

Working towards a forest and people positive forest commodity supply chain

15 July 2022



Approach

Forests cover almost a third of the world's land area and contain most of the world's terrestrial biodiversity. They provide a wide range of ecosystem services including sources of water and food, biodiversity, social and cultural value, and carbon storage that are essential to combat climate change and provide livelihoods for millions. Despite their intrinsic value, 420 million hectares of forest have been lost through land conversion and around 10 million hectares are lost annually¹.

Global demand for natural raw materials pressures the natural environment, contributing to the decline of wildlife and biodiversity. Interventions to both prevent adverse impact and strengthen ecosystems are not simple. Consideration is needed for a range of environmental, social, and economic drivers, both locally and more broadly. Recognising the impact of both our business and wider society, Reckitt is working to protect and progressively regenerate ecosystems with nature-based solutions in key value chains by 2030. By developing new nature-based solutions, with associated metrics to measuring impact and interventions delivered through our brands and supply network, our aim to support sustainable value chains for the future. This compliments ongoing work to respect human rights and promote sustainable livelihoods for people and communities within our value chain.

Activity is prioritised on key raw materials where there is likely most significant impact by virtue of volume and origin, and where there are also the greatest opportunities to act and influence to minimise impact and ensure sustainable production. Priority commodities include latex, palm oil, fragrances, dairy, and paper and board. Beyond these priorities, other natural raw materials, typically only used in smaller amounts, are progressively being addressed including soy and cocoa.

Further detail on our approach and performance is available in our [Protecting our Ecosystem Insights report](#) and our annual [CDP Forests disclosure](#). Within this report, as part of our commitment to the work of the Consumer Good Forum (CGF) Forest Positive activity, we focus primarily on our activity on palm oil, soy, and paper and board. Beyond these however, Reckitt also uses another commodity, latex, which can be sourced from forest areas. Our work on latex and more broadly on developing nature-based solutions is also outlined in our [Sustainability Insights](#).

Policy commitments and standards

At Reckitt, we believe we have a duty to ensure that all our operations and interactions are of the highest quality, and we hold our Business Partners to the same exacting standards. We are committed to ensuring our facilities, suppliers, distributors, and contractors meet and exceed applicable laws and international standards, ensuring health and safety at work, protecting the environment, and safeguarding human rights. Together with our Business Partners, we will do the right thing. Always.

We are all part of a complex global supply chain, from warehouses and manufacturing units to smallholder farmers. We ask our Business Partners to take ownership of this commitment, and to share our values; to

¹ <https://www.unep-wcmc.org/en/news/earths-biodiversity-depends-on-the-worlds-forests>

act fairly and put consumers and people first; and to seek out new opportunities to improve products and innovate responsibly.

Our [Third-Party Code of Conduct](#) and [Sourcing for Sustainable Growth Policy](#) outlines our approach to supply chain due diligence and explains how our expectations of Business Partners align with our commitments.

Our Sourcing for Sustainable Growth Policy is backed by technical standards covering [Labour and Human Rights](#), [Workplace Health and Safety](#), [Environmental Protection](#) and [Natural Raw Materials Sourcing](#).

Our [Natural Raw Materials Sourcing Standard](#) and supporting [Palm Oil Appendix](#) outline our commitment to sourcing natural raw materials (NRMs) responsibly, including our commitment to No Deforestation, No Peat and No Exploitation (NDPE). Our Natural Raw Materials Sourcing Standard is based on six guiding principles:

1. Understanding the origins of materials
2. Safeguarding workers and communities
3. Protecting ecosystems
4. Reducing environmental impacts
5. Animal welfare
6. Partnerships

We require our Business Partners to communicate these requirements to their suppliers, while monitoring and strengthening compliance as far as is practical.

We report on the activities we are taking to both mitigate potential risks, and proactively ensure our standards are applied in our supply chain. This is reported through our [Annual Sustainability Insight report](#) and [Modern Slavery Act statement](#).

Our approach to sustainable palm oil sourcing

Palm oil uses less land and produces a higher yield of oil than similar crops, for a lower cost. It is also highly versatile. But global production of palm oil continues to be linked to deforestation and degradation of ecosystems including peatland. Despite commitments to reduce or eliminate conversion of forests to plantations, palm oil production still contributes to biodiversity loss, environmental pollution and degradation, and climate change. It has also been associated with human rights abuses and poor labour and safety practices in relation to migrant workers, local indigenous groups, and smallholder farmers. Land conversion may be caused by smallholder farmers and local communities for short term economic benefit, but there are adverse impacts in the longer term.

