

# HUMAN RIGHTS ACROSS OUR VALUE CHAIN

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**Our brands, operations and business relationships touch millions of people around the world. We want to make sure their human rights are respected, from their working conditions to their access to health, nutrition and hygiene products. So we make a worldwide effort with our suppliers and partners to see that this happens.**

Supporting the rights of people in our value chain isn't just vital to running a sustainable business. It's also the right thing to do. This impulse sits at the heart of all we do, alongside our purpose to protect, heal and nurture in the relentless pursuit of a cleaner, healthier world.

Our global value chain involves an enormous range of people. They could work directly for us, or for our suppliers, producing goods or providing services. Or they could be far upstream in our supply chain, farming the raw materials we use. Our impact also reaches into the surrounding communities and extends to the consumers who use our products.

It's essential for us to identify and address the impact on human rights across our value chain, putting right problems where we can and working with others where we can't deliver change alone.

Good working conditions and labour practices are fundamental to this work. Practices like charging workers recruitment fees and demanding they give up their passports can't be part of our supply chain, and we do all we can to prevent them. In recent years, we've focused most on sectors and regions where the risk of human rights infringements is greatest. But with audit and engagement programmes firmly in place, we're now broadening the scope of what we do so that we can cover a growing number of lower-risk suppliers too. We're also expanding our due diligence into our indirect supply chain, including contract labour, promotional goods, haulage and shipping.

Increasingly, we're taking a broader view of human rights. Our fight to make access to the highest quality hygiene, wellness and nourishment a right, not a privilege, reflects this. We've invested in internal resources, including regional human rights managers covering Asia, the Middle East and Africa. And since 2017, we've trained 98%\* of management employees assigned the training on human rights. This helps knowledge of human rights issues permeate how we think and work day to day.

Many of the issues central to our work on human rights are complex and culturally deep-rooted. We prioritise people who are especially vulnerable, like children and migrant workers. Where they face exploitation and discrimination, this is often part and parcel of long-established employment practices and business behaviour, and in many cases quite legal. These are issues not just for us, but for industries, nations and the world as a whole. We can't fix them with instant measures. Instead, we work with partners, NGOs and governments, and stay close to our suppliers to find the most practical, equitable answers that bring progressive change.

We strive to understand the socio-economic forces at work across our supply chain and how they shape the actions of the people they touch. This lets us make interventions to sustain livelihoods, which keep our supply chain resilient. Ultimately, this is sound business. If we support a smallholder, it maintains the quality of the raw materials they supply to us. If we take steps to make sure people work a manageable number of hours a week for a fair wage, they're likely to be more productive. And facilities they work in are less likely to suffer down time.

For more on our global value chain and how we manage it, see our [Responsible approach across our global value chain insight](#). Our work on human rights links to how we protect ecosystems and communities – see our [Protecting ecosystems across our value chain insight](#). And find out more about how we support our employees in [Our people and Inclusion](#) insights.



## HIGHLIGHTS FROM 2020

### Progressing despite COVID-19

We have a critical role to play in tackling the direct and indirect impacts of COVID-19 across our value chain by:

- Making sure consumers have access to products that break the chain of infection
- Protecting the health and safety of our people
- Safeguarding the rights and wellbeing of people in our supply chain.

Visits to factories, plantations and other sites are an important way for us to find out more about human rights issues in our supply chain, and improve our suppliers' capabilities. COVID-19 posed our programmes a clear challenge in 2020, as it stopped us making these visits. But our regional human rights managers have good relationships with suppliers and know their standards well. So we've been able to respond by conducting remote audits, including virtual tours, interviews and document-checking. That's let us carry on due diligence work and make sure workers' rights are respected, as well as supporting suppliers. We also brought in 25 new suppliers to meet higher demand for our hygiene products.

We audited 179 suppliers in 2020, with 67% (117) achieving a pass rating – an improvement of 16% on 2019. Also, we're seeing tangible improvements in standards at suppliers we've supported for a number of years, with the pass rate increasing from 31% to 69% since their first audit.

\* Assured by ERM CVS as part of their limited assurance scope; for details, see our Sustainability governance, reporting and assurance insight.

### Broadening work, deepening partnerships

In 2020, we added 82 higher-risk raw and packaging material suppliers to our programme. We continued our raw and packaging material supplier audit programme by auditing 71 sites primarily across China, India, Thailand and Brazil. We'll also continue to support the raw and packaging material suppliers we assessed in 2020 by building their capability and sharing best practice.

In 2020, we also started to review and risk-assess our indirect supply chain to better understand and define how we can increase human rights engagement in 2021.

