

CRODA

Croda Statement on Human Rights in the Palm Sector

Responsibly addressing the social and environmental issues associated with Palm Oil (PO) and Palm Kernel Oil (PKO) is a priority for Croda. In addition to sourcing palm raw materials from RSPO certified supply chains, Croda is a founding member of the Action for Sustainable Derivatives (ASD).

In early 2021 the ASD organization outlined the ASD Collective Statement on Human Rights which includes specific documentation regarding human rights grievances. Croda is fully aligned with the ASD and has signed off on this policy, as follows:

Action for Sustainable Derivatives (ASD) is an industry-led collaboration which seeks to achieve the responsible production and sourcing of palm oil derivatives. By promoting collective transparency, risk management and engagement, ASD's ultimate ambition is to create a palm derivatives supply chain that is free from deforestation respects human rights and supports local livelihoods. ASD supports its Corporate Members to accelerate compliance of their upstream supply chains with No Deforestation, No Peat and No Exploitation (NDPE) policy commitments.

ASD Response to Recent Human Rights Grievances in Palm

The social and environmental challenges of palm production are well documented. More recently, the Associated Press reported in late 2020 and early 2021 of forced labor, gender-based violence and child labor in the palm plantations of Indonesia and Malaysia. The United States Customs & Border Protection (CBP) has issued Withhold Release Orders (WRO) for palm imports from Malaysia, following allegations of labor abuses.

ASD takes these allegations seriously and is conducting outreach and engagement with relevant stakeholders, including the RSPO and implicated parties, to obtain a comprehensive understanding of the situation. ASD will be guided by the results of the independent RSPO Complaint Panel investigation, and broader RSPO discussions with complainants, implicated parties, and the US CBP. ASD is also investigating the links of reported grievances to the supply chains of its Members.

ASD Human Rights Approach

In addition to these specific cases of immediate concern, ASD is cognizant of the prevalence and complexity of issues driving human rights abuses in palm production, whether in the form of forced labor, violence against women and at-risk groups, child labor or otherwise. ASD condemns human rights abuses in all forms, and, in accordance, with the UN Guiding Principles on Business and Human Rights, is committed to proactive human rights due diligence in the derivatives supply chain. This includes working to prevent and mitigate impacts, as well as the investigation and remedy of reported grievances. ASD is proactively integrating a specific human rights roadmap within its broader framework of action.

ASD recognizes the unique position of Corporate downstream users of derivatives to proactively safeguard human rights. While many Corporate downstream users share NDPE commitments, they also

face similar barriers to progress presented by a derivatives supply chain characterized by fragmentation, huge complexity, opacity, and presence of numerous intermediaries. ASD brings a unified voice and influence of derivatives users to these challenges, working to bring alignment within the derivatives sector and identify opportunities for collective action both within the ASD group and more widely with those active in the human rights and sustainable palm space.

ASD Framework for Action

ASD has developed a framework for action, tailored to the derivatives sector, which outlines levers of influence to address and uphold human rights in palm production. ASD's focus includes:

- **Collective Transparency:** ASD provides supply chain mapping for its individual Corporate Members and collectively for the Derivatives Sector to provide visibility to source at refinery, crusher, and producer group level on an annual basis. ASD works to identify and inform Members of potential linkages between the derivatives supply chain and reported human rights grievances.
- **Risk Prioritization & Dynamic Monitoring:** With an aggregated and anonymized collective sourcing list, ASD has been able to leverage and overlay existing environmental and social risk data and assessment methodologies. ASD identifies priority and geographies to focus engagement efforts to improve practices.

Methodologies are continuously updated in line with industry developments, e.g. the NDPE Implementation Reporting Framework. In 2021, ASD will apply a human rights specific 'lens' to this analysis to inform its engagement strategy.

ASD is also investigating dynamic and proactive monitoring alerts to NDPE non-compliance and where possible, identifying synergies with other industry stakeholders.

Having established a common framework that identifies key sourcing areas and players prioritized at the collective level, ASD's focus is to develop further its impact strategy, focused on:

- **Collective Supply Chain Engagement:** ASD seeks to align its Corporate Members' expectations to support progress in transparency and sustainability in the derivatives supply chain. ASD is developing best practice guidelines for supplier standards, evaluations, and grievance management.

ASD continues to monitor and engage existing human rights and sustainable palm initiatives to ensure alignment and consistency. For example, ASD seeks to align with the Consumer Goods Forum's (CGF) development of a common Human Rights Due Diligence (HRDD) approach via the Human Rights Coalition — Working to End Forced Labour.

ASD is furthermore developing its engagement strategy to address prioritized grievances via a newly enacted grievance taskforce, and more broadly, collective mechanisms to engage with indirect supply chain players (refineries, crushers, and producer mills) prioritized based on social and environmental risk profile.

- **Shared Strategy for Impact on the Ground:** ASD is seeking to deploy collective support to existing landscape projects via a collective funding model.

ASD Call for Engagement and Collaboration

While still nascent in implementation, ASD has made progress in its first year towards building a collective framework for action, and is seeking feedback and input from relevant stakeholders to enhance its approach. ASD is also seeking to identify opportunities to co-build and co-deliver tangible and concrete collective actions to progress transformation of the sector.

Please email asd@bsr.org with questions or to discuss further.

This statement was written on behalf of Action for Sustainable Derivatives by the ASD Secretariat.

Footnote: *Launched in late 2019, Action for Sustainable Derivatives is a sector-wide initiative that brings together companies in the cosmetics, home and personal care, healthcare, and oleochemicals industries to collectively tackle supply chain issues around palm oil.*

ASD facilitates the sharing of information, data, constraints, and solutions to accelerate wholesale transformation of the palm derivatives sector. ASD also acts as an operational platform, providing tools, methodologies, and concrete opportunities for its Members to partner on specific topics. ASD's activities are rooted in its impact vision, mission, and strategic framework.

ASD operates in the pre-competitive space and complies with Anti-Trust Regulations.

ASD is co-managed and co-facilitated by BSR and Transitions, two organizations with extensive experience and expertise in supply chain sustainability and business collaborations.