (NDPE) standards.

As we get closer to 2020 we can see that our significant investment, commitment and progress, has enabled us to reach over 90% against all critical milestone KPIs. We know that the year ahead will be even more challenging as we work to close the gap to 100% and focus on independent verification. However, our commitment remains as strong as ever.

We believe that continued focus on the five strategic objectives set out in our 2020 Action Plan on palm oil (governance, traceability, transformation, focus on Nigeria and transparency) remains the right approach to get us there. Our target was always an ambitious one and we have been reviewing our objectives and goals to see where and how we should focus our efforts beyond the end of next year.

We will report the outcome of this review in our next progress report (due in June 2020). In the meantime, this report summarises our progress, next steps and target deadlines against our five strategic objectives and 12 tactical goals over the past six months.



# Our Palm Oil Promise – 2020 Action Plan

## Six-month progress update – December 2019

**Despite the ongoing challenges and complexity of the palm oil industry, we have continued to make progress in the six months since our last update.**

Although we are behind schedule in some areas, we are on track or ahead in many others and we are continuously learning and applying what we learn to our day-to-day work. This is delivering tangible benefits.

In particular, our capacity to verify or refute deforestation claims via satellite data (Starling), independent, local on-the-ground reports (via Kumacaya), and ground verification reports (via [Earthworm Foundation](#)), is invaluable in prioritising work with High Impact Suppliers (HIS). For example, in July 2019 we were contacted by Mongabay in relation to four mills associated with deforestation that were linked to PZ Cussons (by data from our 18 November 2018 mill list). We could quickly confirm that we no longer sourced from three of the mills and following ground-truthing by the Earthworm Foundation team, established that the fourth was adjacent to an area of cleared land but not responsible for it.

Transformation has been a priority for us over the past six months, leading to us finalising our forest conservation and restoration action plan. Working together with Earthworm Foundation,

harnessing the increased transparency of our supply origin and satellite monitoring data from Starling, we have identified and evaluated the possible regeneration routes to understand where and how we can achieve most impact. These multi-year programmes involve working with communities, local government and plantation companies to address regeneration of previously cleared forests and conservation of forest areas within concessions.

For example, in Kalimantan we are supporting work to empower the local community to conserve and protect 1,600 hectares of forest areas. This involves collaboration with local government, communities and companies seeking agreement to protect vital forest areas through a Participatory Conservation Planning process. In Aceh Tamiang, we are supporting a multi-stakeholder programme which has impacted 1,400 hectares of High Carbon Stock/High Conservation Value forest. Recently, a forest protection agreement has been achieved between key groups in Aceh and North Sumatra covering 35,000 hectares, and Participatory Conservation Plans have been established between four villages. During 2019, we have supported Earthworm Foundation's pilot Forest Conservation Fund. The Fund will launch in the first quarter of 2020, using multi-stakeholder investment to build long-term sustainable grass roots projects led by local NGO's, communities and plantation companies.

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## Six-month progress update – December 2019 *continued*

We also continue to support Earthworm Foundation's Areas for Priority Transformation (APT) Landscapes Project in Aceh Tamiang and Southern Aceh in Indonesia which will remain of strategic importance in 2020 and beyond. As well as agreements and support from local governments, the project is delivering intensive capacity-building workshops for the supply chain. These are addressing key environmental, social and labour issues and community empowerment work, including the APT Livelihoods Programme. Through Starling satellite monitoring and ground reports, we can report that deforestation is declining significantly in both regions and a high proportion of continued forest loss is taking place outside of palm oil concession areas.

We have also increased our resource investment in supplier/in-direct supplier relationships to support transparency and transformation and this has delivered a significant increase in our traceability of derivatives. This is now ahead of schedule at 93% (against 44% in June 2019). For derivatives we are on track to achieve 100% traceability and 100% from suppliers with NDPE commitments aligned with our own by the end of 2020.

