
A Status Report on Implementation of Our Palm Oil Responsible Sourcing Commitment October 2016

As part of our commitment to responsible sourcing of palm oil — which was updated in August 2015 and followed by the publication of the [Clorox Road Map](#) in March 2016 — The Clorox Company began engagement with our suppliers and mapping of our supply chain. The road map outlined the following three key steps in the implementation of our Palm Oil Responsible Sourcing Commitment:

- 1) Evaluate and track supplier progress toward achieving compliance with our commitment.
- 2) Trace our palm footprint to various milestones in the supply chain, including to the mill level and subsequently to fresh fruit bunch origin.
- 3) Identify key points in our supply chain where we can influence change and support transformation activities on the ground.

Since release of the road map, Clorox has been focusing on the first two steps, and achieving the associated time-bound milestones, through close collaboration with our partner *The Forest Trust* (TFT). Through this update, we intend to share the status and progress made against each of our critical milestones.

- ✓ **In Progress: Conduct initial evaluation of the palm oil sourcing practices or plans for our 12 key suppliers and identify priority next steps with each one by December 2016.**

The company's efforts during this period focused on in-depth engagement with each of our 12 key suppliers. These key suppliers represent 98 percent of the overall volume of ingredients Clorox sourced domestically that contain or are likely to contain palm. Building on existing relationships, Clorox hosted meetings — in-person if possible — with all of the suppliers, enabling us to share our perspective around common and widespread issues associated with palm oil production, introduce our sourcing commitment, and request traceability information. The goal was to bring these key suppliers on board as partners to help fulfill our commitment.

Through engagement, Clorox was encouraged to learn that many of these suppliers have their own targets and goals related to palm oil sourcing. Many of these targets are specific to sourcing increasing volumes of oil certified by the Roundtable on Sustainable Palm Oil. RSPO-certified oils help to address some of Clorox's sourcing commitments; however, in several ways, our criteria exceed those of the RSPO. Other suppliers engaged by the company had plans to go beyond RSPO in their sourcing criteria. One of our next steps is to evaluate suppliers' policies and plans and work with each one to ensure that they, too, are pro-actively engaging their supply base on these important issues. For suppliers that do not have their own policies, we will focus on encouraging and supporting their development.

- ✓ **Complete: Conduct webinars introducing palm-derivative sourcing requirements and performance indicator categories with 100 percent of direct suppliers providing ingredients containing palm oil by September 2016.**

Clorox has developed, conducted and distributed webinars for our remaining direct domestic suppliers that were identified as providing ingredients containing palm derivatives. While the supplier list and count has changed slightly since publication of the road map in March, we have successfully met the goal to engage all of our domestic direct palm ingredient suppliers.

✓ **In Progress: Achieve traceability to the first importer level for our 12 key suppliers by September 2017.**

Although we're still in the process of receiving and reviewing initial traceability data from our suppliers, all expressed willingness to work with the company to obtain this data and better understand the sources of the palm oil supply. To date, Clorox has received tier two traceability information from suppliers representing nearly 80 percent of our direct domestic palm derivative ingredient volume. Of these, several have additionally provided information to Clorox's third tier. In the near-term, the company is continuing to follow up with each supplier in order to obtain complete second-tier supplier information from all 12 key suppliers.

The initial data that we received from suppliers has been helpful in understanding what lies between the company and the level of production. For example, the data provided by one supplier revealed relatively straightforward links to the origin refiner in Indonesia. In this instance, there is only one supplier company at each of the three supply chain tiers between Clorox and the mill level.

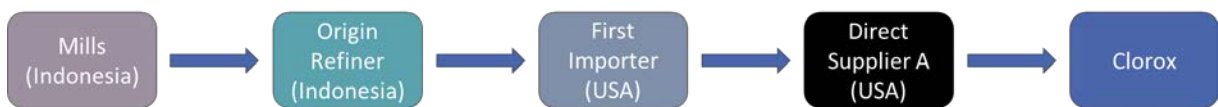


Figure 1 Supply Chain Map to Mill Level

In other cases, the data collected indicates just how complicated the supply chain can be. The data demonstrated that Clorox direct suppliers may be buying from upstream companies like manufacturers or distributors, from first importers (domestically or abroad), directly from upstream companies like origin refiners in Indonesia and Malaysia, or from any combination of the many supply chain levels. Figure 2 below illustrates one such case with a supplier.

