

Our Palm Oil Promise

# Our 2020 Action Plan

October 2018



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Our aim is that by 2020 100% of the palm oil used in our personal and home care, beauty and food products will come from producers whose entire operations have been independently verified compliant with No Deforestation/No Peat/No Exploitation (NDPE) standards. Our 2020 strategy & action plan on palm oil sets out five strategic objectives to help us get there.

We recognise that we will require the support and cooperation of our direct suppliers to achieve our goals. To incentivise this transformation we will begin shifting our sourcing towards suppliers that are able to demonstrate that they have established credible systems to monitor the producers in their supply chains to ensure they are fully compliant with NDPE standards throughout their operations.





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## Governance – reinforcing good governance to drive NDPE compliance

Goals	Action plan	Progress	Deadline
100% of crude palm oil and palm kernel oil supply from producers with NDPE commitments	<p>Minimise the number of palm oil suppliers we buy from &amp; work only with producers with NDPE commitments in alignment with ours.</p> <p>Formalise our NDPE commitments within our 'approved supplier' procurement process to prioritise NDPE.</p>	<p>68% of our palm oil is supplied by direct suppliers all with NDPE commitments aligned with ours.</p> <p>We have made clear our commitments, and our requirements and expectations of our suppliers.</p>	End 2019
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.	30% of our palm oil derivatives is supplied by suppliers with NDPE commitments aligned with ours.	End 2020
<p><b>Interim goals:</b></p> <ul style="list-style-type: none"> <li>75% of volumes of crude palm oil and palm kernel oil from suppliers with NDPE commitments</li> </ul>		Identified priority suppliers with whom to make clear our expectations that they make an NDPE commitment.	End 2018
<ul style="list-style-type: none"> <li>90% of volumes of palm oil derivatives from suppliers with NDPE commitments</li> </ul>			Q2 2019

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## Governance *continued*

Goals	Action plan	Progress	Deadline
Achieve early visibility of any non-compliance within our suppliers' entire operations	<p>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.</p> <p>Actively monitor suppliers' grievance procedures to drive compliance across their physical supply chains, including wider group company activity – via monthly calls.</p>	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.	Process embedded by end 2018 – ongoing implementation
Create and roll-out a consistent 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 Forest Trust (TFT), 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>Measure adoption rates via monthly monitoring calls with suppliers.</p>	<p>Initial conversations held with all partners to understand their existing grievance procedures.</p> <p>Review of TFT draft protocol to ensure it addresses our priority areas and supplier expectations.</p>	End 2018

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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	<p>Continue ongoing dialogue with all our direct suppliers and with TFT to trace our palm oil back to the mill.</p> <p>Go beyond the mill to achieve full traceability to plantation.</p>	<p>Since 2016, we have had full traceability of our crude palm oil and palm kernel oil back to the refinery and can currently trace 86% back to the mill.</p> <p>All our key direct suppliers support transparency of mills through their public dashboards.</p>	2019
<p><b>Interim goal:</b></p> <p>90% traceability of crude palm oil and palm kernel oil across our supply chain</p>			Mid 2019
100% traceability of palm oil derivatives across our supply chain	<p>Continue to engage with suppliers to achieve traceability of all ingredients containing palm oil derivatives.</p>	<p>Work started in April 2018</p> <p>We can currently trace 35% of our palm oil derivatives back to the mill.</p>	2020
<p><b>Interim goal:</b></p> <p>80% traceability of palm oil derivatives across our supply chain</p>			Mid 2019

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## Traceability *continued*

Goals	Action plan	Progress	Deadline
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	Work with our suppliers and with TFT to obtain permission to publish this data for 100% of our palm oil supply chain.	<p>A list of all our key direct palm oil suppliers and the mills from which they source is already available on our website <a href="http://pzcussons.com/en_int/csr/palm-oil">pzcussons.com/en_int/csr/palm-oil</a></p> <p>We have published mill parent company and coordinate data for two of our biggest suppliers and we expect data from the third to be available shortly.</p>	End 2019
Full disclosure of our palm oil derivatives supply chain including all our direct suppliers, mill parent companies and mill co-ordinates	Publish an updated list on our website every six months. The next list will be published in October 2018.	<p>This information is also available on our TFT Transparency Hub page <a href="http://tft-transparency.org/member/pz-cussons/what-we-do/">tft-transparency.org/member/pz-cussons/what-we-do/</a> via links to our suppliers' public dashboards. These are updated on a quarterly basis.</p>	End 2019

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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 TFT 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 up-stream 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 TFT, support the implementation of landscape level, multi-stakeholder approach to ensure environmentally and socially sensitive land-use plans are in place for key geographies linked to our supply chain.</p>	<p>In 2017 we funded:</p> <ul style="list-style-type: none"> <li>capacity building training for a third-party grower of one of our key suppliers to embed social and environmental practices</li> <li>a field assessment for NDPE compliance for one of our core suppliers. Recommendations were provided and followed up.</li> </ul>	Ongoing
Develop an actionable plan to address regeneration of previously cleared forests and conservation of forest areas within concessions	<p>Work with TFT to identify and evaluate the possible regeneration routes to understand where and how we can achieve most impact.</p>		2018

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## Transformation *continued*

Goals	Action plan	Progress	Deadline
Support multi-stakeholder initiatives to deliver regeneration of degraded areas and conservation of forest areas within concessions	With TFT, we will support the pilot for forest conservation platform.		2019
Achieve independent verification of NDPE compliance across supply chain	<p>Investigate verification methodologies and tools for social aspects as well as deforestation.</p> <p>Trial Starling, which uses a combination of high-resolution optical and radar satellite imagery to provide unbiased monitoring of forest cover change.</p> <p>Run pilot using Starling in Sarawak in East Malaysia in 2018.</p> <p>Report on the pilot at the end of the year.</p> <p>Trial Kumacaya which is independent monitoring by local CSOs of social and environmental issues in geographies relevant to physical palm oil supply chain.</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>	We are investigating satellite and radar imagery as potential verification tools.	2020



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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>We’re working with the Central Bank of Nigeria (CBN) and Heritage Bank to create access to finance for smallholders with verifiable land titles to invest in revitalising old and inefficient plantations.</p> <p>We’re contributing expertise and hybrid seedlings to smallholder farmers, through collaboration with the Nigerian Institute for Oil Palm Research (NIFOR), helping improve their yield and meet RSPO criteria.</p>	<p>Ongoing</p>
			<p>2020</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	Continue to assess our progress on an on-going basis and will report on our progress and future plans via existing annual reporting mechanisms.	We report on our progress and future plans via our Annual Report, our Annual Communication on Progress to the RSPO, our website and the TFT website.	Ongoing
<b>Interim goal:</b> we will move from annual updates to six monthly reports.	Work with TFT to agree most effective KPIs. Publish a progress update via our website and the TFT Transparency Hub every six months when we publish our supplier data.		October 2018
Provide ongoing progress updates on our various programmes.	Put in place the resources to plan and execute more frequent updates.		2020