



RCL's Sustainable Supplier Program

The Sustainable Supplier Program (SSP) at RCL is a structured framework we employ to evaluate, monitor, and enhance the sustainability performance of our suppliers. By keeping track of our suppliers' environmental and social contributions, we can assess their alignment with our sustainability objectives.

Objective and Purpose

The primary goal of RCL's SSP is to elevate the environmental and social practices of our Suppliers while simultaneously mitigating risks and reducing costs. In certain cases, the SSP also aims to generate mutual value for both RCL and its suppliers. The Program typically comprises three elements:

1. A policy or commitment from RCL that delineates our expectations regarding supplier conduct.
2. A methodology for gauging supplier performance against these expectations.
3. A system of rewards or penalties based on compliance or non-compliance with these expectations.

Benefits of RCL's Sustainable Supplier Program

RCL's Sustainable Supplier Program (SSP) sets forth a series of guidelines and standards that we expect our suppliers to adhere to as part of their business relationship with us. The SSP primarily focuses on enhancing the environmental and social aspects of our Suppliers' operations.

Implementing the SSP brings numerous benefits both for RCL and for our suppliers. For RCL, it ensures a more sustainable and responsible supply chain, which enhances our reputation and contributes positively towards achieving bottom-line results. For suppliers, it provides a clear framework to improve their sustainability practices while strengthening their relationship with us.

The Elements of RCL's Successful Sustainable Supplier Program

1. Transparent and straightforward communication of expectations to Suppliers through events like **RCL's Supplier Day**.
2. Mechanisms for monitoring and reporting progress such as **On-site supplier visits**.
3. Rewards or penalties based on performance, exemplified by our **Supplier Award**.
4. A plan for continuous improvement to drive ongoing progress such as **Supplier Performance Evaluation**.



Target Goals

By 2024, we aim to have 95% of our procurement spending sourced from suppliers who commit to comply with RCL's Supplier Code of Conduct.

Additionally, we target having environmental, labor, and human rights requirements clauses in contracts with 25% of our suppliers.

Conclusion

The importance of sustainability supplier programs is growing in the business landscape. It's evident that these Programs can significantly benefit both businesses and their suppliers. These programs enable companies like RCL to ensure ethical practices within their supply chains while also helping them achieve environmental objectives. With various approaches available, supplier sustainability programs can assist businesses in establishing enduring Supplier with trusted suppliers and enhancing their community reputation.

1. Supplier Performance Evaluation

The concept of supplier performance evaluation in the context of a Supplier Sustainability Program involves assessing and monitoring the suppliers' performance based on various criteria, including their commitment to sustainable practices. This could include factors like environmental impact, labor practices, ethical sourcing, waste management, and energy efficiency.

Objective: The primary objective of this evaluation is to ensure that suppliers are adhering to the standards set by our company's sustainability program. It aims to promote responsible sourcing and encourage suppliers to adopt environmentally friendly and socially responsible practices. The evaluation can also help identify areas where suppliers may need support or training to improve their sustainability efforts.

A roadmap for the supplier performance evaluation

1. **Define Evaluation Criteria:** Identify key performance indicators (KPIs) related to sustainability such as carbon footprint, water usage, waste management, labor rights compliance etc.

Key performance indicators (KPIs) for supplier performance evaluation:

1. **Quality of Service:** This KPI measures the quality of goods or services provided by the supplier. It can be evaluated based on the number of defects, compliance with specifications, and feedback from customers.
2. **Delivery Performance:** This KPI assesses the supplier's ability to deliver goods or services on time. It can be measured by comparing the planned delivery date with the actual delivery date.
3. **Cost Management:** This KPI evaluates the supplier's ability to provide goods or services at competitive prices without compromising quality. It could also consider their ability to manage costs effectively, which can be assessed through cost verification (CV) process.
4. **Sustainability Compliance:** This KPI measures the supplier's adherence to sustainability standards and regulations. It can be evaluated based on the supplier's compliance with environmental laws, labor rights, fair trade practices, and other relevant sustainability criteria.
5. **Carbon Footprint:** This KPI assesses the supplier's impact on the environment in terms of greenhouse gas emissions. The lower the carbon footprint, the more sustainable the supplier is considered to be.
6. **Waste Management:** This KPI evaluates how effectively a supplier manages waste from its operations. Suppliers who minimize waste or have effective recycling programs in place would score highly on this indicator.



2. **Develop Scoring System:** Create a scoring system for each KPI. This will provide a quantitative measure of the supplier's performance.
3. **Communicate Expectations:** Clearly communicate these criteria and expectations to all vendors.
4. **Regular Assessment:** Conduct regular evaluations using these criteria and scoring system.
5. **Provide Feedback:** Share the results with the suppliers along with suggestions for improvement if necessary.
6. **Monitor Progress:** Keep track of each supplier's progress over time and encourage continuous improvement.

The target of Supplier Performance Evaluation

Our target is to achieve a minimum of 90% supplier scoring pass rate. This means that we aim for at least 90% of our suppliers to meet or exceed our sustainability performance criteria. This target underscores our commitment to promoting sustainable practices within our supply chain.



