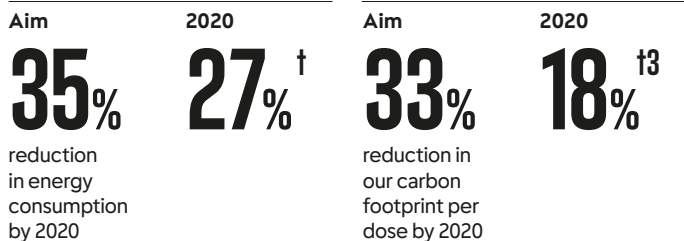
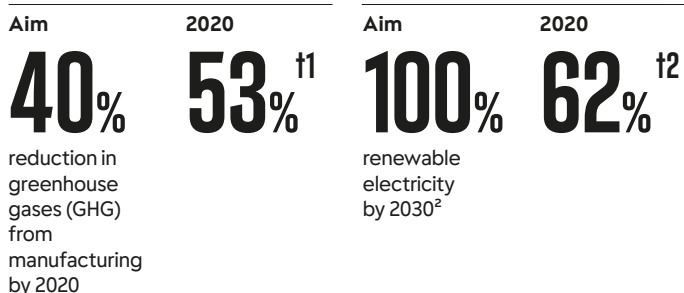




CLIMATE CHANGE

CLIMATE CHANGE

Our performance in 2020



* 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 includes manufacturing and warehouse.

2 For manufacturing only.

3 Excludes IFCN.

Climate change is increasingly centre stage in global consciousness, and in our work.

We've set new targets to help us make our contribution to keeping global warming to less than 1.5°C. It means scrutinising our own operations and those of our suppliers along the full value chain, so we use as little energy as possible and keep carbon emissions down. And it means focusing on product design to make sure our products have a low carbon impact when our consumers use them.

As scientific knowledge and public awareness of climate change grow, so the urgency increases for business to do everything it can to halt the threat. We accept the challenge. We know that what we do now can make a significant difference, whether it's switching to renewable energy or using less energy and water to make our products.

Climate change threatens ecosystems and the world's social fabric. Changing weather patterns, including floods and droughts, undermine livelihoods, dislocate communities, create unrest and force economic migration. Every business has a duty to address the causes and consequences of this existential issue for humanity. Fulfilling this duty means being sustainable in all we do, from how we gather and source materials, to how we run our operations and our value chain.

Setting a new ambition

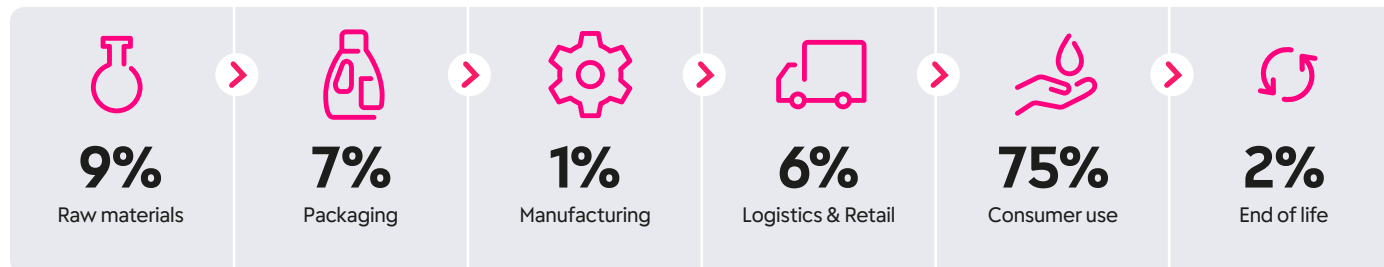
Since 2012, we've made progress against the targets we've set ourselves. In particular, we've surpassed our 2020 target to cut greenhouse gas (GHG) emissions by 40%. Also, as of 2020, all our manufacturing sites in Europe, the US and India, and all our Hygiene business, only buy renewable electricity. This gives us confidence to push on to bigger achievements.

