Climate change

Climate change

OUR PERFORMANCE IN 2019

Aim	2019
40% reduction in greenhouse gases (GHG) from manufacturing by 2020	**42%** [1†] reduction per unit of production vs 2012
35% reduction in energy consumption by 2020	**22%** [1†] reduction per unit of production vs 2012
100% renewable electricity by 2030	**33%** [2†] use of renewable electricity
1/3 reduction in our carbon footprint per dose by 2020	**6%** [3†] since 2012

† Assured by ERM CVS as part of their limited assurance scope; for details, see our Sustainability governance, reporting and assurance insight.
1 Excludes IFCN and covers manufacturing and warehousing only.
2 For manufacturing only.
3 Excludes IFCN.

Climate change is a significant issue for us and through our own actions we're determined to do our part to deliver global climate change targets.

Introduction

There has been a huge shift in public concern and scientific understanding of the global climate challenge faced by the world today. We have been on a journey over the last decade to develop our understanding of environmental sustainability, the impacts and consequences of climate change and the role we must play.

We recognise the threats posed by climate change not just to our business, but to whole ecosystems and societies around the world, from changing weather patterns, including floods and droughts, to economic migration and threats. Climate change is a significant issue for us and through our own actions we're determined to do our part to deliver global climate change targets.

Our new commitment

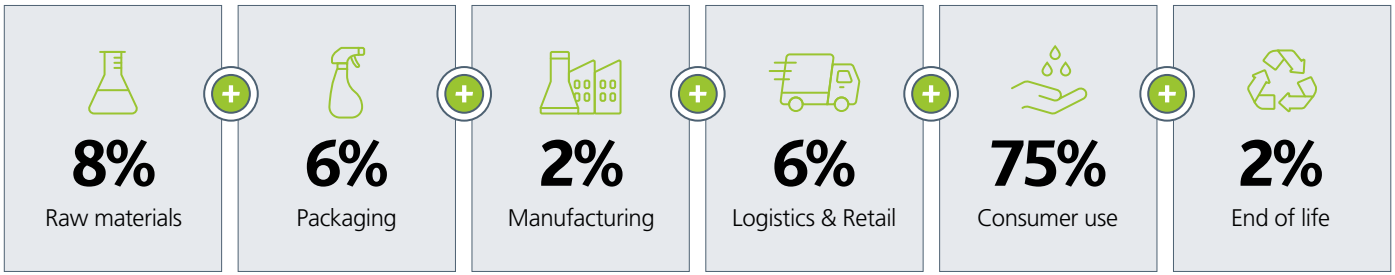
In June 2020, we pledged to accelerate the delivery of the Paris Climate Change Agreement to keep global warming to below 1.5°C. We have committed to reduce carbon emissions from our sites by 65% and to power our operations with 100% renewable electricity by 2030, with the ambition of net zero carbon emissions by 2040 - a decade ahead of the world's goal of 2050.

We're pleased with the progress we've made in reducing the carbon emissions directly under our control because they come mainly from our manufacturing sites. However, our biggest challenge is that more than 75% of our carbon footprint comes from consumers using our products, with another 6% from our transport of goods around the world. This is complex, slow and difficult to deal with, and reducing our emissions in those areas is proving a challenge. Take, for example, our Finish dishwashing products. Their carbon footprint involves consumers using electricity to power their dishwashers as well as the energy used to produce the Finish product itself.

This means we need to do more about the way our products are used as well as how we make them. This includes considering the design of products and their packaging, the ingredients we use, and the energy and water associated with every aspect of their use. These include the way we deliver them to consumers, and the way consumers then use and dispose of them. We can reduce the ultimate footprint by using different ingredients, using recyclable or recycled packaging and improving product design so that our brands can be used with less water or energy. Achieving this involves working with our suppliers, including farmers in the case of dairy, and at the other end of the value chain appliance manufacturers and consumers. This allows us to reduce emissions over time.

The interrelationship of climate change and water stress is another area of focus for us. Some of our largest and fastest-growing markets, such as the Middle East and India, are in water-stressed areas, and adapting products for this environment adds another layer of complexity. For information on how we manage our water resources, see our Water insight.