However, despite good progress, we are currently behind schedule with our NDPE alignment for Crude Palm Oil (CPO) and Palm Kernel Oil (PKO). We were aiming to have achieved 100%

alignment by the end of 2019 and we're currently at 94% (vs 86% June 2019 and 68% November 2018). The remaining suppliers are Nigerian traders who source from small-scale artisan sources, a part of the supply chain not accustomed to NDPE commitments. Our Palm Oil Promise includes support for small-scale farmers and so, whilst changing supply could have been an easier way to meet our target, we have chosen to continue to engage and inspire them to change. As a result, we are extending our deadline for achieving 100% to the end of 2020 to continue to support these Nigerian smallholders. Having finished another week of supplier visits in early November, we now have NDPE commitments from two traders and will be supporting them with implementation. This success reinforces our decision to continue with our current approach.

The situation in Nigeria also impacts our ability to reach our 100% traceability target for CPO and PKO. We currently have 97% traceability to mill (vs 92% June 19 and 86% Nov 18) against a target of 100% by the end of this year. To continue to close this gap we continue to work with the Nigerian traders and their supply chain and are currently conducting a field study to provide further data on more detailed traceability and a deeper understanding of social and environmental issues affecting this supply.

We have updated our 2020 Action Plan below to show where we will be concentrating resources and activity to meet our commitments.

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## Governance – reinforcing good governance to drive NDPE compliance

Goals	Action plan	Progress	Deadline
100% of crude palm oil (CPO) and palm kernel oil (PKO) supply from producers with NDPE commitments.	Minimise the number of palm oil suppliers we buy from & work only with producers with NDPE commitments in alignment with ours. Extending deadline to support Nigerian small-scale farmers.	94% of our palm oil is supplied by direct suppliers all with NDPE commitments aligned with ours.  The remainder are smaller suppliers of PKO in Nigeria, a part of the supply chain unaccustomed to NDPE but whom we need to support. Following further meetings in November, two of these Nigerian traders have made NDPE commitments, so we will continue with our current approach to engage and support them.	<b>End 2019</b> – behind schedule  <b>New deadline</b> – end 2020
<b>Interim goal:</b> 75% of volumes of crude palm oil and palm kernel oil from suppliers with NDPE commitments.	Formalise our NDPE commitments within our ‘approved supplier’ procurement process to prioritise NDPE.	We have made clear our commitments, and our requirements and expectations of our suppliers.	 <b>Achieved</b>
100% of palm oil derivative supply from producers with NDPE commitments.	Continue to engage with all suppliers to encourage transparency and adoption of NDPE commitments.	We have increased NDPE alignment with derivative suppliers to 91%, an increase from 30% a year ago.  We expect to achieve our target.	<b>End 2020</b>
<b>Interim goal:</b> 90% of volumes of palm oil derivatives from suppliers with NDPE commitments.		We have made clear our commitments, and our requirements and expectations of our suppliers.	 <b>Achieved</b>

# Our Palm Oil Promise – 2020 Action Plan



## Governance *continued*

Goals	Action plan	Progress	Deadline
Establish a process to achieve early visibility of any non-compliance within our suppliers' entire operations.	Require direct suppliers to demonstrate credible systems to proactively monitor the producers in their supply chain at group level, making use of concession maps and other relevant data.	All our key direct suppliers have a public Grievance Procedure and maintain lists of reported cases of non-compliance with progress updates. These include cases highlighted by NGO campaigns.	 Achieved
Actively monitor to achieve early visibility of any non-compliance within our suppliers' entire operations.	Actively monitor suppliers' grievance procedures to drive compliance across their physical supply chains, including wider group company activity – via monthly calls.	Implementation of Earthworm Foundation High Impact Supplier Programme, combined with Starling satellite data, to identify non-compliance within our global supply chain.	Ongoing
Create and roll-out a consistent deforestation non-compliant supplier protocol which applies to all suppliers and third-party producers and includes a conversion cut-off date and acceptable timescales for mitigation before ultimately excluding non-compliant producers.	Update our policy to include a conversion cut-off date of 31 December 2015. Work collaboratively with The Earthworm Foundation, Greenpeace and our suppliers to agree a consistent and mutually acceptable approach to mitigation and exclusion. Adopt and promote an industry-wide protocol, once one is available, to address non-compliance. Integrate new protocol into supplier selection and engagement process.	Developed a non-complaint supplier deforestation protocol including a conversion cut-off date of 31 December 2015 in line with best practice.  We have integrated our approach into our supplier selection process and shared it with all our suppliers who have given it their support.  Our protocol can be downloaded from our <a href="#">palm oil landing page</a> .  Integrated non-compliant supplier protocol to address labour/workers-rights issues with suppliers.	 Achieved
Evaluate effectiveness of protocol via ongoing supplier engagement.	Measure adoption rates via monthly monitoring calls with key suppliers.	Now including extensive additional data from Starling satellite monitoring.	Ongoing