But we haven't hit all our targets. We've fallen short of our target to cut energy consumption by 35% by 2020. In 2020, we achieved a 27% reduction per unit of production compared to 2012, while overall energy consumption went down by 17%. At a product level, we reduced carbon by 18% and water impact by 13%, both a step forward on 2019 but still behind our target of 33%. Since 2012, our focus has been on manufacturing emissions. But we're increasing activity on product footprints and we've strengthened our Sustainable Innovation Calculator to help make our product pipeline more sustainable. We've made some progress in 2020 but know we need to do more. This year we set ourselves a new task to contribute to the global effort for net zero emissions by 2050, in line with the Paris Agreement commitment to keep global warming below 1.5°C. In fact, we want to reach net zero at Reckitt by 2040.

Our work on climate change is framed by science-based targets, and we commit to:

- Cutting Scope 1 and 2 GHG emissions by 65% by 2030, compared to 2015
- Cutting Scope 3 GHG emissions by 50% by 2030, compared to 2015
- Sourcing 100% renewable electricity by 2030, compared to 5% in 2015.

Our carbon impact



These targets have been approved by the Science Based Targets initiative (SBTi). This independently assesses and approves companies' targets in line with its criteria for targets needed to keep global warming to 1.5°C and the IPCC's recommendations, while ensuring best practice in science-based target setting.

We're encouraged that we've succeeded in cutting carbon emissions directly under our control, which come mainly from our manufacturing operations. But more than 75% of our carbon footprint comes from consumers using our products, with another 6% from transporting goods around the world. This is complex to deal with, and change comes slowly. So reducing our emissions in these areas is difficult. With our Finish dishwasher products, for instance, the carbon footprint is made up of consumers using electricity to power their dishwashers as well as us using energy to produce the product itself.

So we need to tackle how people use our products, as well as how we make them. This means looking at everything from how we design products and packaging to the ingredients we use, and the energy and water that go into using them. This includes how we deliver the product to consumers, and how consumers then use and dispose of them. We can shrink the overall footprint by using different ingredients, using recyclable or recycled packaging and changing product design so the product needs less water or energy to be effective. It's about working with suppliers on the one hand, and appliance manufacturers and consumers at the other end of the value chain. This is how we reduce emissions over time.

The close link between climate change and water stress is also important. Some of our biggest and fastest-growing markets, like the Middle East and India, are in water-stressed areas. We must adapt products to reflect this reality, which creates extra complexity. Also, the impact of climate change means these water-stressed regions also have the biggest difficulties accessing hygiene and health services, making our products all the more important. We need to look at the whole context of every product, and make sure that in striving to cut emissions, we arrive at the right outcome for our consumers and our planet. For more on how we manage our water resources, see our [Water insight](#).

Our full value chain, from sourcing raw materials and manufacturing products to consumers using and disposing of them, is a complex sequence of inter-dependent parts. Cutting carbon emissions in one part of the chain might increase them in another. For instance, we manufacture some of our products in a more concentrated form to reduce packaging material, and reduce carbon emissions from transport. But there are trade-offs with consumers then having to use and potentially heat more water to use the product. We consider these aspects in the product design phase, using our Sustainable Innovation Calculator.

Our new science-based targets help us manage this complexity and see the steps we need to take to play our part in keeping global warming under 1.5°C.

Progress against our targets

In 2020, we surpassed our target to reduce greenhouse gas emissions from our manufacturing and warehousing operations by 40%. This was partly down to energy savings, but more significant was our growing use of renewable energy: 100% of the electricity we bought for our Hygiene factories came from renewable sources, compared to 79% in 2019.

Since joining RE100, the global initiative to use 100% renewable electricity by 2030, we've more than doubled our use of renewable electricity – and we're now over 60% of the way towards this target. In 2020, switching supply to renewable electricity contracts, direct renewable power purchase agreements (PPAs) or investing in on-site renewables means sites in India, the US and EU have 100% renewable power. This year, we also installed extra solar capacity at our Mauripur factory in Pakistan.

In 2020, COVID-19 disrupted our usual audit programme. But we were still able to complete audits using our normal methodology and scoring systems, based on our environmental standards. We replaced site visits with virtual methods including self-assessment questionnaires and interviews. This will continue into 2021, though we expect to return to our usual methods when we can.