Our carbon footprint



Due to rounding, the total figure does not add to 100%

Climate change continued

Reducing our carbon emissions in line with global requirements is a complex process. We need to consider the carbon impact we have throughout our value chain, and set targets that mean we are playing our part in delivering global goals on climate change. Our value chain, from the origins of raw materials, through manufacturing of products to their subsequent use and disposal, is complex. Reducing carbon emissions in one part of the chain may affect emissions in another. For example, we might produce concentrates to reduce packaging material and reduce carbon emissions from transport, but we must weigh this against the fact that consumers may have to heat and add water when using our products. We will be using a science-based target approach to help manage that complexity and help us to see what steps we need to take to help achieve those global goals, to keep global warming within 1.5°C.

Added to that, with the impact of climate change, many of the more water-stressed regions where we operate are also those with greater difficulty in reaching hygiene and health services – making access to our products all the more important. We need to look at the full context of each and every product, and ensure that in our drive to reduce emissions, we arrive at the right outcome for our consumers and our planet.

EXPLAINING SCOPES 1, 2, AND 3

- Scope 1 emissions – direct emissions that are under our control, for example the combustion of fuel used at our manufacturing sites
- Scope 2 emissions – indirect emissions from the generation of purchased electricity, heat or steam we use at our sites
- Scope 3 emissions – all other indirect emissions from sources we do not own and have limited control over, for example from the ingredients we buy, the packaging we design, and from disposal and consumer use

Review of progress against our targets

Greenhouse gases (GHGs) from manufacturing

Aim

40%

reduction in greenhouse gases (GHG) from manufacturing by 2020

2019

42%†

reduction per unit of production vs 2012

† Assured by ERM CVS as part of their limited assurance scope; for details, see our Sustainability governance, reporting and assurance insight. Excludes IFCN and covers manufacturing and warehouse only.

During 2019, we continued to reduce greenhouse gas emissions from our manufacturing and warehousing operations, and are pleased that we have achieved our GHG target a year ahead of schedule. This was partially due to energy savings but a more significant contribution came from using more renewable energy. Indeed, 79% of electricity used in our Hygiene factories now comes from renewable sources.

Renewable electricity

Aim

100%

renewable electricity by 2030

2019

33%†

use of renewable electricity

† Assured by ERM CVS as part of their limited assurance scope; for details, see our Sustainability governance, reporting and assurance insight. For manufacturing only.

Since joining RE100, the global initiative to use 100% renewable electricity by 2030, we have more than doubled our use of renewable electricity. In 2019, we switched more of our supply in areas such as South East Asia and India either to renewable electricity contracts, direct renewable power purchase agreements (PPA) or by investing in on-site renewables. For example, following the lead of our plants in the US, EU and Mysore in India, additional sites at Sitarganj, Baddi and Hosur, also in India, now buy renewable electricity. Three of our sites (Mira, Shashi and Sitarganj) are also using solar power for thermal renewable energy to heat water.

Energy and Greenhouse gas (GHG) data

Energy usage	Units	2012	2013	2014	2015	2016	2017	2018[2]	2019†	Change vs 2018	Change vs 2012
Energy use per unit of production	GJ per 1,000 CU	0.4704	0.4488	0.4130	0.3959	0.3939	0.3767	0.3640	0.3672	0.9%	-21.9%
GHG emissions per unit of production[1]	tCO_2e per 1,000 CU	0.0402	0.0392	0.0374	0.0347	0.0313	0.0278	0.0260	0.0232	-10.8%	-42.2%

Note: all data for manufacturing and warehouses unless otherwise stated.
1 GHG emissions data are in line with scope 1 and 2 GHG protocol market-based approach.
2 Pre-acquisition data for our IFCN business is not available. To ensure like-for-like comparisons, target performance trends vs. 2012 exclude IFCN. Including IFCN, 2019 manufacturing data and warehouse GHG emissions were 0.0424 tCO2e per 1,000 CUs and energy use was 0.6453 GJ per 1,000 CUs.
† Assured by ERM CVS as part of their limited assurance scope; for details, see our Sustainability governance, reporting and assurance insight.

