



# Responsible sourcing

The production and supply of raw materials carries a number of social and environmental challenges. Through entrepreneurship and creativity, our supply chain partners and the communities they serve can become more sustainable.

## Making progress: Palm oil

Aim	Status in 2018
<b>95%</b> palm traceability to mill for suppliers globally (excluding surfactants)	<b>88%</b> traceability

## Making progress: Paper and board

Aim	Status in 2018
<b>100%</b> paper and board from certified or recycled sources by 2020	<b>90.5%</b> from certified or recycled sources (excluding co-packers)

## 1. Responsible sourcing of natural raw materials

Understanding and mitigating the risks and generating benefits from the opportunities in our natural raw materials supply chains are at the heart of our approach. We have assessed our raw materials, and focus on palm oil, latex, dairy, paper and board. We work closely with suppliers and third-party partners to create positive outcomes that benefit workers, communities and ecosystems.

## 2. Palm oil

We have taken significant steps to increase transparency in our palm oil supply chains and to carefully invest in initiatives that bring change at scale but also at a focused, community level. We are supporting programmes that enable us to inform and drive improvement in both approaches.

## 3. Other materials

We buy a wide variety of natural raw materials from around the world. For each of these we have concentrated on ensuring supply chain resilience that benefits from and contributes to ecosystem protection and maintenance of worker rights and better communities.

Our approach to responsible sourcing is anchored in a strong policy and standards framework, but one that is flexible enough to find create and effective solutions. We believe in a strong relationship with our suppliers, based on a comprehensive understanding of traceability. Knowing the origin of our materials is key to understanding the challenges faced and to building mutually agreed solutions.

## 1. Responsible sourcing of natural raw materials

Our policy and standard for the responsible sourcing of natural raw materials outlines our minimum expectations for the natural raw

materials used in our products. This includes our goal of achieving 'No Deforestation, Peat development and Exploitation of people' (NDPE) in our supply chain. We carry out sustainability risk assessments of natural raw and packaging materials to identify priority materials for further action, which include palm oil, latex, dairy, and paper and board.

We are committed to ensuring the natural raw materials used in our products and packaging are produced in a manner that: meets or goes beyond applicable laws and regulations with respect to human rights; safeguards health & safety; protects biodiversity and the environment; does not cause deforestation; and supports the contribution of business to achieving sustainable development.

Our work is informed by our commitments to:

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

Our Responsible Sourcing of Natural Raw Materials policy and standard applies to all natural raw materials used in products and product packaging that are produced by or on behalf of RB, including at both Company owned/managed facilities and facilities owned, managed or operated by suppliers, contractors and subcontractors. Our Global Sustainability team set the standards and provide guidance on implementation. Our Supply function is responsible for implementing the policy and standard, details of which can be found on [rb.com](http://rb.com).



**Click here for more information on our key policy requirements in Appendix 1.**



**Click here to read our Responsible Sourcing of Natural Raw Materials policy and standard.**

# Responsible sourcing continued

## 2. Palm oil – A comprehensive approach to sustainable palm oil production

Through our partnership with Earthworm (formally The Forest Trust) we continue to focus on developing a comprehensive understanding of our value chain by mapping and assessing the complex risks in our palm oil supply chain. A spatial awareness of the value chain enables us to focus effort at a local level and develop programmes that support primary producers, the dealers that purchase from them and other stakeholders that work up to the point palm oil derivatives reach our manufacturing sites.

In 2018 we began to implement several commitments to work more closely with our suppliers to drive industry change:

- **Public supply chain traceability and transparency**  
We published a full list of mills in our supply chains in 2018 and piloted the use of Starling satellite monitoring technology

to map mill locations against High Conservation Value (HCV) and High Carbon Stock (HCS) areas.

- **Timely identification of supply chain grievances in pursuit of NDPE commitments**  
Working with our suppliers and through our own supply chain analysis, we identified 13 grievances regarding instances of ecosystem destruction. Five of these resulted in suspension of buying by our suppliers, while the remainder were investigated and time-bound commitments made by them to resolve these.
- **Observation of a forest conversion cut-off date of 31 December 2015**  
We believe this date should represent the point from which clearance of HCV and HCS areas is judged as incompatible

with NDPE commitments. We will work closely with our supply chains in 2019 to ensure this is acted on.

