



PROTECTING ECOSYSTEMS IN OUR VALUE CHAIN

Reckitt Sustainability Insights 2021



PROTECTING ECOSYSTEMS IN OUR VALUE CHAIN



Natural raw materials are part of most of our products. They come from a global network of suppliers, from large companies to small farmers, which means we have an impact on natural and human ecosystems. It's up to us to monitor, manage and protect these with our suppliers and partners.

Natural raw materials are in around seven out of ten Reckitt products, including packaging. Whether it's milk in our Enfa infant formula, palm oil in surfactants that are part of detergents, or latex in Durex condoms, raw materials are a huge part of our value chain. They come from direct and indirect suppliers who include large companies, farms, plantations and smallholdings. We might not buy the materials in their raw form, but we're still responsible for their sustainability, as are our suppliers.

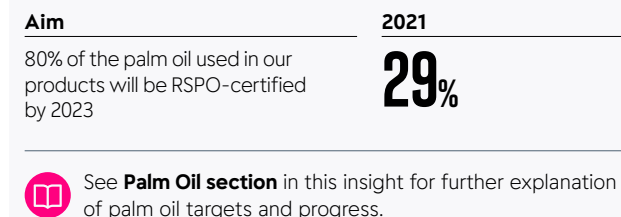
By mapping the journey our materials take, we can plot our impact on natural and human ecosystems. This is how we can tackle challenges like loss of biodiversity and threats to livelihoods and human rights in our supply chain.

Our sustainable sourcing programme helps protect and regenerate the ecosystems we're part of and which produce the ingredients that matter to us. That helps these ecosystems become more resilient, supporting natural resources and strengthening biodiversity.

Working with suppliers and farmers also contributes to potential nature-based solutions to combat climate change. And it helps make a positive social impact for the communities that ecosystems support. In turn, this work means we identify and mitigate nature-related financial risks, responding to the Taskforce on Nature-related Financial Disclosures (TNFD), as well as questions from our investor stakeholders.

Ecosystems and biodiversity are also significant for our customers and consumers. We work with our peers and customers to help protect ecosystems, through the Consumer Goods Forum's Forest Positive coalition, for example, which helps to protect forest ecosystems through landscape programmes. For our consumers, responsibly sourced natural ingredients that don't harm ecosystems are increasingly important. Our work to use more certified sustainable palm oil, and Fair Trade latex through the Fair Rubber Association, among other programmes, demonstrates our commitment not just to protect ecosystems but progressively strengthen them.

OUR PERFORMANCE IN 2021





HIGHLIGHTS IN 2021

We've made progress since setting our first targets in 2012. But when we launched our new sustainability ambitions in March 2021, we recognised that we needed not just to protect key ecosystems, but better measure our impact and find ways to improve biodiversity and ecosystems more broadly.

This means we've taken several important steps in 2021:

Understanding and mitigating our impact – we've started a new partnership with the Nature Based Insetting team at the University of Oxford, which focuses on key value chains and the ecosystems they touch, and aims to create measurable interventions to limit impact on ecosystems.

Strengthening our policy and standards – we've redeveloped and relaunched our Sourcing for Sustainable Growth policy and Natural Raw Materials (NRM) Sourcing Standard, which sets out our priority natural raw materials, our six guiding principles for sourcing them, and the requirements for meeting the principles.

Reviewing our approach to palm oil and latex – we've made new commitments on palm oil sourcing. By the end of 2023, all the palm oil we buy as an ingredient (for instance in soap noodles and fat blends), which makes up 80% of all the palm oil in our products, will be RSPO-certified using a combination of physically segregated oil and RSPO credits. For latex, we confirmed our commitment to pay a price premium for the latex supplied to us through the Fair Rubber Association (FRA). Also, we enhanced our programme with Earthworm Foundation to provide smallholder farmers in Thailand with training on sustainable farming practices, ecosystem management and income diversification to increase supply chain resilience and protect farmers livelihoods.

Guarding against deforestation

Our partnership with Earthworm continued to monitor suppliers to prevent instances of deforestation in our palm oil supply chain. We do this through Starling, a platform provided by Airbus and Earthworm Foundation that uses satellites to understand the impact of our supply chains on deforestation. Satellite imagery from the system shows how land use changes over time, highlights at-risk areas and how close mills in our supply network are to them. It also helps to predict deforestation patterns so we can work with suppliers to eliminate deforestation.

