



HUMAN RIGHTS ACROSS OUR VALUE CHAIN

Reckitt Sustainability Insights 2021



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Protecting the rights of people in our global value chain is a fundamental part of who we are. It goes to the heart of our purpose to protect, heal and nurture in the relentless pursuit of a cleaner, healthier world. Our 2030 sustainability ambitions commit us to supporting sustainable livelihoods and working conditions. Safeguarding and positively contributing to human rights is fundamental to this.

Our global value chain includes people who work directly for us, or for our suppliers. They might supply goods or services, or they might farm the raw materials we use. It also includes the communities we work alongside and the consumers who use our products.

We have to identify the impact on human rights across our value chain, put right any problems where we can and work with others to make change happen.

Some of this is about good working conditions and labour practices. Charging workers recruitment fees and demanding they give up their passports can't be part of our supply chain, so we work to stamp out these practices where we see them. Most of our attention has been on sectors and regions where the potential threat to human rights is greatest. As we've put audit and engagement programmes into action, we've been able to broaden them to cover a growing number of lower-risk suppliers. We're also including more of our indirect supply chain, whether haulage and shipping or contract labour and promotional goods.

By working to understand the socio-economic forces in our supply chain and how they shape how people behave, we can act in a way that sustains livelihoods and keeps our supply chain resilient. This is the right thing to do, but it also makes business sense. Support for a smallholder protects the quality of our raw materials. Keeping working hours within reasonable limits, and keeping wages fair, maintains productivity and quality. It also keeps downtime low.

Our fight to make access to the highest quality hygiene, wellness and nourishment a right, not a privilege, reflects our broad view of human rights. We've appointed regional human rights managers covering Africa, Asia and the Middle East. And since refreshing our human rights eLearning in December 2021, 70% of our employees have completed it. We want knowledge of these issues to become a routine part of how we think and work.

The issues in our human rights work are often complex and cultural. The exploitation and discrimination that vulnerable groups like children, women and migrant workers face can be part of deep-rooted employment practices and business behaviour, which, in certain parts of the world, are not unlawful. As such, they can't be put right by single organisations and instant measures. So we join



forces with partners, NGOs and governments, as well as our suppliers, to look for practical solutions that produce sustainable change.

Despite the ongoing impact of COVID-19 on global supply chains and our ability to physically engage with people, 2021 was a year of further progress and innovation. We continued to engage suppliers through virtual audits and activities to build their capabilities, and we restarted in-person visits to sites where we could. We updated our supplier sustainability policy and standards, and enhanced our activity around modern slavery through activities with AIM-Progress, The Consumer Goods Forum, Diginex and The Coca-Cola Company. And we partnered with Oxfam Business Advisory Service to develop and pilot new people-centric approaches to identifying and addressing potential human rights issues before they become more serious.

There's more about how we manage our global value chain in our [Responsible approach across our global value chain](#) insight and our [Protecting ecosystems in our value chain](#) insight. And, find out about how we support our employees in [Our people](#) and [Inclusion](#) insights.



HIGHLIGHTS IN 2021

Overhauling our policies and standards

Our work in human rights starts with clear policies and standards. In 2021, we overhauled our policies and standards on human rights and responsible sourcing of natural raw materials by bringing them into one: our [Sourcing for Sustainable Growth policy](#). It's backed by technical standards covering Labour & Human Rights, Workplace Health & Safety, Environmental Protection and Natural Raw Materials Sourcing. This update puts us in step with the highest standards in our industry, as well as capturing the scope of our current supply chain sustainability activities and 2030 ambitions. It was also the result of engaging with partners including Oxfam Business Advisory Service, the Danish Institute for Human Rights and Earthworm Foundation.

Auditing our suppliers

We audited 232 suppliers in 2021, with around 61% achieving a 'pass' rating. This is lower than the 67% pass rate achieved in 2020 due to the expansion of our audit programme to a further 115 raw and packaging material suppliers. For some of them, this was the first time they had undergone an ethical audit to assess their on-site labour, health and safety, and environmental practices. This might be because they are a small and so less visible part of global value chains, or potentially because local regulatory frameworks are limited or not routinely inspected. Consequently, many of these suppliers don't have mature sustainability processes and we will support them to build these as we move forward.