Energy consumption

Our company-wide energy monitoring and reporting system helps us continually improve how we use energy across our sites, regions and business units. In 2020, despite the disruption of COVID-19, we found more opportunities to save energy including:

- At our Anhui site in China and Mauripur site in Pakistan, we brought in a system that uses exhaust air to warm inlet air, reducing steam heat use and saving energy and natural gas. The Anhui team also upgraded from a manual to an automated water circulation system, which meant more energy, water and cost savings.
- At Cileungsi in Indonesia and other sites, we upgraded steam traps to continue the efficient recovery of condensation water, which cuts the water and energy we use.
- In Nottingham in the UK, we installed electric chillers to supply the factory with water, replacing an absorption chiller and cooling tower and saving over 30,000m³ of water a year, as well as over 2,000 tonnes of GHG emissions. This is equivalent to around five million miles driven by an average petrol-fuelled car. We also installed more efficient chillers at our Bangkok facility in Thailand.

CASE STUDY



CUTTING CO₂ EMISSIONS ON LOGISTICS

We're working across our value chain, from the design and manufacture of our products to consumer use. For instance, the team at our Barcelona logistics centre have taken on the challenge by switching from lead to lithium ion batteries for their warehouse vehicles such as forklifts because they charge faster, last longer and have a bigger capacity. Taking advantage of this different technology was a new opportunity for the logistics centre and has led to a 16% cut in GHG emissions at the site.

The team at Barcelona has also worked on ways to load trucks on the Madrid route more efficiently, which has cut the number of trucks we need to use. That's meant another 30% cut in GHG emissions at the centre. The team is now looking to make this change on other routes.

Greenhouse gas emissions across the whole value chain (Scopes 1-3)¹

Total carbon footprint impact 2020 (Reckitt exc. IFCN)	Raw materials	Packaging	Manufacturing	Logistics & retail	Consumer use	End of life	Total
Carbon total (million tCO ₂ e)	3.1	2.6	0.3	1.8	27.5	0.5	35.9*
Carbon g/dose	4.9	4.1	0.5	2.8	43.4	0.8	56.5*
Carbon % split	9%	7%	1%	5%	77%	1%	100%

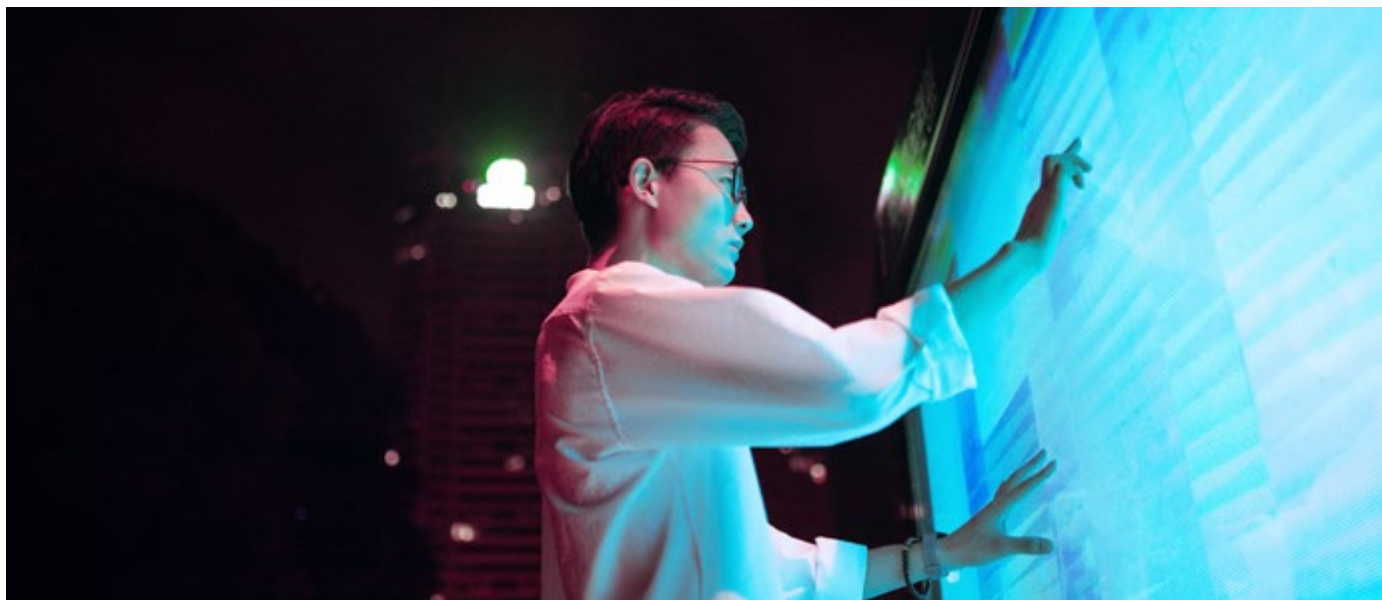
The system had been developed with reference to the requirements and principles of recognised international standards such as PAS 2050:2011 and the greenhouse gas protocol.

