

Our Palm Oil Promise

Our 2020 Action Plan

December 2020



Our Palm Oil Promise

Our strategic approach & action plan

When we first published our Palm Oil Action Plan in October 2018 our aim was 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.

After a lot of hard work in partnership with suppliers and other brands, we can report that 100% of our Crude Palm Oil (CPO) & Palm Kernel Oil (PKO) suppliers have NDPE commitments that align with our own and 99% of the CPO & PKO we use is fully traceable to the mill. Currently, 99% of our derivative suppliers have aligned NDPE commitments and we can trace 94% of derivatives to the mill.

We have continued to invest a significant amount of resource in supplier relationships, transformation projects and transparency, and despite the ongoing challenges and complexity of the palm oil industry and global disruption caused by the COVID-19 pandemic, which has had a direct impact to our work on-the-ground, progress continued throughout 2020 and we are delighted to have met 12 of our 16 goals.

Our target was always an ambitious one and while we have not achieved our ultimate goal, we are proud of the significant progress we have made towards it.

Our commitment to sourcing responsible palm oil remains as strong as ever and we know this is only the end of the beginning. Our new 2023 Palm Oil Action Plan has been developed to ensure we fulfil and expand upon our 2020 commitment, focusing on supplier engagement, transformation and independent verification and applying what we have learnt on our palm oil journey so far. You can read it here.

This report summarises our progress against our five strategic objectives over the past six months.



Our Palm Oil Promise – 2020 Action Plan

Six-month progress update – December 2020

During the second half of 2020 we have made progress on all areas of our 2020 Palm Oil Action Plan despite ongoing challenges posed by COVID-19.

One of the key pillars of our Palm Oil Action Plan is transformation and we are working with Earthworm Foundation to support projects that make a real difference on the ground. Some activities have been impacted due to social distancing and movement restrictions in place, however virtual communication technologies are being used to continue work wherever possible and position programmes for a quick resumption of field-work as soon as the situation allows.

The smallholder resilience project we are supporting with one of our main suppliers in West Kalimantan, Indonesia, has progressed well thanks to a strong network of local partners in the area. Activities to develop alternative livelihoods to supplement farmer income continued, and in one area a new farmer cooperative has been set up to enable better distribution of equipment, seeds and training on different crops. Demonstration projects on rice and aquaculture are ongoing, and assistance on vegetable garden cultivation is yielding significant savings on farmer household food costs.

Forest conservation work in the area is also going well. We have supported programmes to ensure 1,839 hectares of forest is now protected under community land-use planning agreements and village-led conversation plans, and agreements to protect a further 6,858 hectares are in discussion. The capacity of a forest plant nursery in one area has increased to 50,000 seedlings, providing 10 species of forest plants for conservation areas.

Our investment in Earthworm Foundation's Landscapes Project in Aceh Tamiang and Southern Aceh Indonesia has continued, however on-the-ground work has been detrimentally impacted due to COVID-19 movement restrictions. The priority has been on maintaining close contact with government, company and community stakeholders, and adapting ways of working in order to keep up momentum.

Deforestation rates in both landscapes have declined compared to average forest loss for the equivalent time-period in previous years, and a pivotal commitment with a major plantation company to protect forest on its land has recently been secured. Work with forest-frontier communities to reduce the likelihood of encroachment into forest areas has continued, including provision of high-quality seedlings and expansion of intercropping techniques to support households undergoing palm oil replanting. Skills building workshops on reforestation and agroforestry techniques also took place.

Ongoing work to engage companies in the project area on human rights issues, including socialisation of guidelines on responsible labour practices to suppliers using virtual communications. This lays a good foundation for field-work to support implementation as soon as the situation permits. Support to farmers and communities in diversifying income sources also progressed well. Demonstration plots for alternative crops are proving so successful and profitable that interest from surrounding communities and villages is growing.

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Six-month progress update – December 2020 *continued*

Aside from core Landscape programme activities, through ongoing interactions with farmers and their communities, Earthworm Foundation's project teams identified a number of immediate needs to help people in the area stay safe and well through the COVID-19 crisis. Equipment and advice has been provided, including provision of personal protective equipment such as re-usable facemasks and anti-bacterial soap pouches.

