

Our 2023 Palm Oil Action Plan

July 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 January to June 2022 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.

Throughout 2021, Covid-19 continued to have a significant impact on transformation work on the ground, as outlined in our previous progress update. However, during the first quarter of this year, we were pleased to see increased fieldwork compared to the same period in 2021. While our local partners and field team continued to face some challenges in relation to Covid-19, lessons learnt from the previous year meant they were able to refine project activities and continue to make progress.

Ensuring that we only use palm oil that is responsibly sourced is a core part of our wider sustainability strategy. While 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. As part of this, we hope to play our part in the overall reform of the industry.

This progress update builds on the commitments we made in our 2014 PZ Palm Oil Promise, our continued membership of the Roundtable on Sustainable Palm Oil (RSPO) and the progress we've made so far against our 2023 Action Plan. It sets out five strategic areas of focus: governance; traceability; transformation, regeneration & conservation; and verification and transparency, each with its own time-bound targets and KPIs.

Our approach covers our entire global supply including all derivatives and fractions and recognises the essential nature of collaboration. It is an ambitious goal, both in terms of timing and scale, and one that we cannot achieve on our own. As such, we are working closely with our suppliers and their supply chains, industry partners and not-for-profits to reach this goal. This includes ensuring understanding of the principles and importance of responsible sourcing is embedded throughout PZ Cussons, with all relevant teams united behind this ambition.



Our 2023 Palm Oil Action Plan

Where we are in our journey

Despite challenges linked to Covid-19, we have continued to make good progress across our action plan. Maintaining our high levels of traceability to mill and suppliers with aligned NDPE commitments has been a challenge. With 99% both for CPO and PKO, our focus is with derivatives, with 98% aligned NDPE commitment and 93% traceability to mill across our entire derivative supply.

Traceability to plantation (TTP) continues to be challenging – both for us and the rest of the industry. We continue to engage with suppliers to understand their own approach and to seek their support with the identification and sharing of concession boundary data, especially with third party 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.

Despite these challenges, we increased TTP from identified mills in the first half of 2022 with ongoing supplier engagement and increased verification across regions. TTP for CPO/PKO is now at 45%, an increase from 42.5% and TTP for all derivatives is at 44%, an increase from 39.4%.

From a broader data perspective, identification and remedy to non-compliance in PZ Cussons supply has remained a key focus - both with our direct engagement with suppliers and through participation in the Earthworm Foundation Derivative Member Collection Action Group, a collaborative approach to engaging shared suppliers to encourage faster evolution. Whilst some of our derivative suppliers are still only providing global mill lists for their entire supply, we are seeing progress from some key suppliers to adapt. This has a positive direct impact on our grievance approach and satellite monitoring and verification progress (new mill list is 1,628 mills), to be able to focus on the oil that is in our supply only.

While Covid-19 has continued to limit our on-the-ground transformation work, we have continued to invest in Indonesia, including through our Associate Sponsorship of the Riau Landscape programme. Our contribution to this multi-stakeholder, multi-commodity programme is both financial and practical, investing resource in workshops and decision-making.

Priorities for the next six months

We will continue to work towards achieving the goals in our Action Plan in the coming six months, building on the strong progress made to date. Our main priorities over the coming months are to improve TTP, address non-compliant supply and increase our volume of deforestation free supply. All of this will be advanced through close and ongoing engagement with our suppliers and other Earthworm members.

Our 2023 Palm Oil Action Plan



Governance

Goals	Action plan	Progress	Deadline
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.	99% of our crude palm oil and palm kernel oil is supplied by direct suppliers with NDPE commitments aligned with ours.	End 2022
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.	98% of palm oil derivatives are supplied by suppliers with NDPE commitments aligned with ours.	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, our Landscape approach, 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 palm oil landing page .	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 ten shared suppliers.	Ongoing

Our 2023 Palm Oil 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 99.6% of the CPO/PKO we use is fully traceable to mill.	End 2022
Achieve 100% traceability of derivatives to mill.	Continue to engage with suppliers to achieve traceability of all ingredients containing palm oil derivatives.	Currently, 93% of the derivatives we use are fully traceable to the mill.	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 45%, an increase from 42.5% from our last update in January.	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.	End 2022
Interim goal: 50% traceability of derivatives to plantation.		From identified mills, derivatives TTP is 44%, an increase from 39.4% from our last update in January. For derivatives, suppliers evolving from global mills to mill lists that represent our supply will significantly impact the speed of our progress.	End 2022
Full disclosure of our CPO/PKO and palm oil derivative 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 January 2023.	You can view the latest list on our website .	End 2021

Our 2023 Palm Oil Action Plan



Transformation, Conservation & Regeneration

Goals	Action plan	Progress	Deadline
Drive transformation, conservation and regeneration, for alignment with our NDPE commitments.	Continue to support programmes that champion transformation, protect animal habitats, respects smallholders, and local and indigenous communities.	Associate Sponsor for Earthworm Foundation's Landscapes Programme in Riau, and inclusion in workshops and decision making. Support the Forest Conservation Fund (FCF) work with the Mului community in Borneo, Indonesia. Contributing to the protection of the 7,200 hectares of pristine rainforest where they live, from logging and conversion to palm oil and other crops and to develop forest-friendly businesses to ensure their thriving future.	Ongoing
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

Our 2023 Palm Oil 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 for integration in diagnostics and work plan for follow up. Socialization workshops for Kumacaya partners are planned in 6 villages (Selunak, Punt Kayu, Tasik Betung, Lubuk Umbut, Muara Bungkal, and Bencah Umbai).	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
Interim goal: Reach 50% independently verified deforestation-free supply.		Currently 33% of our palm oil can be independently verified as deforestation free, an increase from 27.3% from our last update in January.	End 2022

Our 2023 Palm Oil 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 January 2023.	Ongoing
Continuation of six-monthly progress updates.	Publish a progress update via our website and the Earthworm Foundation website.	Next update scheduled January 2023.	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 January 2023.	Ongoing