

# 2023 Palm Promise Report

September 2023 Update



# Introduction and context

**In this report we share the actions we are taking and the progress we have made from January 2023 to August 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. We have now achieved 99.6% for CPO/ PKO NDPE alignment and 98.6% for derivatives. Our commitment going forward is to maintain this high level of NDPE alignment and to keep improving our engagement, traceability and verified deforestation-free levels.**

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 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 Palm Promise. 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.





## 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 is at almost 100% (99.6%) for NDPE commitment alignment and 99.2% for TTM. We are engaging with the small derivative suppliers to progress towards 100% in this area as well – which currently sits at 98.6% for NDPE (most of the remaining supply is from in-direct suppliers who do have NDPE commitments) and 94.2% 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, the wider industry and governments through introduction of due diligence requirements to ensure deforestation-free supply chains. 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 during 2022, but have seen a slight reduction since the start of 2023. TTP for CPO/ PKO and derivatives is now at 50%, versus 52% in January 2023 and 45% in

July 2022. Through independent third-party monitoring and verification with Starling, deforestation-free is now 37%, versus 42% in January 2023 and 33% in July 2022.

Small changes in our sub-tier supply chain have impacted our scores and the same pattern was identified across the industry with macroeconomic shifts being a potential root cause. Further investigation and engagement to ensure transparency of new mills and plantations are in scope.

From a procurement perspective, supplier engagement to address noncompliance 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 1,746 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 'on the ground' transformation 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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'sub-tier' – relates to suppliers which provide Palm materials to the direct suppliers from which PZC purchase their palm products and include, but are not limited to mills, plantations and other businesses which enable PZC palm supply.

## 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.





## Governance

Goals	Action plan	Progress	Deadline
100% of crude palm oil (CPO) and palm kernel oil (PKO) supply from producers with NDPE commitments.	Forms part of suppliers' selection policy and criteria. Suppliers without aligned commitments cannot pass through the gateway.  Procurement teams continue to work with technical and NPD teams to ensure this policy is implemented.	99.6% of our crude palm oil and palm kernel oil is supplied by direct suppliers all with NDPE commitments aligned with ours.	<b>Achieved</b>
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.	98.6% of palm derivatives are supplied by suppliers with NDPE commitments aligned with ours. Of the remaining 1.4%, almost all supply is from sub-tier suppliers with NDPE commitments.  Building sustainability of derivatives supply remains a challenge at industry-level due to the complexity of the supply chain and number of actors present.  Through our partnership with Earthworm Foundation and membership of the EF Derivatives Collective Action Group we are working to build capacity of suppliers on NDPE to get as close as possible to our target of 100% NDPE aligned supply.	<b>Ongoing</b>
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.	<b>Achieved</b>
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 ongoing action.	<b>Ongoing</b>
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 sub-tier) 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.	<b>Achieved</b>



## 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 99.2% of the CPO/PKO we use is fully traceable to mill. Engagement continues with suppliers to maintain as close to 100% as possible.	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, 94.2% of the derivatives we use are fully traceable to the mill. Engagement continues with suppliers to achieve as close to 100% as possible.	Ongoing
Progress towards 100% traceability of CPO/PKO and derivatives to plantation (TTP)	<p>Increasing TTP is an industry-wide challenge, but PZC believes this is the right way forward since transparency of material origins is key for understanding supply chain impacts and enabling collaboration towards industry transformation.</p> <p>Regular engagement with suppliers to obtain plantation data for all mills as part of traceability exercise.</p>	<p>Half of our overall supply is now traceable to plantation, with 50% TTP.</p> <p>Whilst our greatest challenge remains with poor transparency of concession boundary data from third part supply, through our supplier engagement we are seeing more focus from our suppliers, industry and governments.</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 derivative suppliers, evolving from global mills to mill lists that represent our supply will significantly impact the speed of our progress.</p>	Ongoing
Full disclosure of our CPO/PKO and palm oil derivatives 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 mill list twice a year. The next list will be published in April 2024.</p>	<a href="#">You can view the latest list on our website.</a>	Ongoing



## 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, respect smallholders and local and indigenous communities.	<p>Associate Sponsor for Earthworm Foundation's Landscape Program in Riau, Indonesia, 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





## 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 ongoing engagement with suppliers, reports are shared for follow-up action.	Continued 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 re-reported to the Landscape teams in Riau, Indonesia for integration in diagnostics and work plan for follow up.	Ongoing
Work towards 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. Some of our suppliers have adopted other industry standards and tools or their own systems to monitor and address deforestation. We are keen to encourage their efforts and are reviewing whether these approaches meet PZC's criteria to be able to recognise them in our future reporting.	Ongoing
<b>Interim goal:</b> 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 37% of our palm oil can be independently verified as deforestation free.  The main global challenges to achieving this goal are limited availability of plantation-level data, without which it isn't possible to verify deforestation-free supply.  At industry level, we are hopeful that new deforestation due-diligence legislation in the EU and elsewhere will increase openness of concession-boundary data from third party supply. We also see a continued role for collaborative groups to help overcome technical and confidentiality barriers to TTP data being shared.	Ongoing





## Transparency

Goals	Action plan	Progress	Deadline
Continuation of twice a year disclosure of mill lists & plantation data	Publish a progress update via our website and the Earthworm Foundation website.	Next update scheduled April 2024.	Ongoing
Provide annual update	Publish an update report via our web-site and the Earthworm Foundation website.	Next update scheduled September 2024.	Ongoing
Annual RSPO Communication of Progress	Submit our RSPO ACOP on an annual basis.	RSPO ACOP to be submitted in 2024 for 2023 activity.	Ongoing