Our support for the Forest Conservation Fund (FCF) continues, with investments in three conservation projects in Indonesia which are helping to secure standing forest, protect biodiversity and reduce carbon impacts in our supply chain. Activities in the past six months have included supporting a local community in East Kalimantan to develop and implement their forest protection protocol for 7,200 hectares of forest, community-led restoration of degraded forest areas in West Kalimantan, and support for forest patrols to tackle illegal logging.

Planned work in Malaysia, including field testing solutions and tools relating to child labour, casual workers, targets and payments has unfortunately been delayed due to COVID-19 restrictions. However, multi-stakeholder engagement with government, civil society, trade unions, industry associations and business has continued throughout the period. Socialisation of labour guidelines with 50 suppliers was also completed and field teams are ready to start implementation when possible.

Our work to drive traceability and NDPE policy implementation in our palm oil supply chain continues, and we are delighted to have achieved 99% traceability to mill for our direct CPO and PKO. We have also maintained the position reported in June 2020 of 100% of our CPO and PKO suppliers having NDPE commitments that align with our own.

Closing the gap to our goals of 100% policy alignment and traceability to mill for derivatives suppliers has proved more challenging to achieve. Having already achieved high levels of alignment and visibility with our main derivatives suppliers, in 2019 we expanded our traceability and supplier engagement efforts to include all palm derived ingredients used by our third-party manufacturers and complex ingredients that may contain traces of oil palm derivatives.

This means we are left with areas of the supply chain where it is difficult to make progress due to complexity of the supply chain and, in some cases, limits on the leverage we have to drive change. Despite these challenges, we are proud to report that 99% of our derivative suppliers have NDPE commitments that align with our own and 94% of our derivatives are traceable to mill.



Whilst our preference remains to engage whenever possible in order to encourage responsible sourcing practices in our supply base and beyond, we are increasingly facing situations where adjusting our sourcing arrangements is the only realistic route to achieving our goals. We are therefore extending our deadline to end 2021 in order to complete supplier engagement underway for cases where progress via this route looks possible and allow a realistic timeframe for implementing sourcing changes where required.

In parallel we will be continuing to engage suppliers to secure plantation-level traceability data across our supply chain. This is an essential component of being able to verify that No Deforestation and No Peat commitments are being met in practice. We are monitoring our supply chain on an ongoing basis using Starling satellite data, and regularly share findings with suppliers in order to confirm deforestation-free areas and identify areas needing action.

PZ Cussons' Palm Oil Promise – action plan to meet our 2020 commitment




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. | 100% of our crude palm oil and palm kernel oil is supplied by direct suppliers all with NDPE commitments aligned with ours. |  Achieved |
| 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. | 99% of palm oil derivatives are supplied by suppliers with NDPE commitments aligned with ours. We are now hitting areas where securing policy alignment through supplier engagement is more difficult to achieve, therefore we have extended our deadline by 12 months to complete engagement already underway and implement sourcing changes if required. | New deadline transferred to 2023 Action Plan: End 2021 |
| 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. | Through combination of Earthworm Foundation High Impact Supplier Programme, field teams and Starling satellite monitoring, to identify non-compliance within our global supply chain. | Ongoing |

