

# PROTECTING ECOSYSTEMS IN OUR VALUE CHAIN

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Most of our products use natural raw materials, which we source through a large global network of suppliers, from large companies to smallholders. This has an impact on both natural and human ecosystems. We work hard to monitor that impact, and manage it, by working with our suppliers and partners.

We use natural raw materials in about 70% of our products, including packaging. It could be milk in Enfa infant formula, latex in Durex condoms, or palm oil in the surfactants that go into our detergents. These materials come from a network of direct and indirect suppliers around the world, including farms, plantations, smallholdings and large global companies. We might not buy the materials in their raw form, but we're their ultimate user. That makes us just as responsible for their sustainability as the suppliers we deal with.

We work hard to map the journey our natural raw materials take. This means we can monitor and manage our impact on both natural and human ecosystems. And this helps us address major global challenges, including loss of biodiversity through deforestation, maintaining human rights and improving livelihoods across our supply chain.

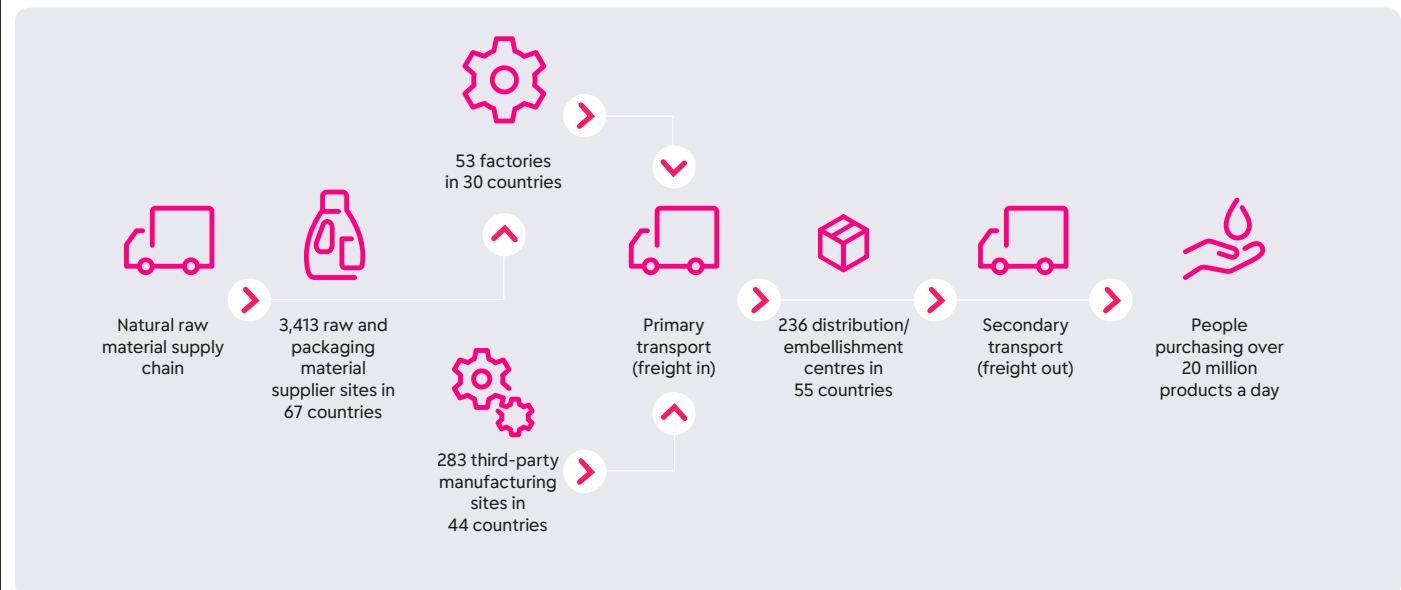
It's a large and complex task. But since we set our first targets in 2012, we've made a lot of progress. We've created standards to guide our decision-making and put programmes in place to track and reduce our

impact. We realise there's still much to do, though, and we're working all the time with our suppliers, partners and other stakeholders to monitor what we do, and change what we need to.