Despite being a relatively small user of palm oil, we still have a role in reducing the impact of palm oil cultivation, and are committed to No Deforestation, No Peat, and No Exploitation "NDPE" within our palm oil supply chain. Our approach is centred around mapping our supply chain from direct supplier to plantation, enabling identification of risks and delivery of interventions to protect ecosystems and safeguard workers and communities. The approach we take is outlined below:

1 - Understanding palm oil origins

We directly work with suppliers and partners to improve the transparency and traceability of our palm oil supply chain. As we mainly use processed derivatives of palm oil, traceability remains challenging given the scale of palm oil production landscapes and the extent of processing undertaken. To understand supply chain risks and focus areas, we work with partners to identify the farms, plantations and processing mills that supply the palm oil used in our products.

Our direct suppliers of palm oil-derived materials, representing over 96% of the palm oil we use are:

Fats blends suppliers	Soap Noodle Suppliers	Surfactant suppliers*
<ul style="list-style-type: none">- AAK- Cargill- Oleofinos- Stratas Foods- Wilmar PGEO	<ul style="list-style-type: none">- IOI- Musim Mas- Nimir- Royal Cosmetic- Wilmar Indonesia- Wilmar China- Adani Wilmar- Modulus- Raj- VVF	<ul style="list-style-type: none">- Galaxy Surfactants- Sasol- BASF- PCC Exol- Wilmar- KLK- Godrej- Resun- Clariant- Pilot- Amplus- Adani Wilmar- Auchtel- Cargill- Stepan- Kao- Solvay- Temix- Tensachem- Oxitenol- Nikita

*Abbreviated list of direct suppliers contributing over 80% of the surfactants supplied to Reckitt.

In 2021, we sourced 161,988 mt of Crude Palm Oil (CPO) and Palm Kernel Oil (PKO) by purchasing the following material from our suppliers:

- **Fats blends** – containing 10,138 mt of CPO
 - **Derivatives** – containing 101,588 mt of CPO and 17,634 mt of PKO
 - **Surfactants** – containing 92 mt of CPO and 35,536 mt of PKO
- **Fats blends and derivatives**
In 2021, we made good progress in improving supply chain traceability, achieving 96% traceability to mill and 67% traceability to plantation for the palm oil within the fats blends and derivatives we sourced. The palm oil used in the fats blends and derivatives we source originate from:

Country of origin	Volume of palm oil sourced (%)
Indonesia	69%
Malaysia	29%
Latin America	1%
India, Thailand, Papua New Guinea, Cambodia, Cote D'Ivoire, Solomon Islands, Ghana, Gabon, Philippines	c.1%

- **Mill List**

We update and publish annually a list of the palm oil processing mills identified within our supply chain, their location, certification status and ownership. In 2021, we had 1,649 mills within our extended supply chain, some of which may only supply sporadically. The full list can be found [here](#).

- **Surfactants**

We are working with the Action for Sustainable Derivatives (ASD) programme, where buyers of palm oil derivatives collaborate to improve traceability and strengthen standards in the supply chain. ASD also helps us understand palm oil origins for our surfactant raw materials. Work by ASD in 2021 demonstrated traceability to 69% of refineries, 66% of mills and 35% of plantations in our surfactant supply chain. In 2022, we will continue our involvement in ASD and look to take part in other activities it runs to improve sustainability in the derivatives supply chain.

2 - No Deforestation, No Peat, and No Exploitation "NDPE" Monitoring

We use a range of tools for NDPE monitoring within the palm oil production landscapes where our suppliers operate. These allow us to act to prevent and remediate when producers and processors of materials fail to deliver on our standards. Currently our activity is focused on our fats blends and derivatives supply chains. As our activity further matures, it will continue to expand to surfactants.

- **Satellite monitoring**

We deploy real-time satellite analysis through the Earthworm/Airbus Starling platform to identify deforestation and peat destruction within the likely sourcing areas of mills in our suppliers' supply chains. We receive supplier specific progress reports on no-deforestation verification every quarter and partner with our suppliers to increase the % of palm oil volume within their supply chain that is verified as not grown on deforested or peat areas. This involves strengthening traceability to plantations where this is not already present and investigating potential deforestation alerts to prevent palm oil grown on deforested and peat areas from entering our supply chain.

