

# Our 2023 Palm Oil Action Plan

January 2022 Progress Update



# Our 2023 Palm Oil Action Plan

## Introduction and context

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

2021 has been a challenging year with Covid-19 continuing to impact transformation work on the ground and with significant incidences of non-compliance to manage due to suppliers sharing global mill lists or annual data. However, our ambitious and time-bound action plan keeps us focused.

This work is important to us and our wider sustainability strategy as 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. Many of our products, in particular our personal care products, contain palm oil or palm oil derivatives. Although we use less than 0.001% of the world's supply of palm oil, 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 & conservation; verification and transparency, each with its own set of time-bound targets and KPIs.

This is an ambitious commitment both in terms of its scale and timing due to the challenges and complexity of the palm oil supply chain, particularly in respect to derivatives. From the beginning, our Palm Oil Promise has included in scope all fractions and derivatives – many purchased in small quantities measured in kilos not tonnes. We are immensely proud to have been one of the first to have achieved and maintained almost full traceability to mill for these ingredients.

During the past four years we have also made significant steps to embed the principles of responsible sourcing throughout our organisation from procurement to innovation. Notably our supplier selection process helps us buy more palm oil from those suppliers whose commitments and actions most effectively support our own. Our procurement team has invested very significant resources in both direct and indirect supplier engagement and collaboration is central to our approach.

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## Where we are in our journey

### Essential data and compliance

We formalised our approach, of sourcing only from suppliers with NDPE commitments aligned to our own, in our New Supplier Code of Conduct in 2020. This has helped us maintain 100% alignment for our CPO & PKO supply and reach 99.6% for derivatives. Achieving the final 0.4% is tough, and we continue to work with several suppliers of ingredients containing very small volumes of palm kernel oil, to encourage them to adopt their own NDPE action plans.

Our traceability to mill also remained consistent with 99.5% for CPO & PKO and derivatives 97.9%. Although both represent a small decline since July 2021 (against 99.8% for CPO & PKO and 98.1% for derivatives) we anticipated small ongoing fluctuations in these percentages as supply chains of direct/in-direct suppliers naturally change over time. Consequently, we set ourselves a goal of remaining above 95% for both of these metrics.

Our existing mitigation activities are enabling us to maintain high levels of mill traceability. This includes using our supplier selection methodology to ensure we continue to prioritise those suppliers who have their own rigorous approach for maintaining their mill traceability levels. By accepting some fluctuation, we can allocate focus and resource on working with the supply chain to tackle non-compliant supply and transformation.

This increased focus on grievances linked to our supply has led to an increase in the number of instances of identified non-compliance during the past six-months. Exposure to global mill lists and outdated data from suppliers sharing annual lists (which do not account for mills excluded from PZC supply until new annual mill lists are available for 2021) also contributes to

the number of cases to be investigated. We follow our established grievance policy and have enhanced our level of engagement with direct and indirect suppliers. This broader engagement has helped us act faster to verify non-compliance, engage appropriately and where necessary suspend supply.

With continued use of the satellite tracking system Starling, we also detected new instances of deforestation within 50km of a mill in our supply chain, particularly in Nigeria, Malaysia and Indonesia in the six months to December 2021. This, along with supplier challenges in Nigeria and other supply chain changes due to the pandemic, has marginally reduced our percentage of independently verified deforestation-free palm oil to 27.3% from 28% in July 2021. A disappointing outcome after intense focus and action to increase this percentage.

However, these new deforestation alerts have enabled early investigations clarifying deeper understanding of concession boundaries and verification of whether, or not, they relate to our supply. In these cases we are working closely with our suppliers to ensure they remain compliant with our NDPE position and where deforestation is happening in communities on the boundary of a palm concession, we are supporting our suppliers engage with local people.

Managing these cases remains complex and time consuming as concession boundaries must be identified before the issues can be addressed, so improving traceability to plantation (TTP) is an ongoing priority for us. With increased TTP knowledge, our independently verified deforestation-free percentage will increase, as we are able to direct monitoring resource accurately on our actual supply.

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## Where we are in our journey

### Traceability to plantation (TTP)

We continue to work hard with both direct and indirect suppliers as well as collaboratively with other manufacturers to understand and overcome barriers to full TTP. However, progress remains extremely slow due to weak transparency of concession boundary data from third party supply across the industry. In efforts to speed up this process and the management of deforestation alerts, we work in partnership with other users of Starling satellite monitoring; participate in joint supplier engagement; and share data for shared supply.