- **Compliance with all applicable environmental, labour, health & safety laws and regulations, and adherence to the International Labour Organisation’s (ILO) Fundamental Conventions in our supply chains**  
We continued to maintain funding of on-the-ground programmes focused on improving livelihoods and fulfilment of human rights in our wider supply chains. We aimed to achieve this through third-party audits and capacity-building programmes at palm oil processing mills and through support for the industry development of policy and practices that work to ensure the more responsible recruitment of migrant labour in Malaysia.

### CASE STUDY

## Closer to origin

In 2018 we continued to support smallholder farmers in priority areas of our supply chains. Through Earthworm’s ‘Rurality’ programme, we are building smallholder resilience through improved farming techniques that tackle the endemic social and environmental issues associated with palm production.

This programme works to improve smallholder access to markets by building connections between them, dealers that buy their fresh fruit bunches and mills in RB’s supply chain in Sabah, Malaysia and East Riau, Indonesia and in Southern Thailand. In each instance, considerable effort is placed on empowering smallholders to develop diversified incomes, alongside core farming activity. For example, through the rearing of goats within palm oil growing landscapes in Malaysia Borneo.

Key achievements in numbers are outlined below:

#### Farmers reached:

- **Indonesia:** 174 farmers engaged
- **Malaysia:** Supply chain gatherings with 224 farmers
- **Thailand:** 340 farmers trained (2018)

#### Stakeholders engaged for strengthened supply chain:

- **Indonesia:** three stakeholders engaged including mill, dealers, and other farmers groups
- **Malaysia:** five stakeholders engaged in CB and diversification
- **Thailand:** 11 stakeholders engaged, including six collection centres

#### Livelihoods strengthened:

- **Indonesia:** 90 women engaged in community farming
- **Malaysia:** 14 farmers involved in income diversification activities
- **Thailand:** 163 farmers that have diversified their crop cultivation, including 105 farmers that have increased variety of food crops



# Responsible sourcing continued

## Sustainability of the wider landscape


Environmental damage and poor socio-economic conditions are often a consequence of macro-level factors, including government policy, internal and external migration, and inequitable distribution of land-use rights.

In 2018 we continued to support Earthworm’s landscape-level programmes in Aceh Tamiang, Aceh Singkil and East Riau in Indonesia, where palm oil that enters our supply chains is harvested.

In Aceh Tamiang we signed a memorandum with the district government that inspired the halting of new palm oil concessions in the region.

In Southern Aceh we brought together representatives of local civil society organisations and companies operating within biodiversity hotspots in order to develop comprehensive land use plans.

In East Riau we conducted detailed analysis of satellite imagery data and cross-referenced this with plantation and concessions data to inform targeted conservation action.

 [Click here for more information on our approach to responsible palm oil sourcing in Appendix 2.](#)

## 3. Other materials

### Latex

We work closely with our latex supply chains to ensure compliance with our Responsible Sourcing of Natural Raw Materials policy.

We have completed on-the-ground assessments in conjunction with Earthworm to ensure that the latex we use is compliant with our policy and sourced responsibly.

Through Earthworm’s Rurality programme we are funding work to improve smallholder livelihoods within the direct supply chains of our suppliers by:

- Creating strong and stable relationships between farmers, first buyers and other key stakeholders along the supply chain to leverage commercial relations, seize opportunities and find solutions.
- Improving livelihoods and social conditions by increasing the value of cash crops, developing a stable farming business by diversification and ensuring a safe working environment.
- Maintaining and enhancing the quality of their natural environment and habitat areas by encouraging responsible farm development and adopting integrated farm management practices.



We are committed to maintaining a clear focus on latex sustainability supply chain resilience and will continue to support smallholder programmes at scale.

### Dairy

Since acquiring Mead Johnson Nutrition in 2017, we have taken steps to understand the sustainability of our dairy supply chains. In 2018 we joined the Sustainable Agriculture Initiative Platform (SAI Platform) Dairy Working Group and will become active members of the group’s workstreams in 2019.



