

SUSTAINABLE PALM

POLICY



INTRODUCTION

Sustainability has always been part of our company culture and DNA. Our [Sustainability Agenda](#) CARE BEYOND SKIN is an integral part of our corporate strategy C.A.R.E.+ and guides our actions to deliver a positive impact on people, society, and the environment.

Climate change represents one of the greatest challenges global society is facing today and deforestation as well as conversion of natural ecosystems are a major driver of climate change. We are committed to a climate positive future and to minimizing the impact of our business activities on the environment.

We view forests, especially primary and secondary forests, and other natural ecosystems as essential for a healthy planet and environment: They are vital carbon sinks and of core importance to biodiversity, animal and plant habitats, as well as local populations' livelihoods.

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. When sustainably cultivated, oil palms are ecologically very efficient plants that allow maximum oil production on a comparatively small area of cultivated land compared to other vegetable oil plants.

As a global skin care company, we purchase mainly palm-based derivatives and fractions – further processed substances based on palm (kernel) oil – and only small amounts of crude palm (kernel) oil. Our annual requirement of palm-based raw materials is around 28,000 tonnes, equivalent to 0.04% of the annual global palm oil production of around 70 million tonnes.

We strive to take a leading position with regard to sustainability in the palm supply chain and have implemented our ambitious [Sustainable Palm Roadmap](#) and targets. Our Sustainable Palm Policy forms a cornerstone of this Roadmap.

POLICY SCOPE

Our Sustainable Palm Policy applies to all palm-based raw materials that the Beiersdorf Consumer business segment purchases, including raw materials that contain crude palm (kernel) oil as well as its derivatives and fractions.

The Policy is applicable to all our products produced in Beiersdorf's own global operations and in our third-party manufacturer operations. We formally require our suppliers* to comply with this Policy fully throughout their operations and also to ensure compliance along their entire value chains, i.e. including their own upstream suppliers. This Policy is effective immediately and will be updated on a regular basis when necessary.

OUR AMBITION

In 2010 we launched our Sustainable Palm Roadmap to promote a sustainable palm oil industry that protects the environment, does not lead to deforestation or conversion, and supports local livelihoods in our supply chain. Over the past decade we have made significant progress towards our ambitious commitments.

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:

- Sustainably sourced palm-based raw materials via physical RSPO ([Roundtable on Sustainable Palm Oil](#)) certification
- Transparency and risk mitigation along our palm supply chain
- Support for smallholder farmers and landscape projects in sourcing countries
- Proactive collaboration with our main supply chain partners and multi-stakeholder initiatives.

By the end of 2020 we achieved our target to source 100% of our palm-based raw materials from sustainably certified origins in all our products worldwide according to the RSPO Mass Balance supply chain model as a minimum.

Furthermore, we strive to source our palm-based raw materials in accordance with NDPE** principles and are dedicated to achieving a deforestation- and conversion-free palm supply chain by 2025.

* Palm-based raw material suppliers
** No Deforestation, no Peat, no Exploitation

OUR SUSTAINABLE PALM PRINCIPLES

We are committed to establishing the criteria of RSPO and FONAP ([Forum for Sustainable Palm Oil](#)) throughout the palm industry. The RSPO Principles define a responsible industry standard, while the FONAP is committed to addressing environmental and local community concerns through establishing advanced certification criteria.

We engage our suppliers to actively work with us on the following principles:

1 COMPLIANCE PRINCIPLES

- Compliance with all applicable international and local laws and regulations of the countries in which operations are managed or services provided, including anti-corruption and bribery laws
- Compliance with our [Code of Conduct for Business Partners](#)
- Guarantee that certified palm oil mills purchase non-certified raw materials (Fresh Fruit Bunches) exclusively from legal cultivation
- Disclose to Beiersdorf any complaints made and report any breaches of our Sustainable Palm Policy and its principles.

2 ENVIRONMENTAL PRINCIPLES

- No deforestation and conversion of primary or secondary forests or natural ecosystems after November 15, 2018
- No development of High Carbon Stock (HCS) or High Conservation Value Areas (HCVA) as defined under the High Carbon Stock Approach (HCSA)
- Cessation and prevention of cultivation and fires on peat lands and other areas with a high carbon soil content, regardless of depth
- Enforcement of a ban on highly hazardous pesticides (in accordance with the Rotterdam and Stockholm Conventions, WHO Class 1a and 1b pesticides, and paraquat)
- Application of strict emissions reduction targets for greenhouse gases.