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Energy consumption

Aim
35%
reduction in energy consumption by 2020

2019
22%†
reduction per unit of production vs 2012

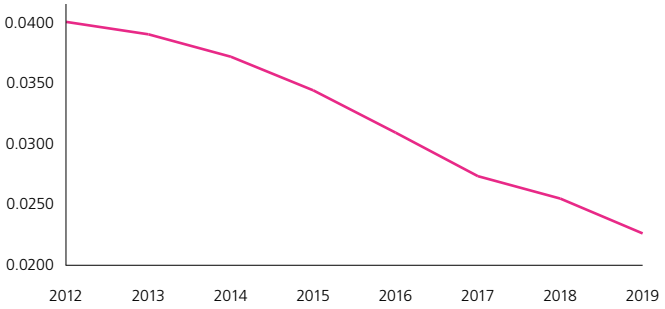
† Assured by ERM CVS as part of their limited assurance scope; for details, see our Sustainability governance, reporting and assurance insight. Excludes IFCN and covers manufacturing and warehouse only.

With our Company-wide energy monitoring and reporting system we continually drive energy improvements across our sites, regions and business units. This year we looked for further opportunities, implementing energy savings projects at a variety of sites. These included:

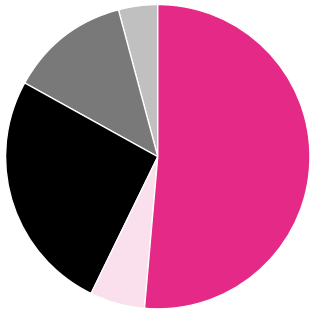
- Heat, ventilation and air conditioning system upgrades at Chartres, France, Nowy Dwór, Poland and Cali, Colombia.
- Optimising steam boiler and spray dryer operations at Granollers, Spain.
- Upgrading pumps and motors in Mauripur, Pakistan.
- Investing in LEDs to improve lighting and save energy in Chonburi, Thailand.
- Improving the energy-intensive compressed air process at many sites, including Elandsfontein, South Africa, Hull, UK, Mauripur, Pakistan, Nowy Dwór, Poland and Cali, Colombia.

This year our energy use efficiency (per unit of production) remained at a 22% reduction compared with 2012, while our overall energy consumption went down by 18%. While this is still progress, it was less than we'd planned, because other manufacturing site projects around quality and efficiency took up more of our time this year, reducing our capacity to focus on energy-saving engineering projects. In some cases, the focus on quality actually results in an increase in energy consumption, especially where we commission new equipment as we have done in Delicias, Mexico with our new dryer. Changes to our production profile, with smaller product pack sizes, have also meant that energy use per unit was higher, in relation to the base load of energy required to run a plant. This is something which we are looking to address in 2020 and beyond to help us get back on track.

GHG emissions per unit of production



Energy used across our sites in 2019 (GJ)



- Fuel (non-renewable) 2,551,525
- Fuel (renewable) 302,483
- Electricity (non-renewable) 1,297,994
- Electricity (renewable) 644,360
- Other indirect purchased energy (e.g. heat, steam or other non-renewable purchased energy) 211,928

In 2019, we used 4,935,532* GJ across our manufacturing and warehousing sites.

*72,758 GJ energy exported or used by third parties.

Carbon footprint per dose

Aim
1/3
reduction in our carbon footprint per dose by 2020

2019
6%†
reduction since 2012

† Assured by ERM CVS as part of their limited assurance scope; for details, see our Sustainability governance, reporting and assurance insight. Excludes IFCN.

Carbon footprint per dose is the only one of our four targets that includes emissions across the full value chain (scope 3). As already discussed, these emissions are especially challenging to reduce because they include consumer use. Historically, we started by reducing our own emissions, and are increasingly moving our focus to upstream and downstream emissions. We also aim to improve the overall impact of our products through our goal to increase net revenue from more sustainable products (see our Sustainable product innovation insight).

We have a much better understanding of the impacts now and have started to look more closely at product design and working with our suppliers to reduce our products' impact up and down the value chain. We have to do this while of course ensuring that our products still deliver their health and hygiene benefits. We're currently developing science-based targets in this area.

Other emissions

We are not a significant user of ozone depleting substances (ODS) so it is not meaningful to report on them here; similarly we emit very little in the way of common industrial air emissions such as sulphur and nitrous oxides (SOx and NOx) and particulates (dust). Where we do, they are below the legal minimum.