We support Earthworm's landscape-level programmes to aid social and environmental transformation across landscapes in Indonesia and Malaysia where we source palm oil from. This aims to help farmers adopt regenerative agricultural practices, making them more resilient and improving working conditions and labour standards for vulnerable workers, as well as restoring and regenerating forests. The outcomes include suppliers being better equipped to implement commitments to No Deforestation, No Peat and No Exploitation (NDPE) and support smallholders in their networks. The programmes also build sustainable livelihoods with communities, improving living standards and making it less likely that farms will expand into forests.

Making ecosystems more resilient

Our Fair Rubber commitment means farmers and tappers who we source latex from in Thailand will start to receive a Fair Trade premium in 2022. We will also start to engage our Malaysian supplier to implement Fair Rubber Association certification across their latex plantations in Malaysia starting in 2022. Training from Earthworm Foundation embeds sustainable farming practices that improve yield, leads to better-managed ecosystems (agroforestry) and income diversification to increase the resilience of smallholder latex farmers in Thailand.

Our work with the Nature-based Insetting team at the University of Oxford will, among other things, create nature-based solutions in our most vulnerable and significant value chains – palm oil, latex and specific fragrances. Bringing together key partners including fragrance houses and Earthworm Foundation, we aim to evaluate

ecosystem impacts and progressively identify ways to address them while also mitigating climate change.

We also continued to participate in the Sustainable Dairy Partnership and are part of a new workstream to find an efficient way for farmers and other suppliers to report on their carbon impact.

Where we can, we practice nature conservation at our own sites. At Nowy Dwor in Poland, we established four beehives with help from Poland's League of Nature Conservation in 2020. They've since produced 20 litres of honey and the project is using blockchain to protect the digital value of the honey.



OUR PRODUCT INSIGHTS

We want consumers to trust our brands and feel confident that our products are safe and cause no harm to the ecosystems or the people they touch during their lifecycle. Product stewardship is ultimately about the overall integrity of our products, which combines several aspects of responsible business. We cover this topic in several insights:

- **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 the natural environment our ingredients come from
- **Plastics and packaging**: how we work to use less material, cut down on virgin material, and use recycled and recyclable components in our packaging
- **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

LOOKING AHEAD TO 2022 AND BEYOND

Our Nature-based solutions activity extends our work to protect and strengthen ecosystems. Our aim in 2022 and 2023 is to complete the evaluation of our impacts, and develop measurable ways to reduce the risk to biodiversity and strengthen ecosystems in our most important value chains.

By 2030, our ambition is to implement interventions in all key natural raw material value chains that create demonstrable improvements in biodiversity and support the regeneration of local ecosystems. We'll add more detail to this ambition as our programmes develop and support our work to achieve the future recommendations of the TNFD.

HOW WE PROTECT ECOSYSTEMS

Our new **Sourcing for Sustainable Growth policy** sets out how we're working to create a more responsible and sustainable supply chain.

Through it, we aim to make our supply chain more resilient and give confidence to the millions of people who buy our brands that the products they use are brought to them in ways that respect the environment, human rights and safety. Four standards sit underneath this policy, including our **Natural Raw Materials Sourcing Standard**. Our detailed standards set out what we expect for the natural raw materials (NRM) we use in our products, and strengthen our approaches to:

- **Understanding the origins of materials** – business partners should know the geographical locations and ownership of producers and processors in their NRM supply chains and be able to monitor compliance against this Standard. This information must be accessible to Reckitt and, preferably, publicly available
- **Safeguarding workers and communities** – worker exploitation, discrimination and exposure to harm should not occur in our supply chain. Business partners must take action to prevent this in their supply chains, in line with our Labour and Human Rights Standard and particularly with respect to the vulnerable groups highlighted in it

