



A RESPONSIBLE APPROACH ACROSS OUR GLOBAL VALUE CHAIN

Reckitt Sustainability Insights 2021



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It's up to us to make sure we, our suppliers and their suppliers limit the impact we have across our value chain by sticking to our values and standards. To do it, we're developing ways to map, measure and manage every part of that impact, too.

Our responsibilities begin with the raw materials in our products, and end only after consumers use those products and their packaging, and dispose of them. Our supply network spans small farms in China and Brazil providing the cloves or oranges we use in fragrances, Malaysian rubber plantations where the trees give us latex for condoms, and dairy farms in the American mid-west, where the milk for our Enfa infant formula comes from.

We also look at the working practices of our suppliers and business partners, and the human rights of people who work for them. That also goes for our own manufacturing operations and the communities around them. We focus, too, on the standards our customers follow, from global retailers to small independent stores and e-commerce networks. And we look at the way we distribute our products, how consumers around the world use them, and what happens after they're disposed of.

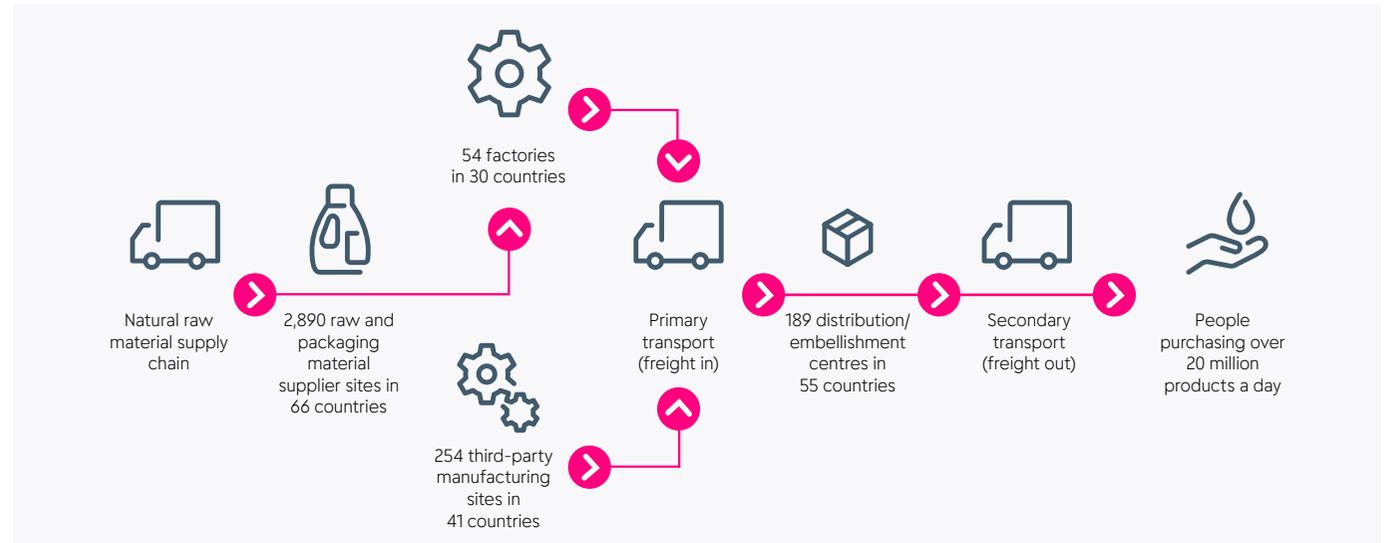
These factors combine to create the environmental footprint of our products. We take them into account when we design products and

packaging, aiming to reduce their carbon, chemical and water footprint, including the energy or water consumers might need to be able to use the product. This is becoming increasingly important to how we meet people's needs, especially in countries where water is, or will become, scarce.

Measuring and understanding our total impact, and how it changes over time, is a large and complex task. But by tackling it, we contribute to meeting challenges like climate change, biodiversity loss and risks to the rights of workers. This also helps our purpose-led brands. Interest has never been higher in how businesses like ours behave. This includes what we do to tackle global issues and how we make ourselves and our brands sustainable, as well as resilient and successful. How well we identify our impacts and mitigate them has a direct effect on our reputation and success.

This insight sets out our global value chain and how we work to manage it sustainably by protecting its ecosystems, and the human rights of people who live and work in it.

Our product supply chain



OUR SIX RESPONSIBLE SOURCING PRINCIPLES

We want to make a lasting, positive difference by:

1. Ensuring labour and universal human rights are respected
2. Providing a safe and healthy work environment
3. Sourcing natural raw materials responsibly
4. Protecting the environment and reducing our environmental impact
5. Using ever safer and more sustainable ingredients
6. Conducting business with honesty and integrity

The principles set out our overall expectations for responsible sourcing. Each is supported by a technical standard or policy describing how we want business partners to put that principle into practice. There's more information on our Sourcing for Sustainable Growth policy [here](#).

Find out more about each area in these insights:

[Human rights across our value chain](#), [Protecting ecosystems in our value chain](#), [Product stewardship – ingredients and transparency](#), [Climate change](#), [Water](#), and [Social impact](#).

For more on how we support our own people, see [Our people](#) insight.