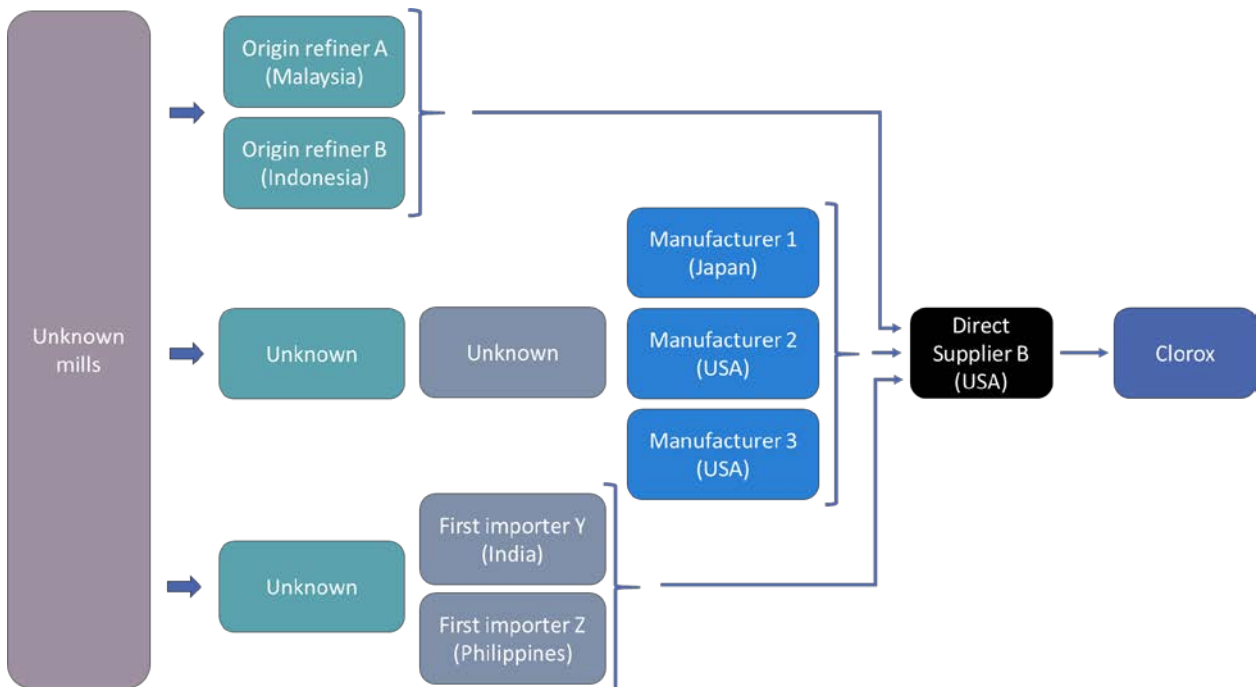


Figure 2 Complex Supply Chain Map

Recognizing the many routes that palm oil derivatives take into the Clorox supply chain helps us understand what challenges we may face in achieving our goal to trace our supply back to “first importer” by September 2017. The term *first importer* represents companies (usually refiners/traders) that are responsible for importing palm oil from a producing country to the country of ingredient manufacturing (such as the United States). This point in the supply chain is an important link to suppliers in the countries of palm origin and is therefore an important milestone in the traceability work.

- ✓ **In Progress: Identify the origin refiners in our supply and achieve traceability to the mill level for our 12 key suppliers, representing 98 percent of our estimated palm volume by December 2017.**

We are learning that the number of levels to first importer for palm derivatives is often more complex than anticipated. We will continue to work with our suppliers to identify tiers further upstream and will prioritize suppliers that are less directly connected to countries of palm origin. In the future, with more information about the origin sources of palm that is provided, we will be able to identify specific opportunities to support transformation work on the ground in our supply chain, such as training and other capability-building opportunities.

Our work to date has focused on Clorox’s domestic manufacturing. We also have begun to investigate sources of palm-based ingredients in our contract manufacturing and international purchasing. Understanding the company’s palm derivative footprint in these other operations will take exploration similar to the process undertaken with our initial 51 domestic suppliers. This is an ongoing process, and as we gather more information, we will develop a plan for engagement on this portion of our supply. In the meantime, we will concentrate efforts on our domestic suppliers providing ingredients containing palm.

- ✓ **Complete: Clorox will provide the first progress update on our traceability by October 2016.**

Communicating this progress update is one way Clorox is fulfilling a pledge to bring greater transparency to our efforts to understand and improve practices within our palm supply chain. It represents another step in a journey of continual improvement that will be further informed and facilitated by the ongoing cooperation and support of our suppliers. Industry transformation will require collective action from all tiers of the supply chain, and we will continue driving toward solutions that will help ensure that the way palm-based ingredients are sourced align with the company’s commitment and values.