Looking beyond audit

Audits are an important way of spotting and monitoring human rights issues in our value chain, but they're not the only tool at our disposal. We've continued to explore and develop 'beyond audit' approaches to help us track supply chain conditions effectively. In 2021, we partnered with the Oxfam Business Advisory Service to develop and pilot innovative approaches to improving our suppliers' grievance processes and monitoring workers' wellbeing. This lets us have a more proactive, people-centred approach to spotting

potential issues and dealing with them before they become more serious. We are piloting these approaches at third-party manufacturers across China, India, Pakistan, Spain and Sri Lanka, and will look to roll them out more widely in future.

Updating our eLearning

Since 2017, all management-level employees have had to take our eLearning programme on human rights. But, as the human rights agenda evolves, so does our understanding and activity. In 2021 we refreshed this training, and broadened it to cover all employees. This will help them better understand human rights and the role of business in respecting them, as well as our salient human rights issues and what we're doing to make sure people's rights are respected across our value chain. The training includes tools, knowledge and advice to recognise and report breaches of human rights. We launched the refreshed eLearning in December 2021 as part of our all-employee annual compliance passport training. As of March, 31,622 (70%) of employees have completed the course and this will increase further over 2022.

Embedding human rights into our business

Building from the 2019 corporate human rights gap analysis the Danish Institute for Human Rights (DIHR) conducted, we continued to make progress with embedding sustainability and human rights into our corporate policies and processes.

In 2021, the DIHR supported us in developing a human rights due-diligence process for mergers, acquisitions and joint ventures. We also reviewed our procurement practices to see where we can better embed sustainability into our sourcing and wider procurement transformation strategy. This review, by Ergon Associates, provided recommendations around identifying and understanding supply chain sustainability risks, assessing supplier sustainability on par with other commercial indicators, and increasing internal training, communication and supplier engagement. We are now developing a roadmap to implement these recommendations, which will enable us to create a far more resilient supply chain able to withstand social and environmental challenges.

Tackling modern slavery

Modern slavery is endemic in global supply chains, making it one of our most salient human rights issues. Building on the good progress we've made in the Middle East and Malaysia, we partnered with Diginex and The Coca-Cola Company to develop and pilot a pioneering online tool, diginexLUMEN, that gives us a clearer view of the migrant worker supply chain and its recruitment practices. This lets us spot potential issues with forced or bonded labour and act early.

We also co-sponsored online AIM-Progress training on responsible recruitment, in partnership with Mars, McDonalds, PepsiCo, The Coca-Cola Company and Unilever. We invited our key suppliers and service providers in the Middle East to workshops to understand how to make responsible recruitment and employment practices more prevalent. This training will form the foundation of our engagement with suppliers in the region as we work collectively to tackle modern slavery.

Promoting sustainable livelihoods

Sustainable livelihoods, with fair pay for the work that is done, are a vital part of a stable, sustainable supply chain, as well as a key component of human rights. We've been paying a living wage to all employees and on-site contractors in the UK for some years, and were formally accredited as a UK Living Wage Employer in 2020.

The idea of a living wage that benefits workers, society and business by going beyond the legal minimum is attracting increasing support. We're exploring how to extend this to other countries. In 2021, we worked with the Fair Wage Network to develop a Sustainable Livelihood Framework, with living wage as a key component. It frames household income and local cost of living to establish if employees and contractors across our operations have a sustainable livelihood. We're now piloting the approach in selected factories in Thailand and India.



PIONEERING TECHNOLOGY FOR A CLEARER VIEW OF RISKS TO MIGRANT WORKERS

We know migrant workers face many challenges when looking for work around the world. We've taken action to prevent them being at risk of modern slavery through recruitment-related debts along with poor employment and living conditions tantamount to forced labour.

We're continuing to improve visibility of migrant labour in global supply chains, and look at better ways of recruiting people to prevent these risks. To enhance our understanding of these issues, we've partnered with Diginex, an impact technology business which specialises

in transparency in supply chains. It's developing an online tool to give businesses insight into their suppliers' risks around exploitation and forced labour. The tool offers a governance and screening procedure, multilingual worker voice surveys, algorithm-based risk scoring and reports that enable us to act.

We piloted this tool with all our key suppliers in the United Arab Emirates, a country where migrant workers are widely used and where we have addressed problems in the past. We will be looking to use it more widely during 2022.