# Our Palm Oil Promise – 2020 Action Plan



## Traceability – achieving full traceability of our entire palm oil supply chain

Goals	Action plan	Progress	Deadline
100% traceability of crude palm oil and palm kernel oil across our supply chain.	<p>Continue ongoing dialogue with all our direct suppliers and with Earthworm Foundation to trace our palm oil back to the mill.</p> <p>Go beyond the mill to achieve full traceability to plantation.</p> <p>Extending deadline to support Nigerian small-scale farmers.</p>	<p>Since 2016, we have had full traceability of our crude palm oil and palm kernel oil back to the refinery and can currently trace 97% back to the mill.</p> <p>The remaining 3% are from suppliers who have NDPE commitments and continue to increase their mill traceability, with the lowest supplier score of 85%.</p> <p>All CPO/PKO suppliers are now providing some or all plantation data and are working on full traceability.</p> <p>We are also conducting a field study with traders and small-scale farmers in Nigeria which will be completed in quarter one of 2020.</p>	<p><b>End 2019</b> – behind schedule</p> <p><b>New deadline</b> – end 2020</p>
<b>Interim goal:</b> 90% traceability of crude palm oil and palm kernel oil across our supply chain.			<p> <b>Achieved</b></p>
100% traceability of palm oil derivatives across our supply chain.	Continue to engage with suppliers to achieve traceability of all ingredients containing palm oil derivatives.	We have increased traceability back to mill to 93% (up from 44% in June 2019) and we expect to achieve our target.	<b>End 2020</b>

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## Traceability *continued*

Goals	Action plan	Progress	Deadline
<p><b>Interim goal:</b> 80% traceability of palm oil derivatives across our supply chain.</p>		We have exceeded our interim target.	 <b>Achieved</b>
<p>Full disclosure of our crude palm oil and palm kernel oil supply chain including: all our direct suppliers, mill parent companies and mill co-ordinates.</p>	<p>Work with our suppliers and with Earthworm Foundation to obtain permission to publish this data for 100% of our palm oil supply chain.</p> <p>Publish an updated list on our website every six months. The next list will be published in June 2020.</p>	<p>We first published a list of our key direct palm oil suppliers in March 2018 and will continue to get agreement to publish from all suppliers, to achieve our target.</p> <p>We first published our identified mills in March 2018 and updates in October 2018 and June 2019 and December 2019, the next update will be published in June 2020.</p> <p><a href="#">You can view the latest list on our website</a></p>	 <b>Achieved/ongoing</b>
<p>Full disclosure of our palm oil derivatives supply chain including: all our direct suppliers, mill parent companies and mill co-ordinates.</p>		Actions as above.	<b>End 2020</b>

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## Transformation – investing in transformation and independent verification of the palm oil industry