Here, we look at our impact on ecosystems across the supply chain, and on people who live and work in those ecosystems, farming and harvesting natural raw materials. This includes protecting vulnerable groups, like children, migrant workers and smallholders. And it means improving conditions for communities by understanding socio-economic conditions to strengthen their livelihoods.

We also look at ongoing work with third-party initiatives we're part of, and that we've joined this year. These programmes help us measure and control our impact. And we sum up our work on key raw materials like latex, palm oil and dairy in this insight.

## Our product supply chain





## Highlights in 2020

### Boosting the traceability of palm oil

One of our priorities is to work with our suppliers to identify the plantations and processing mills that provide the palm oil we use. This enables us to pinpoint the greatest challenges in meeting our No Deforestation, No Peat, No Exploitation (NDPE) commitment on palm oil. To achieve this, we're working with the not-for-profit organisation Earthworm Foundation and our suppliers to establish traceability in our complex palm oil supply chains.

In 2020, we also started working with the not-for-profit organisation Business for Social Responsibility (BSR), and their sustainable development consultant Transitions, through the Action for Sustainable Derivatives (ASD) programme. This is helping to identify better ways to achieve our NDPE commitments in the supply chains for our surfactants. We and the other companies involved are aiming to make the supply chain more transparent by pooling data and experience, monitoring risks and increasing commitment.

Among other things, ASD also aims to:

- Create a global map of the palm oil derivatives supply chain
- Harmonise approaches to transparency, risk monitoring and evaluation
- Find ways to work together on new tools, methodologies and field projects
- Increase recognition for the complexity of the palm derivatives supply chain.

Through this, we aim to include complex ingredients like surfactants into our targets and report on them in 2022.

### Strengthening our paper traceability

We've strengthened our review of paper and board origins, so that we're even more rigorous about traceability to either certified or recycled origins for paper pulp. This has meant more challenges to the data we get from suppliers. Our percentage of paper (pulp) from certified or recycled sources is higher than in 2019. But we narrowly missed our goal of 100% of paper and board to be from certified or recycled sources. We aim to reach this as soon as possible, and before 2025.

### Engaging with suppliers

In 2020, we engaged even more with our suppliers of important ingredients like palm oil, latex and dairy. This included using a ten-point questionnaire based on our Responsible Sourcing Standard, to help us understand how suppliers match our principles. We used the results for meetings to help suppliers conform more closely to our standard, and make them aware of our programmes to monitor and manage ecosystem impact.

So far, we've worked in this way with the suppliers of 70% of our palm oil ingredients, plus eight dairy suppliers and two suppliers of fragrances.

In January 2020, we visited palm oil mills and plantations in Indonesia and Malaysia to better understand human rights in the supply chain, working with international ethical trade consultancy Impactt, and Earthworm's human rights-focused Respect Programme in Malaysia. This helped highlight action for individual suppliers to take, but also showed that many human rights issues in the palm oil supply chain are endemic to the industry and need collective action. This is why we're supporting a mix of projects with mills, plantations and smallholders including:

- Making Earthworm's Tools for Transformation more widely available through our direct soap noodle supplier, IOI
- Implementing our supplier Wilmar's child protection policy with tier 2 suppliers, through BSR's Children in Plantations initiative in Malaysia and Indonesia
- Backing Earthworm's Ethical Recruitment Initiative, aimed at curbing exploitation of migrant labour
- Assessing individual mills on their human rights. We assessed a third-party mill with Wilmar and Earthworm in Indonesia in 2020, and plan to do similar work in future.

With Earthworm, we also worked with direct suppliers to engage with palm oil processing mills close to deforested areas and understand any role they had in the deforestation. Making sure suppliers don't buy from plantations established on recently deforested land or from plantation owners implicated in forest clearance is part of how we implement our NDPE policies.