WORKING WITH SUPPLIERS

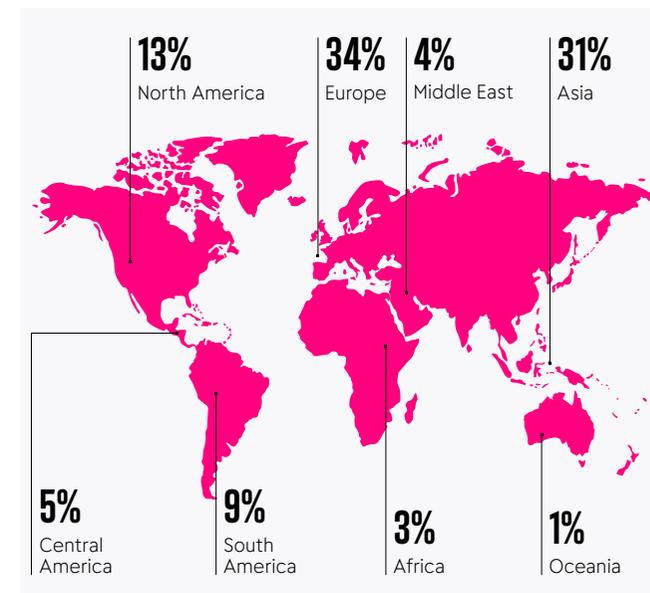
Good relationships with our suppliers are crucial to monitoring and managing the environmental and social impact of what is a very complex value chain. We choose them not just for what they offer in terms of quality, cost and location, but also how they follow our policies and standards, including our [Sourcing for Sustainable Growth policy](#) and its supporting standards. Our suppliers might be large multinational companies with their own business and ethical conduct programmes, or small local businesses in emerging markets. Many follow good working practices even if they don't have formal programmes.

We work with many suppliers directly. But even here, it can be hard to see fully the effect we have on natural and human ecosystems. For latex, for example, we have to assess not just our suppliers but also the farmers who tap the liquid latex from the rubber trees on their plantations. The success of their farms depends on how much latex they can tap and how much they're paid for it. If world prices are low, they could find it tough to support their families. This is why we work with farming communities through our partnership with Earthworm Foundation to help make farms more productive and find ways to boost livelihoods.

In 2021 we went further with our Fair Rubber commitment. Through this, latex farmers in Thailand get a price premium. Farmers get a more sustainable livelihood, which supports the supply of latex we depend on. We also work with farmers to embed sustainable farming principles and even improve the quality of latex so that, in the future, they can supply more.

Where we don't work with farmers or growers directly, we must still understand the origins of our ingredients. This is particularly so with fragrances, where we work with specialist developers who create fragrances using botanicals from all over the world. Whether it's Moroccan geraniums or lavender grown in southern France, we need to know the ultimate source.

Global distribution of Reckitt's manufacturing facilities, direct suppliers and third-party distribution and embellishment centres



Some of the places our natural raw materials come from have less formal supply chains, dominated by smallholder farms. It's harder to establish traceability here, but it's just as important. And we can also help support farmers' livelihoods where we need to. We currently back programmes for smallholder farmers in Malaysia, Indonesia and Thailand.

UNDERSTANDING THE RISKS IN OUR SUPPLY CHAIN

With our partners the Danish Institute for Human Rights, we identified our salient human rights issues. This is helping us focus on areas at most risk through our activities and relationships across our value chain. Our assessment took into consideration a range of resources including internal supply chain audit data, external resources and risk assessments. It was supported by discussions with internal and external stakeholders, including NGOs, customers, investors and peers. Our salient issues are:

- Working hours
- Fair wages
- Health, safety and environment
- Freedom from forced labour
- Freedom of association
- 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

We also focus on particular countries and regions: Malaysia and the Middle East, which have large numbers of migrant workers; and Africa and Asia, where understanding of labour rights is less developed and enforcement is weak.

Certain kinds of suppliers represent a high risk, too. They include distribution centres, third-party manufacturers, and some raw material and packaging material suppliers, mainly in the Middle East, Africa, Latin America, and North and South Asia. This risk can stem from a number of factors, such as dependence on informal labour forces, a lack of local legislation or limited enforcement of that legislation. Because of this higher risk, we've made it a priority to audit and monitor suppliers in those regions and develop their standards and capabilities.



To support this effort, we keep up to date with external research and work with NGOs and peers to better understand risks and how to deal with them effectively.

We take a similar approach with our natural raw materials and their value chains. We look at risks to ecosystems, like deforestation, water scarcity and intensive farming. We also look at the people and communities who live in, work in and rely on these ecosystems.

We currently prioritise five raw materials:

- **Palm oil** – in Southeast Asia, we work with suppliers and partners to monitor deforestation and establish where conservation is needed most. We're also strengthening traceability to the mills and plantations, and safeguarding workers and ecosystems, often through partnerships

A responsible approach across our global value chain continued

- **Latex** – we work to improve standards for plantation workers and smallholders' livelihoods in Southeast Asia, as well as protecting ecosystems through our partnerships with the Fair Rubber Association and Earthworm Foundation
- **Dairy** – we focus on animal welfare and effective environmental action, working with our suppliers in the US, New Zealand, Ireland and Argentina through the Sustainable Dairy Partnership (SDP)
- **Natural fragrances** – we work with suppliers through partnerships that focus on protecting ecosystems through traceability in supply chains
- **Timber** – we use internationally accepted certification schemes to combat deforestation. We also use recycled paper to reduce the amount of virgin paper from newly cut forest plantations

We're working with the suppliers of these materials to make sure they follow our policies and standards. This puts us in a position to source natural materials that bring sustainable benefits to the whole value chain, and ultimately to our consumers. For more information on these raw materials, see our [Protecting ecosystems in our value chain](#) insight.

BUILDING SUSTAINABILITY INTO DESIGN

When we design products, we use our Sustainable Innovation Calculator to consider their overall environmental footprint. This means we can design products to reduce their carbon and water footprints by looking at each stage of the value chain, from ingredients to consumer use. The ingredients and packaging we specify, or the form a product comes in, all have a part to play in reducing its environmental footprint. Everything we do here contributes to our ambition to be carbon neutral by 2040. For more information on our approach, see our [Sustainable product innovation](#) insight.

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:

The Sustainability team

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