We continued our partnership with the Danish Institute for Human Rights (DIHR), which is helping us evolve our human rights programme, gather valuable information and shape our priorities for action. In particular, we worked with the institute to identify human rights impacts across the whole value chain in Thailand for Durex condoms and Enfa infant formula (see case study on this page).

In March 2020, we joined the Consumer Goods Forum (CGF)'s Human Rights Coalition of Action – Working to end Forced Labour. It aims to advance the CGF's Forced Labour Resolution and Priority Industry Principles, in line with the UN Guiding Principles on Business and Human Rights (UNGPs). Members act individually or together through business and supply chains to target forced labour and support responsible recruitment.

We've broadened our natural raw materials agenda to look beyond our main ingredients (latex, palm oil and timber). We're also tackling ingredients in fragrances, surfactants (used in detergents) and dairy for our infant nutrition brands. We'll carry on expanding our policies to focus on the materials with the highest human rights and ecosystems risks. See more in our [Protecting ecosystems across our value chain insight](#).

Finally, we conducted a pilot with BetterBuying, an initiative focusing on good purchasing practices that will change relationships between buyers and their suppliers, to examine the impact of our purchasing practices on the financial, environmental and social sustainability of our suppliers. This will help us understand where we need to improve our buying practices to create stronger, mutually beneficial partnerships with suppliers.

### CASE STUDY

## GAUGING THE ECONOMIC IMPACT OF DUREX CONDOMS IN THAILAND

After assessing the human rights impacts of our Durex and Enfa value chains in Thailand with the Danish Institute for Human Rights, we wanted to understand our positive and negative impact in economic terms. So we partnered with the consultancy Route2 to assess the total economic contribution of our Durex condom value chain in Thailand. Here are the highlights:

Our total economic contribution to Thailand through sourcing, manufacturing and using Durex condoms in 2019 was £142 million.

- **Sourcing** – our supply chain procurement activity generated a value of £3.8 million, amounting to £0.11 for every £1 we spend. We also created 2,790 jobs in our supply chain.
- **Manufacturing** – our own factory and commercial operations related to Durex condoms generated a value of £16.4 million. The biggest positive impact was through local employment (£1.1 million), vocational qualifications (£1.4 million) and training (£1.1 million).
- **Consumer use** – the biggest contribution came from people using Durex condoms, which generated £122 million of value: £12.5 million in avoided STI/STD wellbeing and healthcare costs, £95.8m in avoided deaths from diseases like HIV and £13.4 million from avoided unplanned pregnancies and abortions. This is equivalent of £1.75 a year for every person in Thailand or £103.19 a year for consistent condom users.
- **Brand partnerships** – by supporting the Planned Parenthood Association of Thailand (PPAT)'s programme of sexual health initiatives to Thai and Myanmar workers in Thailand's natural rubber supply chain, we reached 1,883 people, creating a total benefit of £74,609, with a benefit to each person worth between £17 and £872.



## CASE STUDY

# GOING BEYOND AUDIT TO TREAT SUPPLIERS AS PARTNERS

We've noticed that auditing our suppliers' approach to human rights doesn't always lead to lasting improvement. In many cases, we've audited suppliers again and again, only to see the same issues appearing.

Suppliers don't always have the capabilities or resources to spot and understand the root causes of issues, or grasp the changes it will take to stop them. So they need support to build their understanding and boost their performance.

Our Capability Building Programme has been underway since 2018. It's a mixture of training workshops, site visits and regular technical guidance. In 2020, we've conducted more than 25 in-person and virtual visits to sites, developing a far closer, more partnership-based relationship with our suppliers. We'd planned to do more visits, but COVID-19 meant we had to switch to a virtual approach to support suppliers.

Niroshan Dalpethado, General Manager at CDDEF, one of our third-party manufacturers in Sri Lanka, said: "It's always an indispensable learning, every time

we interact with Reckitt, whether it's an audit, training session or knowledge-sharing. These engagements enable us to lift our standards to a par with global ones. This adds immense value to our systems."

Workshops have helped make improvements in workplace safety and working hours, and modern slavery issues like employers keeping workers' passports and charging recruitment fees. This creates a better, fairer working environment for thousands of people in our supply chain. Despite COVID-19, we've carried on supporting our suppliers virtually to keep up progress.

Vishal Gupta, our General Manager in Bangladesh and Sri Lanka, says the switch from compliance to making lasting improvements has led to, "visible and fantastic progress, both in the infrastructure and mindset of our suppliers. They're more aware of our human rights requirements, and committed to lasting improvement."

## Human Rights Due Diligence Process

In addition to our traditional direct and indirect suppliers, all significant investment agreements (greater than £50 million) undergo a due diligence analysis of human rights. This is conducted mainly through our manufacturing due diligence and factory visits. On the rare occasions that access to a facility is not possible, due diligence is carried out by accessing publicly available information on the Company's human rights performance.

