



Protecting ecosystems across our value chain

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We have a complex network of direct and indirect suppliers that spans the globe from rural family farms to global companies.

Acting responsibly every step of the way

Natural raw materials are derived from nature; they can be farmed, grown on plantations, caught or harvested in the wild, or even mined. Our network of suppliers spans the globe, and most of the materials we buy are not in their raw form as we don't usually deal directly with the farms themselves. However, we are the ultimate user of natural materials, whether the milk in our infant formula coming through our supplier of milk power, or the palm oil used in surfactants, just one of the many compounds that make up our detergents. As such, we are just as responsible for their sustainability impacts as our suppliers.

Whatever the route that natural raw materials take to our products, we work hard to ensure that we can map their journey and make sure it's a sustainable one. This means protecting the ecosystems in which they're grown and the human rights of those involved in growing or farming or harvesting them.

We use natural raw materials in approximately 70% of our products, including packaging. This means our potential impact is considerable – and we do not underestimate the complexity and scale of the mapping task. We've come a long way since setting our targets since 2012. We've built specific standards, monitoring activities and remediation programmes for key natural raw materials, and we still have a long way to go. But we know that focusing on this issue and working with partners will enable us to help address some of the most pressing global challenges – like widespread biodiversity loss and labour rights – while supporting our brands and satisfying the increasing expectations of our many stakeholders.

In this insight, we look at our impacts on ecosystems throughout our supply chain (see page 4 for diagram), together with our impact on the human rights of those working or living in those ecosystems and involved in the farming or harvesting of those natural raw materials. This includes how we work to protect vulnerable groups, such as smallholder farmers, children and migrant workers. In doing so, we consider how we can improve conditions for those communities, for example by strengthening the livelihoods of people whose lives are intertwined with these natural raw materials and associated ecosystems.

This is closely connected to our work to improve human rights, more details of which can be found in our [Human rights and responsible business throughout our value chain insight](#).

OUR PRODUCT INSIGHT PAPERS

We want consumers to trust our brands; to feel confident that our products are safe and cause no harm to the ecosystems or the people that they touch during their life cycle. Product stewardship is ultimately about the overall integrity of our products, which combines several aspects of responsible business. The overall topic is covered by several insights to make the subjects more accessible.

They are:

- **Product stewardship – ingredients and transparency:** the processes we follow to consistently innovate and produce safe, environmentally friendly products, and our work on ingredients labelling to help our consumers make informed decisions when buying them.
- **Protecting ecosystems across our value chain (this insight):** the steps we take to safeguard our planet for future generations.
- **Plastics and packaging:** how we seek to use less material, reduce virgin material, and use recycled and recyclable components in our packaging.
- **Sustainable product innovation:** how we develop our products to make them more sustainable for the future.

2019 PROGRESS AGAINST TARGETS

- **90%** palm oil traceable for suppliers globally, excluding surfactants, one of the many compounds that make up detergent (88% in 2018).
- **92.35%** paper and board from certified or recycled sources, excluding third-party manufacturing sites (2020 target 100%; 90.5% in 2018).

Protecting ecosystems across our value chain continued



We know it's important to focus on establishing traceability for the palm oil we use to the plantations and processing mills. We have made more progress in understanding where the greatest risk of deforestation and destruction of peatland lies. In 2020, we will be publishing an updated list of mills that supply our suppliers. For some of the raw materials we buy, such as surfactants, we are working with the Earthworm Foundation and our suppliers to establish traceability in more complicated supply chains. For the time being, these complex ingredients are excluded from our target but we hope to report on them during 2021.

In 2019, we also worked with the Earthworm Foundation to establish satellite monitoring of deforestation. This involved working with our suppliers on how best to focus efforts to protect the most valuable and largest ecosystems that support the most species.

For paper and board, we've continued to focus on using either timber from certified origins or recycled paper which has an added advantage of using less energy in its production. For primary packaging, such as product cartons, we usually combine both virgin paper from certified origins with some recycled paper. We also use the highest percentage of recycled cardboard that's practical in the boxes we use to transport our products.

Looking ahead – our focus for 2020 and beyond

We are continuing to strengthen our standards for key natural raw materials, while looking for ways to go further, through independent certification where appropriate and available. In some cases, we are also exploring new partnerships with NGOs to help us understand and manage the key risks in specific natural raw materials such as talcum powder. This is helpful in sectors where independent certification has yet to be developed and partnerships with NGOs and civil society can support independent assessment of standards. In both cases, these will increase transparency within our value chains, and help us to share more information with our consumers.



