

Our Palm Oil Promise

# Our 2020 Action Plan

June 2020



# Our Palm Oil Promise

## Our strategic approach & action plan

When we first published our 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.

Our target was always an ambitious one and while the job is not yet finished, we continue to make great progress. We are proud to report that 100% of our Crude Palm Oil (CPO) & Palm Kernel Oil (PKO) suppliers have NDPE commitments that align with our own, as do 97% of our derivative suppliers.

Continuing to invest significant resource in supplier relationships, transformation projects and transparency has meant we have met 11 of our 16 goals. Currently, 98% of the CPO & PKO we use is fully traceable to the mill and 91% of our derivatives.

This progress continues 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.

As we get closer to meeting all our targets, we expect progress to become ever more challenging, however our commitment to sourcing responsible palm oil remains as strong as ever. We have started work on our 2023 Action Plan which will focus on supplier engagement, transformation and independent verification to ensure we fulfil and expand upon our 2020 commitment.

This report summarises our progress, next steps and target deadlines against our five strategic objectives and 12 tactical goals over the past six months.



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## Six-month progress update – June 2020

**The first six months of 2020 has been dominated by COVID-19 which has impacted the work we had planned. Major opportunities for meaningful supplier engagements were postponed, such as POC2020, and social distancing has changed the nature of what projects were possible on the ground.**

However, our commitment has never wavered and we have found new ways of working to keep driving momentum. When we have more clarity about how the world will recover from this pandemic, we will need to revisit our 2020 workplan and reprioritise activity accordingly.

Despite the additional challenges posed by COVID-19, we have made good progress against all five strategic objectives.

One of the key pillars of our Palm Oil Action Plan is transformation and we have been working with the Earthworm Foundation to support projects that make a real difference on-the-ground.

Over the last six months, we have been supporting smallholder farmer resilience in West Kalimantan, Indonesia to reduce threats to protected forests and those that originate from excessive exploitation of natural resources. 40% of Indonesia's palm oil is produced by small-scale farmers and we have been investing in the development of a livelihood programme in Kapuas Hulu.

We have been working together with one of our largest volume suppliers to improve agriculture diversification, food security & household economy and to contribute to the welfare and quality of life of local communities living in

and around areas that are conservation destinations. Since April the nature of this work has changed due to COVID-19. As part of the local management strategy, we have been maintaining social distancing while supporting priority activities, such as spraying disinfectants and providing support and advice via mobile calls and messaging.

We have also supported the development of High Carbon Stock (HCS) & Participative Conservation Planning (PCP) processes, which has resulted in the conservation of 20,000 ha of HCS forests.

Having participated in the pilot, we continue to support the Forest Conservation Fund (FCF), a market-based mechanism to channel conservation funding from companies directly to forests. This enables us to secure standing forests immediately, to protect biodiversity and carbon in our supply chain, and continue to build transparency, complete due diligence and ensure No Deforestation. Much of this work has been possible to achieve even with social distancing in place.

In October 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. Previously we had focused on addressing palm oil in our direct supply chain – about 95% of the total volume of palm oil we use. The success we've had in tracing this 95% has meant we can start tackling the remaining 5%, though being the most intricate part of our supply chain we recognise that full traceability may not be possible by the end of 2020.

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## Six-month progress update – June 2020 *continued*

Currently, 91% of the derivatives we use are fully traceable to the mill (against 44% in June 2019 and 93% in December 2019). The dip since December 2019 was driven by two factors: our decision to broaden the scope of the derivatives we trace and the difficulty in obtaining full data from all suppliers during COVID-19.

Our Palm Oil Promise covers 100% of our global supply and we truly believe that in order to secure a long-term sustainable supply of palm oil we must include all palm oil derivatives we use – directly or indirectly – no matter how complex they may be. To this end we introduced a new supplier questionnaire in 2019 to ensure we ask all our suppliers to identify any palm derivatives in the ingredients they supply. We then include these within the scope of our Palm Oil Promise.