## Our focus for 2021 and beyond

We're increasingly focusing on understanding our societal impact, creating a framework to capture what we learn, and developing programmes to deal with issues we discover. We're implementing the recommendations that came out of our work with the Danish Institute for Human Rights (DIHR) in 2019. This includes publishing our human rights impact assessment (HRIA) from Thailand, and running assessments in other countries and contexts.

The study in Thailand was our first country-level human rights impact assessment, examining the value chain for our Durex and Enfa brands. Alongside our report with DIHR from 2019, it's given us a valuable perspective on human rights issues in our value chain. It's also given us a list of priorities to work on.

Now that we've identified our salient human rights impacts (see next page), we can frame our human rights ambitions for the future. We'll maintain our audit programme but continue to expand our work to embed human rights, develop activity throughout our value chain and measure the impact of our work.

Our ambitions are to:

- Embed the UN Guiding Principles on Business and Human Rights into our business, implementing the recommendations from the DIHR's corporate gap analysis
- Conduct human rights assessments for the ten highest-risk markets by 2030 and establish country-level human rights governance mechanisms
- Tackle our salient human rights issues
- Train 100% of our employees on human rights by 2025
- Publicly report on progress in line with UNGP guidelines by 2022.



### Our partnerships

We can't solve human rights issues alone, or even just by working with suppliers. We must also work with our extended supplier network, government, industry, NGOs and other stakeholders to develop the insight and tools we need to make meaningful change happen.

#### Danish Institute for Human Rights

We've worked with the DIHR to make the UN Guiding Principles on Business and Human Rights (UNGPs) part of our work. We see this as central to respecting everyone in our value chain.

A corporate-level analysis of our human rights performance in 2019 led to 35 recommendations. They ranged from making human rights part of our policies and procedures to defining our position on issues like contract labour management, procurement practices and working conditions.

In 2020, the DIHR supported us to map our salient human rights issues to help us focus on the ones most at risk through our activities and relationships across our value chain. To test this mapping, we also got the views of internal and external stakeholders, including NGOs, customers, investors and peers. In the future, we'll target and report progress on:

- Working hours
- Fair wages
- Health, safety and environment
- Freedom from forced labour
- Freedom of association and right to collective bargaining
- Gender, diversity and inclusion
- Effective grievance mechanisms
- Access to water and sanitation
- Sexual health and rights
- Access to health, hygiene and nutritional products
- Marketing practices
- Product safety
- Data privacy.

#### Oxfam GB Advisory Services

Our partnership with the DIHR has highlighted opportunities to enhance our approach to making sure there's respect for human rights across our value chain. We're now working with Oxfam in areas including:

- **Workers' wellbeing** – developing a scalable approach to assessing wellbeing in our supply chain to complement our existing audit and capability-building work.

- **Site-level grievance mechanisms** – developing a toolkit to help suppliers implement grievance mechanisms. This will give workers effective channels to raise grievances without fearing consequences, and in the knowledge that they'll be investigated properly and fairly.
- **Gender equality and women's economic empowerment** – integrating gender into our supply chain sustainability activities to promote gender equality.

#### Our other partnerships

- **AIM-Progress** – we're on the leadership team of this global sustainable sourcing forum of top FMCG manufacturers and suppliers. We also co-chair the Capacity Building workstream. In 2020, we co-sponsored a series of virtual supplier webinars and eLearning courses on responsible recruitment in Malaysia to help suppliers better understand our expectations and get practical guidance on how to strengthen their recruitment and employment practices for migrant workers.
- **Consumer Goods Forum** – being part of the CGF helps us work with other leading brands, manufacturers and retailers committed to social and environmental sustainability. In turn, this helps us boost our collective impact through safe, resilient and sustainable value chains. In 2020 we joined the CGF's Human Rights Coalition of Action – Working to End Forced Labour. This aims to advance the CGF's Forced Labour Resolution and Priority Industry Principles, in line with the UNGPs, by targeting Forced Labour and supporting responsible recruitment markets.

### Tackling modern slavery

We're working with suppliers, peers and experts including NGOs to tackle ongoing challenges facing migrant workers. They include employers keeping workers' passports, poor accommodation and excessive recruitment fees paid in workers' own countries. We particularly face these issues in Malaysia and the Gulf States.

In 2020, we negotiated with a contract manufacturer in Malaysia to repay around \$800,000 of recruitment fees to migrant workers from February 2021. And in the Middle East, we negotiated with a supplier to return passports to 432 workers at multiple sites. We'll continue to work with peers, NGOs, suppliers and governments to make progress in tackling these practices.