## 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 ingredient 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.
- Product safety and quality: how we maintain and control the safety of our products to safeguard our consumers and the environment, and how we consistently achieve the same standards of quality when manufacturing those products around the world.

## 2020 PROGRESS AGAINST TARGETS

- 88% palm oil traceable for suppliers globally, excluding surfactants, one of the many compounds that make up detergent (90% in 2019).
- 97%\* paper and board from certified or recycled sources, excluding third-party manufacturing sites (2020 target 100%; 92.35% in 2019).

\* Figure is for H1 2020, this will be updated later in 2021.



## Supporting programmes on the ground

This year, despite COVID-19, we were able to carry on supporting programmes on the ground that help us monitor and curb our impact on ecosystems. We also joined initiatives to progress this work.

For instance, we reinforced our commitment to NDPE principles by joining the Consumer Goods Forum's Forest Positive Coalition of Action. It includes 18 of the world's leading consumer goods retailers and manufacturers. Together, we're committed to eliminating deforestation, and forest degradation and conversion from commodity supply chains. The aim is to transform how we do business and make a positive impact on the world's forests. We also expect everyone we work with – producers, traders and suppliers – to do the same. Working with the CGF and through its partnerships with other NGOs like ProForest and the Tropical Forest Alliance, we can have even greater impact on the ground.

We took part once again 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 feel CDP is an effective way to measure our impact on forest ecosystems, and we'll continue to use it in 2021.

We're part of Production and Protection Beyond Concessions (PPBC), a working group of the Palm Oil Collaboration Group (POCG), which is made up of a variety of producer, trader, FMCG and retailer companies looking at how to protect forests that are being cleared outside of legally sanctioned concession areas for oil palm. It's estimated that over 40% of deforestation happens in those areas. So we're working with suppliers and the PPBC group to create common ways of working and take action with supply chain partners to address the risk of further deforestation and illegal land use.

Working with our suppliers, we've built up our understanding of upstream supply chains. For example, with our soap noodle supplier IOI, we've used Earthworm's Tools for Transformation to engage with 85 mills in Malaysia. This helps us understand how IOI can implement NDPE principles and also provides practical NDPE tools.

## Looking ahead to 2021 and beyond

We're strengthening our standards for key natural raw materials, as well as looking for ways to go further where we can. This includes independent certification where it's available. We've also started new partnerships with NGOs to help control risks in specific natural raw materials like latex.

We introduced a new Responsible Sourcing Standard in 2020, updating the original from 2015. It gives us a clear set of principles for sourcing natural raw materials in the right way. We'll use this to drive our commitment to live our values in our upstream supply chains and to pave the way to achieve more. By 2030, we want to achieve a tangible contribution to biodiversity, through the practice of regenerative agriculture, and to have made a significant contribution to restoring lost ecosystems in the supply chains of commodities that are important to us.

To further drive compliance with our new standards, we're working with the assurance, inspection, testing and certification company Intertek to assess natural raw materials suppliers. Through Intertek's Inlight system, each supplier will get an overall risk rating of critical, high, medium or low which will let us prioritise engagement with suppliers. We're also utilising the standard across our business from R&D to marketing, and brands like Air Wick are already using it. Reflecting the focus of brands like Botanical Origin and Air Wick on natural fragrances, we're working to restore ecosystems, such as in the Great Plains in the US.

In 2021 we'll continue to evaluate the risks to biodiversity and ecosystems across everything we do. From this evaluation, we'll develop appropriate targets to protect and regenerate the biodiversity and ecosystems where we have most impact, through both sustainable agricultural practice and regeneration programmes. We'll be sharing more detail of our approach and plans for the future during 2021 as we complete our evaluation.