Climate change continued

Greenhouse gas emissions across the whole value chain (scopes 1-3)[1]

Total carbon footprint impact 2019 (RB excluding IFCN)	Raw materials	Packaging	Manufacturing	Logistics & retail	Consumer use	End of life	Total/average
Carbon total (million tCO_2e)	2.7	2.1	0.4	1.5	24.9	0.8	32.4†
Carbon g/dose	5.2	4.0	0.8	2.8	47.3	1.5	61.6†
Carbon % split	8%	7%	1%	5%	77%	2%	100%

The system had been developed with reference to the requirements and principles of recognised international standards such as PAS 2050:2011 and the greenhouse gas protocol.

Total carbon footprint reductions (RB excluding IFCN)	2012 (baseline)	2018	2019†	% change vs. 2012	% change vs. 2018
Carbon g/dose	65.7	63.1	61.6	-6%	-2%

Total carbon footprint impact 2019 for IFCN	Raw materials	Packaging	Manufacturing	Logistics & retail	Consumer use	End of life	Total/average
Carbon total (million tCO_2e)	0.4	0.1	0.2	0.8	2.4	0.1	4.0†
Carbon % split	9%	4%[2]	4%	20%	60%	3%	100%

1 Pre-acquisition data for our IFCN business is not available. To ensure like-for-like comparisons, target performance trends vs. 2012 exclude IFCN.
2 This figure has been rounded up from 3.4% for presentation purposes.
† Assured by ERM CVS as part of their limited assurance scope; for details, see our Sustainability governance, reporting and assurance insight.

CASE STUDY

EXTENDING INVESTMENTS IN RENEWABLES, DRIVING GHG REDUCTIONS

Since joining RE100 it's been our mission to switch to 100% renewable electricity. This is quite easy for locations that already have a good supply of renewable electrical power, like the US and Europe. But it's not the same story everywhere – which is why we're investing in developing energy sources at our sites, such as solar power at Cali, Colombia and Mauripur, Pakistan. This year we upped our investment in on-site solar at Sitarganj, India, one of our largest sites, to provide renewable hot water and solar electricity so that, together with the renewable electricity we buy, Sitarganj's energy supply is now 100% from renewable sources. We extended this approach to achieve 100% renewable electricity for our sites in Baddi and Hosur, India. This is a significant element of our overall programme on climate change, as electricity is one of our largest sources of carbon emissions for our sites.

PV solar installation at our Cali site

Sitarganj on-site PV solar producing renewable electricity (2019 investment)

Sitarganj on-site hot water recovery system reducing on-site fossil fuel use (2018 investment)

RE 100

Climate change continued

Looking ahead to 2020 and beyond

Although we delivered our GHG target, we haven't made as much progress overall in energy efficiency as we would have liked. This is due to our recent focus in manufacturing – on strengthening product quality, safety of our teams and production efficiency.

Looking forward to 2030, we're resetting our priorities with new science-based targets to tackle climate change and reduce global warming. We will be updating and publishing these new long-term goals later in 2020. We will also re-invigorate our work on more sustainable products, looking at how we reduce our scope 3 impacts through the design of products, the ingredients and packaging we use and the way they are used and disposed of by consumers. For more detail on this, see our Sustainable product innovation insight.

We are looking particularly at:

- Our infant formula manufacturing sites – these factories are our largest users of energy and water.
- Energy in manufacturing sites – further scrutinising the energy we use and how we use it.
- Product development – looking at product design, the ingredients and packaging we use and consumer awareness to help us reduce our indirect (scope 3) emissions (read more in our Sustainable product innovation insight.

For the emissions from our operations, we'll continue to focus on two things:

- Improving energy efficiency: this will include process optimisation and design to reduce energy as well as developing site-specific action plans based on energy audits and new modelling tools. We're also empowering our global community of environmental specialists with new digital tools so good practice can be quickly shared and adopted across our network.
- Switching to less carbon-intensive energy sources: as members of the RE100 group, we pledged that, by 2030, all electricity we buy will be from renewable sources. This commitment is a key part of delivering our GHG emissions target, given the large contribution electricity makes to our overall emissions. We're also stopping using coal as fuel even though it remains common in certain markets. For example, we're looking at replacing coal in South Africa in the coming year.