98% of the palm oil used within fats blends and derivatives originates from Indonesia and Malaysia. Consequently, we use this tool there to focus our activity. The current volume of palm oil covered is:

- **Fats blends** – 85.4%. The remaining 14.6% is not covered as the palm oil originates from countries other than Indonesia and Malaysia.
- **Derivatives** – 95.8%. Of the remaining 4%, 3% of the volume is not yet traceable to mill and 1% is originates from countries other than Indonesia and Malaysia.

By March 2022, 38% of the palm oil used in fats blends and derivatives is from verified deforestation-free sources. The percentage of palm oil linked to deforestation and peat destruction is low (0.01% for fats blends and 5.9% for derivatives). This gap is largely due to missing traceability data rather than confirmed deforestation. We are engaging suppliers on a quarterly basis to obtain the missing information to further improve our visibility moving forward.

- **Supply chain monitoring systems**

We work with our suppliers to ensure adequate management systems are in place to monitor NDPE compliance in up-stream supply chains. We are deploying a range of tools through our partner, Earthworm Foundation, to build a comprehensive picture of performance and what further measures might be required to ensure compliance with our standards.

- **Engagement for Policy Implementation** – Provides us with an understanding of direct supplier policies, processes, and progress on NDPE implementation, enabling targeted engagement to drive improvement. In 2022, we are working with four of our major suppliers covering around 53% of the palm oil we source.
- **Tools for Transformation "T4T"** - T4T is an on-line portal that enables palm oil mills and plantations to identify gaps in NDPE implementation through a self-assessment and provide tools to support the development of NDPE policies and procedures, action plans and reporting. We supported the roll-out of T4T within one of our major suppliers and are exploring how we can roll out this tool more widely moving forward.
- **Implementation Reporting Framework "IRF"** – Is a self-assessment tool that categorises supplier palm oil volumes based on risk of deforestation and peat destruction. The categories are based on the actions taken by each palm oil mill to reduce risk and provides us with a standardised way to report on how mills within our palm oil supply chain are tackling deforestation and peat destruction. IRF is being piloted with two major suppliers in 2022. Its use will be expanded in 2023 as land and labour rights are also incorporated into the IRF.

Landscape engagement

Alongside our work with suppliers to ensure adherence to our standards, we support landscape-level and jurisdictional approaches to progress delivery of an NDPE forest positive approach in production landscapes. Through our partnership with Earthworm Foundation, we support programmes in three palm oil landscapes in our supply chain, Riau and Aceh in Indonesia and Sabah in Malaysia. Production landscapes prioritised for focus are high priority sourcing regions for palm oil and other commodities for multiple companies, where significant environmental and social challenges are known to be present, and where there is good potential to achieve positive environmental and socio-economic impacts through collaborative action with a range of stakeholders. These programmes bring together relevant stakeholders - e.g., businesses, governments, producers, relevant communities, and civil society. Together, we aim to build sustainable, holistic approaches to managing production landscapes sustainably, according to agreed, measurable objectives that deliver transformational change in line with this standard. Our approaches aim to reduce deforestation rates by tackling some of the key socio-economic drivers, such as by working with smallholder farmers to develop better agricultural practices and diversify incomes to improve livelihoods. Together, these programmes cover 21% of the palm oil mills in our supply chain.

Further information on each landscape programme is presented in the appendix.

Grievances

Given the scale and complexity of our palm oil supply chain, having a transparent and accessible mechanism through which environmental or human rights violations can be reported is essential. This allows us to investigate further and remediate appropriately. Consequently, we have developed a formal [grievance procedure](#) that outlines our approach. We [publicly log](#) and respond to the grievances raised.

RSPO Certification

We are members of the Roundtable on Sustainable Palm Oil (RSPO) and only source from suppliers that are RSPO members and committed to the same goals. In 2020, we renewed our commitment to obtaining RSPO certification for the volumes of palm oil used in the materials we source.

