

Our Palm Oil Promise

# Our 2023 Action Plan

July 2021 Progress Update



# Our Palm Oil Promise – 2023 Action Plan

## Introduction and context

**This document shows the actions we are taking and the progress we have made from January to June 2021 in delivering our Palm Oil Promise: to work towards 100% of our palm oil being sourced from producers whose entire operations have been independently verified compliant with No Deforestation, No Peat, No Exploitation (NDPE) standards by 2023.**

Palm oil continues to sit at the centre of a global debate around rainforest preservation and protection of endangered species – and yet, when sourced responsibly, it is actually one of the most sustainable oils compared to many other commonly-used oils.

We use less than 0.001% of the world's supply of palm oil, however many of our products, in particular our personal care products, contain palm oil or palm oil derivatives. We hold ourselves accountable for the palm oil we source, with our key supply from mills in Indonesia, Malaysia, Thailand and Nigeria and we are fully committed to playing our part in the reform of the industry.

We only want to use palm oil that is responsibly produced, protects animal habitats, respects local and indigenous communities and does not contribute to deforestation. That's why, alongside Earthworm Foundation (EF), we have been working to influence real change on-the-ground – from supporting small-scale farmers that rely on palm oil to make a living, to empowering local communities to conserve and protect vital forest areas.

This action plan builds on the commitments we made in our 2014 PZ Palm Oil Promise, our membership of the Roundtable on Sustainable Palm Oil (RSPO) and the progress we have made via implementation of our 2020 Action Plan. It sets out five strategic areas of focus: governance, traceability, transformation, regeneration and conservation, and verification and transparency, each with its own set of time-bound targets and KPIs.

Our approach covers our entire global supply including all derivatives and fractions and recognises the essential nature of collaboration. We are working together with our suppliers and their supply chains, industry partners and not-for-profits towards our goal.

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## Introduction and context *continued*

### Where we are in our journey

We continue to make strong progress across all five areas of our action plan. We are particularly proud of the strides we have taken in improving NDPE alignment, including traceability to mill across our entire derivative supply to 98.1% from 94% in December 2020.

Our commitment and plan includes all palm oil in our global supply including derivatives and fractions which are often sourced through third parties in relatively tiny quantities (kilogrammes not tonnes). We have achieved this increased transparency as a result of extensive supplier engagement, despite the complexity of the supply chain, lack of transparency in tracing palm derived ingredients in complex formulae and the lack of transparency from some of our derivatives suppliers (who persist with sharing global mill lists). Where engagement was not delivering the results we needed, we have made some changes in supply.

In addition, we are increasingly developing relationships with indirect suppliers to progress NDPE faster and have begun collaborative approaches with other EF members to strengthen our regular engagement with direct suppliers. Collaboration and collective action is critical to help us make faster progress on industry wide issues/challenges for NDPE, with particular focus on traceability and non-compliant suppliers.

For example, our involvement in the EF Member Derivatives Collective Action Group – which comprises 10 shared suppliers of EF Members – complements and amplifies our own supplier engagement by using the power of a shared, unified voice. We are also collaborating with other Starling satellite monitoring users to accelerate independent verification. This involves working with key shared suppliers to try to make faster progress, both by sharing Traceability To Plantation (TTP) data and engaging the supply chain to better understand barriers preventing concession boundary transparency from third party origin.

With all our KPIs on alignment of supplier NDPE commitments and mill traceability now above 98%, we have developed and implemented a methodology for deciding which suppliers to prioritise and which to avoid based on our five strategic areas of focus for palm oil. We are now actively buying more from those suppliers that best support our objective to meet our goal that 100% of our palm oil is sourced from producers whose entire operations have been independently verified compliant with No Deforestation, No Peat, No Exploitation (NDPE) standards.

Transformation and regeneration continue to be critical elements of our Action Plan. In the last six months we have increased our commitment to Earthworm Foundation's Landscapes approach, with investment in Riau, Indonesia and Sabah in Malaysia as Associate Sponsor and expanded our reach to include Malaysia. These programmes are funded and supported by multiple stakeholders including producers, brands, local government, and civil society. Our contribution is both financial and practical, investing resource in workshops and decision making.

