

FOCUSING ON WHAT MATTERS

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Prioritising our most material issues guides our strategy, helps us manage risks and creates opportunities. It's an essential starting point for putting sustainability at the heart of our business strategy, so we can make a real difference to the issues that matter most.

Working with clear priorities

Part of being a responsible global business is doing our best for our many stakeholders – from customers, consumers and communities, to investors, suppliers and employees across the world.

Our starting point is establishing a clear understanding of what matters most to both internal and external stakeholders. This guides our strategy, policies and communications and helps us manage our impact and relationships. It's how we can ensure we make the greatest difference.

Refreshing our agenda to meet changing needs and expectations

While the fundamental issues remain the same as those set out in our 2019 Materiality Assessment, the world has changed. We need to address both short-term challenges from the global pandemic and the shifting expectations of internal and external stakeholders. Therefore, issues such as diversity and inclusion, and employee health and wellbeing, have been increasingly important for our business this year.

This year, we consulted stakeholders as part of the development of our new Sustainability Strategy, alongside horizon scanning, benchmarking and peer group reviews. This process confirmed our key priorities, gave us fresh insights and helped us review and update our materiality agenda.

Understanding what matters

These fresh insights led to our June 2020 pledge to accelerate the delivery of the Paris Climate Change Agreement to keep global warming to below 1.5 degrees Celsius, along with the three key themes of our Sustainability Strategy:

- Purpose-led brands that enable more sustainable products. A spike in demand for our products during the pandemic slowed our progress to switch to more sustainable ingredients and also increased our use of plastic.
- A healthier planet, by combating climate change. We recognise the threats posed by climate change, not just to our business, but to ecosystems and societies around the world, from changing weather patterns exacerbating floods and droughts, to economic migration and threats. This also connects to our ambition to protect our eco-systems – we increasingly recognise that the health of our planet and our people are connected in our pursuit to contribute to a cleaner, healthier world.
- A fairer, more inclusive and diverse society, which we can enable as an employer and in our value chain. We focus on our employees, partners in our supply chain and our consumers. See our [Human rights insight](#) for more information.



Focusing on what matters continued

Six key priorities remain

Against the backdrop of COVID-19 and the three themes underlying our new Sustainability Strategy, the six priorities identified in our 2019 materiality assessment remain important to us:

- Global health and development, and public health challenges
- Product quality and safety
- Packaging and waste
- Traceable, responsible ingredients and impacts on land and biodiversity
- Water consumption and quality
- Fair wages and working practices, and supply chain labour rights.

These support the needs of our stakeholders: our consumers and customers, our employees, investors and governments.

Global health and development, and public health challenges

In 2020, with the devastating effects of COVID-19 on health and livelihoods across the world, our fight to make access to the highest quality hygiene, wellness and nourishment a right and not a privilege took on a fresh urgency and significance.

The pandemic naturally led to a huge increase in demand for our disinfectant brands like Dettol and Lysol – protection being the first step in stopping transmission of the virus.

We mobilised £52.8 million from our Fight for Access Fund to address our collective fight against the spread of COVID-19. For example, in March 2020, Dettol committed £6 million to frontline health workers in Wuhan, China, answering the urgent call for critical healthcare equipment. Working through our brands alongside national governments and national medical associations, we delivered educational public service campaigns on the importance of handwashing and sanitation in more than 12 countries, including Bangladesh, Pakistan, Indonesia, Nigeria and Vietnam.

Product quality and safety

This fundamental issue is central to the effectiveness, credibility and reputation of our brands. In May 2020, Dettol and Lysol were confirmed 99.9% effective against the SARS-CoV-2 virus which causes COVID-19 through peer review in the American Journal of Infection Control. Throughout 2020, these brands played a key role in protecting consumers from the virus, due to their antibacterial benefits.

Our goal is that there will be no compromise in efficacy between safer, alternative ingredients that are also sustainable. (See our [Product stewardship](#) insight for more on our activities in this area in 2020).

