

# Spotlight On... Suppliers

Colgate works with thousands of suppliers worldwide who provide the goods and services required to produce and market our products. We look at price, quality, service, innovation and availability, as well as other factors in our procurement decisions. Often, much of the environmental impact of our products comes further upstream in our supply chain. Therefore, we work closely with our suppliers, as illustrated below.

## Supplier Code of Conduct

Colgate people are committed to the highest standards of integrity and full compliance with the Company's Code of Conduct. It is our goal to ensure that our relationships with our supplier partners reflect and support the same high ethical standards.

Colgate's Supplier Code of Conduct is provided to suppliers, and Colgate's contracts and purchase orders require suppliers to abide by the Code's standards, including applicable labor and equal-employment laws, as well as Environmental, Occupational Health and Safety regulations, and to the Foreign Corrupt Practices Act and Anti-Bribery Policy. The Company's Supplier Code of Conduct sets the Company's expectations for suppliers in a number of critical areas, including labor practices, environment, health and safety, human rights, ethical dealings and management systems. The Supplier Code of Conduct is modeled on International Labor Organization (ILO) standards.

## Supply Chain Integrity

Colgate's Enhanced Supplier Management program monitors the quality and service of our suppliers in order to maintain the integrity and quality of Colgate products around the world. A key element of Colgate's supplier management program is a comprehensive auditing program of suppliers' facilities and operations. This involves a complete audit process and set of tools for assessing and working with suppliers to ensure compliance with Colgate standards for quality and service excellence. The program is used both for existing suppliers and for qualification of new suppliers.

### Key Supplier Policies



- Supplier Code of Conduct
- FCPA and Anti-Bribery Policy



2015 Goal:

**70%**

of Colgate's suppliers in at-risk industries, geographies or environments will undergo a responsible sourcing self-assessment and/or third-party audit.

## Supplier Responsible Sourcing Assessments

Managing responsibility across the supply chain for all of our suppliers and products is a complex process. In 2012, we launched a number of new programs and tools to help increase certainty that our suppliers are operating responsibly. Colgate's Supplier Responsible Sourcing Assessment Program is one important new initiative. We use an industry-standard self-assessment questionnaire focused on labor practices, health and safety, environmental management and business practices to assess suppliers. When suppliers are assessed as high-risk, we perform third-party audits of their facilities.

Colgate has also joined SEDEX, the Supplier Ethical Data Exchange, which is the largest collaborative platform for sharing ethical supply chain data, as well as AIM-PROGRESS, a global industry forum to promote responsible sourcing practices and sustainable production systems. Through these platforms, suppliers share assessment and audit data with other manufacturing companies that often share the same suppliers, enabling us to gain information more efficiently and relieving the burden of "audit fatigue" on suppliers.

We have also participated in capacity building sessions through the AIM-PROGRESS forum that are designed to improve suppliers' social and environmental performance. The sessions explain the responsible sourcing assessment process and prepare suppliers for assessments and audits of their facilities. We have participated in events in Latin America, North America and Europe.

2015 Goal:

**70%**

of suppliers responding to the CDP Supply Chain Partnership Survey will set an energy reduction target.



## Engaging Suppliers on Climate and the Environment

In addition to our efforts to decrease greenhouse gas emissions associated with our own operations, we have also participated in CDP's Supply Chain Leadership Collaboration Project since its inception in 2008, increasing the scope of suppliers each year. By working with this program, Colgate gathers data to obtain a better understanding of our overall environmental footprint.

- In 2012, 85 percent of our largest suppliers (based on total direct material spend) reported through the CDP Supply Chain survey.
- Over 40 percent of our suppliers responding through the CDP Supply Chain survey have set an energy reduction target.
- We encourage suppliers with operations in the U.S. to join the U.S. EPA ENERGY STAR program as a Partner company.
- We also have a continuous improvement program involving suppliers around the world called "Manos a la Obra." With this program, we review continuous improvement opportunities that help suppliers improve their overall competitiveness.

## Responsible Sourcing of Forest Commodities

Many consumer products contain ingredients or packaging that can be labeled as forest commodities because they come from trees – as in paper and packaging – or from agricultural cultivation on land that has been deforested. Deforestation leads to biodiversity loss and accounts for approximately 15 percent of the world's greenhouse gas emissions, the equivalent of the entire transportation sector. According to CDP, the main driver of deforestation globally is land use change for agriculture.

Colgate has strategies to govern the responsible sourcing of these forest commodities, and we are seeking opportunities for continual improvement. We responded to the Forest Footprint Disclosure for the first time in 2012, and will do so again as part of CDP Forests in 2013.

### Recycled Content

Approximately

**35%**

of our packaging materials globally come from recycled sources.



Our 2011 to 2015 goal is to increase recycled content by

**20%.**

## Paper and Board

Much of Colgate's packaging material is derived from wood-derived or paper-based products. Colgate strives to purchase paper packaging from well-managed forests or from recycled material when available. We understand the priority of purchasing certified wood-derived products in order to prevent illegal logging, deforestation and conversion of old-growth forests to monoculture plantations.

