

Progress Update on **SUSTAINABLE PALM DERIVATIVES**



Our Sustainable **Palm Roadmap**

At Beiersdorf we rely on natural raw materials for the ongoing development of our product formulas. Many ingredients essential for the production of our cosmetic products – such as emulsifiers and surfactants – contain palm-based raw materials.

As a global skin care company we purchase mainly palm-based derivatives and fractions, further processed substances based on palm (ker-

nel) oil. Our annual requirement of palm-based ingredients is around 28,000 tonnes, equivalent to approx. 0.04% of global palm oil production.

Beiersdorf strives to take a leading position with regard to sustainability in the palm supply chain. Guided by our **Sustainable Palm Roadmap** and in line with the Accountability Framework Initiative and the UN Sustainable Development Goals, we steer our activities towards ensuring:



SUSTAINABILITY CERTIFICATION

Sustainably sourced palm-based raw materials via physical RSPO (Roundtable on Sustainable Palm Oil) certification



SUPPLY CHAIN TRANSPARENCY

Transparency and effective risk mitigation along our palm supply chain



TRANSFORMATION IN SOURCING COUNTRIES

Support for smallholder farmer and landscape projects in our sourcing countries



STAKEHOLDER COLLABORATION

Proactive collaboration with our main supply chain partners and multi-stakeholder initiatives

Our Progress Towards a Sustainable Palm Industry – **2020-2021 Highlights**

Sustainability Certification:

- We achieved our target of using 100% sustainably certified palm (kernel) oil and its derivatives by the end of 2020. This means that in our products we only use raw materials from physical sustainable sources – based on the mass-balance model as defined by the **RSPO**.

Transformation in Sourcing Countries:

- In 2018, we started to support a **palm oil smallholder farmer project** with **WWF** in West Kalimantan, Indonesia. In 2020, we made significant progress on our project by providing training on sustainable palm cultivation to approx. 240 smallholder farmers and setting up a farmer association. Furthermore, we started various programs in the areas of safe drinking water supplies, the development of a “Green School” and providing additional sources of income to the local communities.
- In 2020, we kicked off a **2nd landscape project** in the Malaysian region of Tabin, in Sabah together with the specialty chemicals company Evonik and WWF. The aim of the program is the sustainable palm oil production and an end to deforestation. To achieve this, by 2025 all palm oil farmers and a total area of 20,000 hectares will be certified according to the internationally recognized RSPO standard. Additionally, we are working with Evonik and WWF to protect wildlife habitats in Tabin, since this region is home to many endangered species. The aim is to stabilize the populations of endangered species such as the rare Borneo elephant and the orangutan over the next five years.
- Furthermore, in our cooperation with **FONAP**, **WWF Germany** and **Wild Asia** we support a dozen smallholder farmers in Perak, Malaysia in testing the practical feasibility of the additional FONAP certification criteria to support their access to market, and also launched practical demonstrations of chemical-free palm fruit production by implementing natural pest control methods. Furthermore, we support the farmers to promote greater transparency in the global supply chain by using the Palmoil-Trace – FarmGate app.

Further Achievements:

- We launched our **Sustainable Palm Policy**, which underlines our ambitions and commitments towards a sustainable palm supply chain by 2025 in collaboration with our suppliers. The policy outlines our key principles in the areas of compliance, environment and human rights with the aim to achieve a deforestation- and conversion-free supply chain by 2025.
- In 2021, we achieved an A rating in the Forest Palm Oil Assessment carried out by the **Carbon Disclosure Project**.
- In 2021, we achieved the score 20.19 out of 24 in the **WWF Palm Oil Buyers Scorecard 2021** and are thus among the companies who are ‘Leading the way’ on sustainable palm oil.

Detailed information on our initiatives and progress in the abovementioned areas is published in our annual **Sustainability Review** and in the **Sustainability section** of our corporate website.



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BEIERSDORF
SUPPORTS WWF'S
SMALLHOLDER
PROJECT IN
INDONESIA

Beiersdorf



BEIERSDORF
SUPPORTS WWF'S
LANDSCAPE
PROJECT IN
MALAYSIA

Beiersdorf



Transparency and Risk Mitigation in our Palm Supply Chain

Driving supply chain transparency and risk mitigation is a further key pillar of our Sustainable Palm Roadmap. In contrast to the crude palm (kernel) oil supply chain, the palm derivatives supply chain is very complex and involves a wide range of different supply chain parties: These comprise plantations including smallholder farmers, mills, crushers, refineries, fractioners, traders, and oleochemical manufacturers. We purchase our palm-based raw materials from oleochemical suppliers and thus have only a limited and indirect influence on our upstream supply chain.

Achieving sustainability in the palm derivatives supply chain is of fundamental importance to us. However, we know that the reach of our actions as an individual company is limited. We therefore collaborate proactively with peers and supply chain partners and have co-founded the “**Action for Sustainable Derivatives**” (ASD) initiative in 2019 to support this. ASD aims to increase the transparency and sustainability of derivatives supply chains. We work closely with our strategic supply chain partners to trace our palm-based raw materials right back to the refinery, mill, and plantation level on a yearly basis. Following our annual palm supply

chain transparency investigation, we conduct a risk assessment at geographical level (province, district and mill level), which focuses on deforestation, social and regulatory risks. Based on this assessment we identify key sourcing areas, mills and supply chain partners to be considered for engagement and /or risk mitigation.

Furthermore, the findings from our transparency investigation helped us to select and implement smallholder and landscape projects in key sourcing regions such as West Kalimantan, Indonesia and Sabah, Malaysia. In order to ensure that our palm derivatives suppliers are compliant with our Sustainable Palm Policy and principles of NDPE (No Deforestation, No Peat and No Exploitation) we conduct a systematic supplier evaluation using the Sustainable Palm Index (SPI). This tool rates the commitments, action plans and achievements of our palm suppliers and identifies improvement areas. In 2021, we expanded our scope and asked all our direct palm suppliers who participated in the supply chain transparency investigation to complete the SPI. 100% of our suppliers in scope participated in this evaluation and over 80% have been rated as fully compliant.



We support our direct suppliers to develop time bound action plans to address any identified areas of non-compliance. In addition, we have developed an internal grievance process and encourage our suppliers and their own employees to report actual or suspected breaches of our Sustainable Palm Policy via our incident reporting

platform **Speak up. We care.** Furthermore, we use the **Global Forest Watch Pro** tool to manage deforestation risks in the palm commodity supply chain. The tool monitors deforestation changes at farms, supply sheds and jurisdictional level over time and helps us to manage related risks in the palm supply chain.



Our **Achievements** within the Action for Sustainable Derivatives (ASD) Initiative

KEY FIGURES 2020:

- 100% of Beiersdorf's palm suppliers in project scope were engaged
- 92% of our palm-based raw material volumes are traceable to refinery, mills or plantation level
- Over 920 individual mills were identified that are linked to our supply chain with a high possibility. Our Palm mills list is available on our website.
- Our main palm sourcing regions are Indonesia (58%), Malaysia (39%) as well as Thailand, Colombia and others (3%).

We could trace back our palm derivatives in project scope to the following levels:

- 94 % up to the level of refineries
- 90 % up to the level of mills
- 48 % up to the level of plantations



ASD
ACTION FOR SUSTAINABLE DERIVATIVES

Outlook

We are striving to achieve a deforestation- and conversion-free palm supply chain by 2025 and to continually improve our supply chain transparency and risk mitigation data within the ASD initiative. Furthermore, we aim

to implement further smallholder and landscape projects with non-profit and supply chain partners in key sourcing areas that bring about direct improvements in the local palm supply chain.

Beiersdorf