And through our Safer Choice partnership we maintain transparency of information about the materials we use.

We're incentivising our employees to prioritise product quality and safety. For example, 100% of high-risk products must have a Product Safety Evaluation Report (PSER). At Reckitt, every new product must have a Product Safety Evaluation before launch, a measure directly linked to the executive target. For more, see our [Product safety and quality insight](#).

Packaging and waste

Consumers are continuing to increase their demands for packaging that uses less plastic and is recyclable. Consumers expect action and our employees also want us to lead in this area. While this is a long-term investment and commitment, we continue to work hard to make progress through innovative packaging, product design and partnerships.

For example, in 2020 we ran a pilot partnership with French start-up Yoyo. We gave 150 households in Lyon Vanish-branded, grocery-type recyclable bags to make it simpler to sort their plastic waste. And that meant our other project partner Veolia could recycle a sample total of 600 kg of HDPE plastic into pellets, which our R&D Vanish team transformed into Vanish packaging. This successful result demonstrated that there are extra ways we can help increase recyclability.

However, COVID-19 also created short-term challenges for our sustainability agenda, as demand for our products surged. High demand for disinfectants outstripped the supply of PCR (recycled plastic) for bottles. This increased our footprint in this product area, as we used more packaging but couldn't increase the percentage of recycled material as much as we wanted.

We've also introduced more recycled paper and cardboard with a lower environmental footprint. See our insights on [Product stewardship](#), [Plastic and packaging](#) and [Waste](#).

Traceable, responsible ingredients and impacts on land and biodiversity

The transparency and traceability of our ingredients, along with the impact of sourcing on the environment, are hugely important as we look to make the world a cleaner, healthier place. We continue to analyse our entire supply chain. This is highly complex given that our suppliers range from, for example, a tiny rubber tree farm in Thailand producing what will eventually become latex in our Durex condoms, to a dairy farm in New Zealand that provides milk that goes into the powder we source from our direct suppliers. We use technology where we can, to help in our analysis. For example, in Indonesia, we're using real-time satellite technology to identify forests at risk from deforestation for palm oil.

We are setting targets for reformulating our products with more sustainable ingredients. However, a surge of demand for Reckitt's disinfectants to protect people from the spread of COVID-19 slowed our progress in switching to more sustainable ingredients. For more, see our [Product stewardship](#), [Human rights](#) and [Protecting ecosystems](#) insights.

Water consumption and quality

We look at both the water we use while manufacturing our products and, more importantly, the water needed for people to use them. This is much harder to tackle because it requires consumers to change their behaviour. Nonetheless, we're making good progress. Our Finish dishwasher detergent continues to make great strides in addressing water consumption by nudging people to waste less water. Its new brand purpose, 'Ease the burden of dishwashing for you and the planet', came to life in a global ad campaign, Poseideon. Initially launched in water-scarce regions like Australia and Turkey, the ad asks consumers to stop pre-rinsing dishes before loading their dishwasher. In Australia this approach helped save over 6.8 million litres of water. For more on our work in this area see our [Water insight](#).

Water is particularly important to us in our manufacturing sites, where we use it both as an ingredient and in production processes and cleaning. Given the impact of climate change and the increasing water stress in



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many countries, we have prioritised water efficiency programmes in all our sites. In water-stressed locations, where we have 20 sites at the moment, we are introducing water catchment area programmes as part of our ambition to be water-positive locally and contribute to water security for the future.

Fair wages and working practices, and supply chain labour rights

Treating everybody fairly, from employees and partners to suppliers, encouraging fair wages and safe working practices, is essential for developing a responsible and effective supply network. We assess our supply chains and work with our suppliers with these principles in mind. The human rights value chain assessment we carried out in 2020 with our partner, the Danish Institute for Human Rights, identified risks for rubber plantation workers and their communities. We've worked with rubber plantation companies to ensure that our policies on labour standards and human rights are met. Critically we have introduced our Fair Rubber commitment. This provides latex farmers in Thailand with a price premium that supports their livelihoods while also strengthening the supply of latex we depend upon and reinforcing sustainable farming principles. It also supports the communities living and working on rubber plantations.