Total carbon footprint reductions (Reckitt exc. IFCN)	2012 (baseline)	2019	2020*	% change vs. 2012	% change vs. 2019
Carbon g/dose	68.6	62.1	56.5	-18%	-9%

Total carbon footprint impact 2020 for IFCN	Raw materials	Packaging	Manufacturing	Logistics & retail	Consumer use	End of life	Total
Carbon total (million tCO ₂ e)	0.4	0.2	0.1	0.8	2.2	0.1	3.9*
Carbon % split	11%	5%	3%	21%	58%	2%	100%

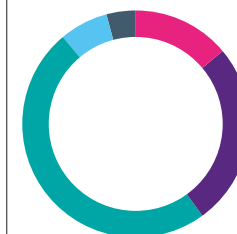
¹ Pre-acquisition data for our IFCN business is not available. To ensure like-for-like comparisons, target performance trends vs. 2012 exclude IFCN.

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



In 2020, we used 4,830,166 GJ of energy across our manufacturing and warehousing sites. We illustrate the breakdown below:

Energy breakdown



- Electricity (Non-renewable)
650,076 GJ
- Electricity (Renewable)
1,273,699 GJ
- Fuel (Non-renewable)
2,372,761 GJ
- Fuel (Renewable)
329,055 GJ
- Other indirect purchased energy (e.g. heat, steam or other non-renewable purchased energy)
204,575 GJ

Our operations use different types of energy, from traditional forms of electricity and thermal energy to renewables and landfill gas. Together with our ambition to decarbonise our operations, we continue to look for ways to improve our energy efficiency and the way we use and reuse energy in our facilities. In 2020, our energy use (per unit of production) improved again, with a 27% reduction compared with 2012. Our overall energy consumption also went down by 17%. We did this by continuing to invest in new and more efficient equipment, as well as piloting new forms of digital intelligence to optimise operational energy use, like HVAC (heating, ventilation and air conditioning) systems. This year our total energy use was 2% lower than 2019, despite the increase in production during 2020.

CASE STUDY



ADDING SOLAR ENERGY CAPACITY

We first installed solar power at our site in Mauripur, Pakistan, in 2018. The objective was to cover 50% of the factory's energy demand from solar sources as soon as possible. We reached this in 2020 by adding a 370kW system to the 107kW already in place and the 30kW we added in 2019. This means the site's GHG emissions will come down by 420 tonnes a year – equivalent to the effect of planting 70,000 trees.

Energy and Greenhouse gas (GHG) data

Energy usage	Units	2012	2013	2014	2015	2016	2017	2018	2019	2020	Change vs 2019	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	0.3455	-6%	-27%
GHG emissions per unit of production ¹	tCO ₂ e per 1,000 CU	0.0402	0.0392	0.0374	0.0347	0.0313	0.0278	0.0260	0.0232	0.0190	-18%	-53%

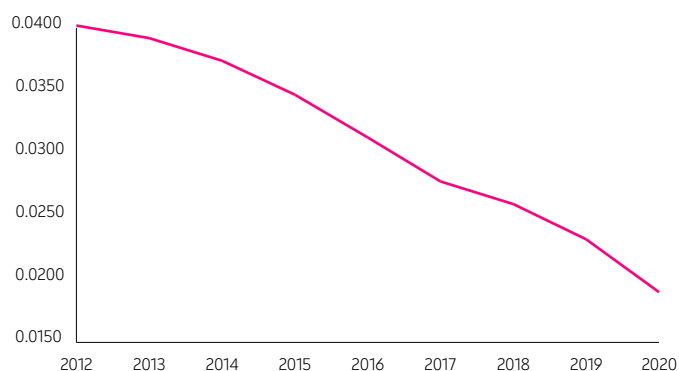
Note: all data for manufacturing and warehouses unless otherwise stated.

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, 2020 manufacturing data and warehouse GHG emissions were 0.0291 tCO₂e per 1,000 CUs and energy use was 0.5888 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.

