



## Clorox Road Map

In August 2015, The Clorox Company released an updated [Palm Oil Responsible Sourcing Commitment](#). In it, we pledged to source palm oil and palm oil derivative ingredients in a manner that does not contribute to deforestation, protects peatlands, and respects human rights in our sourcing communities. Since release of the commitment, Clorox has taken actions to identify which of our ingredients contain palm oil (including palm kernel oil and palm derivatives) and determine its presence in our products. We've also taken steps to engage our suppliers that provide us with these ingredients. In addition, Clorox has outlined key steps and milestones toward ensuring the palm based ingredients we source align with our commitment and our values.

In the palm derivative ingredients Clorox purchases, palm oil and palm kernel oil starting materials are often interchangeable with other vegetable oils such as coconut, rapeseed, soybean and sunflower oils, among others. Initially, 51 direct Clorox suppliers were identified based upon a preliminary ingredient review for the potential inclusion of palm derivatives. Through supplier engagement, Clorox subsequently confirmed 34 direct suppliers are currently providing Clorox ingredients that contain palm derivatives or ingredients likely to contain palm derivatives. Of these 34, Clorox identified 12 key suppliers based on the significance to our business and estimated palm oil footprint. These 12 suppliers represent 98 percent of the overall volume of our ingredients sourced directly that contain or are likely to contain palm and will be the focus of Clorox's initial work plan<sup>1</sup>.

### Overview of supplier engagement

We have engaged 51 direct palm derivative ingredient suppliers on the following matters:

- Communicated our palm derivative sourcing requirements.
- Asked them to complete a survey positively identifying ingredients they provide us that are certain to contain palm or have the potential to contain palm as a starting material.
- Requested information regarding the source of the palm oil in the ingredients that these suppliers provide to Clorox.

Based on supplier responses, we have invited the 34 suppliers that indicated they had ingredients containing or likely to contain palm derivatives to participate in webinars to explain our requirements in greater depth and introduce our supply chain mapping work. From 34 direct suppliers, we have prioritized 12 key suppliers that represent a significant portion of our palm derivative supply chain.

In addition, as a member of the Natural Resources Stewardship Circle Palm Oil Working Group, Clorox has participated in a pilot project to map the supply chains of major supplier to companies in the beauty industry. In partnership with The Forest Trust, the NRSC group used its collective resources to engage 13 supplier companies (including four of Clorox's key suppliers) on achieving traceability to the refineries in producing countries and their efforts to sustainably source palm oil. This work raised the profile of issues surrounding the production of palm oil for supplier companies within the oleochemicals industry, specifically related to palm derivative ingredients, and Clorox will be able to build off of this work through targeted engagement with our direct suppliers.

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<sup>1</sup> A smaller portion of Clorox's products are purchased as finished goods from contract manufacturers; these goods will fall under scope of [The Clorox Company Palm Oil Responsible Sourcing Commitment](#) but will be managed under a different timeline.



Finally, Clorox has started to engage suppliers where appropriate to confirm their commitment and agreement within contracts to utilize commercially reasonable efforts to support our environmental footprint and sustainability activities and report on their progress against The Clorox Company Palm Oil Responsible Sourcing Commitment.

Going forward, Clorox will follow 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.

The following sections provide details about how we will implement each of these steps that make up our responsible sourcing palm commitment.

- **Evaluate and track supplier progress toward achieving compliance with our commitment:**

Clorox will evaluate and track our suppliers' progress according to five key categories of indicators:

- 1) The robustness of our suppliers' own palm sourcing policy.
- 2) Traceability to mill and plantation level.
- 3) Approaches to improving practices in their supply chain.
- 4) Grievance mechanism/noncompliant supplier process.
- 5) Transparency.

Clorox will have regular conversations with our direct suppliers and other key actors in our supply chain to track the progress of their supply based on these categories of indicators. We expect suppliers at key points in the supply chain to have palm oil sourcing practices that match our own commitment or to define how they will implement our commitment. We will look for our suppliers to demonstrate continuous improvement in traceability percentages to the mill and plantation level; increasingly higher percentages of palm volumes covered by broad transformation plans; evidence of adequate grievance mechanism and response procedures; and progress toward greater transparency through means such as supplier dashboards and more in-depth reporting. We will report on the outcome of these conversations and our overall progress toward policy implementation at least twice annually. Per Roundtable on Sustainable Palm Oil membership guidelines, we will report our first Annual Communication of Progress based on calendar year 2016.



Targets:

- **September 2016:** Complete webinars introducing our palm-derivative sourcing requirements and performance indicator categories with 100 percent of our direct suppliers providing ingredients containing palm oil.
  - **December 2016:** Complete initial evaluation of the palm oil sourcing practices or plans for our 12 key suppliers and identify priority next steps with each one.
- **Trace our palm footprint to various milestones in the supply chain, including to the mill level and subsequently to fresh fruit bunch origin:**

There are three major aggregation points in a palm oil supply chain that can lead Clorox back to the fresh fruit bunch origin of the palm oil in our products. Fresh fruit bunch origin is where the oil palm is planted and fresh fruit bunches are harvested, including the plantations, estates, small holder operations and other areas.

These aggregators represent opportunities for us to engage with key stakeholders in order to influence change within our supply chain.

- Palm oil mill: The first major aggregation point for fresh fruit bunches after they're harvested.
- Origin refiner: Refiner in the country of production that sources crude palm oil or palm kernel oil directly from mills or from aggregators like traders/dealers.
- First importer: The company (usually a refiner/trader) that is responsible for importing palm oil from a producing country to the country of ingredient manufacturing (such as the United States).

Targets:

- **October 2016:** Clorox will provide the first progress update on our traceability.
  - **September 2017:** Achieve traceability to the first importer level for our 12 key suppliers.
  - **December 2017:** 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.
- **Identify key points in the supply chain where we can influence change and support transformation activities on the ground:**

Through our mapping work with our direct suppliers, Clorox will be able to communicate our sourcing commitments upstream and ensure that our requirements are understood by stakeholders able to influence change on the ground. Given Clorox's place downstream in the supply chain, we will be most directly linked to the first importers. We will work closely with them to understand how they are driving change with their direct suppliers in the countries of palm oil production (usually origin refineries).

There are many issues associated with the production of palm oil that are widespread and common throughout the industry. Clorox believes our origin refinery companies should have time-bound action plans to address these types of issues on a large scale.



Elements of a successful, large-scale transformation plan may include:

- Desktop risk assessments to prioritize suppliers for field visits.
- In-depth engagement of mills and fresh fruit bunch origin sources through field assessments, with time-bound corrective action plans based on the findings.
- Trainings and workshops to address widespread issues.

Acknowledging that these broader plans will take time to demonstrate material progress, Clorox also requires its suppliers to develop a grievance mechanism and procedure in order to be able to react to and address issues in the supply chain as they arise.

The Clorox Company will be most successful implementing our Palm Oil Responsible Sourcing Commitment through strategic partnerships within our supply chain and credible external stakeholders such as NGOs. We recognize that implementation will be a journey of continual improvement, and we will adjust and adapt our approach as we gain further information about our supply chain.