In the UK, Reckitt has been voluntarily paying the living wage for a number of years and last year we formally joined nearly 6,000 Living Wage employers who are recognised as paying a living wage to employees and contractors. This is our commitment to employees and staff; that they will receive a wage that exceeds not just the minimum wage but recognises the actual cost of living in the UK. We are evaluating similar approaches in other countries, considering costs of living locally and the prevailing employment and wage structure. We'll use this to consider our approach to supporting sustainable livelihoods in our value chain, not just for our own teams but for contractors and more, like the latex farmers we work with in Thailand.

COVID-19 posed a set of unique challenges with different nations imposing their own laws and lockdowns. Our priority remains ensuring a safe working environment for all Reckitt employees regardless of where they work. To this end, we launched a comprehensive guide, 'Navigating our New Normal', for employees worldwide, which prioritised their wellbeing and safety.

The global pandemic has accelerated a change in Reckitt's working culture, with more employees working from home and increased emphasis on supporting and recognising our manufacturing colleagues and keeping them safe.

For example, we launched the Sir James Reckitt Award from our CEO to celebrate Reckitt teams doing exceptional work in our fight to make access to the highest quality hygiene, wellness and nourishment a right and not a privilege. Our Shashi factory in Jingzou, China was the first to win an award. It celebrated how everyone there went beyond their duty to protect Chinese consumers by manufacturing our disinfectants in the face of enormous challenges.

For more, see [Our People](#), [Human rights](#), [Protecting ecosystems](#) and [Health, safety and wellbeing](#) insights.

How things have changed since 2019

Our next formal materiality assessment is planned for 2022, but we know it's vital to keep up-to-date with societal changes and expectations.

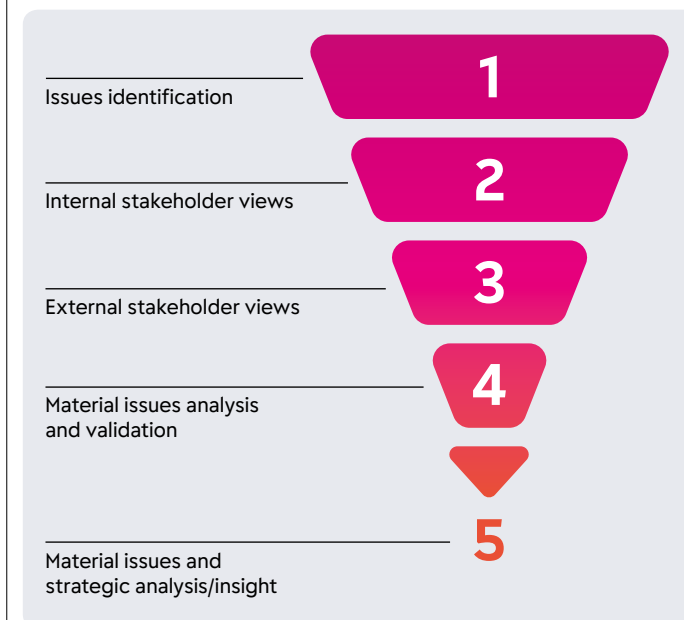
Two areas that have become critical since our last assessment in 2019 are inclusion, and employee health and wellbeing. In 2020, the rise of movements including Black Lives Matter and greater awareness of people's rights to their own gender and sexuality identity have shone a light on equality issues in our workplace. To this end we have:

- Developed new targets on gender representation in our management teams, aiming for gender balance in all levels of senior management by 2030.
- Our CEO hosted a series of 'Stronger Together' virtual town halls in 2020, encouraging employees to talk openly about various areas of inclusion, including gender, ethnicity and sexual orientation. A number of Reckitt colleagues shared their own experiences of discrimination when identifying as an underrepresented person. Opening up these conversations to all employees was critical in raising awareness of our policies and embedding them within our working culture.

