

# Ensuring the sustainability of our palm oil supply chain

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## Background

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.

At Reckitt, we believe in responsibly sourcing the natural raw materials used in our products, including palm oil. This includes ensuring that these are produced in a manner that meets or goes beyond applicable laws and regulations, respects human rights, safeguards workers' health & safety, protects the environment, and generally supports the contribution of business to achieving sustainable development. We work closely with our suppliers and third-party organisations to implement and monitor compliance with these standards throughout our supply chain.

## Policy commitments and standards

It is our policy to require all our suppliers to comply with all applicable laws and regulations as well as our standard for responsible sourcing of natural raw materials. We maintain regular, constructive engagement with our suppliers and work with third-party partners to identify and act on non-compliances if they arise, following up specific issues to ensure these are addressed.

Our standards sets out a forest-positive, no-deforestation, no-peat, no-exploitation (NDPE) approach to the sourcing of palm oil. This incorporates our ambition to ensure our palm oil supply chains contain:

- No deforestation
- No development on peatlands (of any depth)
- No exploitation of workers or communities

## Our approach to sustainable palm oil sourcing

Our work to ensure this becomes a reality is driven by our policy and standard and our guiding principles on sourcing outlined below:

Guiding principles:	Understanding palm oil origins	Protecting ecosystems	Safeguarding workers and communities
Focus of our work:	Traceability to processing mills and plantations.	Protection for scientifically important and protected natural ecosystems.	Protecting vulnerable groups
	Working with suppliers to monitor and further improve NDPE implementation their supply chains.	Working through a multi-stakeholder approach to deliver NDPE at scale throughout palm oil production landscapes.	A focus on vulnerable groups, including migrant labour, women, and children through targeted programmes.

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## Principle 1: Understanding palm oil origins

We are working with suppliers and partners to improve the transparency, traceability, and monitoring of our palm oil supply chain.

### I. Working with suppliers

In 2020, we required our major suppliers of palm oil-derived products to complete a questionnaire to assess compliance with our standard and increase understanding and awareness of our expectations. Responses were used to further define our programme and priority areas to ensure improved compliance with our standard.

Our principal suppliers of palm oil-derived materials, representing over 90% of the palm oil we use are:

- AAK
- [Wilmar\\*](#)
- Adani Wilmar
- Wilmar PGEO
- [Cargill\\*](#)
- GrainCorp
- Kuala Lumpur Kepong Berhad (KLK)
- Modulus
- Galaxy Surfactants
- Sasol
- Resun
- PCC Exol
- [IOI\\*](#)
- Nimir
- Oleofinos
- RAJ
- Royal Cosmetic
- [Stratas Foods\\*](#)
- VVF

\*Links to sustainability content shared by our suppliers

### II. Traceability

As we procure 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 the derivatives we procure. We continue to make progress in improving supply chain traceability, achieving 88% traceability to mills. In partnership with suppliers, we also improved visibility of mill supply chains, achieving 11% traceability to farms and plantations in 2020.

- **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. Our 2020 list can be found [here](#).

### III. Monitoring

We monitor deforestation within the production landscapes our suppliers operate in and act to prevent and remediate against this when producers and processors of materials are irresponsible (see over).

- **Starling**  
Through the Earthworm/Airbus Starling platform, we use real-time satellite analysis to identify deforestation within the likely sourcing areas of mills in our supply chain. We highlight this to our suppliers and work with them and their suppliers to ensure palm oil is not grown on deforested areas and does not enter our supply chain. We also support landscapes/jurisdictional approaches to work with a range of stakeholders to reduce threats to ecosystems over time.
- **Supply chain monitoring systems**  
We work with our suppliers to ensure adequate systems are in place to monitor NDPE compliance in up-stream supply chains. This included supporting the roll-out of the 'Tools for transformation' (T4T) platform within one of our major suppliers. T4T is an on-line portal that enables suppliers to identify gaps in NDPE implementation in their supply chains through a self-assessment and provide tools to support the development of NDPE policies and procedures, action plans and reporting. Through this and our own supplier engagement activities, we will continue to build a comprehensive picture of compliance and what further measures might be required to ensure compliance with our standards.

***COMMITMENT: In 2022, report against NDPE implementation in our supply chain using the NDPE Implementation Reporting Framework (IRF).***

#### IV. 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 we procure.

***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 (see detail below).***

Palm oil sourced	Certification using RSPO credits	Physical certification
Fats blends in our nutrition products	N/A	Currently 70% RSPO Segregated certified, 100% by 2022
Surfactants and other derivatives	<b>Derivatives</b> -30% in 2021, 100% in 2023  <b>PO used in Surfactants</b> – 100% in 2026	<b>Derivatives</b> – Feasibility assessment of RSPO Mass Balance certification by 2026.

#### V. Action for Sustainable Derivatives (ASD)

While there has been significant improvement on the traceability of palm oil, tracing more processed derivatives remains challenging due to the scale of the palm oil network and the extent of processing undertaken. We continue to work with suppliers of compound ingredients used in many products and brands to further trace and assess the supply chains for the ingredients they might use. Reckitt is part of the Action for Sustainable Derivatives (ASD) programme. This is a collaborative programme between buyers of palm oil derivatives to improve traceability and strengthen standards within the supply chain. We will highlight ASD's analysis of our surfactant supply chains in our public reporting on NDPE progress into our annual Sustainability report / Insight in 2022.

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## **Principle 2: Protecting ecosystems**

We require suppliers to proactively ensure the protection of ecosystems that are legally protected and widely recognised as important, e.g., those defined as High Conservation Value (HCV) by the HCV approach (HCVA) and as High Carbon Stock Forests - defined by the High Carbon Stock Approach (HCSA).

### **I. Landscapes-level/ jurisdictional approaches to progress the delivery of an NDPE forest positive approach in production landscapes**

Alongside our work with suppliers to ensure adherence to our standards, we support landscape-level and jurisdictional approaches via Earthworm's programme to establish sustainable, long-term transformation in Aceh Tamiang and Eastern Riau in Sumatra, Indonesia and in Sabah in East Malaysia. 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. The programmes we support in Indonesia and Malaysia have the following objectives:

- **Building resilience in worker and producer communities**
  - Empowering smallholder farmers with tools and methodologies to improve yields and diversify incomes.
  - Improving working conditions and labour rights of mill and plantation workers.
  - Improving land tenure rights, reducing conflict of at-risk communities, working with buyers and villages.
- **Dramatically reduce deforestation rates**
  - Working with companies, local governments to identify and act to limit deforestation drivers through time-bound action plans.
  - Building the number of mills in a landscape with time bound NDPE action plans.

We estimate that the majority of the volume of palm oil used in our products is sourced from the regions covered by these initiatives.

## **Principle 3: Protecting Vulnerable Groups**

Through our work with our partners, we have focused on improving the human rights of vulnerable groups working and living within palm oil landscapes. More information can be found in our most recent Insight on Protecting ecosystems across our value chain.

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## Moving forward

Alongside our ambitions to improve traceability and monitoring of increased supplier performance, we are assessing how we can further combat climate change in our palm oil supply chains by enhancing our work to protecting biodiversity and regenerate important ecosystems. This is part of our commitments to enable a healthier planet and a fairer, more inclusive society.