Particularly challenging is engagement with origin suppliers for derivatives where there is poor transparency of supplier connections. This is crucial to understanding and addressing both deforestation and exploitation. We have seen some progress in the last six months through direct engagement and via our participation in the EF Member Derivatives Collective Action Group. This Group works together to engage with nine shared suppliers to focus on traceability and issues relating to non-compliant supply

We are urgently calling for the derivative industry to place more focus on NDPE implementation and transparency and crucially, to move away from using global mill lists. This practice finds us accountable for 10X more than our total annual palm oil usage via one derivative supplier alone. Managing this scale of exposure vastly dilutes our focus. Consequently, we are working with our derivative suppliers to obtain mill lists that represent our physical supply. When we have these for all our volumes it will significantly increase the speed of our progress.

Despite these many challenges, we increased TTP from identified mills in the second half of 2021 with intensive supplier engagement and increased verification across regions. TTP for CPO/PKO stands at 42.5%, an increase from 39% and TTP for all derivatives 39.4%, an increase from 35%.

### Transformation

Unfortunately, Covid remained a challenge throughout 2021 with government travel and other restrictions impacting our work on the ground with the two landscape programmes we support via Associate Sponsorship in Riau, Indonesia and in Sabah in Malaysia. These are multi-stakeholder, multi-commodity approaches working with producers, brands, local government, and civil society. Our contribution is both financial and practical, investing resource in workshops and decision making.

Despite the challenges, EF's field teams have been able to continue the majority of their work as most are based locally and have managed to find new ways of working with local communities, farmers and workers when travel was not possible.

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).

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## Where we are in our journey

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. This includes planting of 1,000 trees in Kalimantan, Indonesia, with Hutan Adat Rimba Perancit (HARP) and forest patrols preventing illegal logging working with local government to seize logs and equipment. FCF is also socializing the existence of the Mului Customary Forest and building a conservation initiative that supports security and attracts contributions from the Local Government

### Priorities for the next six months

Collaboration with suppliers and other EF members with a continued focus on non-compliant supply and TTP will be our priorities for the coming six months. By understanding grievances relating to our complex cases, looking at mills and parent groups we can engage with suppliers to address them.

Expanding TTP is crucial to achieving this, and for increasing the percentage of our supply that can be independently verified deforestation-free. We will continue to advocate the need with suppliers who are at different stages of their journey and will continue to encourage suppliers (direct & indirect) to share mill data twice yearly for our physical supply (and not their global supply).

Maintaining or increasing our near 100% alignment with suppliers on commitments and traceability to mill will remain a key metric for us and we are targeting 100% alignment for derivatives by the end of 2022.



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## Governance

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.	Ongoing
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%.	End 2022
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.	Achieved
Actively monitor to achieve early visibility of any non-compliance within our suppliers' entire operations.	Through Starling satellite monitoring, Kumacaya monitoring, Earthworm Foundation knowledge and data from NGOs/ industry.	Active monitoring ongoing, with information shared with suppliers for action.	Ongoing
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 nine shared suppliers.	Ongoing

# Our Palm Oil Promise – 2023 Action Plan



## Traceability

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 99.5% 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.	Ongoing
Achieve 100% traceability of derivatives to mill.	Continue to engage with suppliers to achieve traceability of all ingredients containing palm oil derivatives.	Currently, 97.9% 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 2022
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 42.5%, an increase from 39%.	End 2022
Achieve 100% traceability of derivatives to plantation (TTP).	Regular engagement with suppliers to obtain plantation data for all mills as part of traceability exercise.	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. For derivatives, suppliers evolving from global mills to mill lists that represent our supply will significantly impact the speed of our progress.	End 2022

# Our Palm Oil Promise – 2023 Action Plan



## 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 39.4%, an increase from 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 2022.</p>	You can view the latest list on our <a href="#">website</a> .	<b>Achieved for 99.5%</b>

# Our Palm Oil Promise – 2023 Action Plan



## 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.  This includes planting of trees (1,000 in Kalimantan, Indonesia, with Hutan Adat Rimba Perancit (HARP) and forest patrols preventing illegal logging (working with local government logs and equipment seized).  Also socializing the Existence of the Mului Customary Forest and Building a Conservation Initiative that supports security and contributions from the Local Government.	Ongoing

# Our Palm Oil Promise – 2023 Action Plan



## 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 deforestation 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.  An example is Q3-2021 in Riau Landscape, there were 474 Kumacaya signals registered, of which 121 were environment, 254 were community, 99 were 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 27.3% of our palm oil can be independently verified as deforestation free.	End 2022

# Our Palm Oil Promise – 2023 Action Plan



## Transparency

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 July 2022.	Ongoing
Continuation of six-monthly progress updates.	Publish a progress update via our website and the Earthworm Foundation website.	Next update scheduled July 2022.	Ongoing
Annual RSPO Communication of Progress.	Submit our RSPO ACOP on an annual basis.	RSPO ACOP to be submitted in 2022 for 2021 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 2022.	Ongoing