GHG emissions per unit of production



Carbon footprint per dose

Carbon footprint per dose is the only one of our four targets that includes emissions across the whole value chain (Scope 3). As we've seen here, these emissions are hard to reduce because they include consumer use. But, after focusing mostly on our own emissions, we're increasingly broadening our work to tackle emissions both upstream and downstream of our operations. We're also working to increase the share of our revenue that comes from sustainable products. For more on this, see our [Sustainable innovation insight](#).

As our understanding of our impact has grown, we've looked more closely at product design and worked with our suppliers to shrink our products' impact up and down the value chain. At the same time, we have to make sure our products still deliver their health and hygiene benefits. Our science-based targets will help shape and guide this work.

Other emissions

We're not a significant user of ozone-depleting substances (ODS), so we don't report on them here. Also, we emit very low quantities of common industrial air emissions like sulphur and nitrous oxides (SO_x and NO_x) and particulates (dust). Where we do, they're below the legal minimum.

Looking ahead to 2021 and beyond

We've gone beyond our 2020 GHG targets and set new ones for 2030, as part of our science-based targets. But we haven't made as much progress on energy efficiency as we wanted. This is partly down to our focus on the quality of our product, and the impact of COVID-19 with the need to maximise ventilation to support the safety of our teams.

This hasn't stopped us resetting our priorities, with a new vision for sustainability underpinned by a focus on people, planet and product. This is the backbone of our efforts to tackle climate change and support the drive to net-zero emissions – by 2040 in our own case. In 2020, we started a long-term partnership with the Centre for Risk Studies at the University of Cambridge Judge Business School. This will help us model our climate risks in detail and shape our priorities for the next decade.

We also want to show how we can help fight climate change by improving people's health and hygiene around the world, here and now. That's what's behind our efforts to improve access to water in water-stressed areas and turn them into water-positive areas by 2030.

It also motivates our fight to open up access to health and hygiene products in ways that mean more people around the world can afford them. We'll also be supporting the 2021 Climate Change Conference in Glasgow (COP26) with our hygiene products.

As well as new targets on GHG emissions and renewable energy, we'll continue our work on making more sustainable products. In particular, we'll keep looking at ways to reduce our Scope 3 impacts through how we design products, the ingredients and packaging we use and how we encourage consumers to use and dispose of them. For more detail on this, see our [Sustainable product innovation insight](#).

We're looking particularly at:

- Our infant formula manufacturing sites – these factories are our largest users of energy and water
- The type of energy we use and the form it takes in our operations.

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

- **Improving energy efficiency:** this includes refining processes and site design to reduce energy, as well as action plans for sites based on energy audits and new modelling tools. These target high energy processes, such as compressed air, to optimise them. And we're progressively empowering our global community of environmental specialists with new digital tools so they can share good practice quickly across our network.
- **Switching to less carbon-intensive energy sources:** as members of the RE100 group, we've pledged that, by 2030, all electricity we buy will be from renewable sources. This commitment is an important part of meeting our GHG emissions target, given the large contribution electricity makes to our overall emissions. We're also ending our use of coal even though it's still common in some markets. For example, we're replacing coal in South Africa in 2021 and will also complete new solar generation projects in two factories in Thailand this year.
- **Innovation for transformational change:** this includes more renewable energy from on-site technologies like solar, and progressively finding renewable sources for thermal energy. We're examining how much heat our production plants and processes need to run efficiently so we can plan routes to decarbonise. We're also developing partnerships with our suppliers to cut emissions. Our Environmental Performance Programme, run with our partner Manufacture 2030, helps our contract manufacturers improve in areas like energy efficiency. We're planning similar action for 2021 and beyond.

We'll also carry on using modelling tools to assess different options for reducing our overall impact. For example, since launching our carbon

offsetting Trees for Change programme in 2006, we've seen we can make bigger inroads into reducing our carbon footprint through other means. But we'll carry on maintaining the programme's woodlands, and we won't rule out more use of carbon offsetting.

We've developed a tool for our sites to forecast and track projects' carbon and water impact as they evolve from concepts and proposals to approved projects. We've done this with Eco-Act, an international climate consultancy. The tool lets sites integrate future projects with current and past performance, so they can connect them to our environmental targets. And it includes financial data to let sites see return on investment alongside environmental gains.

We've also developed an Eco-Opportunities tool with consultancy ERM to help sites consider new opportunities based on sister sites' initiatives on energy, water and other areas, plus external proposals. The tool lets them examine concepts based on investment cost, return on investment and environmental savings.