- **Commitment:** >80% of the palm oil used in our products in 2023 will be RSPO certified using a combination of physically segregated oil and RSPO Credits where availability of certified, segregated oils is not possible.
- **Progress:** At the end of 2021, 29% of the palm oil used in our products is RSPO certified, and we are on track to achieve our 2023 target.

Palm oil sourced	Target	Year	Progress as of end-2021
Fats blends in our nutrition products	100% physical certification	End-2022	76% RSPO certified (Segregated)

Derivatives	100% RSPO Credits for the palm oil used in derivatives	End-2023	31.22% RSPO certified (Credits)
Surfactants	100% RSPO Credits for the palm oil used in Surfactants	End-2026	7.26% RSPO certified (Credits)

We are also committed to exploring the feasibility of sourcing RSPO Mass Balance palm oil used in derivatives by 2026.

Supplier engagement and industry collaboration

Given the systemic nature of deforestation and human rights issues within palm oil supply chains, our ability to drive change independently is limited. We can only deliver change through partnerships with our suppliers, peers, and wider industry. As a result, we collaborate with our direct suppliers to cascade our sourcing requirements and support our NDPE monitoring activities and interventions within our extended supply chain. To facilitate this, our Chief Procurement Officer hosted a town hall in 2021 with all our fats blends and derivatives suppliers, representing 80% of the palm oil in materials we source. We set out our commitments and expectations of suppliers to increase NDPE monitoring. We now hold quarterly reviews with each supplier to monitor their progress and discuss areas of improvement. Additionally, we partner with the wider industry through our membership of the Consumer Goods Forum' [Forest Positive](#) and [Human Rights](#) Coalition of Action to remove deforestation and forced labour from our collective supply chains.

Further information can be found in our [Annual Sustainability Insight report](#) and [Modern Slavery Act statement](#).

Our approach to sustainable paper & board sourcing

Three out of four Reckitt products use paper and cardboard packaging. In terms of absolute volumes, we use a small amount compared to some sectors, but we still want ours to come from sustainable sources. Our aim for 2020 was that all our paper and cardboard should either be recycled or from origins approved by the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC), or Sustainable Forestry Initiative (SFI). For primary packaging, like product cartons, we usually combine virgin paper from certified origins with recycled paper. For the boxes used to transport products, we also use the highest practical percentage of recycled cardboard.

By the end of 2021, 99% of our paper and board was from certified or recycled sources and we still expect to reach our goal for 100% by 2025 or before. Of the paper and board, 13% was from virgin sources, 50% from recycled sources and 37% from mixed sources. Of the virgin material:

- 59% has chain of custody certification
- 34% is from FSC/PEFC/SFI sources

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- 7% is uncertified and we are working to validate these origins

Further information can be found in our [Annual Sustainability Insight report](#)

Our approach to sustainable soy sourcing

We source derivatives containing less than 7,000 mt of soy from 8 suppliers annually: Sternchemie, Oleofinos, PGEO Edible Oils, Cargill, AAK, Stratas, ADM and Dupont. The origins of the soy within the derivatives sourced are as follows:

- USA – 69%
- Europe, India, Argentina & China – 24%
- Various locations, including Brazil – 7%

Over the course of 2022 and beyond, we will improve traceability data and work with suppliers to ensure our Natural Raw Material Sourcing standard is met. From January 2022, we do not source material that contains soy originating from Brazil given the risks to the Amazon biome from origins there. While there may be opportunities for certified supply from Brazil, the low volumes we use provide limited unity to adopt such schemes.

Our approach to latex sourcing

Natural latex is the main ingredient in Durex condoms. Latex is tapped from rubber trees grown on commercial plantations and smallholder farmers largely within Malaysia and Thailand, with a small amount from India.

Rubber farming faces many challenges such as resilience to plant disease, increasingly acute weather patterns such as typhoons, risks of deforestation in tropical rainforests and risks to human rights. Human rights issues can include exploitation of migrant workers, challenges to the local community's land rights or poor livelihoods for smallholders. In response, we are directly working with our latex suppliers, farmers, and tappers to protect and progressively regenerate ecosystems whilst promoting sustainable livelihoods for people and communities across our extended latex supply chain. Our activities involve:

- Payment of a fair-trade premium through the Fair Rubber Association to enhance the livelihoods of farmers and tappers.
- Partnering with Earthworm Foundation to support smallholder latex farmers and tappers in Thailand by:
 - **boosting farmers' and households' income** from latex and other sources, like livestock raising;
 - **encouraging regenerative agriculture practices** like agroforestry, which can improve productivity and enhance ecosystems; and
 - **improving living and working conditions**, for example with personal protective equipment.

