
A Status Report on Implementation of Our Palm Oil Responsible Sourcing Commitment June 2017

This report covers progress made on our Palm Oil Responsible Sourcing Commitment since our last update in October 2016. Following the [Clorox Road Map](#), which was published in March 2016, The Clorox Company has been engaging with our suppliers and mapping our supply chain in order to meet our targets. The road map outlines 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 the October 2016 update, we have made progress toward our time-bound milestones in all three areas through close collaboration with our partner, [The Forest Trust \(TFT\)](#).

Step 1) Evaluate and track supplier progress toward compliance with commitment:

- ✓ **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.

(See 10/16 Progress Update)

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

We have evaluated our 12 key suppliers' sourcing practices and plans and will work with each one to ensure they are pro-actively engaging their supply base on issues critical to ensuring full-scale industry transformation. Currently, six of Clorox's key suppliers have public responsible sourcing commitments related to palm, though only one contains all the essential elements for Clorox to achieve its responsible sourcing goals. Where commitments exist, we are working with our suppliers to better align with Clorox's goals while advancing their own sustainability journeys. In cases where commitments do not exist, we are gaining a thorough understanding — and subsequently addressing — what are seen as barriers to this process, establishing the appropriate timelines for development and supporting implementation once the commitments have been finalized and made public.

Step 2) Trace palm footprint to milestones in supply chain:

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

The term "first importer" represents companies (usually refiners/traders) that are responsible for importing palm oil and/or palm kernel 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. We have made significant progress working with our 12 key suppliers to collect and review traceability data, giving us a much deeper understanding of the sources of our palm oil derivative supply chain. Based on our 2016 calendar year spend data, these key

suppliers represent 95 percent of the overall volume of palm ingredients Clorox sourced domestically that contain or are likely to contain palm.

To date, Clorox has achieved **73 percent traceability to the first importer**, which represents significant progress toward our goal. In some cases, we have gone beyond this step and gained visibility into sourcing in the countries of production in our palm derivatives supply base, specifically Malaysia and Indonesia. Figure 1 provides an example of a relatively straightforward supply chain map starting at the mill level and continuing through three supply chain tiers and ending with palm ingredient supply to Clorox. Unlocking traceability to the first importer can accelerate information gathering and transparency upstream in the supply chain. Clorox will continue to work with our suppliers to ensure this progress continues as we pursue our origin refiner and mill traceability goals.



Figure 1 Supply Chain Map to Mill Level

- **In Progress:** Identify the origin refiners in our supply and achieve traceability to the mill level for our 12 key suppliers, representing 95 percent (updated with this disclosure from 98 percent) of our estimated palm volume by December 2017.

During this reporting period, Clorox has worked with more midstream suppliers and in some cases gone beyond that to the origin refiner, where mill-level information is more easily attainable. We also source a small amount of palm kernel oil (as opposed to derivatives) from one supplier and through this supplier have achieved 76 percent traceability to the mill.

Clorox has achieved **66 percent traceability to the origin refiner** for our palm derivative supply, which is a key step in achieving full traceability to the mill. This is significant progress given the complexity and number of tiers between Clorox and some of our origin refiners. (See illustrative example of a complex supply chain diagram in Figure 2.) To achieve our December 2017 goal of traceability to the mill for our 12 key suppliers, we will continue to work with our suppliers to identify tiers further upstream.

We have continued to focus on Clorox's domestic operations, including palm-based ingredients purchased by Clorox for our contract manufactured products, and are beginning to investigate our international purchasing related to businesses that account for less than 20 percent of sales revenue. Understanding the company's palm derivative footprint in international 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.