Protecting ecosystems across our value chain continued



Highlights from the year

- We broadened our natural raw materials programmes to include those used in fragrances, surfactants and dairy. We'll continue to expand beyond the core materials like latex and palm oil. We'll focus on those with human rights and ecosystems challenges, where we can have most positive impact.
- We established a new responsible sourcing framework based on our six priorities. This focuses on social, biodiversity and wider environmental challenges. We are also developing new ways to measure impact in these areas, together with economic impacts all the way along our value chain.

- We took part in the Carbon Disclosure Project (CDP) Forest Survey Report, scoring: B for timber, B for palm oil, B- for cattle and B- for soy. We remain committed to the CDP as an effective tool to measure our impacts on forest commodities.

How we protect ecosystems

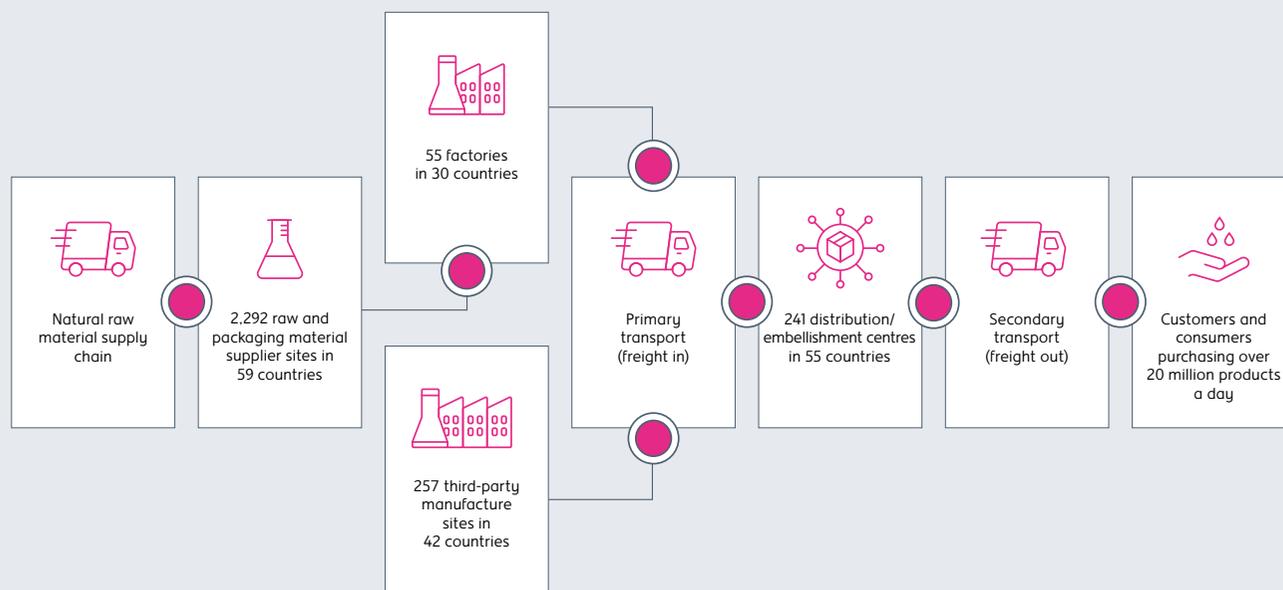
We source natural raw materials from all over the world and the challenges and opportunities vary hugely. The measures to tackle those challenges in the private sector, to government and civil society also vary, from region to region and crop to crop. To apply this consistently, we are developing a new policy framework. This will apply to all natural raw materials and help protect the ecosystems they come from together with the livelihoods of workers and communities. It outlines our expectations for the natural raw materials we use in our products, and strengthens our approach in the areas of:

- **Traceability** – the origins of our natural raw materials, perhaps small farms or plantations for palm oil, dairy farms in various parts of the world or oceans where we source krill. We also include the location where those natural raw materials are first processed, for example the palm oil mill close to the plantation.
- **Protection of vulnerable groups** – including women, children, migrant labourers and smallholders.
- **Protection of important ecosystems** – including IUCN-defined Protected Areas, nature reserves, wilderness areas, High Conservation Value, primary forest, peatlands and marine protected areas.
- **Animal welfare** – we adhere to the internationally recognised 'Five Freedoms', committing to protecting animals from hunger, fear and distress, heat stress and discomfort, pain, injury and disease, and the ability to express normal patterns of behaviour.

We take account of emerging good practice and use external support to assess the sustainability risk of our natural raw materials. Our current priorities are based on our impact (how much we use) and the vulnerability of the material itself. We are focusing initially on: palm oil, latex, dairy, natural raw materials used in fragrances, krill, and timber used in our paper and cardboard. Our approach to managing each material is different, due to unique circumstances, the ecosystem and the human rights issues.