Further information can be found in our [Annual Sustainability Insight report](#) and [Modern Slavery Act statement](#).

Appendix – Palm oil landscape programmes

Name of Initiative:	Area for Priority Transformation	Landscapes Transformation in Riau	Sabah Landscapes Programme
Location of initiative:	Aceh, Indonesia (Aceh Tamiang, Aceh Selatan, Subulussalam, and Aceh Singkil)	Riau, Indonesia (Bengkalis, Siak, Pelalawan, and Indragiri Hulu)	Sabah, Malaysia (Beluran, Telupid, Tongod , Kinabatangan, and parts of Lahad Datu).
Committed timeline of engagement:	2021-2025	2020-2025	2021-2025
Partners involved:	<p>Lead sponsors: Mars, Nestlé.</p> <p>Associated funders: The Hershey Company, Musim Mas.</p> <p>Contributors: Reckitt, ADM, The Clorox Company, Vandermoortele, Fuji Oil, Colgate, Avril, Bunge, Givaudan.</p> <p>Field partners: Subulussalam District Government, National Land Agency, PT Asdal Prima Lestari, Pr Laot Bangko, KUD Sadakata, Aceh Singkil Land College.</p>	<p>Associated funders: PZ Cussons, LVMH, Oleon, Reckitt.</p> <p>Contributors: Nestlé, Colgate.</p> <p>Field partners: PT Surya Bratasena Plantation, Pelalawan District Government, Indragiri Hulu District Government, SBP Palm Oil Mill & Plantation, PT. Mitra Agung Swadaya, MAS Palm Oil Mill, PT Surya Bratasena Plantation, SMKN 1 High School Pangkalan Kuras.</p>	<p>Associated funders: Reckitt, PZ Cussons.</p> <p>Contributors: ADM, Groupe Rocher, Givaudan, Colgate, Nestlé.</p> <p>Field partners: IJM Plantation Berhad, Malaysian Palm Oil Board, Sabah Wildlife Department, Seratu Atai, MEGES Nature Farm Enterprise, Agrovot Citra Trading.</p>
Type of engagement:	Provision of financial support	Provision of financial support	Provision of financial support
Specific actions or projects supported:	<p>Forest protection and restoration – Reducing deforestation and transforming the supply chain through installation of monitoring, traceability, and NDPE compliance systems. Key actions taken include:</p> <ul style="list-style-type: none"> - 2 cases were investigated in depth through monitoring by local organisations. - 100% HCS/HCV concessions identified and, in the process to be protected in 2 new companies. Indicative area 5,840 ha in 2 districts: Subulussalam and Aceh Singkil. - 2,000 ha of remaining forests/HCVs in process of being protected in 8 targeted villages. - In partnership with the Mullion Group, providing carbon accounting. <p>Resilient farmers - Developing participatory land use and land tenure, promoting conflict resolution. Helping farmers to adopt Good Agricultural (GAP) and Best Management Practices. Key actions taken:</p> <ul style="list-style-type: none"> - 1,000 farmers trained on palm oil good agricultural practice (GAP). 	<p>Forest protection and restoration - Fostering forest protection and restoration and replanting oil palm, with a minimum 10% increase in productivity.</p> <ul style="list-style-type: none"> - 2 new companies identify and commence work to protect 100% HCS/HCV inside their concession in 2022. - 17 villages in process of protecting HCV/HCS forests. - In partnership with the Mullion Group, providing carbon accounting. <p>Resilient farmers - Helping farmers to diversify their income and improve food security through Good Agricultural Practices (GAP).</p> <ul style="list-style-type: none"> - 1,000 farmers trained on palm oil GAP. - 2 FBUs supported on alternative livelihood. 	<p>Forest protection and restoration, supply chain transformation - Reducing deforestation by companies and communities, including no new land clearings for palm oil development. Protecting elephant range.</p> <ul style="list-style-type: none"> - 2,500 ha covered by engagement with local communities and stakeholders to address forest loss happening outside known concession. - Human-Elephant Conflict (HEC) mitigation activities in the 9,547 Ha elephant-ranging area. - Ensuring that palm oil mills have action plans to address NDPE issues and are traceable to plantations. - 56 mills engaged to progress on traceability to plantation (EEP) reporting. - 10 mills engaged to progress on NDPE. - 3 new mills supported in smallholder inclusion activities. - In partnership with the Mullion Group, providing carbon accounting. <p>Resilient farmers - Implementing smallholder inclusiveness in companies.</p>