## CASE STUDY



## OUR WWF PARTNERSHIP

Reckitt is partnering with WWF over three years to create a movement to fight for nature. WWF and Reckitt's Hygiene business will together:

- Preserve and restore 2,100 km of freshwater across two major river basins in the Amazon and Ganges (two of the world's most important freshwater ecosystems).
- Innovate for a more sustainable world, including improving understanding of the impact of household products on aquatic environments, and explore how to improve the innovation pipeline.
- Inspire millions to fight for nature through impactful brand partnerships with our consumers and engaging our employees.

As part of our partnership, Air Wick is working with WWF to bring its purpose to life and connect people to nature. The Air Wick team is activating this purpose in various markets, including Australia, the UK and US, to raise awareness of the importance of nature and how we can all do more to protect and restore it. Reckitt will support WWF projects to restore wildflower habitats to reverse the decline of biodiversity. For example, in the US, Air Wick is helping to reseed one billion sq ft of native grasslands and wildflower habitat in the Northern Great Plains.



## How we protect ecosystems

Our natural raw materials come from all over the world. This gives us a wide array of challenges. The measures to tackle them, from the private sector, government and civil society, also vary across regions and crops. So we need a policy framework that gives us consistency in the midst of inconsistency.

Our policy covers all natural raw materials and helps protect the ecosystems they come from, as well as the livelihoods and human rights of the workers and communities involved in them. Our detailed standards set out what we expect for the natural raw materials (NRM) we use in our products, and strengthen our approaches to:

- **Traceability and transparency** – the origins of our natural raw materials have to be clear, whether it's a smallholding or a plantation for palm oil, a dairy farm for milk or an ocean for krill. This also applies to the location where natural raw materials are first processed, for example the palm oil mill near to the plantation.
- **Protecting vulnerable groups** – including women, children, migrant labourers and smallholders.
- **Protecting important ecosystems** – including areas defined by the International Union for Conservation of Nature as Protected Areas, nature reserves, wilderness areas, High Conservation Value, primary forest, peatlands and marine-protected areas.
- **Reducing environmental impacts** – to monitor and promote reductions in Greenhouse Gas (GHG) emissions, water use, energy consumption and waste in NRM supply chains.
- **Animal welfare** – we're committed to the internationally recognised Five Freedoms, which protect animals from hunger and thirst, fear and distress, and discomfort, pain, injury and disease, and enshrine the freedom to behave normally.

We look at emerging good practice and bring in outside partners to help us assess the sustainability risk of our natural raw materials. Our priorities are about the impact we make through the material we use, and how vulnerable the material itself is. We're mainly focusing now on palm oil, latex, dairy, natural raw materials for fragrances, krill, and timber used in our paper and cardboard. Our approach to managing each is different, because each has its own circumstances, ecosystem and human rights issues.

We're making our [policy](#) and [standards](#) central to how our suppliers work. This makes sure we source natural materials that will bring sustainable benefits to the whole value chain and consumers. For more on human rights, see our [Human rights](#) insight.



## Palm oil

Palm oil uses less land and costs less to produce a higher yield of oil than similar crops can. The downside is that this efficiency and the wide range of applications palm oil can be applied to has meant large areas of forest and peatland have been converted to cultivating oil palm, destroying landscapes and the biodiversity they support.

We know we have a responsibility to restrict this impact, even though we're a relatively small user of palm oil. When the World Wildlife Fund assessed us in 2019, we got a rating of 6.5, or 'lagging behind', on their palm oil scorecard. This was largely because of our limited use of certified oils. The scorecard is a helpful tool. But it doesn't cover all the issues, especially with oil that's highly processed in many locations, making certified traceability difficult and costly. We've committed to buying 15% more certified oils in 2021, increasing by 15% every year until all our palm oil is certified. We recognise the contribution of certification but we also want to make sure we capture and limit negative socio-economic impacts not always covered by certification. This will help create change in wider production landscapes, plantations and farms through our support of landscape-level programmes. We're working with the many stakeholders involved, including NGOs, governments, industry, local communities and the smallholders who make up around 40% of the whole palm oil network.