The SAI Platform Dairy Working Group is tasked with implementing 11 Sustainability Criteria set out by the Dairy Sustainability Framework (DSF):

- |                     |                                |
|---------------------|--------------------------------|
| 1. Greenhouse Gases | 7. Market Development          |
| 2. Soil Nutrients   | 8. Rural Economics             |
| 3. Waste            | 9. Working Conditions          |
| 4. Water            | 10. Product Safety and Quality |
| 5. Soil             | 11. Animal Care                |
| 6. Biodiversity     |                                |



# Responsible sourcing continued

Working collectively with other Dairy Working Group members, including peer companies and suppliers, the ultimate aim of the Dairy Working Group is to improve sustainability outcomes across the dairy industry. We aim to ensure a collective approach to sustainability that can be measured through a common set of metrics, right along the supply chain. We are pleased to report that our highest volume suppliers are active members of the working group.

Through our active participation in various workstreams, we will take an active role in this important initiative from 2019.

## Paper and board

Our existing commitments to responsible sourcing apply to the paper and board that we purchase for use in primary and secondary packaging (of products and for packing during transportation). We aim to ensure that 100% of the paper and board we use is either certified to FSC or PEFC standards by 2020.

We are working with our suppliers to ensure the full traceability of their supply chains, based on credible third-party certification, and in 2018 we achieved 90.5% of this target to date (excluding co-packers).

We will use this data to further increase due diligence and transparency in our supply chains, enabling use to work with our supplier to improve origin-level impacts.

# Responsible sourcing continued

## Appendix 1

### Key natural raw materials policy requirements

Our key policy requirements state that natural raw materials must be from sources that:

- are managed in compliance with all applicable environmental, labour and health & safety laws and regulations, and ILO Fundamental Conventions<sup>1</sup>;
- do not contribute towards deforestation or degradation of peatlands of any depth, primary forests<sup>2</sup> or High Conservation Value areas, as defined by the HCV Network<sup>3</sup>;
- are managed in accordance with all applicable tenure and use rights, including the respect of indigenous people's and local communities' rights;
- are not using toxic chemicals (as listed by the Stockholm (POP) Convention)<sup>4</sup>;
- do not use fire to prepare land for replanting and/or waste disposal;
- are managed in a manner that protects biodiversity and ecological processes; and
- actively seek to utilise previously cleared and/or degraded land rather than natural forests. Plantations should optimise the use of agricultural land where appropriate, and not put indirect pressure on forests through overuse of agricultural land in an area.

- 1 <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang-en/index.htm>
- 2 Primary forest is a forest ecosystem with the principal characteristics and key elements of native ecosystems such as complexity, structure, and diversity and an abundance of mature trees, relatively undisturbed by human activity. Human impacts in such forest areas have normally been limited to low levels of hunting, fishing and harvesting of forest products. Such ecosystems are also referred to as 'mature', 'old-growth', or 'virgin' forests.
- 3 'High Conservation Value Areas' refers to the areas necessary to maintain or enhance one or more High Conservation Values (HCV), where an HCV is a biological, ecological, social or cultural value of outstanding significance or critical importance. Specific definition of the six HCV categories is provided in our Standard for the Responsible Sourcing of Natural Raw Materials available on [rb.com](http://rb.com).
- 4 The Stockholm Convention on Persistent Organic Pollutants lists 22 organophosphates, such as DDT, which signatory countries agree to cease making and using other than in specific exceptional cases. POPs can be very widely distributed by wind; they are slow to biodegrade and tend to build up in animal tissue.

### Monitoring compliance

Each year we complete a risk assessment of all natural raw materials used within our products. We use an external company to assess a range of social and environmental criteria to grade the materials we use from low to high priority. The results of this assessment ensure we continue to focus our efforts on the highest priority materials.

Specific due diligence is then performed for materials deemed to be of a higher priority. Our compliance monitoring programme includes suppliers of key natural raw materials, all of whom must comply with our policy which is an integral part of our commercial contracts.