Climate-related risks and opportunities Governance

Our Board is responsible for oversight of our climate change strategy, which the Executive Committee and management team deliver.

We report performance quarterly to our Business Unit and Global Risk Committees, and the Board's Corporate Responsibility, Sustainability, Ethics and Compliance Committee (CRSECC). Our monthly KPI reporting lets site, regional and functional teams monitor performance and adjust what they do to stay on track to meet our targets and deal with emerging issues. For more details on how we report performance to senior leadership and the CRSECC, see our [Sustainability governance, reporting and assurance insight](#).

We also take part in external benchmarking and indices. For climate change, the most recognised is the Carbon Disclosure Project (CDP) – we've scored an A- for our climate change disclosure in the last three years.

Strategy

We recognise the ever-closer connection between the health of the planet and the health of its people. Our business strategy sees the macro-trend of climate change as a key factor influencing both our development and society's. So our approach seeks to mitigate and adapt to the risks that climate change will pose. At the same time, we look for opportunities to support society and people's hygiene and health in the future. This is at the heart of living up to our purpose: the relentless pursuit of a cleaner, healthier world.

In 2018, we reviewed climate-related risks under various scenarios in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Our approach included scenario analysis from a physical and transitional risk perspective, looking at world temperature increases of 2°C and 4°C and their possible implications. This includes risks and opportunities at the level of products and physical assets. For example, increasingly common extreme weather patterns could affect our manufacturing sites. We're also considering the emerging policy landscape to address climate change and how low-carbon transition policies might affect our business. Our approach involves looking at risk in the short term (up to three years), medium term (three to six years) and long term (six to 12 years, and beyond). For more on this and our wider approach to corporate risk, see our 2020 Annual Report (pages 80–92).

Analysing scenarios had led us initially to focus mostly on our supply chain, building on work since 2012. We then broadened our work to focus more on product footprint. This complements the new objectives underpinning our 2030–2040 climate change ambitions, which are to:

- Use a science-based targets approach to accelerate delivery of the Paris Agreement on climate change by 2030, helping to limit the increase in the average global temperature to 1.5°C
- Reduce product carbon and water footprints, including ingredients and their supply chains, and further increase energy efficiency and use of renewable fuels
- Be carbon neutral by 2040.

At a site level, this also includes impacts like flooding or water stress. We recognise that some of our sites are in water-stressed locations, and we're taking action to mitigate this risk. The initial analysis showed that in both the 2°C and 4°C scenarios there's likely to be a risk to manage, but that it wouldn't yet have a material impact on our business. We're continuing to look into the potential risks and how we can mitigate and adapt to them in our value chain, specifically in product design and development.

Building on the initial analysis, in November 2020, we started working with the Cambridge Centre for Risk Studies, to deepen our understanding of the climate risks we face. They include policy developments, carbon pricing and physical risks to our operations, supply chain and commodities (e.g. palm, latex and dairy). This will also include modelling a digital twin of our business to help us visualise risks and opportunities under different scenarios and let us plan a response. We'll publish the findings of this assessment, which will continue into 2022, in future Annual Reports.

Risk management

In managing climate change risk, we look at our business operations as well as our products and value chain, and focus on where we can have the biggest impact. Through our Company-wide risk management process, we've identified sustainability as a risk. We identify and assess risk at the functional, business unit, corporate and Group levels to give both a 'top-down' and 'bottom-up', three-dimensional view of risk.

Specifically, on climate-related risks, our 2018 scenario analysis gave us more detail on:

Transition risks and opportunities

Carbon pricing and regulation

Commodity costs might rise through low-carbon land management and international carbon pricing systems. Our procurement teams continually review supply chains to mitigate rises like this, and in the longer term we might consider alternative ingredients and materials.

An increasing carbon price, whether from market dynamics or policy intervention, might similarly affect manufacturing and energy costs. Our progressive improvements in energy efficiency will continue to mitigate this, alongside investing in renewable energy and more sustainable innovation. Our overall approach includes plans and targets for each of our sites. These contribute to our annual objectives and our ambition to become carbon neutral by 2040.

Physical risks and opportunities

Extreme weather and water stress

More frequent extreme weather events might increase commodity prices and make them more volatile, with impacts on agricultural markets like palm, latex and dairy. We continuously evaluate supply risk, keeping a balance of suppliers and origins where we can. We invest in latex supply in a way that aims to underpin sustainable supply, product quality and the livelihoods of the farmers at the heart of that supply chain.

