

### A Progress Update on Implementation of Our Palm Oil Responsible Sourcing Commitment, March 2018

Since our last report in October 2017, Clorox has completed the first phase of engagement efforts on our [Palm Oil Responsible Sourcing Commitment](#) with our top palm ingredient suppliers. Through this outreach with our suppliers — who collectively represented 95 percent of our volume in 2016 — we have made progress against our goals and raised awareness of the larger industry challenges involved with the sourcing of palm oil derivatives.

To date, Clorox has collected traceability information from these key suppliers, with the ultimate aim of promoting increased transparency throughout the industry and moving it toward impactful change on the ground. As a result of this work, we were able to identify specific palm oil production areas within our supply chain and acted on this new information by investing in a landscape-level transformation project, which is detailed further below.

This approach and related targets were detailed in our [Clorox Road Map](#) published in March 2016. It 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 (FFB) origin.
- 3) Identify key points in our supply chain where we can influence change and support transformation activities on the ground.

The following summarizes the status and accomplishments against our 2016 roadmap, achieved through close collaboration with our partner, [The Forest Trust](#) (TFT).

#### Step 1 Critical Milestone Progress:

- ✓ **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 October 2016 Progress Update)
- ✓ **Complete:** 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. (See June 2017 Progress Update)

#### Step 2 Critical Milestone Progress:

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

The term “first importer” refers to companies (usually refiners/traders) that are responsible for importing palm oil from a producing country to the country of ingredient manufacturing. They are an important link (see Figure 1 below) to suppliers in the countries of palm origin and are therefore a key leverage point in gaining better traceability across the supply chain.

Clorox achieved **over 80 percent traceability to the first importer** by the end of 2017. Although this fell short of our ambitions to achieve full traceability to first importer, it represents

the culmination of significant effort engaging these key suppliers, mapping our supply chain, and using that increased transparency and supplier dialogue to ensure that Clorox's Palm Oil Responsible Sourcing Commitment is met while simultaneously setting the stage for industrywide transformation.



*Figure 1 Supply Chain Map to Mill Level*

- **Ongoing:** Identify the origin refiners in our supply and achieve traceability to the mill level for our 12 key suppliers by December 2017.

By the close of 2017, Clorox improved its traceability to more than **80 percent to the origin refiner** for our derivatives supply. Through this increased engagement with suppliers across the supply chain, Clorox achieved **nearly 90 percent traceability to the mill**, bringing us within close range of our goal of full traceability to mill by December 2017. As we evaluate the changes in our supply chain from last year, we will continue to work toward full traceability to mill and origin refiner in 2018 with our current supply base.

As previously reported, Clorox contract manufacturing operations use a small amount (1 ton) of palm kernel oil material (as opposed to derivatives) obtained from one Tier 2 supplier and is currently more than **75 percent traceable to mill** with this ingredient. We will explore further engagement in this supply chain in the coming year.

#### Step 3 Critical Milestone Progress:

- **Ongoing:** Identify key points in our supply chain where we can influence change and support transformation activities on the ground

While we continue efforts to improve the overall traceability of our palm purchasing, we have already made enough progress to identify some specific opportunities to improve environmental and social sustainability across both our supply chain and the broader industry. In partnership with TFT, Clorox is supporting a multi-commodity program focused on land-use planning within a highly biodiverse ecosystem in Indonesia. This program, called Priority Areas for Transformation, or APT, is designed to address shared challenges among key stakeholders while reconciling their potentially conflicting interests. It will allow program members and other participating stakeholders, including local communities, civil society, smallholders, industry and government, to work together to bring sustainable economic growth while protecting a critical ecosystem. Though this work already goes beyond our third goal of identifying key leverage points in our supply chain from which to support change, we will continue to assess additional opportunities to further engage with transformation work on the ground. We also continue to actively partner with The Natural Resources Stewardship Circle to drive collective action and transformation activities in palm derivative ingredient supply chains for cosmetics and fragrances.

#### Next Phase

Building on the work accomplished in 2017, Clorox has published a new roadmap, the [2018 Clorox Palm Oil Responsible Sourcing Action Plan](#), with updated milestones aimed at ensuring ongoing progress against our goals.

The overall scope and strategy of our work does not change. Based on our current assessment, the total volume of palm oil contained in our derivative ingredients represents less than 2,600 metric tons of our total palm oil derivative ingredient volumes purchased in calendar year 2017. As defined in the recently

published action plan, we will soon inform and/or reaffirm our palm oil commitment with all suppliers involved and expect to engage closely on traceability work with our six priority suppliers representing 92 percent of our volume. We will continue to focus our efforts on the most strategic leverage points within the supply chain that we believe will enhance transparency and sustainability throughout the palm oil industry.

There was much to be learned from prior work, and we will continue to apply those findings as we refine our path forward, reporting on our progress at least twice annually.