2. RCL Supplier Day

RCL is committed to promoting sustainable business practices throughout its supply chain. To further this commitment, we plan to organize an annual event called "RCL Supplier Day". This event will be designed to encourage our suppliers to integrate Environmental, Social, and Governance (ESG) principles into their business operations.

Our Supplier Day will bring together a diverse group of participants from our supply chain. This includes our top-tier suppliers who already demonstrate strong ESG performance, potential collaborators who can help us drive sustainability in the ocean-freight industry, and those suppliers who may have ESG risks but show potential for improvement.

The key content of the event will focus on areas of sustainability that are crucial in the ocean-freight industry. These include corporate governance and business ethics, climate change adaptation and mitigation strategies, and respect for human rights in all aspects of business operations.

We aim to share best practices from within our industry and beyond, providing benchmarking opportunities for our suppliers. By emphasizing these topics, we hope to inSSPre action among our suppliers to improve their sustainability performance. We believe that understanding the importance of ESG integration can help them become more resilient and sustainable businesses in the long term.

A significant part of this event will be the "Supplier Award" ceremony. This award will acknowledge and celebrate suppliers who have demonstrated exceptional performance in various areas such as environmental stewardship, social responsibility, operational efficiency, and innovation.

Through RCL Supplier Day, we aim not only to promote sustainable practices but also foster stronger relationships with our suppliers. We believe that by working closely with them, we can create a more sustainable and efficient supply chain that benefits all stakeholders involved.

The objectives of RCL's Supplier Day:

1. **Promote Sustainable Practices:** To encourage suppliers to integrate sustainable practices into their business operations, in line with RCL's commitment to sustainability.
2. **Enhance Collaboration:** To strengthen relationships and foster collaboration between RCL and its suppliers, aiming for mutual growth and success.
3. **Educate on ESG Integration:** To educate suppliers about the importance of Environmental, Social, and Governance (ESG) factors in their operations.
4. **Share Best Practices:** To provide a platform where suppliers can share and learn from best practices within the industry.
5. **Risk Management:** To help suppliers identify potential ESG risks in their operations and provide guidance on how to mitigate them.



A proposed roadmap for planning RCL's Supplier Day in June 2024:

1. **January - February 2024:** Establish the event committee and define the objectives, goals, and key themes of the event. Begin identifying potential suppliers to invite.
2. **March 2024:** Finalize the list of invitees and send out "Save the Date" notifications. Start planning the event's agenda, including speakers, workshops, and networking.
3. **April 2024:** Confirm speakers and workshop leaders. Start developing promotional materials and an event website or landing page.
4. **May 2024:** Send out official invitations with details of the event's agenda. Begin a series of reminders via email or other communication channels to encourage attendance.
5. **Early June 2024:** Finalize all logistics such as venue setup, catering, audio/visual equipment etc., confirm attendance with all participants.
6. **Mid-June 2024:** Host RCL Supplier Day.
7. **Late June - Early July 2024:** Conduct a post-event survey to gather feedback from attendees for future improvement and share key takeaways from the event with all participants.

The goals of RCL's Supplier Day:

1. **Improved Sustainability Performance:** The ultimate goal is to see an improvement in the sustainability performance of our suppliers, contributing positively to the environment and society.
2. **Stronger Supplier Relationships:** We aim to build stronger, more collaborative relationships with our suppliers which will benefit both parties in the long run.
3. **Increased Awareness of ESG Factors:** We hope that through this event, there will be increased awareness and understanding among our suppliers about the importance of ESG factors in today's business landscape.



3. On-Site Supplier Visits

RCL's Sustainable Supplier On-Site Visit Program

This program is a key part of our Sustainable Supplier Program (SSP). It involves regular on-site visits to our suppliers' operations. The purpose of these visits is to assess, monitor, and verify the sustainability practices of our suppliers first-hand.

Objective:

The primary objective of the RCL's Sustainable Supplier On-Site Visit Program is to ensure that our suppliers are adhering to the guidelines set out in our SPI. These visits will allow us to:

1. Evaluate and monitor the environmental, labor, and human rights practices of our suppliers.
2. Identify areas where suppliers can improve their sustainability performance.
3. Foster open communication and build stronger relationships with our suppliers.
4. Encourage continuous improvement in sustainability practices across our supply chain.

A roadmap for the on-site supplier visits scheduled for 2024:

1. Q1 2024: Planning and Preparation
 - Identify key suppliers to be visited based on procurement spend, criticality, and risk factors.
 - Develop visit objectives tailored to each supplier, focusing on sustainability practices.
 - Schedule visits and communicate plans with suppliers.
2. Q2-Q3 2024: Execution of On-Site Visits
 - Conduct visits according to the schedule.
 - Assess suppliers' sustainability practices and compliance with RCL's Supplier Code of Conduct.
 - Document findings and provide feedback to suppliers.
3. Q4 2024: Review and Follow-Up
 - Analyze visit outcomes and identify areas for improvement.
 - Share insights with relevant stakeholders in RCL.
 - Develop action plans for suppliers needing improvements in their sustainability practices.

The goals of on-site supplier visits

The target is to complete 100% of planned on-site supplier visits by the end of 2024.