Our compliance monitoring activities include:

- In-depth responsible sourcing programmes
- Traceability and compliance questionnaires
- Supplier engagement including visits, meetings and assessments
- Independent audits

### Working with our suppliers

We are dedicated to working with our suppliers to ensure the responsible sourcing of natural raw materials against our policy and standard. We understand that in some regions or countries, particularly where there are complex and informal supply chains, reliably confirming compliance may be a difficult, complicated and lengthy process. We aim to address any issues identified, ensuring plans are in place to address them. We value an open and honest approach to any occurrences of non-compliance and a genuine commitment to correct these in an appropriate time frame. We believe that working with suppliers to address non-compliance in our supply chain can be a better long-term solution than immediately discontinuing work with them. However, if mutually acceptable solutions cannot be reached within appropriate timescales, we may be required to suspend our business relationship until a satisfactory solution can be found.

# Responsible sourcing continued

## Appendix 2

### Responsible palm oil sourcing

In a global context, RB is a relatively small user of palm oil derivatives, but we are committed to ensuring we have the knowledge we require to ensure we take the actions required to address issues connected to palm oil sourcing, including deforestation. We remain committed to the goal of ensuring that our supply chains are deforestation free by 2020 and other forms of ecological destruction, such as degradation of peatlands (of any depth) or high conservation value areas. We remain a member of the Roundtable on Sustainable Palm Oil (RSPO) and work only with RSPO member suppliers committed to the same goals. In 2018 we also continued to work with other brands to ensure responsible palm oil supply chains can be established at scale.

Our palm oil programme focuses on the following areas:

#### Engaging with suppliers

In 2018 we continued to maintain close, direct relationships with our suppliers to ensure targeted action could be taken upstream from refineries that supply us directly, with other supply chain actors.

We work closely with the international non-profit organisation Earthworm to ensure that we know all of the palm oil mills in our supply chains.

In 2018 we achieved traceability to mill for 88% of all our palm oil-derived products. This now includes India (but excludes surfactants) and the smaller amount of palm oil that is used in our IFCN products. This is the result of work with all of our suppliers and will ensure that we are able to monitor key at-risk geographies in the palm oil growing landscape and invest in transformational programmes that engage refineries, mills and communities where we can have the greatest impacts on efforts to reduce deforestation and improve labour rights.

In 2018 we continued to invest in further improving our understanding of human rights risks linked to palm oil and in taking action to ensure improvement. In 2018, we started a programme of assessing labour management at mill in our supplier supply chains, working with Impactt Consulting in Malaysia and a key supplier. We will further expand this programme in 2019.

We also maintain a programme at a mill in Indonesia, which was featured in reporting by Amnesty International in 2016 and which continues to supply a key refinery in our supply chain. Considerable progress was made in 2018 to deliver new procedures and operating systems and worker engagement. Work will continue in 2019 with external consultants and our supplier.

#### Supply chain analysis

In 2018 we worked with Earthworm to develop a database of the mills in our supply chains that includes information on the programmes and measures we have in place to ensure compliance with our NDPE policy. We are using this information to ensure the development of an effective programme of on-the-ground support to mills in our supplier supply chains. This will also inform our ongoing dialogue with suppliers.

### On-the-ground programmes

We continue to support on-the-ground programmes in 2018, focused on reducing impacts on forests and wider ecosystems by tackling issues at a landscape level through stakeholder engagement alongside direct interventions geared to improve the environmental and socio-economic sustainability of smallholder farmers. These programmes will be informed by the supply chain traceability data outlined above.

#### Landscapes

We will continue to support landscape-level programmes in Aceh Tamiang, Aceh Singkil and East Riau, designed to promote constructive engagement between government, producers, local communities and civil society to develop comprehensive and sustainable land use approaches that respect livelihoods, based on legitimate land tenure. This will be enhanced through our support for local, civil society organisations that will independently monitor progress.

#### Smallholders

We are maintaining our investments in smallholder farmer communities through projects in East Riau, Indonesia and in Sabah, Malaysia. These 'Rurality' programmes focused on continuing to build productive relationships between farmers, buyers and wider supply chain stakeholders to improve livelihoods and preserve the natural environment. In 2019, we will work to ensure the solutions identified by Rurality can be adopted at scale, across the wider landscape. The Rurality programme in East Riau will inform, interact with and benefit from the landscapes programme there, as outlined above.

Further information on our responsible palm sourcing programme can be found on [rb.com](http://rb.com), which will be updated in 2019.