Our procurement teams are now asking companies that sell paper products a series of sustainability questions. In 2011, we undertook an internal mapping to understand how much of our purchases come from suppliers that had been certified by reputable organizations: approximately 70 percent of our spend came from suppliers certified by groups such as the Forest Stewardship Council (FSC), the Programme for Endorsement of Forest Certification Schemes (PEFC) and the Sustainable Forestry Initiative (SFI).

We also have a goal to increase the recycled content in our packaging by 20 percent by 2015, and thus avoid the use of new paper and board. Today, approximately 35 percent of our packaging materials globally come from recycled sources (includes both paper and other recycled materials).

## Tallow

Tallow is a key ingredient in bar soap production and is derived from cattle. Colgate sources tallow from suppliers in North America, Latin America and Europe. In Brazil, there are concerns that rising demand for cattle is prompting farmers to clear parts of the Amazon rainforest for cattle ranching. We therefore require suppliers to certify that they are following the environmental and social requirements set forth by the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA).

We're also working to minimize the amount of tallow purchased from high-risk areas. For example, we now have the capacity to process lower-grade tallow in our manufacturing facility in Brazil, allowing us to purchase tallow from a wider-range of suppliers in non-high-risk areas who cannot supply the higher grade necessary for soap manufacture.



Colgate's tallow suppliers must certify compliance with the environmental requirements set forth by the Brazilian Institute of Environment and Renewable Natural Resources.

## Palm Oil

Palm oil is the most widely traded vegetable oil in the world, and is used in many food and household products. Over 85 percent of the world's palm oil comes from Indonesia and Malaysia, where land is sometimes converted from forest to palm plantations, resulting in greenhouse gas emissions, impacts on biodiversity and social concerns.

We've long been committed to identifying sources of certified sustainable palm oil and derivatives or to replacing palm oil derivatives with alternative ingredients in Colgate products. While palm oil and palm oil derivatives are important ingredients for Colgate, less than approximately 0.2 percent of the combined palm oil output of Malaysia, Indonesia and Thailand is sold to the Company. (It is important to note that Colgate's need is for palm kernel oil, a palm oil derivative, rather than crude palm oil. There remains limited annual production of palm kernel oil.)

In 2007, Colgate joined the Roundtable on Sustainable Palm Oil (RSPO), an organization working to develop standards in conjunction with government and owners to ensure palm oil is grown and harvested in a sustainable manner. Additionally, Colgate is a member of an industry consortium, the Coalition on Sustainable Palm Oil, with the mission of accelerating the availability of sustainable palm oil and its derivatives.

We continue to support a moratorium on further deforestation by palm oil producers and have communicated that position to our suppliers who have direct contact with the producers. In 2009, Colgate committed to purchasing palm oil and palm kernel oil from RSPO members only and advised each of its suppliers of that commitment. During these discussions we also confirmed that none of the palm oil or its derivatives should be sourced from the Borneo region. Subsequently, a target date of 2015 was established for purchasing 100 percent certified sustainable palm oil for our products.

Consistent with this commitment, and recognizing the current insufficient supply, Colgate is taking the interim step, starting in 2013, of purchasing GreenPalm Certificates sufficient to cover 100 percent of our requirements. This establishes a new target date of 2020 for buying certified sustainable palm oil and derivatives to ensure the sources can be tracked from plantation to product.

We will continue to meet with suppliers in different parts of the world to understand their capabilities, their availability of certified sustainable products and the costs. We are also working to find creative substitutes to palm kernel oil in our products.

As is our practice, we will report our progress annually to the RSPO and within our Sustainability Report.

### Commitment



Starting in 2013, Colgate will purchase GreenPalm Certificates to cover 100% of palm oil and derivatives used in our products.

## Encouraging Supplier Diversity

Colgate works with selected diverse suppliers in North America to build their business capabilities, improve their ability to respond to requests for proposals and their understanding of the business requirements of corporate customers. Our Supplier Diversity team in the U.S. encourages increased and expanded business relationships with minority-owned and women-owned businesses, building strong diverse suppliers and developing mutually beneficial supply relationships, while strengthening the communities in which Colgate consumers live and work. We have made a substantial and ongoing commitment to supplier diversity, both with direct suppliers and with their suppliers.

Colgate participates as a member of the National Minority Supplier Development Council, Women's Business Enterprise National Council and the City of New York Corporate Alliance program in mentoring women and diverse suppliers in the areas mentioned above. Colgate has also provided education and training for women and diverse suppliers in understanding and fielding business requests.

One of our key priorities has been the execution of Supplier Days, in which we invite suppliers in a spend category to Colgate for a business-to-business exchange of information on capabilities and opportunities.



## Rewarding Excellence

In New York City, Colgate holds an annual Supplier Diversity Awards Ceremony to celebrate the outstanding performance of diverse suppliers and Colgate advocates.