An example of this is our support of Earthworm Foundation's programme to promote sustainable production. The outcomes include:

- Suppliers better equipped to implement strong sustainability policies and robust NDPE commitments, while promoting support for smallholders within their supply network

- Building sustainable livelihoods with communities that improve living standards and reduce the motivation to expand farms into forest areas
- Better welfare for workers through effective monitoring and targeted interventions which include safeguarding vulnerable children working in agriculture.

We buy products derived from palm oil, sourced from refineries in Malaysia and Indonesia. To help us source responsibly, we work to understand every step of the oil's journey to mills which supply the refineries. In 2021, we'll publish an updated list of these mills and direct suppliers on our website.

In 2020, we've worked with our NGO partners and suppliers on:

- **Traceability and transparency** – with Earthworm Foundation and Airbus, we're using the Starling platform to monitor our palm oil supply chain with real-time satellite technology to understand the impact of our supply chains on deforestation. Satellite imagery and radar data from the Airbus Starling system shows us how land use changes over time. This pinpoints risk-prone areas and how close mills in our supply network are to them. It also helps predict deforestation patterns and means we can work with our suppliers to eliminate deforestation over time. Building on our 2018 pilot in Malaysia, we're now using the platform in Indonesia, so we can hugely enhance our supply chain monitoring.
- **Child labour** – we've worked with specialist non-profit consultancy Business for Social Responsibility (BSR) to help implement our supplier Wilmar's child protection policy further up the palm oil supply chain. We've supported workshops to build capacity of tier 2 suppliers of Wilmar and others.
- **Migrant labour** – we've continued supporting Earthworm's Ethical Recruitment Initiative to develop practical tools and training resources for suppliers to help identify and mitigate risks to avoid migrant worker exploitation. Earthworm worked with one of our suppliers to identify a pilot site for the tool in 2021.
- **Smallholders** – we've continued our involvement in Earthworm Foundation's Rurality programme, which develops better agricultural practices to diversify farmers' incomes and improve rural livelihoods. Small farmers under economic pressure are more likely to cut down forests to grow more crops. Highlights in 2020 included:
  - Remote training and coaching for over 300 smallholders, with over 7,000 views on live webinars and videos in Sabah, Malaysia
  - Over 7,000 ha of land monitored and managed by Human-Elephant Conflict (HEC) Committee which includes plantations, smallholders and the Sabah Wildlife Department

- Government approval of around \$1.3 million in financial support for replanting 656 hectares of oil palm plantation. The Rurality team in Riau Province, Indonesia, helped 231 farmers apply for the help
- Through these initiatives, we contributed to the Indonesian government's targets to improve land productivity. In Riau Province, the annual replanting target was 25,000 ha, and in Pelalawan & Indragiri Hulu district, the target was 5,500 ha.



## Latex

Natural latex is the main ingredient we use to make Durex condoms. We source it largely from Malaysia and Thailand, with smaller amounts from India and Brazil. Trees take up to seven years to mature, and plantations can be vulnerable to disease. To prevent this, our suppliers use different clonal varieties of rubber trees so that any plant disease that affects one variety won't spread through the whole plantation.

Rubber farming for latex has challenges including supply chain resilience and deforestation. But the few farms and plantations that produce the high-quality latex that our Durex brand needs are well-known to us. They're generally long-established, with up to 100 years of carefully managed history in some cases. So 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.

Latex plantations and farming pose potential challenges to the human rights of plantation workers and farming communities. They can include exploitation of migrant workers, challenges to the community's land rights or poor livelihoods for smallholders. Livelihoods are connected to the global price for natural rubber, which is often heavily influenced by the price of the synthetic rubber used in much larger quantities for products like car tyres.

