Sustainable and deforestation-free sourcing of materials

Our Haleon position

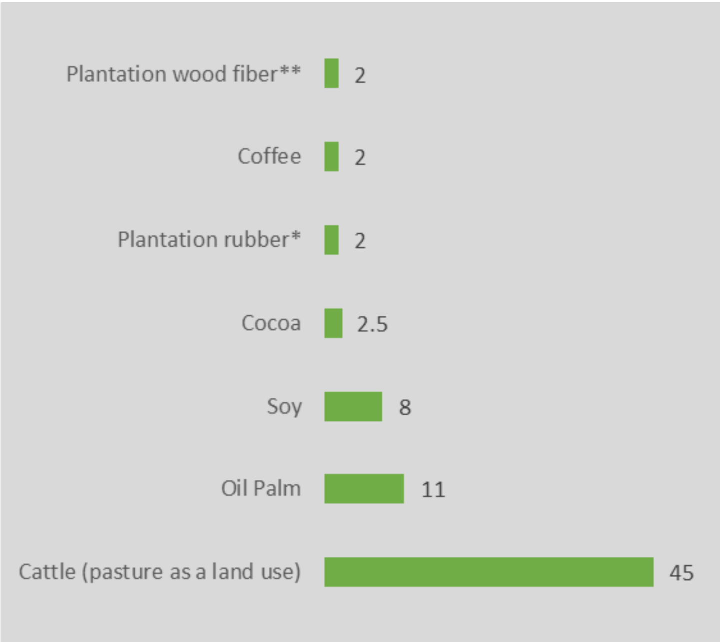
Background

Global forest loss

The loss of the Earth's forests remains of great concern and represents a clear and urgent challenge in two respects: The UN Environment Programme (UNEP) estimates that half of global GDP is dependent on nature.[i] In addition, tropical primary forest loss in 2021 resulted in carbon dioxide emissions equivalent to India's annual fossil fuel emissions.[ii]

The World Resources Institute (WRI) estimates that between 2001 and 2015 over 125 million hectares of tree cover was lost due to the expansion of agriculture and timber plantations.[iii] The WRI has identified seven globally traded commodities as driving over half of this deforestation (see Figure 1 below).

Figure 1 - Forest Risk Commodities: Millions of Hectares of forest lost (2001-2015) to commodities analysed by GRI[iv]



*Rubber data is only available for Brazil, Cambodia, Cameroon, Democratic Republic of the Congo, India, Indonesia, and Malaysia.
**Wood fibre data is only available for Argentina, Brazil, Cambodia, China, India, Indonesia, Malaysia, Rwanda, South Africa, and Vietnam.

Of these seven commodities, there are three that we use in the manufacture and packing of our products (including paper used in packaging).

Haleon and Forest Risk Commodities

We use oleo-chemicals and glycerines, derived from palm oil and soy. We also purchase paper-based packaging materials (ultimately derived from timber/wood fibre). The annual volumes of palm, paper and soy that Haleon uses[1] are low in comparison with total global production volumes (see Figure 2 below). Nevertheless, we take our responsibility to address our impacts seriously and have put in place several measures to address risk in this area (See section: 'Our actions to tackle deforestation, biodiversity, and ecosystem loss').

Fig.2 - Haleon's use of forest risk commodities as a proportion of approximate global production (2021/22)

Forest Risk Commodity	Approximate annual production volume (2021) (MT)[v]	Haleon use as approximate % of global production
Palm oil	72,300,000	0.032
Soy	353,600,000	0.001
Paper	400,000,000	0.014

Our commitment to deforestation-free key ingredient and packaging supply chains

We are seeking to ensure that all of the key agricultural- and forest-derived commodities used in our ingredients and packaging are sustainably sourced and deforestation-free by 2030[1]. We will seek to ensure the farms and plantations our suppliers source from do not and will not replace and/or degrade intact, primary and/or natural forests (as defined by WRI[vi]), including but not limited to forests afforded legal protection and/or that are recognised as scientifically important, based on the definitions below:

- **Protected** - Defined by the International Union for Conservation of Nature (IUCN)[vii] including but not limited to: nature reserves; protected landscapes; and national parks.
- **Scientifically important** - Areas defined as High Conservation Value (HCV) by the HCV approach (HCVA)[viii], primary forest subject to low levels of interference, and High Carbon Stock Forests as defined by the High Carbon Stock Approach.[ix]

[1] All references to Haleon's targets and consumption figures relating to these forest-risk commodities refer to Haleon's globally managed spend only. Globally managed spend covers the majority of our internal spend and expands across some of our third-party manufacturing network.

Our guiding principles

Six principles drive our work with suppliers and other stakeholders to progress our commitment to make the key commodities used in our ingredients and packaging sustainably sourced and deforestation-free by 2030[1]:

1. **Visibility** – Understanding the origins of the commodities we use, the drivers of deforestation and degradation within these areas, and the actions required at source to prevent conversion from forest. Traceability of our deforestation risk commodities back to their origin and monitoring these origins is a critical part of sourcing materials sustainably and deforestation-free.