Our 2019 materiality assessment

The process of our last materiality assessment had four main steps:

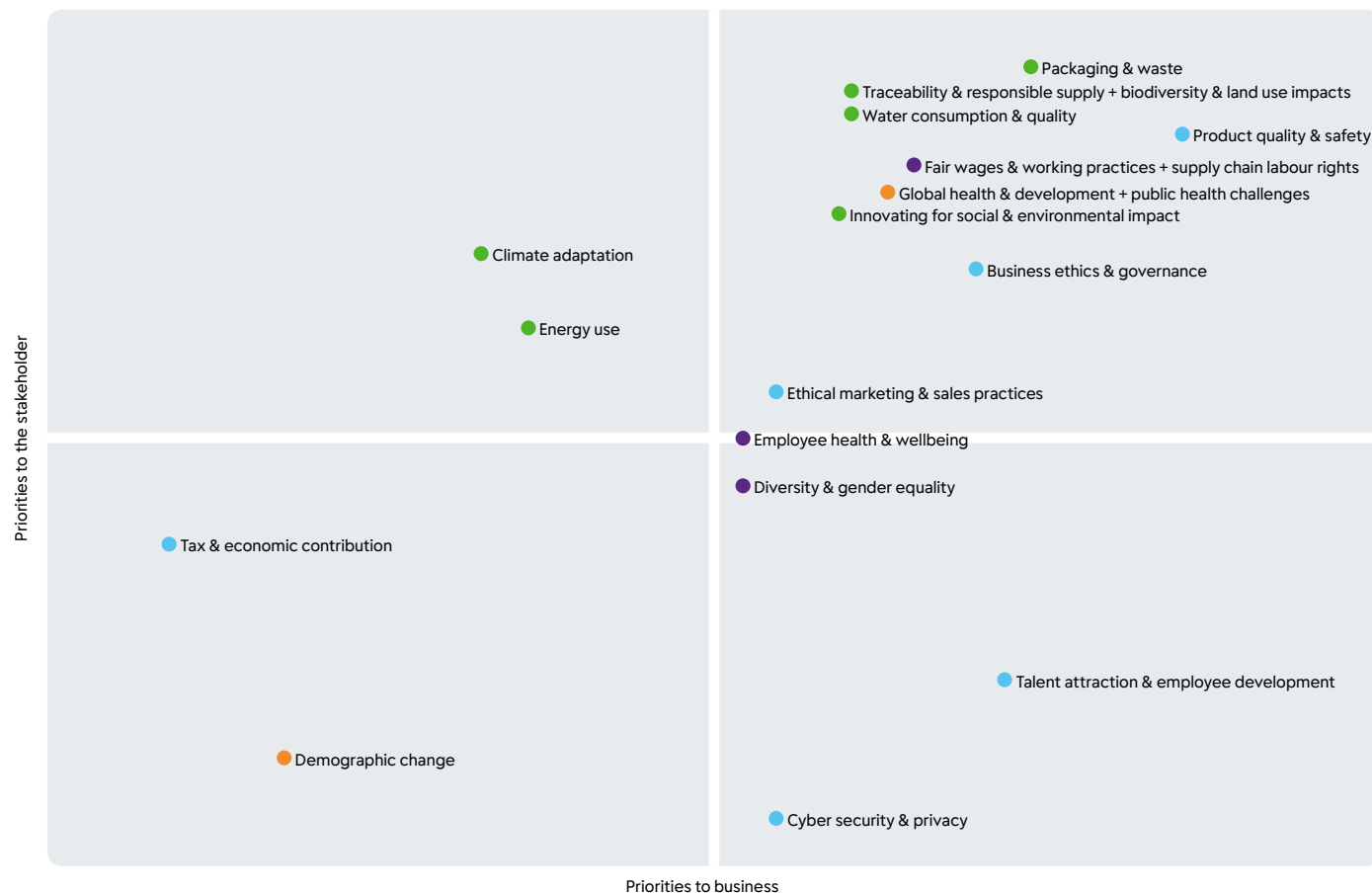
The process



Focusing on what matters continued

Materiality matrix

Our 20 most salient issues



Our most material issues

Our assessment identified the 20 most important issues for our stakeholders and our business. From these, we consolidated some of a similar nature and impact, to leave 17 which we plotted on a matrix to determine their significance. This helps us to focus our sustainability approach, but we also consider other issues, particularly those we think will become more important.