3 SOCIAL PRINCIPLES

- No exploitation of people, and full respect for human and workers' rights, in particular migrant and temporary worker rights, as defined by the conventions of the [International Labour Organization](#) and the [Guiding Principles for Business & Human Rights of the United Nations](#)
- Prohibition of any forms of child and forced labor, including human trafficking, as well as any form of physical, psychological or sexual abuse
- Full respect for farmers' and local communities' land rights
- Application of the principles of Free, Prior and Informed Consent (FPIC) to promote the rights of indigenous and forest-dependent people
- Avoid discrimination and promote gender equality and female worker rights in sustainable palm production
- Support the inclusion of smallholder farmers and their sustainability certification in the supply chain.

Beiersdorf will give preference to suppliers that commit to our Sustainable Palm Principles and actively support us on progressing our Sustainable Palm Roadmap and achieving our targets.

It is clear to us that the progress of our individual direct suppliers on their journey towards a sustainable palm business will differ very significantly in each case due to the unique structures of their own operations. We support our suppliers on their sustainable palm journey in order to ensure they are able to comply with our Sustainable Palm Policy and outlined Principles.

Since our supplier base is one of Beiersdorf's most important strategic resources, we see terminating our business relationships with suppliers as the final step only when all other collaborative approaches have failed.

From experience we know that partnership-based, long-term and positive engagement with suppliers to support them in meeting our high raw material sustainability requirements is the most effective approach in raising sustainability in the palm supply chain and driving necessary evolution in this industry.



OUR SUSTAINABLE PALM ROADMAP

Within our Sustainable Palm Roadmap we have identified the following strategic pillars and action plans:

1 SUSTAINABILITY CERTIFICATION

Since 2010, Beiersdorf has been a member of the RSPO and started to purchase RSPO “Book and Claim” certificates as early as 2011. Since accepting the first delivery in 2015 we have continually increased the share of our sustainably certified palm-based raw materials according to the RSPO Mass Balance supply chain model. In 2016 we reached an important milestone through the award of the RSPO multi-site Supply Chain Certification Standard (SCCS) certificate.

By the end of 2020 we achieved our target of transitioning all our palm-based raw materials to physical, sustainably certified materials, according to the RSPO Mass Balance model as a minimum. Since only 19% of globally produced palm oil is certified by RSPO, we continue to encourage suppliers to transition to physical, sustainably certified palm-based raw materials.

2 SUPPLY CHAIN TRANSPARENCY

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 such as plantations (including smallholder farmers), mills, crushers, refineries, fractioners, traders and oleochemical manufacturers.

Beiersdorf purchases its palm-based raw materials from oleochemical suppliers and thus has only a limited and indirect influence on its 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.

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. Within the ASD initiative, we conduct an annual risk assessment at geographical level focused on deforestation, social and regulatory risks and identify priority areas and mills to be considered for engagement and risk mitigation. Furthermore, we regularly evaluate our main palm derivatives suppliers on their compliance with our Sustainable Palm Policy.

3 TRANSFORMATION IN SOURCING COUNTRIES

Palm oil cultivation represents an important income stream for millions of farmers and their families worldwide. Approximately 40% of global palm oil is produced by smallholder farmers, who face a wide range of challenges such as low crop yield, lack of knowledge about sustainable agricultural practices, and difficult market access, among others. We therefore work together with strategic non-profit and supply chain partners on various smallholder and landscape projects in order to support local livelihoods and achieve the sustainable cultivation and certification of palm oil in sourcing countries.

We aim to convince smallholder farmers that the sustainable cultivation of oil-bearing palms without further deforestation contributes to improving their overall living and working conditions. Furthermore, by supporting these projects, we aim to increase the availability of physical, sustainably certified palm-based raw materials. Our goal is to drive the sustainable transformation of the palm industry forward continually and achieve a lasting positive impact for smallholder farmers and their livelihoods in sourcing countries.

The findings from our palm supply chain transparency project help us to select and implement smallholder and landscape projects. In planning these, we place local communities’ needs and specific issues in the sourcing regions foremost in our considerations.



4 STAKEHOLDER COLLABORATION

Only through long-term and trusting cooperation with various stakeholders we can promote a sustainable palm industry along the entire value chain. Together with many organizations that are aligned, we want to drive progress jointly and make a major contribution to sustainable palm development at a global level.

Beiersdorf is strongly engaged in long-term partnerships with its supply chain and non-profit partners as well as multi-stakeholder initiatives such as the RSPO, the FONAP, and ASD, among others.

REPORTING BREACHES

Beiersdorf encourages its suppliers and their own employees to report actual or suspected breaches of this Sustainable Palm Policy, or related applicable laws. Such reports can be submitted as follows:

- via e-mail (Incidents_Cases@Beiersdorf.com) or
- over the Beiersdorf incident reporting platform [Speak up. We care.](#)

All reports submitted are treated as absolutely confidential.



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