	<ul style="list-style-type: none"> - 2 Farmer Business Units (FBUs) supported on alternative livelihood. 		<ul style="list-style-type: none"> - Livelihoods improvement through Good Agricultural Practices, income diversification, sustainability, and conservation initiatives. 1200 farmers reached.
How actions intend to address systemic issues and contribute to delivering forest positive goals:	<p>These actions are supporting the conservation and sustainable management of forests and natural ecosystems, restoring, and rehabilitating deforested areas and natural ecosystems, driving positive and lasting inclusion and resilience of farmers and local communities, sustainable partnership development, addressing plantation labour issues and improving farmer working conditions, securing government support, and building capacity, and promoting community rights.</p>	<p>These actions are supporting the conservation and sustainable management of forests and natural ecosystems, restoring, and rehabilitating deforested areas and natural ecosystems, driving positive and lasting inclusion and resilience of farmers and local communities, sustainable partnership development, addressing plantation labour issues and improving farmer working conditions, securing government support, and building capacity, and promoting community rights.</p>	<p>These actions are supporting the conservation and sustainable management of forests and natural ecosystems, restoring, and rehabilitating deforested areas and natural ecosystems, driving positive and lasting inclusion and resilience of farmers and local communities, sustainable partnership development, addressing plantation labour issues and improving farmer working conditions, securing government support, and building capacity, and promoting community rights.</p>
Linkages to share landscape-level goals developed through multi-stakeholder process:	<p>Work and families - Addressing plantation labour issues and improving farmers working conditions.</p> <ul style="list-style-type: none"> - 400 workers engaged via activities with companies and the government. <p>Community rights - 8 communities engaged through Participatory Mapping and Land Tenure Studies (PM-LTS):</p> <ul style="list-style-type: none"> - 2 communities receive conflict resolution plan. <p>Stakeholder support & capacity building - Securing government support and building capacity.</p> <ul style="list-style-type: none"> - 1 collective action plan agreed in one target district. - 5 stakeholders implement agreed Collective action plans (CAP). - 1 government policy related to NDPE updated in 1 district. - 1,000 'signals' from local civil society actors about environmental and social issues logged through Kumacaya monitoring platform since the beginning of the project. 	<p>Work and families - Improving people's working conditions and training palm oil suppliers on better labour practices.</p> <ul style="list-style-type: none"> - 400 workers engaged through activities with companies and the government. <p>Community rights - Reducing social conflict and increasing land tenure security.</p> <ul style="list-style-type: none"> - 17 communities engaged through Participatory Mapping and Land Tenure Studies (PM-LTS). - Managed the conflicts in 4 communities. <p>Stakeholder support & capacity building - Securing government support and building capacity.</p> <ul style="list-style-type: none"> - 1 new Collective Action Plan submitted to Siak district government and approved. - Pelalawan district government, Earthworm Foundation, Indonesian Community Mapping Network (JKPP - Jaringan Kerja Pemetaan Partisipatif), and CORE consortium (consisting of Proforest, Rainforest Alliance, and Daemeter) agreed to collaborate in mapping smallholder plantations inside the forested areas in the Pelalawan district. - 2,000 'signals' from local civil society actors about environmental and social issues logged through Kumacaya monitoring platform since the beginning of the project. 	<p>Work and families - Improving welfare and working conditions for workers, ensuring the well-being of children and young persons.</p> <ul style="list-style-type: none"> - Improved welfare and working conditions for >20,000 migrant workers. (2025 target) - Ensured the well-being of at least 4,000 children and young persons are protected. (2025 target) - Identified 4 high-risk suppliers (mills). A local refinery has been engaged to explore the roll out Child Risk Assessment Framework (CRAF) toolkit and customised child labour training with these mills in 2022. <p>Stakeholder support & capacity building - Formalising collaboration with government agencies.</p>