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Our regeneration programme is delivered via the Forest Conservation Fund (FCF). Since becoming the first corporate brand to join the pilot scheme in 2020, we now contribute funding to conserve or regenerate 3,600 hectares of tropical rainforest. To give a sense of scale, that's about a quarter of the Peak District National Park. This equates to the land requirement to produce 31% of our total volume purchases of palm oil (including derivatives and fractions). We continue to invest in Indonesia with: HARP Forest, West Kalimantan, Borneo, Indonesia & Mului Forest, East Kalimantan, Borneo, Indonesia and since June 2021 have made additional investments in Malaysia with: Kenyir State Park, Peninsular Malaysia.

### **Priorities for the next six months**

We will continue to work towards achieving all the goals in our Action Plan in the coming six months. With near 100% alignment with suppliers on commitments and traceability to mill, we are in strong position to push forward for complete and independently verified NDPE implementation.

Now we have an almost complete set of mill data for all our volumes, our main priority will be increasing our focus on non-compliant supply – where our supplier engagement applies to both mills and parent groups. We will also be investing in monitoring, verification and transformation on the ground. We will use Starling monitoring and supplier engagement to address non-compliance through deforestation alerts and non-compliant grievance approach through a combination of own supplier engagement and through the Starling users' collaboration group.

As well as working to achieve traceability to the mill for the last 1.9% of our derivatives volumes, we will be working to improve the quality of this data by encouraging those suppliers only sharing their global mill list to either provide mills relating to our actual supply or achieve full global mill traceability.

TTP is the key challenge for us and the palm oil industry and an important part of this is a lack of support from some indirect suppliers who are not supporting transparency. Their participation is critical for monitoring and verification, and collaborative engagement with these suppliers in partnership with other EF members will continue to be a priority for the rest of the year.

# PZ Cussons' Palm Oil Promise – action plan to meet our 2023 commitment



## Governance – reinforcing good governance to drive NDPE compliance

Goals	Action plan	Progress	Deadline
Maintain 100% supply from CPO / PKO suppliers that share our NDPE commitment.	Forms part of supplier selection policy and criteria. Suppliers without aligned commitments cannot pass through the gateway. Procurement team to continue to work with technical and NPD teams to ensure this policy is implemented.	100% of our crude palm oil and palm kernel oil is supplied by direct suppliers all with NDPE commitments aligned with ours.	<b>Achieved, ongoing to maintain</b>
100% of palm oil derivative supply from producers with NDPE commitments.	Continue to engage with all derivative suppliers to encourage transparency and adoption of NDPE commitments.	99.6% of palm oil derivatives are supplied by suppliers with NDPE commitments aligned with ours. We have moved away from those suppliers not willing to commit to NDPE and we continue to engage with those for the remaining small volume to achieve our target of 100%.	<b>End 2021</b>
Rank suppliers' implementation of NDPE & use to inform supplier choice	Create a methodology to 'score' suppliers based on their adherence to NDPE goals and rank in order of ability to support PZ Cussons in meeting its own commitments. Use rankings to inform supplier choice.	Methodology approach developed and implemented, resulting in a reduction of the number of suppliers and some volume increase to suppliers fully supporting our NDPE goals.	<b>Achieved</b>
Actively monitor to achieve early visibility of any non-compliance within our suppliers' entire operations.	Through Starling satellite monitoring, Kumacaya monitoring, Earth-worm Foundation knowledge and data from NGOs/ industry.	Active monitoring ongoing, with information shared with suppliers for action.	<b>Ongoing</b>
Apply non-compliant supplier protocol.	Follow defined approach for non-compliant suppliers. Our protocol can be downloaded from our <a href="#">palm oil landing page</a> .	Ongoing engagement with suppliers (direct and indirect) relating to any non-compliance within their supply at a mill and also at group mill level. Engagement complemented with EF Member Derivatives Collective Action Group – with 10 shared suppliers.	<b>Ongoing</b>

