

Our 2023 Palm Oil Action Plan

January 2023 Progress Update



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Introduction and context

In this report we share the actions we are taking and the progress we have made from June 2022 to January 2023 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 the end of 2023.

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.



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Where we are in our journey

Reaching and maintaining our high levels of traceability to mill and suppliers with aligned NDPE commitments remains a challenge. However, our CPO/PKO supply has reached 100% for NDPE commitment alignment and almost 100% for TTM (99.68%). We are engaging with the small derivative suppliers to achieve 100% in this area as well – which currently sits at 98% for NDPE (most of this remaining supply is from in-direct supply who do have NDPE commitments) and 93% for TTM.

Maintaining traceability to plantation (TTP) is notoriously difficult for the whole industry. The greatest obstacle is overcoming the poor transparency of concession boundary data from third party supply. Through our supply engagement, we're encouraged to see more of a focus on this topic from our suppliers and indeed the wider industry.

Our own action 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.

As a result of these efforts, we increased TTP from identified mills in the first half of 2022 with increased verification across regions. TTP for CPO/PKO and derivatives is now at 52%, an increase from 45%.

Through independent third-party monitoring and verification with Starling, deforestation-free has increased and is now 42%, versus 33% in July 2022 and 27% in January 2022. This increase is due to a combination of increased TTP data and action with monitoring alerts to address non-compliance.

From a procurement perspective, supplier engagement to address non-compliance in PZC supply has been a key focus. Data is ongoing from both Starling satellite monitoring, as well as a non-compliant supplier approach for all 1,616 supply mills. Our direct supplier engagement is complemented by our participation in the Earthworm Foundation Derivative Member Collection Action Group, an approach to engaging with shared suppliers to evolve faster through collaborative relationships and increased transparency.

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.

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Priorities for the next six months

Looking ahead, our primary focus is working with our suppliers to further increase our traceability to mill for our derivatives supply and to plantation for all supply. Additionally, we will focus engagement with both direct and in-direct suppliers to 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.



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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	100% of our crude palm oil and palm kernel oil is supplied by direct suppliers with NDPE commitments aligned with ours.	Achieved
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. Of the remaining 2%, almost all of this oil is from in-direct suppliers with NDPE commitments.	Mid 2023
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 re-duction 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 on-going 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

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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 99.68% of the CPO/PKO we use is fully traceable to mill. Engagement continues with suppliers to achieve 100%.	Achieved
Achieve close to 100% traceability of derivatives to mill	Continue to engage with suppliers to achieve traceability of all ingredients containing palm oil derivatives. With aim to remain above 95%.	Currently, 93% of the derivatives we use are fully traceable to the mill. Engagement continues with suppliers to achieve 100%.	Mid 2023
Achieve close to 100% traceability of CPO/PKO and derivatives to plantation (TTP)	Regular engagement with suppliers to obtain plantation data for all mills as part of traceability exercise.	<p>Over half of our overall supply is now traceable to the plantation, with 52% TTP.</p> <p>Whilst our greatest challenge remains with poor transparency of concession boundary data from third party supply, through our supplier engagement we are seeing more focus from our suppliers and indeed the industry.</p> <p>Our own action is complemented by collaboration with other users of Starling satellite monitoring, with joint supplier engagement and sharing of data for shared supply.</p> <p>For derivatives, suppliers evolving from global mills to mill lists that represent our supply will significantly impact the speed of our progress.</p>	End 2023
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>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 2023.</p>	You can view the latest list on our website.	Ongoing

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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.	<p>Associate Sponsor for Earthworm Foundation's Landscapes Programme in Riau, and inclusion in workshops and decision making.</p> <p>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.</p>	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 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.	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	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.	Currently 42% of our palm oil can be independently verified as deforestation free, an increase from 33% from our last update in July 2022.	End 2022

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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 August 2023.	Ongoing
Continuation of six-monthly progress up-dates	Publish a progress update via our website and the Earthworm Foundation website.	Next update scheduled August 2023.	Ongoing
Annual RSPO Communication of Progress	Submit our RSPO ACOP on an annual basis.	RSPO ACOP to be submitted in 2023 for 2022 activity.	Ongoing