2. **Acting with humanity** – Protecting the human rights of people and communities that work and live across these commodity supply chains. Understanding links between these rights and forest protection, and vice-versa.

   For more information, please see our ***Human rights policy.***

3. **Collective Action** – Recognising that stopping deforestation in landscapes within which raw materials are produced will require collective action by a range of stakeholders. We will work closely with our suppliers and other actors in our supply chains to achieve our goals more effectively.

4. **Monitoring progress** – Tracking the progress of collective efforts to prevent and reverse forest conversion.

5. **Understanding wider environmental impacts** – Understanding other impacts of commodity supply chains, such as carbon emissions generated through on-going production and forest conversion, water use, and management of waste, and how to prevent and reverse these impacts.

6. **Transparency** – Transparently reporting and disclosing progress towards our 2030 goal to sustainably source key ingredients from deforestation-free supply chains is key. We do this by reporting progress in our ***Annual Report*** and on our website.

Our actions to tackle deforestation, biodiversity, and ecosystem loss

We are committed to applying our guiding principles in practice by taking positive action to address and eliminate deforestation in or related to our value chains. We focus our actions on the palm oil, paper and soy used to produce the ingredients and materials in our products.

Palm Oil

As a higher-yielding crop, palm oil requires less land to produce higher volumes than many other oil crops. However, we recognise the impact that the expansion of palm oil production has had on deforestation and that new and expanded production areas continue to replace and degrade important forests and peatlands. We use two parallel and connected approaches towards achieving our goal to source palm oil sustainably and deforestation-free[1], and, by extension, produced without peatland loss or exploitation, i.e. with respect of human rights (often referred to as a No Deforestation, Peat or Exploitation (NDPE) commitment). These approaches are set out below.

For more information, please see our ***Human rights policy.***

1. *Roundtable on Sustainable Palm Oil Certification*

   In 2022, 92% of our palm oil-derived materials[1] were certified by the Roundtable on Sustainable Palm Oil Mass-Balance (RSPO MB). Under the Mass Balance system, certified and non-certified palm oil is mixed throughout the supply chain, but the quantities of palm oil are carefully monitored to ensure the price paid ultimately rewards certified plantations for their commitment to meet the standards required by the RSPO. These standards prohibit the clearing of High Conservation Value or High Carbon Stock forests and aim to protect the rights of workers, communities, and indigenous people in palm oil producing regions.

   For our remaining palm oil volumes[1] which we are not currently able to certify, we purchase 'credits' directly from RSPO-certified producers. This creates a market for palm oil grown by certified smallholders and incentivises ongoing investments in sustainable production.

   Through RSPO certification and credits, we drive a positive agenda for the future production and trade of palm oil.

2. *Action for Sustainable Derivatives (ASD)*

   Since 2019, we have been a member of Action for Sustainable Derivatives (ASD), a collaborative initiative bringing together companies from a range of industries to tackle supply chain issues around palm oil derivatives. Our membership has helped us to gain greater transparency of the palm oil used by our suppliers by establishing traceability of 98% of volumes to the refineries that supply our factories, 97% of this to palm fruit processing mills and 76% to palm oil plantations in 2022[1]. Understanding where the palm oil is sourced from will help us to work with suppliers and other partners to meet our goal of deforestation-free supply chains by 2030.

We have also participated in ASD's Sustainable Palm Index (SPI) which uses an in-depth third-party evaluation to assess our suppliers' progress on supply chain knowledge, sustainable sourcing practices, and compliance with NDPE principles.

To improve the human rights of workers in our palm oil supply chains, and as part of the ASD Impact Fund, we are supporting two projects in areas of Indonesia where palm fruits used by our suppliers are harvested:

- *Kaleka Mosaik Initiative*: Aims to ensure that all commodities within the areas of the Central Kalimantan district are produced more sustainably and inclusively, including protecting and restoring habitats and ecological corridors vital for wildlife.
- *HERrespect*: A plantation-based programme, run by Sustainable Business Network and Consultancy, BSR, HERrespect aims to improve working conditions for women in the palm oil supply chain.

Monitoring & Grievances – We receive operational and strategic risk monitoring of our palm oil value chains from ASD, sourced from key stakeholders and experts. This enables us to engage suppliers on high priority grievances raised by third parties (e.g. campaigning groups) in order to gain an understanding of the situation on the ground, any mitigation processes in place and any further actions that might be required.

In addition, ASD has partnered with TheTreeMap, the creator of Nusantara Atlas, a geo-platform that utilises satellite imagery to map and monitor deforestation and fires caused by palm oil production in South-East Asia. Together with other ASD members, this will enable us to better understand where forests might be conserved or converted to palm in relevant palm oil production areas, monitor environmental grievances, and verify supplier claims with precise data.