Key

- Economic & governance
- Human rights
- Environmental
- Social

Working with our stakeholders

We value the opinions of all our stakeholders and continue to have regular and ongoing dialogue with many of them. This has continued throughout the global pandemic, albeit with fewer face-to-face conversations. Similarly, our duty as a healthcare company has seen more interactions with key stakeholders in government, national medical agencies and peer companies as we work together to respond to COVID-19. Through our Fight for Access Fund, we supported critical workers and disadvantaged communities to help them protect themselves from the virus. Our programmes involved partnerships with governments and the United Nations, providing an important element in their wider public health agenda during the pandemic. We also worked with peer companies to help them protect their consumers and their own teams. These included partnerships with Hilton, Avis-Hertz and, importantly, Transport for London, which helped people to continue to travel safely.

How we listen to our stakeholders

- Consumers** – through routine dialogue and when we're gathering brand insights.
- Employees** – through virtual town halls for all employees hosted by our CEO; employee surveys; engagement with our Board through dialogue forums; and with our CEO via our 'Ask Laks' forum on the intranet where anybody from Reckitt can pose questions to him, which he then answers on the site, or in an informal discussion video.
- Investors** – through routine discussions and investor forums, often with a specific focus on sustainability. Our involvement with key external indices such as the Dow Jones Sustainability Index, FTSE4Good and CDP (Carbon Disclosure Project) on climate change, water and forestry demonstrates our work to the investment community.
- Customers** – we routinely meet leaders and teams of our key customers to strengthen our partnerships. This helps us to be as effective and efficient as possible in bringing products to the consumers our customers serve, as well as accelerating both partners' sustainability goals. We work with many of our customers through partnerships including the Ellen MacArthur Foundation on plastics, AIM-Progress on labour standards and human rights and the Consumer Goods Forum.

Focusing on what matters continued

In June 2020, we were one of the first companies to join our partner Amazon in signing up to the Climate Pledge, which they co-founded with Global Optimism. The pledge commits us to reach net zero carbon by 2040.

- **Governments and policymakers** – we routinely talk about regulations with government agencies and regulatory bodies across the world.
- **Communities** – through our work with the Earthworm Foundation, the Danish Institute for Human Rights and our Fair Rubber commitment, we are supporting the livelihoods of farmers, workers and their families, ensuring a sustainable latex sector for years to come.
- **NGOs** – through our brand partnerships with NGOs such as Water.org, as well as through the Earthworm Foundation in our work on deforestation. In 2020, we also started working with the not-for-profit organisation Business for Social Responsibility (BSR), and their sustainable development consultant Transitions, through the Action for Sustainable Derivatives (ASD) programme. Companies who sign up aim to make the supply chain more transparent by pooling data and experience, monitoring risks and scaling up commitment to No Deforestation, No Peat, No Exploitation principles (NDPE).
- **Suppliers** – we are in constant discussion with our supply network to ensure we work efficiently together. We also discuss longer-term plans with our key suppliers around the development of safe, resilient and sustainable supply networks, including for natural raw materials, ingredients and packaging. This ongoing dialogue helps us work with our suppliers as partners, understanding trends, issues and opportunities. We've continued our work with the Sustainable Agriculture Initiative's Sustainable Dairy Partnership (SDP). It's a group of suppliers and industry peers who work to make the dairy industry more sustainable through a consistent approach to the commercial relationship between dairy buyers and processors.

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@reckitt.com.

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