### Reinforcing our standards

We want to make sure everyone's rights are respected. To reflect the dynamic human rights landscape and our new ambitions on sustainability, we've started a review of our human rights and responsible sourcing policies, which we'll complete in 2021.

#### CASE STUDY

## RETURNING PASSPORTS TO MIGRANT WORKERS IN THE MIDDLE EAST

In the Middle East, passport retention by employers is widespread. Around 35 million migrants, mainly from Asia and Africa, live and work in the region. We've been working with some of our strategic suppliers to make sure employees have free access to their passports. And that's led to one of our suppliers returning the passports of 432 workers at all three of their sites. Where workers ask their employer to hold their passport for safekeeping, we insist there's written consent, with a clearly documented and understood process for workers to ask for their passport back at any time.



Passport storage lockers at a supplier site

For details of our approach and activities for our employees, see the [Our people insight](#).

### Our compliance monitoring programme

Our compliance monitoring programme helps us identify and address any human rights shortfalls in our business and value chain. It's run by a team including four regional experts in China, South Asia, the Middle East and Africa, who work with our suppliers, sites and procurement teams.

The programme has five stages:

1. **Engagement** – we communicate our requirements and expectations to all Reckitt facilities and suppliers. For our suppliers, this is at the start of any commercial relationships and is integrated into the commercial contract.
2. **Self-assessment** – for suppliers, this is completed on Sedex and builds awareness, engages and gives suppliers access to eLearning and training resources to allow them to improve their practices. All Reckitt facilities have to complete an annual self-assessment of compliance.
3. **Site risk assessment** – all Reckitt facilities are assessed on the inherent risk associated with their country of operation, product area, sector profile and site function as well as their management controls risk. These are coupled with previous audit ratings, which reflect management controls and are considered in assigning a site a risk rating. Suppliers also undergo a site-level risk assessment and are assigned an overall risk rating. This overall risk consists of inherent risk and, if applicable, the latest audit rating.
4. **Auditing and addressing non-conformities** – critical and high-risk sites are audited at least once every three years, through our own teams or external specialist support. After the audit, sites have to complete a time-bound Corrective Action Plan which is reviewed by our Human Rights team before being accepted. We give support to sites if they need it.
5. **Training** – engagement and training help build understanding of issues, put them right and stop them happening at all. This can be done through on-site or online capacity building visits, as well as sharing resources and best practices. We also co-sponsor supplier events, which builds up the capability of our suppliers in key regions.

For more details of our monitoring programme, see our [Modern Slavery Report](#).

### Reports from our Speak Up! Service

As well as our audit work, we have grievance processes in all countries, in line with local laws. In 2020, we received 439 cases through Speak Up!, our formal whistleblowing channel. For more details about Speak Up!, see our [Ethical behaviour insight](#).

We initially earmarked 173 cases that could raise issues that breach our policy on human rights and responsible business. As of 4 January 2021, 96 of these cases had been closed following internal investigations, with 38 cases being partially or fully substantiated. Of the 38 cases\*:

- 5% relate to disciplinary practices.
- 76% relate to discrimination, including sexual, moral or verbal harassment, favouritism, or gender and race discrimination.
- 11% relate to working hours, pay and pay disputes.
- 8% relate to health and safety (mostly working conditions).

Actions taken ranged from training and changes to policies or procedures, to disciplinary action and dismissal. Of the remaining 77 cases, 26 have been referred elsewhere for informal review (e.g. employee relations matters) and 51 cases are still pending closure.

### Listening to our stakeholders

Reporting effectively across our many sustainability issues and giving 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@reckitt.com](mailto:sustainability@reckitt.com).

Or write to:

### The Sustainability team

Reckitt Benckiser Group plc (Reckitt)  
103–105 Bath Road  
Slough  
Berkshire  
SL1 3UH  
UK

\* percentages are rounded

### CASE STUDY



## TACKLING RECRUITMENT FEES IN OUR MALAYSIAN SUPPLY CHAIN

In 2018, we found critical issues for migrant workers at a supplier in Malaysia. They included passport retention, poor accommodation and discriminatory and unethical recruitment practices that saw workers charged recruitment fees, often leaving them in debt.

We've been working with another multinational company that uses the same supplier so we can tackle these issues and improve conditions. In 2019, we piloted a scalable, five-step approach to end the practice of charging recruitment fees, which is endemic. It's based on developing responsible recruitment practices that employers can use in the future, and paying back recruitment fees to existing workers.

In 2020, we negotiated repayment of around \$800,000 of recruitment fees to workers from February 2021. We're now looking to use the same approach with other suppliers in Malaysia and the Middle East.