

## RB's approach to responsible palm oil sourcing 2016

Global demand for palm oil has increased substantially in recent years resulting in some cases in the clearance of forests and degradation of peatlands to make way for new plantations. Deforestation and degradation of peatlands has significant negative environmental impacts for climate change, biodiversity and environmental pollution and degradation. Production of palm oil has been linked to human rights abuses and poor labour and safety practices, and conversion of forest often has adverse impacts on local communities.

RB is a relatively small user of palm oil (circa 120, 000 tonnes pa), with the vast majority procured in the form of palm derivatives e.g. soap noodles. We are committed to continue with our efforts to engage with the systemic issues that surround palm oil sourcing. We are aware that these issues are complex and that this is a journey in which all industry stakeholders need to work collaboratively to drive change.

### Our commitments

Our [Natural Raw Material Sourcing Policy](#) outlines our minimum sourcing requirements and all suppliers are expected to meet these requirements.

We are committed to:

- zero deforestation
- zero development on peatlands (of any depth)
- zero exploitation of workers or communities
- being transparent on our requirements and progress with implementation

It is a contractual requirement for our palm suppliers to comply with RB's requirements and we take supplier (direct and third party) noncompliance which includes environment, safety, human rights and labour standards very seriously.

Whenever possible, our preferred approach is to engage with these suppliers to try to remedy noncompliance and promote industry-wide transformation in the first instance, rather than simply switching supplier which does not drive positive change in the industry. We have a supplier delist procedure which enables RB to formally delist suppliers should this be necessary.

### Our Responsible Palm sourcing programme

#### 1. Engaging with suppliers and our traceability programme

In 2014 we initiated our palm oil traceability programme in partnership with The Forest Trust (TFT). As part of this programme we engaged with all our suppliers to ask them to trace the palm oil we use back through the supply chain. Given RB purchases palm derivatives (predominantly in the form of soap noodles), our palm supply chain is particularly complex and traceability requires engaging with suppliers several tiers deep.

In order to complete the necessary due diligence, it is essential that we know where our palm oil comes from and to understand the level of compliance with our natural raw material policy. Our focus has been to trace the palm oil we buy back through the supply chain first from supplier to refinery and subsequently from refinery to mill.

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### Supply chain traceability

In 2014 we achieved traceability back to refinery for all our suppliers (excluding surfactants). Building on this in 2015 we traced 70% of our total volume (excluding surfactants) back to mill. We have learned over the past two years that palm oil traceability especially in India is complex, making traceability to origin difficult. We will continue to work with all our suppliers to gain traceability back through the supply chain on a step by step basis.

### Assessment and action

Once we receive mill data from our suppliers, we complete desktop risk assessments in partnership with TFT. These risk assessments form part of the Mill Prioritisation Process (MPP - [link](#)), to identify the mills at greatest risk of non-compliance with RB's requirements.

Working with our suppliers, higher priority mills (and associated plantations) are reviewed to establish where they sit with regard to RB's requirements. These reviews are conducted through the Aggregator Refinery Transformation programme ([ART](#)), which includes "on the ground" compliance assessments, identification of issues and actions to address these. In 2015, through TFT, we completed on the ground compliance assessments for selected higher priority mills for all our key suppliers.

Following the ART assessment, the mill, estate, small holder and small growers are each given their own individual reports, which details the findings, recommendations and actions for improvement. As part of the engagement process, they are revisited to discuss together the implementation of the proposed actions and to establish practical action plans for ongoing monitoring. The scope of the assessments, recommendations and actions for improvement include third party mills and plantations.

Mills and growers in a refinery supply base that have not been visited directly, are to be engaged as part of a broader programme. They will be issued with the overarching report and the common findings across the visits, together with actions to be taken to resolve commonly found issues. Training and workshops will be provided to address these common issues. This approach allows us, through TFT, to support, monitor and engage in the roll out of these individual ART programmes across our supply chain.

### Compliance monitoring

We recognise the need to focus on monitoring compliance within our supply chain, and in line with this, RB is contributing to the new TFT Grassroots pilot initiative which provides independent 'monitoring and verification' of company commitments to 'No Exploitation and No Deforestation' principles. This is a "blind" fund that provides financial support for independent, 3rd party monitoring and verification by independent civil society organisations (NGOs) of the delivery, or failure to fulfil, company commitments.

Allegations and issues identified through this initiative are fed into TFT's formal grievance process to ensure appropriate and timely investigation, action and remediation as necessary. The information in the Grassroots database will also be shared with RB to help identify problems and improvements within our supply chain. This new programme is currently being piloted in selected regions and will be launched on a wider level in 2017.

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## 2. Green palm

Since 2014 we have purchased green palm certificates to cover all our palm oil volumes. Over the past two years we have gained a greater understanding of the complexities and challenges faced within the palm oil supply chain and our priority is to take action in our direct supply chain. We also recognise the importance that smallholder farmers play within the palm oil industry. As a result, in 2016 we took the decision to move away from the purchase of green palm certificates to support TFT's new small holder farmer programmes (called Rurality ([Link](#))).

## 3. Working with small holder farmers

40% of the world's palm oil comes from small family run farms. It is widely recognised that farms are not factories and resilience of rural communities is critical to long term supply of palm oil. The TFT Rurality programmes aim to engage and educate local farmers in ways to overcome local environmental and social challenges. The programme will help farmers build resilience and be able to adapt to challenges such as economic instability and market fluctuations whilst improving crop quality.

Our initial palm oil rurality programme was identified through the ART plan. In partnership with TFT, we are in the process of completing the Rural Dynamics Diagnostic (RDD) phase which started in August 2016. This will provide an in-depth understanding of the farmers' situation and challenges and enable a tailored action plan to be identified and implemented to both improve the living and working conditions (including chemical and waste management, open burning and occupational safety and health management) of permanent and temporary workers and ensure compliance with requirements for zero deforestation and zero degradation of peat.

We will continue to work with our suppliers to identify and roll out small holder farmer programmes in areas that are identified as a higher priority within our supply chain.

## 4. Advocacy

Many of the issues identified through our palm oil traceability programme are common across the palm oil industry and we recognise that, as a relatively small user of palm oil, we are unable to solve these individually. Therefore we have and will continue to invest in and raise awareness of responsible palm oil sourcing through a range of different avenues.

In partnership with TFT over the past two years we have run palm oil traceability workshops in India, to identify how to build palm oil traceability and deliver responsible palm oil collectively. The workshops have been attended by industry members, palm oil suppliers and distributors. We have also supported external research which provided information on ways of increasing smallholder farmer resilience. The outcomes of this have been fed into TFT's small holder farmer programme.

We are also exploring opportunities to take a collaborative approach with our peers, NGOs and palm oil suppliers with the aim of targeting a specific regional challenge (from those identified through TFT's assessments and other NGO research and investigations). With a combined approach, we hope we can better identify solutions and develop time bound action plans in relation to the common issues in the palm oil industry.

We recognise that we are on a journey and we are committed to continue to work on our palm oil programme through individual and collective actions.

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