

Raw Material Sourcing Policy



1 Overview

1.1 Purpose

The primary purpose of this Policy is intended to help team members make informed decisions around raw ingredient and material sourcing with regard to social and environmental factors to ensure the long-term economic success of the final products.

It supports the H&H Supplier Code of Conduct, specifically in relation to providing team members with a clear understanding of:

- The H&H policy for selection of ingredients in products.
- The H&H policy for selection of packaging materials of products.

1.2 Scope

This Policy applies to:

- The H&H Group and all subsidiary and affiliate companies over which it exercises control (H&H Group);
- All directors, officers and team members of the H&H Group (which for these purposes includes temporary or contract staff and consultants) **(team members)**;

It is every team member's responsibility to adhere to this Policy.

Every manager must communicate this Policy and ensure that all team members reporting to them within their area of responsibility understand and comply with this Policy.

The Board of Directors is committed to supporting this Policy. The H&H Group Executive Team is responsible for establishing and implementing this Policy.

1.3 External Standard

This Policy follows the ten principles of the United Nations Global Compact, a voluntary initiative aiming to mobilize a global movement of sustainable companies and stakeholders. The ten principles are:

Human Rights

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
- **Principle 2:** make sure that they are not complicit in human rights abuses.

Labour

- **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4:** the elimination of all forms of forced and compulsory labour;
- **Principle 5:** the effective abolition of child labour; and
- **Principle 6:** the elimination of discrimination in respect of employment and occupation.

Environment

- **Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

WE SUPPORT



2 Policy

2.1 Preamble

- The H&H Group recognizes that as an organisation, we are at an inflexion point where greater scrutiny, greater risks and greater opportunities collide. We strive to create shared value for the community, our customers and the business.
- The H&H Group has made sustainability a standing item at all future board meetings to ensure that continuous progress is made towards achieving its goals and embedding sustainability into its business.
- Employing sustainability principles in the selection of product ingredients and product packaging has been recognised as a critical component of H&H's sustainability commitment.

3 Known Product Category Hotspots

*The following product category raw materials contain environmental, social, or animal welfare hotspots or risks. Please refer to Item 8 **Ingredient Hotspots** for a list and explanation of the hotspots. It is important to note these are known industry hotspots and not necessarily hotspots of H&H Group's existing product materials or an exhaustive list of all possible hotspots.*

Vitamins and supplements raw materials:

- Animal derived ingredients
- Botanicals and other grown ingredients
- Marine derived ingredients
- Chemically derived ingredients
- Ingredient animal testing

Skincare raw materials:

- Animal derived ingredients
- Botanicals and other grown ingredients
- Chemically derived ingredients
- Ingredient animal testing
- Ingredient impact on consumer health

Infant and toddler formula raw materials:

- Animal derived (Specifically dairy) ingredients
- Palm oil, Palm kernel oil and other derivate ingredients
- Feed production for animal derived ingredients

Diapers and Baby Accessory raw materials:

- Paper and pulp ingredients
- Chlorine bleach used during raw materials processing

Snack and packaged foods raw materials:

- Animal derived ingredients
- Botanicals and other grown ingredients

Packaging raw materials:

- Paper and Cardboard
- Glass
- Metals
- Plastics



3.1 Minimum Considerations

The following principles, at a minimum, are to be considered in the selection of Priority Ingredients:

- Is the origin of the ingredient (e.g. country/region/site) known?
- What source is traceable for that ingredient? For example, can the ingredient be traced to factory, processing facility or to the farm.
- One of the Ingredient Hotspots for that type of ingredient to be considered, and information from the supplier gathered.

The following principles, at a minimum, are to be considered in relation to selection of Primary Packaging Materials:

- Is the packaging material recyclable? If yes, will the material still be recyclable when combined with the other components that make up the finished good's packaging?
- Can the packaging be manufactured using recycled materials?
- One of the ingredient hotspots for that type of material to be considered, and information from the supplier relating to that hotspot to be gathered.

3.2 Operationalising the sustainability principles

The minimum considerations are to be integrated into relevant H&H processes such as Stage Gate for New Product Development and Existing Product Development. Procedures and/or checklists are to be prepared to support operationalisation of the sustainability principles.

Leading subject matter expert groups are to be consulted, to assist with operationalisation of the sustainability principles. These groups may change from time to time as appropriate, if you are unsure of who the subject matter expert is please get in contact with your local sustainability team member or champion.

4 Roles and Responsibilities

4.1 Board of Directors

The Board of Directors (“The Board”) provides strategic direction and has ultimate responsibility for sustainability governance.

4.2 Executive Team

The Executive Team is responsible for the implementation of policies, strategies, programs and management of related risks that concern key public policy and sustainability matters in line with The Board.