The human rights value chain assessment we carried out with the Danish Institute for Human Rights identified these risks. We've worked with our rubber plantation companies to make sure they meet our policy on labour standards and human rights. Critically, we've also introduced our Fair Rubber commitment. This will give latex farmers in Thailand a price premium to support their livelihoods and strengthen the supply of latex we depend on, and reinforce sustainable farming principles. The premium will also support the communities living and working on rubber plantations. Overall, this will enable us to deliver on our commitment to embed human rights in our business by addressing the issues raised by our assessment. Most importantly, we're supporting the livelihoods of farmers, workers and their families, which will mean a sustainable latex sector in the years to come.

In Thailand we'll continue to work with Earthworm Foundation to improve the livelihoods smallholder latex farmers, helping the supply network to be more resilient for the future. We're prioritising:

- Increasing farmer and household income from latex and other sources, such as livestock-raising
- Adopting regenerative agriculture practices such as agro-forestry, which can improve productivity and enhance ecosystems
- Improving living and working conditions, for example through the better use of personal protective equipment
- Enabling farmers to invest in their farm community for their long-term livelihoods.

## Dairy

Infant formula products joined our portfolio when we acquired Mead Johnson Nutrition in 2017. We've since taken steps to map and understand the sustainability of our dairy supply chains. We've continued our work with the Sustainable Agriculture Initiative's Sustainable Dairy Partnership (SDP). It's a group of suppliers and industry peers who work to make the dairy industry more sustainable through a consistent approach to the commercial relationship between dairy buyers and processors. Members take responsibility for challenges like greenhouse gas production, human rights, deforestation and animal welfare.

Our largest suppliers are active members of the SDP. So far, we've helped to:

- Fund a digital platform for dairy processors and buyers to improve traceability and transparency by sharing data
- Develop training and communications materials for processors and buyers.

Related to this is a partnership between SDP and WWF to define an approach to tackling deforestation in dairy supply chains. We're part of this because soy is in the feedstock for cows which provide milk that goes into our infant formula products.





## CASE STUDY



## BOOSTING BIODIVERSITY IN EUROPE

Our manufacturing site at Nowy Dwór in Poland has joined a national project led by Poland's League of Nature Conservation. It means our staff will look after four beehives, with support and training from the league's experts. The league also collects and packs the honey, which the bees are expected to start producing from spring 2021.

At Reckitt Hygiene in Germany, graduates are also venturing into beekeeping with the help of a local beekeeper. And they're planning an allotment both to produce fruit and vegetables and act as a habitat for insects and endangered species.

They're also following up ideas that pursue the UN's Sustainable Development Goals and our vision to create a cleaner world, while contributing to the local community. This is part of our Future Leader training programme. Three groups are making a social impact by volunteering, making their working environment more sustainable and working on ways to improve Reckitt's sustainability training.

### Paper and board

We use paper and cardboard to pack almost three-quarters of our products. While we use a small amount compared to some sectors, we still want to use sustainable sources of paper. In 2012, we said 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're now applying even more stringent measures to improve traceability and data robustness. Although we improved our paper traceability this year we fell narrowly short of our target. But we're still committed to our goal for 100% of our paper and board to be from certified or recycled sources. We aim to reach this as soon as possible, and before 2025.