With high levels of traceability achieved, we are monitoring our supply chain using Starling satellite data. Over the past six months, we have been sharing this data with our suppliers and working with them to verify deforestation-free areas and identify any areas needing action.

One of the most pleasing successes so far this year has been our on-going engagement with Nigerian traders who source from small-scale artisan sources, a part of the supply chain not accustomed to NDPE commitments. In our last update we reported that 6% of our Crude Palm Oil (CPO) & Palm Kernel Oil (PKO) is sourced from these suppliers. In January, following further engagement, the last of these traders made their own NDPE commitments and consequently 100% of our CPO and PKO suppliers have NDPE commitments that align with ours.

One project sadly put on hold by COVID-19 was our field study to provide further data on more detailed traceability and a deeper understanding of social and environmental issues affecting Nigerian traders and their supply chain.

However, over the past six months, 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. We are delighted to have received approval for funding from the CBN in March 2020, and plan to launch our outgrower programme this year. Our aim is to support the planting of 200ha in 2020 and scale up to 6,000 ha in four years, benefitting 1500 farmers.

Also in Nigeria, 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.

In addition to continuation of all the work highlighted above, priorities for the next six months will be to finalise our 2023 Action Plan, continue using Starling data to independently verify compliance and focus on engaging with High Impact Suppliers to help bring them into compliance.

# 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
<b>Interim goals:</b> 75% of volumes of crude palm oil and palm kernel oil from suppliers with NDPE commitments.			 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.	We have increased NDPE alignment with derivative suppliers to 97%, an increase from 30% when we started this Action Plan in October 2018. We expect to achieve our target.	End 2020
<b>Interim goal:</b> 90% of volumes of palm oil derivatives from suppliers with NDPE commitments.			 Achieved
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

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## Governance *continued*

Goals	Action plan	Progress	Deadline
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
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><a href="#">Our protocol can be downloaded from our palm oil landing page.</a></p> <p>Integrated non-compliant supplier protocol to address labour/workers-rights issues with suppliers.</p>	 <b>Achieved</b>
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

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## 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. Extending deadline to support Nigerian small-scale farmers.	Since 2016, we have had full traceability of our crude palm oil and palm kernel oil back to the refinery and can currently trace 98% back to the mill.  All CPO/PKO suppliers are now providing some or all plantation data and are working on full traceability.  To close this 2% gap we continue to work with the remaining two suppliers who both have NDPE commitments and who are increasing their traceability but have not yet achieved 100%.  We expect to achieve our target.	<b>End 2019</b> – behind schedule  <b>New deadline</b> – end 2020
<b>Interim goal:</b> 90% traceability of crude palm oil and palm kernel oil across our supply chain.			 <b>Achieved</b>
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.	Currently, 91% of the derivatives we use are fully traceable to the mill (against 44% in June 2019 and 93% in December 2019).  The dip since December 2019 was driven by two factors: <ul style="list-style-type: none"> <li>• COVID-19 impacting supplier ability to provide full updates</li> <li>• Our decision to broaden the scope of the derivatives we trace – following intense work, we have been able to identify and include all fractions (ingredients with very small amounts)</li> </ul> Whilst a challenge due to their complexity, we are aiming to achieve our target.	<b>End 2020</b>