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Governance *continued*

| Goals | Action plan | Progress | Deadline |
|--|--|---|--|
| 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. | <p>Update our policy to include a conversion cut-off date of 31 December 2015.</p> <p>Work collaboratively with The Earthworm Foundation, Greenpeace and our suppliers to agree a consistent and mutually acceptable approach to mitigation and exclusion.</p> <p>Adopt and promote an industry-wide protocol, once one is available, to address non-compliance.</p> <p>Integrate new protocol into supplier selection and engagement process.</p> | <p>Developed a non-complaint supplier deforestation protocol including a conversion cut-off date of 31 December 2015 in line with best practice.</p> <p>We have integrated our approach into our supplier selection process and shared it with all our suppliers who have given it their support.</p> <p>Our protocol can be downloaded from our palm oil landing page.</p> <p>Integrated non-compliant supplier protocol to address labour/workers-rights issues with suppliers.</p> |  Achieved |
| Evaluate effectiveness of protocol via ongoing supplier engagement. | Through effective supplier relationships, regular engagement to review any grievance case concerns and deforestation alerts from Starling satellite monitoring. | <p>We have made good progress on gaining supplier support for satellite reports.</p> <p>We are working with suppliers, and collectively with other brands, to address industry-wide barriers affecting traceability to the plantation (such as poor concession data).</p> | 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. | Continue ongoing dialogue with all our direct suppliers and with Earthworm Foundation to trace our palm oil back to the mill. Go beyond the mill to achieve full traceability to plantation (TTP). | We can trace 99% of our CPO/PKO back to the mill. All CPO/PKO suppliers are now providing some or all plantation data and are working on full traceability. | Ongoing New goal set in 2023 Action Plan: End 2021 |
| 100% traceability of palm oil derivatives across our supply chain. | In 2019 we expanded our traceability and supplier engagement efforts to include all palm derived ingredients used by our third-party manufacturers and complex ingredients that may contain traces of oil palm derivatives. We continue to engage with suppliers to achieve traceability of all ingredients containing palm oil derivatives. | We can trace 94% of palm oil derivatives back to the mill. We are now hitting areas where securing traceability data through supplier engagement is more difficult to achieve. One particular challenge is derivative suppliers that only share global mill lists which include every mill in their supply chain, regardless of where our physical oil comes from. It is difficult for us to allocate resources across such a large number of mills and we continue to engage with these suppliers to urge them to share tailored data. We have extended our deadline by 12 months to complete engagement already underway and implement sourcing changes if required. | New deadline transferred to 2023 Action Plan: End 2021 |
| 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. | Work with our suppliers and with Earthworm Foundation to obtain permission to publish this data for 100% of our palm oil supply chain. Publish an updated list on our website every six months. The next list will be published in July 2021. | We first published our identified mills in March 2018 and updates in October 2018, June and December 2019 and June and December 2020. The next update will be published in July 2021. You can view the latest list on our website. | Achieved / ongoing |
| Full disclosure of our palm oil derivatives supply chain including: all our direct suppliers, mill parent companies and mill co-ordinates. | | Actions as above. | New deadline transferred to 2023 Action Plan: End 2021 |

Our Palm Oil Promise – 2020 Action Plan



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 engagement 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"> • Meet present livelihood needs and provide a viable economic future; • Maximise preservation of key habitats; • Are made and implemented with full participation of local communities. | <p>The work Earthworm Foundation field teams were doing on-the-ground in Indonesia, Malaysia and Nigeria has been adversely affected by COVID-19 due to movement restrictions. Alternative ways of working have been found wherever possible enabling progress as follows.</p> <p>Indonesia</p> <p>Rurality smallholder programme in Kapuas Hulu, Danau Sentarum National Park, Indonesia in collaboration with Golden Agri-Resources (GAR) and the local community has continued. In the past six months:</p> <ul style="list-style-type: none"> • A new farmer association has been established in one project area, enabling better distribution of agricultural equipment, seeds and training for farmers. • Assistance in vegetable garden cultivation is yielding savings on farmer household food costs of 32% per month for vegetable purchases. • Following successful demonstration plots, a 10ha area is being prepared for upland rice cultivation as an alternative income source for farmers in the area. Various aquaculture projects are also underway. • 1,839 hectares of forest is now protected under community land use planning agreements and conversation plans. Agreements to protect a further 6,858 hectares are in discussion. • Capacity of a forest plant nursery in one area has been increased to 50,000 seedlings, providing 10 species of forest plants for conservation areas. <p>Landscapes Projects in Aceh Tamiang and Southern Aceh Indonesia have continued, however on-the ground work has been detrimentally impacted due to COVID-19 movement restrictions. Virtual communication technology has been used to continue work with government, company and community stakeholders wherever possible and position the programme for a speedy resumption of field activities once restrictions are lifted.</p> | Ongoing |