We're embedding our policies and standards with our priority material suppliers. This is an important step towards making sure our business is equipped to source natural materials that will bring sustainable benefits to the whole value chain and consumers. For more on human rights, refer to our [Human rights insight](#).

Our product supply chain



Protecting ecosystems across our value chain continued



Palm oil

Compared with other similar crops, palm oil can use less land and cost less to produce a higher yield. This has driven large-scale, often unregulated conversion of forests and peatlands to oil palm cultivation. This contributes to the destruction of important landscapes and the biodiversity and protected species within them.

Although RB is a comparatively small user of palm oil, we recognise its importance and know we need to work on it. Palm oil is under scrutiny and the World Wildlife Fund gave us a 6.5, 'lagging behind', rating on their palm oil scorecard. This was largely to do with our limited use of certified oils. While certainly helpful, this is not the only solution, especially in highly processed uses handled in many processing locations which makes certified traceability difficult and costly, if it is possible at all. Instead of taking the potentially simpler route and just buying certified oils, we have been working towards a collaborative solution with all stakeholders involved. This includes international NGOs, governments, industry, local communities and individual farmers (who make up around 40% of the whole palm oil network).

One example of this is our support for the Earthworm Foundation's pioneering programme to establish sustainable, long-term transformation in Aceh Tamiang, Sumatra, Indonesia. This programme aims to reduce deforestation by:

- Establishing a partnership with the district government and local community representatives to bring the government, NGOs, civil society and local communities into an inclusive approach to land use planning. The programme has secured the formal support of the government in Southern Aceh.
- Assessing the forest lands held by large companies in the region to monitor land use, the treatment of local communities and potential unauthorised deforestation arising from work on plantations or where the government has granted concessions on land development. These assessments are firmly established. They enable dialogue with local communities who live around concession areas to maintain their rights to live and work the land.

We buy products derived from palm oil, sourced from refineries in Malaysia and Indonesia. During 2019, we worked hard to understand each step of the journey to mills which supply those refineries, helping us to source responsibly. We have published an updated list of these mills <https://www.rb.com/media/4521/rb-transparency-and-traceability.pdf>.

We work closely with our suppliers and NGO partners. Our 2019 highlights include:

- **Traceability and transparency** – using real-time satellite technology to monitor recently deforested areas at risk of being turned to palm oil plantations. We're working to systematically identify these and work with our suppliers to ensure deforested areas do not enter other supply chains. Our case study on page six explains more about this.
- **Child labour** – we worked with the specialist non-profit consultancy Business for Social Responsibility (BSR) to support the implementation of a child protection policy in the palm oil supply chain. 70 representatives from companies, government, trade unions and civil society took part in a workshop to prevent child exploitation.
- **Migrant labour** – we continued to support the Earthworm Foundation's Ethical Recruitment Initiative, developing practical tools that our suppliers can use to ensure labourers recruited from overseas avoid potential exploitation. There are increasingly visible risks facing these workers such as the accumulation of debts with recruitment agencies for fees to secure jobs overseas. Workers can struggle to repay these debts, making it difficult for them to leave their current job or move away. We supported a multi-stakeholder forum on Ethical Recruitment for the palm oil industry which developed tools and resources for companies to understand the risks and solutions around this within their recruitment process.
- **Smallholders** – the Earthworm Foundation's Rurality programme works to develop better agricultural practices and diversify farmers' incomes to improve rural livelihoods. Small farmers under economic pressure are more likely to cut down forests to grow more crops.

Latex

Natural latex is the key ingredient we use to make condoms. Our latex is primarily sourced from Malaysia and Thailand, with a little from India and Brazil. Grown largely as monocultures, with trees taking up to seven years to reach maturity, plantations can be susceptible to disease. Our suppliers routinely use different varieties of trees to avoid this. Rubber farming for latex can share many of the challenges faced by the palm oil industry such as poor supply chain traceability, low supply chain resilience and deforestation. The few farms and plantations who provide the high-quality latex for the Durex brand are well-known to RB. They are generally long-established and some with almost 100 years of carefully managed history, so they have not recently been involved in land-use change around forests. Our relationship with these suppliers helps us to manage risks and find better ways of working to support longer-term supply and better farm and worker standards.