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## Traceability *continued*

Goals	Action plan	Progress	Deadline
<b>Interim goal:</b> 80% traceability of palm oil derivatives across our supply chain.			 <b>Achieved</b>
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>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 our identified mills in March 2018 and updates in October 2018, June and December 2019 and June 2020. The next update will be published in December 2020.</p> <p><a href="#">You can view the latest list on our website</a></p>	 <b>Achieved/ongoing</b>
Full disclosure of our palm oil derivatives supply chain including: all our direct suppliers, mill parent companies and mill co-ordinates.		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>Continued investment in a Rurality smallholder programme in Kapuas Hulu, Danau Sentarum National Park, Indonesia in collaboration with Golden Agri-Resources (GAR) and the local community to:</p> <ul style="list-style-type: none"> <li>• Support the welfare and quality of life of local communities living in and around conservation areas</li> <li>• Build resilience with 445 farmers and with four farmer associations</li> <li>• Implement agriculture diversification (for alternative livelihood and to improve food security)</li> <li>• Reduce risk to protected forest</li> <li>• Cultivate 13 hectares of land, enabling more than 30% reduction of household expenses.</li> </ul> <p>Through Participative Conservation Planning and High Carbon Stock (HCS) approach, 20,000 hectares of HCS forests are protected.</p> <p>To combat forced and bonded labour and child labour, collaboration between stakeholders (Government, civil society, trade unions, industry associations and businesses) is essential. Following publication of a detailed Directory of Palm Oil stakeholders in Malaysia and a Directory of Services for Vulnerable Children in Sabah, we co-funded Earthworm Foundation's continued engagement to collaborate and advance legal and industry transformation.</p> <p>This has included participation in workshops, focus groups, consultation forums and conferences, including with International Labour Organization (ILO), the Ministry of Human Resources and the Anti-Trafficking in Persons and Anti-Smuggling of Migrants Council (MAPO), contributing input to the drafting of the proposed National Action Plan (NAP) on forced labour and the NAP on child labour in Malaysia.</p>	Ongoing

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## Transformation *continued*

Goals	Action plan	Progress	Deadline
Support programmes that drive transformation and alignment with our NDPE commitments. <i>continued</i>		<p>We continue to support Earthworm Foundation’s Areas for Priority Transformation (APT) Landscapes Project in Aceh Tamiang and Southern Aceh Indonesia. These identify and bring together key stakeholders that live and work in these highly biodiverse areas under threat from agricultural expansion to find compromise solutions that will allow for needed economic development, preservation of habitat and lasting ecosystem services.</p> <p>Outcomes include:</p> <p><b>Integrated land use planning</b></p> <ul style="list-style-type: none"> <li>• 66% decrease in deforestation since start</li> <li>• Technical guidance credited with inspiring <b>district-wide licensing moratorium</b> and review</li> </ul> <p><b>Community capacity building</b></p> <ul style="list-style-type: none"> <li>• <b>2095 households</b> directly impacted by Participatory Conservation Plans in five forest-frontier villages</li> <li>• Three agricultural demonstration plots providing continuous rural training opportunities</li> <li>• <b>245</b> people directly trained through Livelihood Programme</li> </ul> <p><b>NDPE Support Workers</b></p> <ul style="list-style-type: none"> <li>• <b>3,000+</b> workers newly covered by No Exploitation agreements</li> <li>• <b>87% of target</b> companies (26 of 30) provided with labour training in one district</li> <li>• <b>Collective Action Plan</b> developed and agreed upon with government, covering <b>36 plantations and 10 mills</b></li> </ul>	<b>Ongoing</b>

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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>We have identified key regions and programmes to support:</p> <ul style="list-style-type: none"> <li>Hutan Adat Rimba Perancit (HARP forest) West Kalimantan, supporting 1,600 hectares of forest across 13 villages, via Forest Conservation Fund: <ul style="list-style-type: none"> <li>Securing land rights to protect remaining forests</li> <li>Implementing community-driven forest conservation efforts</li> <li>Improving community livelihoods through supporting forest-friendly income-generating activities</li> </ul> </li> <li>Giam Siak Kecil Bukit Batu Peat Landscape in Riau, a peat-dominated area suffering illegal encroachment and home to significant populations of tigers and elephants. Forest Conservation Fund programme starting with 3,000 hectares and four villages, engaging the community, to train them to lead patrols and develop social forestry projects.</li> <li>Aceh Tamiang, 1,400 hectares of High Carbon Stock/High Conservation Value forest mapped and protected by Earthworm Foundation's multi-stakeholder Landscape Programme. Bringing 12 concessions and two mills under Forest Protection agreements.</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 continuing including deep monitoring and actions to address issues identified</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>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. We are delighted to have received approval for funding from the CBN in March 2020, and plan to launch our outgrower programme this year. Our aim is to support the planting of 200ha in 2020 and scale up to 6,000 ha in four years, benefitting 1,500 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><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 and December 2019 and June 2020.</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