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

Goals	Action plan	Progress	Deadline
Maintain close to 100% traceability of CPO/PKO to mill	Continue to scrutinise supplier mill data and ensure traceability remains above 95%.	Currently 99.8% of the CPO/PKO we use is fully traceable to mill.  The remaining volume is from one supply group which is implementing their NDPE commitment and continues to increase their traceability to mill which is currently at 97%.	Ongoing
Achieve 100% traceability of derivatives to mill.	Continue to engage with suppliers to achieve traceability of all ingredients containing palm oil derivatives.	Currently, 98.1% of the derivatives we use are fully traceable to the mill (against 94% in December 2020).  With both the number of derivative suppliers (scope includes all oil palm derivatives including fractions) and supply chain complexity, achieving 100% is a challenge.  Our key focus to achieve 100% is to encourage those suppliers only sharing their global mill list to either provide mills relating to our actual supply or achieve full global mill traceability.	End 2021
Achieve 100% traceability of CPO/PKO to plantation (TTP)	Regular engagement with suppliers to obtain plantation data for all mills as part of traceability exercise.	From identified mills, CPO/PKO TTP is 39%  Due to the industry-wide issue of weak transparency of concession boundary data from third party supply, progress has been challenging. We continue to engage with direct suppliers to improve and understand their barriers to try to find solutions, both at a supplier level and for the wider industry. This is complemented by collaboration with other users of Starling satellite monitoring, with joint supplier engagement and sharing of data for shared supply.	End 2021
Achieve 100% traceability of derivatives to plantation (TTP).	Regular engagement with suppliers to obtain plantation data for all mills as part of traceability exercise.		End 2022

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## Traceability *continued*

Goals	Action plan	Progress	Deadline
<p><b>Interim goal:</b> 50% traceability of derivatives to plantation.</p>		From identified mills, derivatives TTP is 35%.	<b>End 2021</b>
<p>Full disclosure of our CPO/ PKO and palm oil derivative 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 July 2021.</p>	<p><a href="#">You can view the latest list on our website.</a></p>	<b>End 2021</b>

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## Transformation, Conservation & Regeneration

Goals	Action plan	Progress	Deadline
Drive transformation and alignment with our NDPE commitments.	Continue to support programmes that champion transformation, protect animal habitats, respects smallholders, and local and indigenous communities.	Increased commitment for Earthworm Foundation's Landscapes approach, with investment in Riau, Indonesia and Sabah in Malaysia as Associate Sponsor (inclusion, in workshops and decision making).	Ongoing
Take a forest positive approach to our conservation footprint – by continuing to support the Forest Conservation Fund (FCF).	Financial support for FCF, a market-based mechanism to channel conservation funding from companies directly to forests.	Current funding levels protect an area of forest equivalent to the land required to grow 31% of our palm oil volumes.	Ongoing



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## Verification

Goals	Action plan	Progress	Deadline
Continue to use satellite technology to independently verify compliance across our global supply chain, and prioritise work with High Impact Suppliers.	Starling identifies high risk areas and deforestation alerts using satellite imagery. Through on-going engagement with suppliers, reports are shared for follow-up action.	Increased engagement with suppliers for concession boundary data and follow-up with de-forestation alerts both with direct engagement and through group engagement with other Earthworm members.	Ongoing
Continue to access independent, local on-the-ground reports (via Kumacaya), and ground verification reports (via Earthworm Foundation).	We remain committed to pursuing independent verification for exploitation, however solutions for this area are still under development within the industry. We are using tools and methodologies currently available and we're working with the industry to progress these further.	Kumacaya Signals continue to be reported to the Landscape teams in Riau, Indonesia and Sabah, Malaysia for integration in diagnostics and work plan for follow up. For the last six months, 75% of these signals were classified as Environmental topics, 14% as Communities and 11% as Labour.	Ongoing
Reach 100% independently verified deforestation-free supply.	Regular engagement with suppliers using Starling data to verify deforestation-free areas and identify areas for action – through monthly meetings.  This goal will require industry-wide progress and will not be possible through our efforts alone.	Most suppliers are responding to alerts and providing some level of concession boundary data to enable effective understanding and follow-up. Engagement is both directly with suppliers and through collective engagement with other Starling users with shared supply.	End 2023
<b>Interim goal:</b> Reach 50% independently verified deforestation-free supply.		Currently 28% of our palm oil can be independently verified as deforestation free.	End 2021

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

Goals	Action plan	Progress	Deadline
Continuation of six-monthly disclosure of mill lists & plantation data.	Publish a progress update via our website and the Earthworm Foundation website.	Next update scheduled January 2022.	Ongoing
Continuation of six-monthly progress updates.	Publish a progress update via our website and the Earthworm Foundation website.	Next update scheduled January 2022.	Ongoing
Annual RSPO Communication of Progress.	Submit our RSPO ACOP on an annual basis.	RSPO ACOP submitted in 2021 for 2020 activity.	Ongoing
Annual update in Annual Report and Accounts.	Provide an update on our progress in our Annual Report.	Next Annual Report will be published in August 2021.	Ongoing