



PZ Palm Oil Promise – first annual progress update

In August 2014 we published the PZ Palm Oil Promise in which we set out our commitments to actively support the responsible development of the palm oil supply chain.

We are committed to working towards ensuring that the palm oil used in our range of personal and home care, beauty and food products is responsibly sourced, respects local and indigenous communities, protects animal habitats and does not contribute to deforestation.

Securing a long-term sustainable supply of palm oil for our global operations is a priority for PZ Cussons and we promised to formally review our progress every six months. Our Palm Oil Advisory Panel met in February to do this for the first time and to agree priorities for the next six months.

This update summarises our progress and sets out our action plan for the future.

Progress against our phase one action plan

Creating transparency throughout our palm oil supply chain remains our first priority and we have made good progress towards this and in all areas of our phase one action plan:

Mapping our supply chain

Following our PZ Palm Oil commitment we began to map our supply of palm oil to enable us to move towards a sustainable and responsible source. In 2015, working with The Forest Trust (TFT), we mapped 88% of our supply back to refinery level and traced 75% back to the mill. Over the next 12 months we aim to map 100% from refinery to mill and conduct field assessments with key supplier high priority mills.

Supplier engagement

This is not a journey we can make alone, so we have begun a supplier engagement programme to share our goals and secure support. In January 2015 we used our Vendor Expectation Document to inform our suppliers of the PZ Palm Oil Promise and to explain our expectations of them in helping us meet our commitments.

The Vendor Expectation Document makes clear that we recognise that the palm oil supply chain is extremely complex and do not expect our suppliers to meet all of our commitments immediately. However, where there is evidence of non-compliance, we will expect suppliers to develop a time-bound action plan to come into compliance as soon as possible.

We have asked our suppliers to provide their own updates on progress to feed into our six-monthly review process. If a supplier does not demonstrate adequate and timely progress we will find alternative sources that can meet our needs.

Wider stakeholder engagement

To help explore the most effective ways PZ Cussons can support the responsible development of the palm oil supply chain, we established our PZ Palm Oil Advisory Panel, which met for the first time in February 2015. Currently comprising key internal stakeholders from across our global business and TFT, we plan to expand the Panel to include more external stakeholders in future.

In addition, we have continued to participate in relevant industry groups and to liaise with NGOs to ensure that we are aware of the latest thinking and best practice.

Our future plans

Towards 100% transparency

It is essential that we achieve traceability throughout our supply chain so that we can meet our commitments to only use palm oil from sources that:

- is responsibly sourced
- respects local and indigenous communities
- protects animal habitats
- does not contribute to deforestation via planting on peat soils, using fire to clear land or development of High Carbon Stock (HCS) forest or High Conservation Value (HCV) areas.

We will continue to work with TFT to map 100% of our palm oil supply back to the plantation and we will continue to engage with our suppliers to ensure that the palm oil we use is traceable and responsibly produced. We are investigating how we can reduce the number of suppliers we buy from to facilitate traceability and to ensure that we are working only with the most sustainable.

In the next 12 months we aim to:

- complete our supply chain mapping beyond the refinery to the mills
- conduct desktop analysis of mills using Geographical Information System
- conduct field assessments with key supplier high priority mills
- assess supplier and JV alignment to PZC Palm Oil Promise
- review the number of suppliers from whom we buy palm oil

Supporting smallholders

We are also committed to actively supporting the development of a responsible palm oil industry. Starting this year, we will be investing in a four-year smallholder programme to help enable better outcomes for farmers, the supply chain and the environment.

Smallholder farmers already supply 40% of the world's palm oil and could supply much more but do not have the means to move to more efficient and responsible farming methods.

We will support projects located within our supply chain and work in partnership with other stakeholders in the supply chain where synergy can be achieved. This approach will enable us to play a more proactive role in the transformation of our palm oil supply chain.

Open communication and knowledge-sharing

We will continue to engage with our stakeholders and will provide a further formal progress update in six months' time.