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Transformation *continued*

| Goals | Action plan | Progress | Deadline |
|---|-------------|--|----------|
| <p>Support programmes that drive transformation and alignment with our NDPE commitments. <i>continued</i></p> | | <p>Work with forest-frontier communities continued, including provision of high-quality seedlings and expansion of intercropping techniques to support households undergoing palm oil replanting. Skills building workshops on reforestation and agroforestry technique also took place.</p> <p>Deforestation rates in both landscapes continued to decline compared to average forest loss for the equivalent time period in previous years. A pivotal commitment with a major plantation company to protect forest on its land has been secured.</p> <p>Intensive virtual training with companies on labour rights issues took place. Field work on these topics will follow when restrictions lift.</p> <p>Demonstration plots for alternative crops are proving profitable and successful, encouraging farmers and communities to diversify crops on their own plots.</p> <p>Equipment and advice to support communities stay safe and well through the COVID crisis have been provided, including re-usable facemasks and anti-bacterial soap pouches.</p> <p>Malaysia Planned work in Malaysia, including field testing solutions and tools relating to child labour (pilot of the Child Risk Assessment Framework), casual workers, targets and payments has been delayed.</p> <p>Multi-stakeholder engagement (Government, civil society, trade unions, industry associations and business) has continued, including providing input for RSPO Child Rights Guidelines.</p> <p>Socialisation of labour guidelines has been completed with 50 suppliers and field teams are ready to start implementation once COVID-19 restrictions permit.</p> <p>Nigeria The field study we had planned to provide further traceability and understanding of social and environmental issues affecting Nigerian traders and their supply chains continues to be on hold due to COVID-19 restrictions.</p> | |

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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. | Continue to work with Earthworm Foundation and Forest Conservation Fund to identify and evaluate the possible regeneration routes to understand where and how we can achieve most impact. | <p>New Forest Conservation Fund (FCF) investment started in September with Hutan Adat Mului customary forest in East Kalimantan. Supporting the local community to develop and implement their forest protection protocol for 7,200 hectares of forest, home to threatened wildlife including the proboscis monkey.</p> <p>Previous FCF investments with Hutan Adat Rimba Perancit (HARP forest), West Kalimantan, supporting 1,600 hectares of forest across 13 villages. Restoration of degraded area with community-driven forest conservation efforts with local seed species from the nursery due to be planted for ecosystem and supplement livelihoods. Forest patrols detected illegal logging resulting in seizure of logs and equipment.</p> <p>Aceh Tamiang, 1,400 hectares of High Carbon Stock/High Conservation Value forest mapped and protected by Earthworm Foundation's multi-stakeholder Landscape Programme. Supporting community-led reforestation of approximately 1,000 hectares of degraded area that was recently granted a social forestry license by the local government. With access road improvement and working closely with the village head, each family in Bengkelang has received 25 high quality seedlings from the tree nursery, consisting of both fruit and forest trees.</p> |  Achieved |
| Achieve independent verification of NDPE compliance across supply chain. | <p>Starling satellite monitoring and Kumacaya independent monitoring by local people, selected as our independent verification tools.</p> <p>Ongoing implementation of timetable for verification of whole supply chain based on priorities.</p> | <p>We have put in place a methodology to independently verify compliance of no deforestation standards across our global supply chain. Starling identifies high risk areas and deforestation alerts using satellite imagery. Through on-going engagement with suppliers, reports are shared for follow-up action.</p> <p>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, such as Kumacaya (independent monitoring by local people) and we're working with industry to progress these further.</p> |  Achieved Ongoing |

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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"> • Working with Federal, State and local governments to share best practice • Promoting NDPE within National industry body, POFON • Support national and local programmes to increase yields • Support programmes to educate and assist smallholder farmers | <p>Our work with the Central Bank of Nigeria (CBN) to create access to finance for smallholders with verifiable land titles to invest in revitalising old and inefficient plantations has continued.</p> <p>We were delighted to have received approval for funding from the CBN in March 2020, though due to COVID-19 restrictions, the programme was delayed and instead launched in September 2020.</p> <p>Field planting has since commenced and we hope to scale up to 6,000 ha in five years, benefitting 1500 farmers.</p> <p>We are providing ongoing support for existing smallholder oil palm farmers in our BPL Pilot Outgrower Scheme. Under this pilot, we are supporting 43 farmers to cultivate 150 ha of land and the first harvests are expected in 2021.</p> | <p>Ongoing</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 and December 2019 and June and December 2020.</p> | Ongoing |
| 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 |