CASE STUDY



In the coming years, we'll also focus on:

- **Looking beyond audit** – finding more proactive, forward-looking ways to identify and address potential human rights impacts before they materialise, so we don't rely only on audits
- **Harnessing technology** – using data and technology like blockchain and digitising records to get a clearer view of the supply chain, pinpoint risks and monitor them
- **Collaborating even more with stakeholders** – working with peers, suppliers, NGOs and governments to drive systemic change, particularly for endemic issues like modern slavery

In doing so, we will continue 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 impact assessments for the 10 highest risk markets by 2030
- Tackle our salient human rights issues
- Train 100% of our employees on human rights by 2025

Our human rights due diligence process

As well as our traditional direct and indirect suppliers, we carry out due diligence on human rights issues for all significant investment agreements (over £50 million). We conduct this mainly through our manufacturing due diligence and factory visits. On the rare occasions that we can't access a facility, we carry out due diligence by accessing publicly available information on the Company's human rights performance.

OUR FOCUS FOR 2022 AND BEYOND

We're increasingly focusing on how we partner with suppliers to drive lasting improvements in environmental and social standards in factories and further upstream in their supply chain. We have been engaging suppliers to improve their environmental performance through our partnership with Manufacture 2030. For more about this, see our [Climate change](#) insight.

We're also emphasising increased and better communication and engagement, with training to embed sustainability into core business practices.

In 2022, we'll continue to act on what we learned from the [2020 study of human rights impacts of our Durex and Enfa value chains in Thailand](#). We want to carry out similar studies in other key markets between now and 2030.



- **Identifying our salient human rights impacts**, and updating our supplier sustainability policies and human rights eLearning
- **Developing a human rights due diligence process** for mergers, acquisitions and joint ventures

We've come a long way and have a clear plan to continue to evolve our approach. In 2022, we'll be looking to identify another partner who can support us on the next phase of our journey.

Oxfam Business Advisory Service – promoting equality and welfare

We work with Oxfam to develop ways to make sure human rights are properly respected across our value chain. We've focused on issues including gender equality and workers' welfare.

In 2021, we worked together to:

- **Develop a toolkit to help suppliers create grievance procedures** for their workers (see case study)
- **Develop a survey to assess workers' wellbeing**, which will be piloted in 2022
- **Define gender diversity and inclusion data to collect within our supply chain** to address barriers and promote gender diversity and inclusion – this has led to recommendations from Oxfam, which we'll act on in 2022

OUR PARTNERSHIPS

To solve human rights issues, we can't just work on our own, or even just with suppliers. We must also work alongside our extended supplier network, government, industry, NGOs and other stakeholders. This helps develop the insight and tools we need to clarify issues and tackle them.

Danish Institute for Human Rights – building our understanding

After three years, this partnership is coming to an end as the Institute's new strategic direction takes them away from working with individual businesses. The relationship has significantly enhanced our understanding of, and activity on, human rights. Some of the key outcomes include:

- **Carrying out a corporate-level analysis of our human rights performance in 2019**, which led to 35 recommendations, ranging 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
- **Conducting our first country-level human rights impact assessment**, looking at our value chains in Thailand for Durex condoms and Enfa baby formula
- **Developing a country risk assessment tool** that provides us with visibility of human rights risks relevant to our business and enables us to take appropriate action

HELPING SUPPLIERS IMPLEMENT EFFECTIVE GRIEVANCE MECHANISMS

The UN Guiding Principles on Business and Human Rights focus on the need for businesses to implement effective grievance mechanisms. But there's very limited practical guidance on how to do it.

We partnered with Oxfam Business Advisory Service and created a practical toolkit for suppliers to develop and implement site-level grievance mechanisms. This helps empower workers and communities to speak up and have their concerns acknowledged and addressed.

We piloted this with three of our third-party manufacturers in China, India and Pakistan.

Engaging workers was central to the design and ultimate success of the grievance mechanism, with one supplier

saying, "it was eye opening that speaking to employees can give you very valuable feedback, if you give them the right forum to share ideas." We did encounter sensitivities around the word 'grievance' from both management and workers; however, as one supplier put it, you shouldn't "be scared of the word grievance, move away from it and release workers to talk about their experience at work. It's about how well you want to know your workforce".