Paper

We aim to achieve deforestation-free supply chains by 2030 for our paper supply chain[1] to help ensure timber plantations do not replace important and legally-protected forests. A key step towards this goal is our work to help ensure all our paper-based packaging[1] is sourced from recycled or Forestry Stewardship Council (FSC) 'Chain of Custody' Certified sources, which "ensures that products come from responsibly managed forests that provide environmental, social, and economic benefits".[x] Where this is not available, we also accept materials certified by PEFC (Programme for the Endorsement of Forest Certification) in non-tropical countries, ensuring materials are ultimately sourced from forests "managed in line with the strictest environmental, social and economic requirements".[xi] This approach represents an important step in the more detailed mapping of our paper packaging supply chains and further efforts to mitigate potential risks of deforestation in our supply chains.

Soy

Relatively, we use a much smaller volume of soy in our products than palm oil and paper. We are working to understand where soy is present in the materials we purchase. Where we are aware of its use, we are seeking to map relevant soy supply chains so we can better assess potential risk. This will enable us to develop a pathway to achieving our target to sustainably source the soy we use by 2030[1]. In the meantime, we will purchase Roundtable on Responsible Soy (RTRS) Credits[xii], which enable RTRS-certified producers to receive payments that are related to the volumes of certified soy they produce.

Working with our stakeholders to achieve our 2030 goal

The realisation of our objective to sustainably source deforestation-free key materials by 2030[1] can only be achieved by working collaboratively with a wide range of stakeholders, as outlined below.

Suppliers – It is crucial that we work proactively and positively with our suppliers to deliver our goals. Working collaboratively with our suppliers enables us to connect with the farms and plantations at the source of supply chains and work to ensure we meet our goals.

Governments – Governments play a crucial role in setting expectations and legal frameworks in relation to the sustainable sourcing of raw materials and natural commodities. For example, in the EU the new Deforestation Regulation aims to curb deforestation caused by EU consumption, detailing increased due diligence requirements and the geo-location of material origins. We will work to ensure compliance with this legislation and similar regulations that might be put in place by other jurisdictions in the future.

Consumers – Increasingly, our consumers want to know about the ingredients used in our products, their origins and sourcing impacts. We want to ensure consumers can trust how we select and source the ingredients used in our products and communicate this to them clearly.

For more information, please see our ***position on trusted ingredients, sustainably sourced.***

Civil Society – Non-governmental organisations (NGOs) have amassed important knowledge of the effects of human development and resulting supply chains on the natural world and human society. Use of this knowledge to campaign on related issues has also enabled them to become important partners to businesses, gathering information and co-developing solutions that deliver positive impacts in up-stream supply chains. Examples include deforestation monitoring and reporting and directly working with grower communities. We are committed to positive engagements that drive forward our commitments, for example those with the RSPO, ASD, FSC and PEFC described above.

Investors – Since 2015, the Taskforce for Climate-related Financial Disclosure (TCFD)[xiii] has evolved from a voluntary set of standards on the impact of organisations on climate change to regulatory requirements (e.g. in the UK, EU and Japan). We use the TCFD to transparently report climate-related risk exposure to investors, lenders, and insurance underwriters. We expect similar disclosure and target-setting requirements to emerge in the future with regards to our impacts on nature and welcome the opportunities associated with developments in this space.

The future

The loss of forests and other ecosystems continues to be a major challenge that must be addressed. In this 'UN Decade on Ecosystem Restoration' we also appreciate that the on-going degradation of forests and other vital ecosystems needs not only to be stopped but also reversed. This was recently formalised at COP15 through the "Kunming-Montreal Global Biodiversity Framework" (GBF)[xiv], which sets out a vision for 2050 in which humans will come to live in harmony with nature.

By seeking to eliminate deforestation from relevant commodity chains and delivering against our six principles set out above, we will make an appropriate and lasting contribution to ensuring ecosystem functions and services are valued, maintained and enhanced.

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[i] UNDP: Beyond GDP: Beyond GDP: making nature count in the shift to sustainability
[ii] The Latest Analysis on Global Forests & Tree Cover Loss | Global Forest Review (wri.org)
[iii] Deforestation Linked to Agriculture | Global Forest Review (wri.org)
[iv] Deforestation Linked to Agriculture | Global Forest Review (wri.org)
[v] Palm Oil and Paper global production sourced from Statista.com; Soy global production sourced from ourworldindata.org
[vi] WRI: Primary Forest Loss | Global Forest Review (wri.org)
[vii] Effective protected areas as defined by IUCN
[viii] Defined by High Conservation Value network: HCV Network | We protect people and nature
[ix] Defined by the High Carbon Stock Approach (HCSA) Steering Group: HCSA Organisation | High Carbon Stock Approach
[x] Certification (fsc.org)
[xi] What you can do - PEFC - Programme for the Endorsement of Forest Certification
[xii] Material RTRS – RTRS (responsiblesoy.org)
[xiii] Task Force on Climate-Related Financial Disclosures | TCFD) (fsb-tcfd.org)
[xiv] Kunming-Montreal Global Biodiversity Framework (cbd.int)