Goals	Action plan	Progress	Deadline
Support programmes that drive transformation and alignment with our NDPE commitments.	<p>Use information from our monthly calls with suppliers to review their grievance process and progress to help us prioritise where we can best contribute to on-the-ground transformation.</p> <p>Hold quarterly planning meetings with Earthworm Foundation to plan and monitor programmes.</p> <p>Identify High Impact Suppliers and engage with direct suppliers and other industry players to facilitate transformation via deep engagement.</p> <p>Work with our key direct suppliers to ensure that they have a time bound action plan for compliance with NDPE commitments.</p> <p>Ensure that refineries at origin in our supply chain (either via direct or indirect sourcing) develop and implement an actionable time bound plan for compliance with NDPE commitments for the entirety of the refinery's upstream supply chain. We will collaborate with our suppliers and contribute to on-the-ground transformation to advance these action plans.</p> <p>Follow and monitor progress on implementation of Action Plans resulting from past assessments in our upstream supply chain.</p> <p>In collaboration with Earthworm Foundation, continue to support the implementation of landscape level, multi-stakeholder approach in Aceh Tamiang and Southern Aceh, with long-term land use plans that:</p> <ul style="list-style-type: none"> <li>• Meet present livelihood needs and provide a viable economic future;</li> <li>• Maximise preservation of key habitats;</li> <li>• Are made and implemented with full participation of local communities.</li> </ul>	<p>Implementation of Earthworm Foundation High Impact Supplier Programme, combined with Starling global satellite data, to work with suppliers to address identified non-compliance. Focus areas are deforestation, exploitative labour practices, community conflicts and smallholders in Indonesia.</p> <p>Supporting a Rurality Programme in Kapuas Hulu, Indonesia, engaging with 425 farmers across five villages, to build the resilience of smallholder farmers with improved livelihoods and social conditions.</p> <p>Stakeholder engagement is essential to advance NDPE commitments, we supported development of the <a href="#">Directory of Palm Oil Industry Stakeholders in Malaysia</a> to provide brands, buyers, consumers and interested parties an overview of palm oil industry players in Malaysia. For key sustainability and responsible-sourcing topics including preventing forced and bonded labour, ensuring community land rights are respected, and protecting forests and peat lands.</p> <p>To help address the issues related to child labour (Child in Plantation), we are supporting the development of the Child Risk Assessment (CRA) tool which is at final stage. This tool will be shared with the relevant government &amp; civil society stakeholders in Malaysia.</p> <p>Facilitating resilient, thriving communities and ecosystems within biodiverse landscapes in <a href="#">Aceh Tamiang</a>, <a href="#">Southern Aceh</a>.</p> <p>Agreements and support from local governments.</p> <p>Intensive capacity-building workshops for the supply chain addressing key environmental social and labour issues.</p> <p>Community empowerment work, including the APT Livelihoods Programme, guiding agricultural demonstration plots.</p> <p>Through Starling satellite monitoring and ground reports, deforestation is declining, identifying large forest loss outside of concession areas.</p>	Ongoing

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## Transformation *continued*

Goals	Action plan	Progress	Deadline
Develop an actionable plan, including support of multi-stakeholder initiatives, working with communities to address regeneration of previously cleared forests and conservation of forest areas within concessions.	Work with Earthworm Foundation to identify and evaluate the possible regeneration routes to understand where and how we can achieve most impact, including support for the pilot for the Forest Conservation Fund.	<p>Following increased transparency of our supply origin, engagement with key suppliers to understand their planned investment programmes and satellite monitoring data from Starling, we have identified key focus regions for support through:</p> <ul style="list-style-type: none"> <li>• Earthworm Foundation Forest Conservation Fund pilot in 2019, with launch in the first quarter of 2020, building long-term sustainable grass roots projects led by local NGO's, communities and plantation companies with multi-stakeholder investment.</li> <li>• Multi-year programme in Kalimantan, following collaboration with local government, communities and companies for agreement to protect vital forest areas through a Participatory Conservation Planning process, empowering the local community to conserve and protect 1,600 hectares of forest areas.</li> <li>• Earthworm Foundation multi-stakeholder Landscape Programme in Aceh Tamiang, 1,400 hectares of High Carbon Stock/High Conservation Value forest impacted, forest protection agreement with key group in Aceh and North Sumatra covering 35,000 hectares and Participatory Conservation Plans established with four villages.</li> </ul>	 <b>Achieved</b>
Achieve independent verification of NDPE compliance across supply chain.	<p>Investigate verification methodologies and tools for social aspects as well as deforestation.</p> <p>Prioritise verification of supply based on volumes, business critical nature, opportunity to partner with others and ease of verification.</p> <p>Create a timetable for verification of whole supply chain based on priorities.</p>	<p>Starling satellite monitoring and Kumacaya independent monitoring by local people, selected as our independent verification tools. Programmes started with:</p> <ul style="list-style-type: none"> <li>• Starling, satellite imagery monitoring for global supply chain. Data is used to understand deforestation issues and risks, for engagement with relevant suppliers so these can be addressed.</li> <li>• Kumacaya, independent monitoring of social and environmental issues by local people. Three programmes started.</li> </ul> <p>Timetable for verification of deforestation and social issues identified and implemented.</p>	<b>End 2020</b>