Protecting ecosystems across our value chain continued



CASE STUDY

USING SATELLITES TO SPOT PALM OIL DEFORESTATION

In partnership with Earthworm Foundation and Airbus, we're monitoring our palm oil supply chain through real-time satellite technology to better understand the impact of our supply chains on deforestation. Using satellite imagery and radar data, provided by the Airbus Starling system it is possible differentiate between natural forests and palm oil plantations and monitor land use change over time. This enables us to identify risk-prone areas, predict potential future deforestation patterns and work proactively with our suppliers to eliminate deforestation over time. Building on our 2018 pilot in Malaysia, this project now covers Indonesia enabling us to monitor our entire supply chain.

Smallholders

In 2019, we worked more closely with plantations and smallholder communities and the few, key suppliers they work with to strengthen our supply of latex for the long term. By protecting the local ecosystems and improving the lives of latex tappers, this builds on our work with Earthworm's Rurality programme, working to promote smallholder livelihoods in palm oil and latex supply chains.

On average, small-scale farmers produce around one third of the latex and 40% of the palm oil we use. We empower farmers through training to improve agricultural practices to increase yield and quality. This enables better and more productive relationships between farmers and buyers. We also work to strengthen livelihoods by diversifying incomes for smallholders and their families, for example, through raising goats on palm oil land in Borneo. We track our progress each year by assessing the number of farmers trained and proportion of supply chain covered.

Farmers reached through training:

- Indonesia: 332 farmers (91% increase since 2018).
- Malaysia: 290 farmers (29% increase).
- Thailand: 520 farmers (53% increase).

Smallholders empowered through access to commercial information (price, deductions, payment schedule):

- Indonesia: 60 farmers (up from 2 in 2018).
- Malaysia: 70 farmers linked to government information through WhatsApp.

Number of farm households with livelihoods strengthened through diversified incomes:

- Indonesia: 233 women engaged in cultivation of food and medicinal crops (150% increase since 2018).
- Malaysia: 52 farmers involved in income diversification activities (273% increase).
- Thailand: 214 farmers that have diversified their crop cultivation (31% increase).

Dairy

With the acquisition of Mead Johnson Nutrition in 2017, we added infant formula products to our portfolio. We've now taken steps to map and understand the sustainability of our dairy supply chains. In 2018, we joined the Sustainable Agriculture Initiative's Sustainable Dairy Partnership (SDP), a group of suppliers and industry peers who work to increase sustainability in the dairy industry. Members take responsibility for key challenges such as greenhouse gas production, human rights, deforestation and animal welfare.

We are pleased to report that our largest suppliers are active members of the SDP. In 2019, we collectively worked on:

- Creating a digital solution to help dairy processors and buyers improve traceability and transparency by sharing information more efficiently.
- Developing training and communications materials for SDP members and non-members.



Paper and board

We use paper and cardboard as packaging for almost three-quarters of our product range. Compared to some sectors, we use a relatively small amount but our goal is to use sustainable sources of paper. In 2012 we set out our commitment that, by 2020, all our supplies should either be recycled or approved by the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC). We've worked consistently with suppliers to build traceability in their supply chains where differing certification systems have made the process more complex. This year, we've achieved 92%, a 2% increase compared with last year, setting us on track to reach our target by the end of 2020.

Protecting ecosystems across our value chain continued



Krill

We use krill in our MegaRed oil supplements. While krill oil has fantastic health benefits for humans, krill are also the foundation of the Antarctic food chain, supporting a protected ecosystem that includes penguins, seals and whales. Environmental NGOs are calling for more marine protected areas in the Antarctic. They are asking fishing companies to view the regulations as minimum standards and to do more on a voluntary basis to safeguard the marine ecosystem. To ensure the sustainability of this natural resource, we chose our supplier, Aker BioMarine, on the basis of four sustainability criteria:

- Third-party verification: Aker BioMarine's Antarctic fisheries are certified by the Marine Stewardship Council (MSC).
- Engagement with the Antarctic scientific community: our supplier works with the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR), which regulates krill fishing and decides on conservation measures.
- A network of relevant stakeholders: our supplier's decision to back a network of ocean sanctuaries in the Antarctic was an important step in strengthening political momentum for the protection of sensitive Antarctic waters.
- United industry approach: our supplier has been instrumental in setting up the ARK group, which brings together 85% of krill-fishing companies. ARK has worked with the CCAMLR and others to develop a single, workable sustainable fishing solution including a voluntary agreement to restrict fishing in the buffer zones, protecting penguin colonies during the breeding season.

Listening to our stakeholders

Reporting effectively across our many sustainability issues and providing regular updates on our programmes and activities is always a work in progress. So we appreciate your feedback – what should we keep doing, and where can we do better?

Email us at sustainability@rb.com.

Or write to: The Sustainability team

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