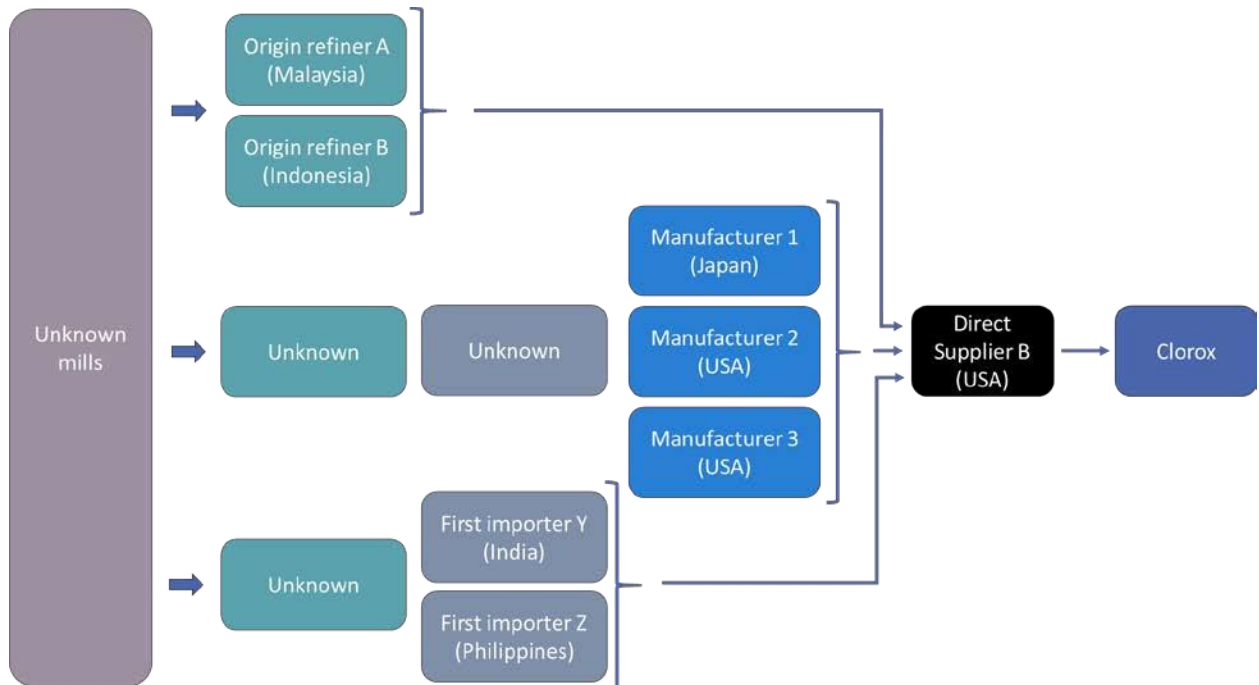


Figure 2 Complex Supply Chain Map

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.

- ✓ **Complete:** Clorox will provide the [first progress update](#) on our traceability by October 2016.
- ✓ **Complete:** Clorox will provide the second progress update on our traceability by June 2017.

Step 3) Identify key points in our supply chain where we can influence change and support transformation activities on the ground:

- **In Progress:** Having gathered more information about the origin sources of palm from our suppliers, we have explored specific opportunities to support transformation work on the ground to improve conditions in our supply chain and across the broader industry. In addition to engaging directly with our suppliers, we continue to participate in multi-stakeholder engagement to drive transformation of palm supply chains in partnership with TFT and the Natural Resources Stewardship Circle. In conjunction with TFT, Clorox recognizes that individual companies, or even industries, are most impactful when they work together with others. Clorox therefore has chosen to support a multi-stakeholder, multi-commodity program to address shared challenges and meet differing interests in the use of specific, highly bio-diverse areas of land. The program will work to create resilient, thriving communities and ecosystems where program members, governments, communities and businesses can work together to bring about change, balancing today’s needs with tomorrow’s possibilities.

This progress update communicates the recent steps Clorox has taken in our journey to understanding and improving practices within our palm supply chain, facilitated by the ongoing cooperation and support of our suppliers. September and December of this year mark the interim milestones laid out in the road map to date; therefore, we will begin reviewing and updating our road map to identify

additional key milestones in our journey to 2020. A revised road map will be made publicly available in early 2018.