Building on the learnings from the pilot, we plan to publish the toolkit in early 2022, working with suppliers to encourage them to use it and assessing the results through our existing audit activity.

CASE STUDY



Our other partnerships

AIM-Progress – we're a leading member of AIM-Progress, a forum of Fast-Moving Consumer Goods (FMCG) manufacturers and common suppliers working to enable and promote responsible sourcing practices and sustainable supply chains. It is a global initiative supported and sponsored by AIM, the European Brands Association in Europe. The goal of AIM-Progress is to positively impact people's lives and ensure respect for human rights, while delivering value to members and their supply chains. Reckitt is on the leadership team and co-chairs the Capacity Building work stream.

Consumer Goods Forum (CGF) – 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 2021 we continued to support the CGF's Human Rights Coalition of Action – Working to End Forced Labour by:

- implementing Human Rights Due Diligence (HRDD) systems focused on forced labour in our own operations and our palm oil supply chain;
- supporting Responsible Recruitment markets; and
- supporting a focused movement with all relevant stakeholders to jointly expedite the elimination of forced labour.

WORKING WITH INDIRECT SUPPLIERS

Like many businesses, many of our sustainability activities over the last few years have been focused on suppliers producing our branded products, or suppliers of raw and packaging materials used by our factories. As our understanding and activity matures, we're now also able to explore how to engage our suppliers of services, 'indirect suppliers', on sustainability. In 2021, we worked with our Procurement team to review all our indirect supplier categories to identify the risks and opportunities for each. These suppliers provide a very diverse set of services and there's no one-size-fits-all solution. So, we've prioritised categories based on risk and are defining sustainability strategies for each, which we'll look to implement in 2022. The priority categories will be: point of sale and promotional goods, freight/logistics, labour providers and fleet management.

HOW CLIMATE CHANGE AFFECTS OUR WORK

Human rights and the environment are inextricably linked, with many human rights such as the right to health and water not being enjoyed without a safe, clean and healthy environment.

Our work to combat climate change and support better access to water and sanitation through our programmes such as Banega Swachh India (see our [Social impact](#) insight) promoting hygiene, or our emerging water stewardship catchment area programmes can help this (see our [Water](#) insight). Our Fight for Access targets this too, with its aim to make access to the highest quality hygiene, wellness and nourishment a right not a privilege everywhere in the world. We're also calling for all public health strategies to take account of climate change to support this need (see our [Climate change](#) insight).

OUR FIVE-STAGE 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, Africa and the Middle East, 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, and gives suppliers access to eLearning and training resources to improve their practices. Teams at all our facilities have to complete an annual self-assessment of compliance.
3. **Site risk assessment** – we assess all our facilities on the inherent risk associated with their country, product area, sector profile and function as well as risks associated with their management controls. We couple these assessments with previous audit ratings, which reflect the strength, or otherwise, of management controls, and which we consider in assigning a site a risk rating. We also assess suppliers' sites in a similar way, considering the supplier's inherent risk and, if applicable, the latest audit rating.
4. **Auditing and addressing non-conformities** – we audit critical and high-risk sites 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 our Human Rights team reviews before we accept it. We give support to sites if they need it, and follow up on Action Plans to make sure standards are improved when needed.
5. **Training** – engagement and training build people's understanding of issues, help them put things right and can help prevent the issues arising at all. This can happen through on-site or online capacity building visits, as well as sharing resources and good practice. 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

We have grievance processes in all countries, in line with local laws. In 2021, 606 concerns were raised through Speak Up!, our whistleblowing channel. For more details about Speak Up!, see our [Ethical behaviour](#) insight.

We initially earmarked 130 concerns that could potentially involve breaches of our Human Rights policy. As of 6 January 2022, we'd closed 81 of these cases after internal investigations, with 41 cases partially or fully substantiated. Of the 41 cases:

- 2.5% related to disciplinary practices
- 73% related to discrimination and harassment, including sexual, moral or verbal harassment, favouritism, or gender and race discrimination
- 2.5% related to working hours, pay and pay disputes
- 22% related to health and safety (mostly working conditions)

Action taken ranged from training and changes to policies or procedures, to disciplinary action up to and including dismissal. Forty nine 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

Or write to:

The Sustainability team

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