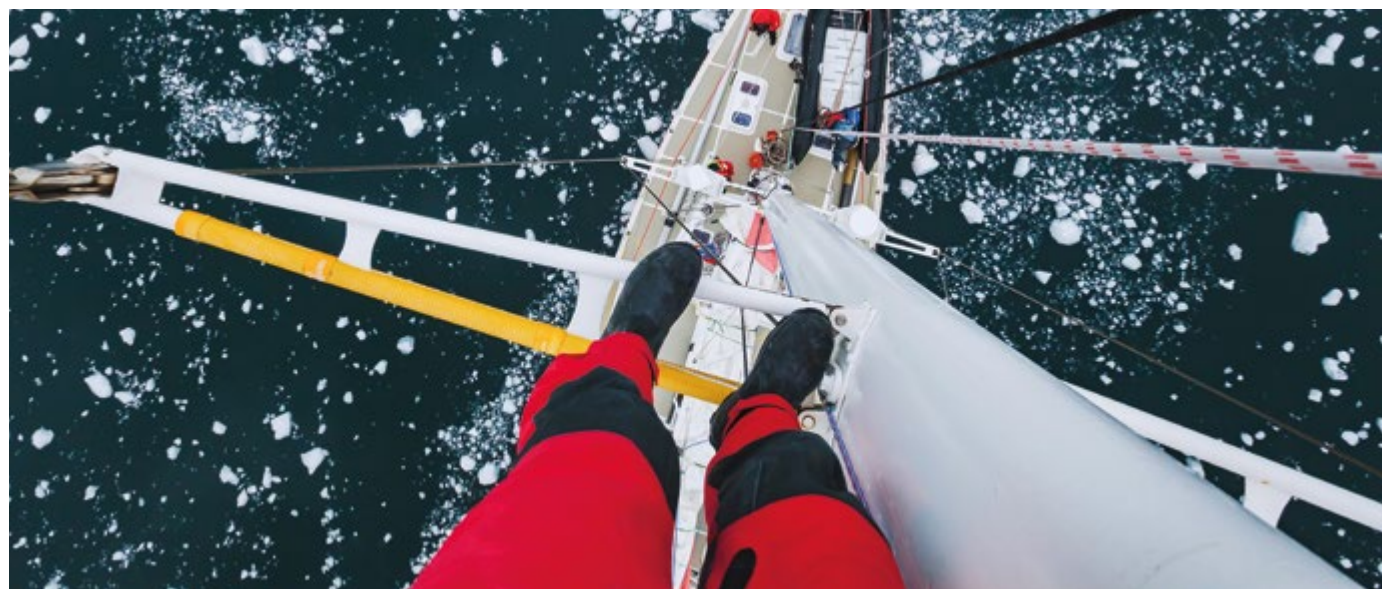
For primary packaging, like product cartons, we usually combine virgin paper from certified origins with recycled paper. We also use the highest practical percentage of recycled cardboard for the boxes used to transport our products.

### Krill

We use krill in MegaRed oil supplements. Krill oil has human health benefits, but it's also vital to the Antarctic food chain and supports a protected ecosystem including penguins, seals and whales. Environmental NGOs are calling for more marine-protected areas

in the Antarctic. They also want fishing companies to do more to safeguard the marine ecosystem by seeing regulations as a baseline and voluntarily going beyond them. To keep our krill sustainable, we chose our supplier, Aker BioMarine, based on:

- **Third-party verification** – their Antarctic fisheries are certified by the Marine Stewardship Council (MSC).
- **Engagement with the Antarctic scientific community** – Aker BioMarine works with the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR), the body that regulates krill fishing and decides on conservation measures.
- **A network of relevant stakeholders** – our suppliers' decision to back a network of ocean sanctuaries in the Antarctic was important in strengthening political momentum to protect sensitive Antarctic waters.
- **A united industry approach** – Aker BioMarine has been involved 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 approach including a voluntary agreement to restrict fishing in the buffer zones that protect penguin colonies in the breeding season.





## CASE STUDY

# THE JOURNEY TOWARDS NATURE-RELATED FINANCIAL DISCLOSURES

Reckitt has joined the informal working group creating an approach to financial reporting that could steer finance towards work that allows nature and people to flourish. The working group has been set up by the Taskforce on Nature-related Financial Disclosures (TNFD) and includes the UK government and the World Economic Forum.

In a two-year programme, the group will aim to determine the reporting, metrics and data that will let financial institutions understand the risks and dependencies and their impact on nature. The group will develop reporting frameworks in 2021 and look to test them in 2022 before launching them worldwide. It's hoped the initiative will help the financial sector recognise investment and lending opportunities to support nature.

### 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:

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