- **Protecting ecosystems** – important and protected natural areas and species must not be harmed by the production or processing of NRMs used by business partners or by expanding production or processing areas. Business partners should monitor and address any risk of harm to these areas
- **Reducing environmental impacts** – business partners should monitor and promote reductions in Greenhouse Gas (GHG) emissions, water use, energy consumption and waste in their NRM supply chains
- **Animal welfare** – some NRMs are derived from products of animal origin produced under human control (e.g., cows producing milk used in our infant nutrition products). We expect business partners to make sure that the 'five freedoms' of animal welfare are adhered to with animal-derived NRMs in our supply chains
- **Partnerships** – business partners should work collaboratively with a range of stakeholders including (but not limited to) peers, customers, NGOs, government agencies and technical experts to improve the depth of supply chain compliance with this standard

We look at emerging good practice and work with partners to help us assess the sustainability risk of our natural raw materials. We focus on the impact we make through the material we use, and how vulnerable the material itself is. Currently, we look mostly at palm oil, latex, dairy, natural raw materials for fragrances, krill and the 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 part of how our suppliers work. This helps us make sure our natural materials bring sustainable benefits to the whole value chain and consumers. For more on human rights, see our [Human rights](#) insight.



OXFORD UNIVERSITY – BUILDING NATURE-BASED SOLUTIONS INTO SUPPLY CHAINS

We're working with Oxford University social venture Nature Based Insetting (NBI) to apply the latest scientific research to set evidence-based targets for mitigating the impact of our supply chain on climate change, biodiversity and society.

The programme started with a report on qualitative impacts ahead of the United Nations Climate Change Conference COP26 in November 2021. We're developing a plan to protect, restore and manage ecosystems in supply chains including palm oil, latex and fragrances.

From the framework developed with NBI, we're able to measure the biodiversity impacts on the local ecosystems in key value chains. That means, as we develop new ways of working with suppliers and farmers, we can measure the positive impact we create. This might be through different farming methods, alternative crop management and fertilisers, or perhaps different crops as well.

We'll evaluate potential interventions in 2022 and take them forward with suppliers, alongside or as part of collective landscape approaches.

PALM OIL

Palm oil uses less land and produces a higher yield of oil than similar crops, for a lower cost. It's also highly versatile. But large areas of forest and peatland have been converted to cultivate it, which has destroyed the landscapes and biodiversity they support.

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. We're working to see that palm oil and its derivatives used in our products are certified and traceable. We want over 80% of the palm oil used in our products to be RSPO certified in 2023 using a combination of physically segregated oil and RSPO Credits where availability of certified, segregated oils is not possible. At the end of 2021, 29.21% of the palm oil used in our products is RSPO certified and we are on track to achieve this target in 2023. The palm oil used in our fats blends in nutrition is 76% segregated certified and the palm oil derivatives used in soap is now 31.22% certified.

Beyond these targets, we're working with our ingredients suppliers who may also use derivatives of palm oil to produce complex chemical ingredients. These constitute the remaining 20% of our overall palm oil volume, and are produced through a long and complex value chain. For this reason, it will take longer to fully certify these sources, though our ambition is to complete this by 2026. We're 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 showed we have traceability to 69% of refineries, 66% of mills and 35% of plantations in our surfactant supply chain. Collective traceability figures for a group of member companies are actually higher and show the benefit of collaboration.

In 2022 we'll continue our involvement in ASD and look to take part in other activities it runs to improve sustainability in the derivatives supply chain.

Balancing production, conservation and livelihoods

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.

These programmes aim to build a resilient landscape by balancing production, forest conservation, sustainable livelihoods and good social and labour practices at scale. Together, these programmes cover 21% of the palm oil mills in our supply chain.

Despite the continued challenges of COVID-19, highlights across these programmes include:

- In Aceh, two villages agreed to protect 8,060 hectares of forest area outside concessions as part of village land use plans, with the support of the local government and Earthworm Foundation



ENGAGING OUR PALM OIL SUPPLIERS ON OUR NEW AMBITIONS

CASE STUDY

In 2021, we published our new commitments to improve the sustainability of our palm oil supply chain. As we mostly procure processed derivatives of palm oil, traceability and monitoring remains a challenge given the scale of palm oil production landscapes and the amount of processing.