More frequent weather events, like flooding or drought, can also have an impact on operational capacity at our sites, and our supply chain. We run global assessments of our sustainability risks, including climate change, flooding and water scarcity. To mitigate risks, we have activity underway in our water-stressed markets. These include progressively improving water efficiency and adopting a catchment area approach, which includes harvesting water and returning it to the local area. These measures support our broader aim to be water-positive in all these locations by 2030. We currently have 20 sites in water-stressed locations, and we're running a water scarcity study to better understand how we can develop products that keep risks to water sources as low as

possible. For new sites, we look to start activities that develop a sustainable long-term water supply to lower the risk of water stress.

Rising mean temperature and consumer preferences

Rising mean temperatures or other weather events might lead to changes in consumer preferences, demand and spending patterns. To mitigate this, when we develop products, we look at issues that apply in specific markets, like water stress. This has led, for example, to us developing liquid soaps for the Indian market under the Dettol brand to help people stay hygienic even when water might be scarce. Similarly, when we develop products, we use our Sustainable Innovation Calculator (SIC) app to assess how we can cut carbon and water footprints, whether it's how we source natural raw materials or how consumers use and dispose of products. For more on sustainable innovation and how we manage our impact, see our insight on [Sustainable product innovation](#).

For more details on climate-related risks and opportunities see our Carbon Disclosure Project (CDP) responses – <https://www.cdp.net/en/companies>.

Metrics and targets

As a leading global consumer goods company, we've established ambitious climate-related targets and metrics to boost performance in areas we can control directly, and across our value chain. These targets are in step with the Paris Agreement on climate change.

To help reach the Paris Agreement's target to keep global warming to below 1.5°C, and realise our own ambition to be carbon neutral by 2040, we've set science-based targets (SBTi) for Scope 1, 2 and 3 emissions, and reaffirmed our commitment to RE100 to:

- Reduce absolute Scope 1 and 2 GHG emissions by 65% by 2030 from a 2015 base year
- Reduce absolute Scope 3 GHG emissions by 50% by 2030 from a 2015 base year
- Increase annual sourcing of renewable electricity from 5% in 2015 to 100% by 2030. We've already achieved 62% of this, as we buy all electricity for manufacturing in the US, UK and Europe, India and several other countries from renewable sources.

We're also aiming to improve energy efficiency by another 25% compared to 2015. We've made progress since 2012, achieving 27% so far. We have plans to do more, with a focus on high-energy processes that are common in many sites. Alongside this, we're choosing newer, more energy-efficient equipment when it's time for routine replacement.

Beyond that, we're evaluating ways to decarbonise our operations that give us the best value. We're focusing specifically on thermal energy

switching. What we do, and how fast we do it, will depend on emerging carbon pricing policies and the availability of renewable thermal energy technology. We've already started generating solar power at several sites.

These measures have so far helped us cut GHG emissions per product by 53% since 2012. We've moved from focusing on Scope 1 and 2 emissions to look also at our products and their footprints. This includes work on product design and development, and emissions in logistics, as well as activity with suppliers. We're committed to halving our Scope 3 product footprint by 2030 with our science-based target approach and using our Sustainable Innovation Calculator (SIC). This also reflects the fact that consumers are increasingly well-informed about sustainability and expect manufacturers to offer sustainable products.

Reducing water footprint is part of reducing product footprint, and we aim to halve ours by 2040. We've continued our water efficiency programmes, with a reduction of 39% since 2012 in the water we use to make our products. We've begun managing catchment areas in the most water-stressed locations, with measures like harvesting rainwater and returning it to the local area. To reach our goal of making all our water-stressed locations water-positive by 2030, we'll do this at two to three more sites each year.

Our climate-related metrics appear not just in this insight, but also our Sustainability governance, reporting and assurance insight, Water insight and our Annual Report (pages 24–27).

In the relentless pursuit of a cleaner, healthier world, we're increasingly better-placed to meet our consumers' growing demand for more sustainable products. By understanding our climate-related risks better, we can not only mitigate them but also use them to trigger more sustainable innovation and growth.

Listening to our stakeholders

Reporting effectively across our many sustainability issues and giving 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@reckitt.com.

Or write to:

The Sustainability team

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