4.3 Innovation Team

The Innovation Team is the team that has final approval to enter production of a new line of product. This can sit in a different function depending on the entity and/or location, but typically consists of either project management team members, marketing team members, or supply team members. The Innovation Team is responsible for the implementation of this policy as decision maker on the selection and procurement of raw materials and ingredients.

5 Communication and Training

The H&H Group will ensure that all team members involved in the design, procurement and management of products, are informed about and understand this Policy and that the Policy is readily available for all team members at any time.

6 Definitions

Sustainability – Corporate sustainability starts with a company’s value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption.

Priority Ingredients – Ingredients, both active and inactive that combined make up at least 80% of the total spend on ingredients.

Primary Packaging Materials – Materials that make up >80% of the product packaging in its final form presented to the consumer.

7 Supporting Documents

- The International Union for Conservation of Nature (IUCN) Red List of Threatened Species
- The H&H Group Supplier Code of Conduct

The H&H Supplier Code of Conduct covers H&H expectation of suppliers with respect to Business Practices, Responsible Sourcing, and Health, Safety and Quality. H&H expects suppliers to implement and maintain an environmental management system or similar process to measure, manage and minimise adverse environmental impacts, including:

- Non-renewable energy consumption
- Waste management
- Water management
- Greenhouse gas emissions minimisation

Implementation of the H&H Supplier Code of Conduct is being phased in, beginning with new suppliers. Suppliers not agreeing to the Code of Conduct will not be engaged by H&H Group.

- The H&H Group Quality Charter
- The Sustainability Consortium’s Thesis Industry KPI lists (access available through your local H&H Sustainability team member)

8 Ingredient Hotspots

Environmental, Social, Governance and other areas of risk have been identified under the following raw material categories.

	Animal welfare	Environmental	Social
Animal derived (including dairy) ingredient	<ul style="list-style-type: none"> Treatment of animals across antibiotic use, housing, nutrition, handling, transportation, and slaughter, and testing of raw materials and ingredients can cause harm and distress to animals. 	<ul style="list-style-type: none"> Feed production for animal derived ingredients can cause climate change, deplete resources, and contribute to environmental and human health impacts. Digestion processes in cows and manure when not properly managed produce enteric methane and other greenhouse gases, which can contribute to climate change. 	<ul style="list-style-type: none"> Farm workers can develop serious health problems from exposure to chemicals and dust and physical injury from working with farm animals.
Botanicals and other grown ingredients (Including Palm oil, Palm kernel oil and other Palm derived ingredients) hotspots		<ul style="list-style-type: none"> Can have a negative impact on climate change, deforestation and biodiversity. 	<ul style="list-style-type: none"> Can have a negative impact on workers and local communities
Marine derived ingredient hotspots		<ul style="list-style-type: none"> Can cause biodiversity loss and deplete resources 	
Chemically derived ingredients		<ul style="list-style-type: none"> Can deplete resources including water and contribute to pollution and climate change Some ingredients do not biodegrade and may accumulate in or cause toxicity to aquatic life after consumer use. (Skincare only) 	<ul style="list-style-type: none"> Production operations may expose workers involved in the production to harmful chemicals resulting in injury and illness.
Plastics		<ul style="list-style-type: none"> Electricity generated to power plastics conversion can contribute to climate change and deplete resources The use of crude oil and natural gas in the production of plastic resins can lead to resource depletion. Landfilling or incinerating plastic packaging represents a loss of recoverable materials and can lead to air, land and water pollution. 	

8 Ingredient Hotspots (Continued)

	Animal welfare	Environmental	Social
Paper and Cardboard		<ul style="list-style-type: none"> Paper and pulp sourcing can lead to biodiversity loss, water and soil impacts and climate change Electricity generated to produce absorbent materials cans cause climate change, deplete resources and impact human health. Chlorine bleach used during raw materials processing can cause emissions that impact environmental and human health. 	<ul style="list-style-type: none"> Chlorine bleach used during raw materials processing can impact human health. Forestry operations can violate labor and community rights.
Glass			<ul style="list-style-type: none"> Workers in silica mines and glass processing facilities can develop serious health problems and physical injury from occupational hazards.
Metals		<ul style="list-style-type: none"> Metal mining and fabrication can deplete natural resources, cause ecosystem damage and lead to greenhouse gas emissions 	

9 Implementation and Monitoring

Implementation and monitoring management approach to be developed and updated in 2020

10 Questions relating to this Policy

Any questions in relation to this Policy and its application should be directed to:

- your Manager; or
- the Innovation Team; or
- the H&H Group Risk & Compliance Team; or
- the Global H&H Sustainability Team Member

11 Policy Approvals and Document Revision History

Policy	Approvals	Reason for Issue	Effective Date
Raw Material Sourcing Policy	Akash Bedi & Patrice Malard	New Policy	12/12/2019

