

MANAGING GLOBAL SUPPLY



In our highly connected society, change can be rapid, radical and unpredictable. The global pandemic exposed the vulnerability of supply chains built on just-in-time, diversified and globalised models.

We found out that, not just factories, but entire regions could halt production at a moment's notice, with profound consequences for businesses on the other side of the world.

And on the demand side, the bar is being set higher. Today's smartphone-equipped, social-media-savvy consumers expect products to be available when and where they need them. And they want the brands they buy to be sourced responsibly and supplied sustainably.

We are meeting these challenges by managing our global supply on a holistic basis, by acting as one Reckitt and by staying true to our Purpose.

COMPLEXITY AND SCALE

Reckitt is a global manufacturer. We sell 20 million products daily in more than 200 markets. Well over half of our employees, over 20,000 people, are involved in supplying them.

We manage our supply globally in a highly integrated way. Each of our business units has adopted a single operating model that connects every stage of its supply chain with consumer priorities. These are underpinned by core capabilities which leverage the strength and scale of our global network.

The volatility created by the global supply chain crisis is best met by a holistic approach to planning, with visibility across the full product lifecycle to mitigate risk and maximise opportunities. This approach is helping us build a resilient, agile and efficient manufacturing capability.

We maximise transparency with high-quality data and connected technologies. The supply function engages directly with all parts of the business. That allows us to adapt swiftly to shifting market dynamics and adjust our productive capacity proactively.



Global supply pursues five strategic priorities:

1

**EMBRACING OUR
PURPOSE, FIGHT
AND COMPASS IN
EVERYTHING WE DO**

2

**PROTECTING
OUR PEOPLE,
OUR CONSUMERS
AND OUR BRANDS**

3

**FUELLING GROWTH
THROUGH
PRODUCTIVITY AND
UNLOCKING VALUE**

4

**BUILDING A
SUSTAINABLE
AND RESILIENT
END-TO-END
SUPPLY CHAIN**

5

**ENABLING THE
ORGANISATION WITH
SPEED AND AGILITY**

We will meet our strategic priorities through five workstreams that began in 2020 focused on building internal capabilities and driving excellence. Our world-class productivity programme has provided us with the resources to reinvest into the Business and underpin these capabilities with new technologies.

By strengthening our operations, improving our ways of working and increasing efficiency, we have created a more resilient supply organisation, creating value for our people, our customers and our consumers.

Focus on: Supply Chain (Continued)

QUALITY PERFORMANCE

Our continued investment into ensuring we make products people love has delivered a step-change in our quality performance over the last two years around three key metrics:

27%

overall improvement in Quality,
as measured by a reduction in deviations^{1,2}

12%

reduction in Cost of Non-Quality¹

11%

reduction in Time to Release¹

We're getting better products to market faster, and improving our efficiency.

1. Quality metrics vs 2019

2. Based upon Quality Deviations metric

On World Quality Day, we introduced a new Quality Commitment to ensure quality supports our strategy to rejuvenate sustainable growth. The Quality Commitment recognises that we can only deliver the highest-quality products by embracing our Purpose, Fight, Compass and Leadership Behaviours in all that we do.

This replaces our more narrowly defined Quality Vision. The Quality Commitment is about who we are as well as what we do. Everyone is required to sign up to it because each of us has a personal responsibility to ensure that every interaction with our brands is a positive experience.

To help achieve that, we've introduced a single Quality Manual for all our business units and functions. Group-wide adoption of the same set of processes streamlines and connects the entire business. This is all underpinned by a new digital platform to support our teams in meeting these high standards.

Our commitment to quality was a contributing factor in Reckitt's readmission to the Dow Jones Sustainability Index in 2021.

Our pledge to 'do the right thing, always' showed its value recently after a spate of product recalls by the Singaporean government. Seventeen brands of hand sanitiser had to be removed from sale after the detection of unacceptably high levels of acetaldehyde and/or methanol. Thanks to our robust processes, even at a time when sanitiser was under intense demand and our teams were working virtually, Reckitt brands were not affected.

BUILDING THE FACTORY OF THE FUTURE

Industry 4.0 offers huge benefits for manufacturing, but achieving digital transformation depends on seamless interconnectivity. Like many manufacturers, Reckitt has progressively automated our processes over the years. We rely on technologies that are mostly factory-led and designed to perform specific tasks. That results in siloed data, which limits our ability to understand and analyse our activities in an integrated way.

To quickly overcome these obstacles and move toward full-scale digitalisation of our factories, we decided to invest in a factory of the future. This had to do more than provide proof of concept, we wanted it to add immediate value, provide incremental benefits over time and be re-deployable at other locations.

Each of our factories has specific requirements and differing technologies, but there is a shared need for connectivity. We teamed up with IBM to build a scalable cloud foundation and data backbone for running our Nottingham factory.

We installed IoT sensors that share equipment data. Operators no longer need to inspect machinery. They are notified automatically when maintenance is due. With more connectivity and improved data visibility right across the factory, it's far easier to understand our processes and analyse how they can be improved. And this is just the beginning, machine learning and predictive AI algorithms will boost manufacturing excellence and automate planning.



Nottingham went operational as Reckitt's first factory of the future in May 2021. Within a month, we were projecting a 10% reduction in plant maintenance costs and a 3% decrease in electric power consumption. The platform-based approach there uses consistent data and connectivity protocols, which are easily replicable at other factory sites.

CASE STUDY



THE FOURTH INDUSTRIAL REVOLUTION

We are using technology to help fuel growth and unlock additional value. Better data and connectivity are helping us get more efficient and productive. Starting with our Nottingham plant, we've created a fully connected environment that automates the capture, use, analysis and sharing of data across the Group and can be easily replicated in any factory around the world.

This combines the Internet of Things (IoT), cloud technology, networking and AI to improve safety, quality, productivity and efficiency in our manufacturing process. Individually, these technologies are now mature enough for us to connect them cost-effectively. These richly connected data pools will deepen our understanding of how our processes interact and how they can be improved.

CUSTOMER EXCELLENCE

In a time of unprecedented supply chain disruption, collaborating with customers has been essential to ensure access to our products. We have reconfigured our customer operating model to improve availability through improved engagement, communication and strategic supply chain solutions. By working with our customers across the supply chain, from manufacturing to customer service to sales, we are building aligned and tangible success measures for mutually beneficial performance and growth, focused on consumer needs.

This change in our approach has generated tangible improvements, which have not gone unnoticed by key partners such as Walmart and Dollar General, and has been reflected in industry benchmarks such as the Advantage Group 2021 survey of retailers.

WALMART SUPPLIER OF THE YEAR

In March 2021, Walmart named Reckitt its 2020 Supplier of the Year for consumables for a number of reasons. First and foremost, we had delivered the products Walmart shoppers most needed in 2020. We'd invested in improving availability while providing products to help keep shoppers safe during the pandemic. Our transparent communications kept us agile and able to provide the stores and shoppers with what they needed when they needed it. We were quick to adapt our product mix in 2020 to maximise in-store availability and tested new replenishment models in several markets to meet unconstrained demand.

We also worked hard to deliver meaningful insights on new shopper habits that helped Walmart plan for new category dynamics in 2021. Taken together, all of these efforts led to increased penetration for Walmart in multiple categories, including surfaces, immunity, air care, auto dishwashing, carpet and septic.

CASE STUDY