We will also continue to use modelling tools to assess the relative merits of different options to reduce our overall impact. For example, since launching our carbon offsetting Trees for Change programme in 2006, we've learned that we can make bigger inroads into reducing our carbon footprint through other means. However, we will continue to maintain the programme and its woodlands and we won't rule out the further use of carbon offsetting.

Climate change continued

How we govern and manage climate change risk

Understanding risk

In terms of managing climate change risk, we consider our business operations as well as our products and value chain, and focus our efforts where we can have the biggest impact. Through our Company-wide risk management process, we have identified climate change as a sustainability risk. We look to mitigate this risk while acknowledging external policy frameworks and conventions such as the Paris Agreement. Our governance and programmes for manufacturing and products take account of these external policy frameworks and aim to reduce the impacts of climate change and restrict global warming to less than 1.5°C.

Our approach includes scenario analysis that considers world temperature increases of 2°C and 4°C and the risks these may pose. We also consider the potential policy environment that may emerge to address climate change and how low-carbon transition policies may affect our business. And we consider risks and opportunities at a product and physical asset level, for example our manufacturing sites. Our approach involves three risk horizons – short-term (up to three years), medium-term (three to six years) and long-term (six to twelve years). For more on this and our wider approach to corporate risk, please see our 2019 Annual Report (pages 64-77).

We reviewed our current climate change strategy and targets in light of recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) and are committed to setting science-based targets in line with global climate change policy positions. We'll be introducing our new long-term climate change targets in 2020, as we launch our new sustainability goals.

We believe we have an opportunity to position RB competitively for a low-carbon, low-water economy. We're well placed to meet the increasing demand from consumers for environmentally sustainable products. And our activities can help mitigate risks arising from potential increased environmental taxation and other fiscal policies, as governments begin to tackle climate change.

Understanding product risk

When developing products, we use our sustainable innovation calculator (SIC) app to assess climate-related and water scarcity risks across the entire life cycle, from sourcing natural raw materials to consumer use and disposal. Since the SIC was launched in 2013, we've made over 6,000 assessments and have over 700 live users who are helping us to drive sustainable innovation. For more on sustainable innovation and how we manage our impact, see our insight on Sustainable product innovation.

Understanding site risk

For our manufacturing sites we run global assessments of our sustainability risks, including climate change, flooding and water scarcity. These include:

- A water scarcity study across 24 sites in water-stressed locations to better understand how we can develop products that minimise risks to water sources.
- A risk analysis of our energy infrastructure to find ways to improve energy efficiency, reduce greenhouse gas emissions and use more renewables across the business, which is key to reaching our RE100 group target.

Our risk management approach in practice

We are using more energy-efficient production processes, investing in renewable energy, and increasing our sustainable innovation. Our overall approach includes site-specific plans and targets that contribute to our annual objectives and climate change KPIs. As our employees are central to delivering our environmental targets, we're promoting good practice and celebrating achievements through channels such as internal news stories, spotlights and peer-nominated awards.

Our sites monitor and report climate change KPIs monthly. Our regional teams conduct regular audits as part of our overall Global Environment Standards management and compliance programme. Similarly, our suppliers must comply with our environmental requirements and take responsibility for their own energy management.

From 2020 we'll introduce new approaches with key suppliers and co-packers to help reduce their energy use, improve their environmental performance and help them to address the risks and opportunities we have identified for RB.

Governance

Our Board is ultimately responsible for our climate change strategy, which is delivered through the Executive Committee and management team. The Board Committee for Corporate Responsibility, Sustainability, Ethics and Compliance (CRSEC) oversees the programme's implementation, as well as its progress and performance against targets.

We report performance quarterly to our Risk Committees and the CRSEC, while our monthly KPI reporting enables site, regional and functional teams to monitor performance and adjust their activities to address emerging issues. For more details on how we report performance to senior leadership and the CRSEC, see our Sustainability governance, reporting and assurance insight.

We also take part in external benchmarking and indices which are often viewed and used by our investors and customers. In the case of climate change, the most recognised of these has been the Carbon Disclosure Project (CDP). We're proud that in 2019 CDP awarded RB an A- for efforts on climate change for the second year in a row.

Listening to our stakeholders

Reporting effectively across our many sustainability issues and providing regular updates on our programmes and activities is always a work in progress. So we appreciate your feedback – what should we keep doing, and where can we do better?

Email us at sustainability@rb.com.

Or write to:

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