We can only deliver tangible improvement through partnership with our suppliers, peers and the wider industry. Our Chief Procurement Officer hosted a town hall with all our palm oil suppliers to set out our new commitments and our aim to develop plans for each supplier in 2022 to increase NDPE monitoring. We hope this more tailored approach, supported by our wider industry action through the Consumer Goods Forum, will drive progress.



- In Riau, 603 farmers owning 1,104 hectares of oil palm plantations joined a smallholder replanting programme that will improve their livelihoods, with 231 of the farmers receiving replanting funds of around USD\$1 million
- In Sabah, a Children Risk Assessment Framework (CRAF) pilot was conducted together with an oil palm company across two plantations where 486 children currently live. The CRAF addresses critical issues that affect children living on-site.

LATEX

Natural latex is the main ingredient in Durex condoms. It comes largely from Malaysia and Thailand, with a small amount from India. Rubber trees take up to seven years to mature, and plantations can be vulnerable to disease. To combat this, our suppliers use different clonal varieties of rubber trees so that any disease affecting one variety doesn't spread to others in the plantation.

The challenges of rubber farming include supply chain resilience and deforestation. Consequently, we engage our supply chain to identify which farms and plantations produce the latex we source.

Some have up to 100 years of carefully managed history, though all are well established and aren't in areas where deforestation is a risk. By working closely with our suppliers, we manage the risks that they face and find better ways to support longer-term supply and better standards for workers.

Managing human rights risks

Our assessment of human rights in our Thai latex value chain, carried out with the Danish Institute for Human Rights in 2019, found several risks. They include exploitation of migrant workers, challenges to the community's land rights or poor livelihoods for smallholders.

Livelihoods are linked to the global price for natural rubber, which is in turn depends heavily on the price of the synthetic rubber used in much larger quantities for products like car tyres.

We've worked with our latex suppliers to make sure they meet our Labour and Human Rights Standard. Our Fair Rubber commitment will give latex tappers in Thailand a Fair Trade premium from 2022 to enhance their livelihoods, which helps us secure our supply of latex. The premium also helps communities living and working on rubber plantations in Malaysia, helping us deliver on our commitment to support human rights across our supply chain.

In Thailand, we've continued to work with Earthworm to improve smallholder latex farmers' livelihoods, which helps make the supply network more resilient. This means:

- **boosting farmers' and households' income** from latex and other sources, like livestock-raising;
- **encouraging regenerative agriculture practices** like agro-forestry, which can improve productivity and enhance ecosystems; and
- **improving living and working conditions**, for example with personal protective equipment.



DAIRY

We've continued our partnership with the Sustainable Agriculture Initiative's Sustainable Dairy Partnership (SDP). This is a group of suppliers and industry peers working 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 (GHG) production, human rights, deforestation and animal welfare.

Highlights in 2021 included:

- launching an online platform for suppliers to report their progress to buyers against the 11 Dairy Sustainability Framework criteria including GHG emissions, use of soil nutrients and biodiversity;
- taking part in work focused on soy feed that contributes to a supply chain free from land conversion or deforestation; and
- joining a new workstream on carbon data collection between suppliers and buyers to improve GHG reporting.

PAPER AND BOARD

Three out of four Reckitt products use paper and cardboard packaging. We use a small amount compared to some sectors, but we still want ours to come from sustainable sources. 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 stronger measures for better traceability and data. Our paper traceability is now up to 99% and we still expect to reach our goal for 100% of our paper and board to be from certified or recycled sources by 2025 or before.

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.

KRILL

We use krill in MegaRed oil supplements. Krill oil is good for human health but also supports the Antarctic food chain and is part of a protected ecosystem that includes penguins, seals and whales.

Environmental NGOs want to see more marine-protected areas in the Antarctic. They also want fishing companies to safeguard the marine ecosystem by treating regulations as a baseline and working to exceed them. To keep our krill sustainable, we work with our supplier, Aker BioMarine, because of their:

- **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;
- **network of 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; and
- **united industry approach** – Aker BioMarine was involved in creating the ARK group, which includes 85% of krill fishing companies. ARK has worked with the CCAMLR and others to develop a sustainable fishing approach that includes a voluntary agreement to restrict fishing in the buffer zones that protect penguin colonies in the breeding season.

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

Or write to:

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