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## Nigeria – taking a lead in developing Nigeria’s palm oil sector

Goals	Action plan	Progress	Deadline
<p>Maximise our capital in Nigeria to support the development of the local palm oil industry in line with NDPE standards.</p>	<p>Continue to work closely with our JV partner, Wilmar to ensure that our JV’s production is fully compliant with our shared NDPE commitments.</p> <p>Obtain independent verification that our JV plantations comply with NDPE standards.</p> <p>Continue to work with our JV partner Wilmar to promote the sustainable growth of the sector by:</p> <ul style="list-style-type: none"> <li>• Working with Federal, State and local governments to share best practice</li> <li>• Promoting NDPE within National industry body, POFON</li> <li>• Support national and local programmes to increase yields</li> <li>• Support programmes to educate and assist smallholder farmers</li> </ul>	<p>We’re working with the Central Bank of Nigeria (CBN) and other commercial banks to create access to finance for smallholders with verifiable land titles to invest in revitalising old and inefficient plantations.</p> <p>As of January 2019, there are 1,000 farmers registered and 2,500 ha of farms have been mapped and geo-referenced to ensure they are in suitable locations.</p> <p>Training has been delivered for the farmers who have organised themselves into registered cooperatives with clear leadership and governance structures. <a href="#">Link to case study.</a></p> <p>We are also supporting 43 smallholder farmers, who together cultivate 150 ha of land, in the BPL pilot sustainable out-grower Scheme in Cross River State.</p> <p>Environmental and Social Impact Assessments as well as High Conservation Value assessments have been conducted and farmers supported to form co-operatives, open bank accounts and obtain legal land ownership documents, including Customary Rights of Occupancy.</p> <p>Three out of four cooperatives have completed planting and we expect the fourth to be fully planted by August 2019. <a href="#">Link to case study.</a></p>	<p><b>Ongoing</b></p>

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## Transparency – an open and transparent approach to reporting on progress

Goals	Action plan	Progress	Deadline
Continue to be open and transparent with all our stakeholders	<p>Continue to assess our progress on an on-going basis and will report on our progress and future plans via existing annual reporting mechanisms.</p> <p>Work with Earthworm Foundation to agree most effective KPIs.</p> <p>Publish a progress update via our website and the Earthworm Foundation website every six months when we publish our supplier data.</p>	<p>We report on our progress and future plans via our Annual Report, our Annual Communication on Progress to the RSPO, our website and the Earthworm Foundation website.</p> <p>Following publication of our Palm Oil Promise 2020 Action Plan in October 2018, we have published updates in June 2019 and December 2019.</p>	Ongoing
<b>Interim goal:</b> we will move from annual updates to six monthly reports.			 Achieved
Provide ongoing progress updates on our various programmes.	Put in place the resources to plan and execute more frequent updates.	Rhythm of updates now established for both external and internal communication.	Ongoing