

SUSTAINABLE PRODUCT INNOVATION

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Our performance in 2020

Target

One third of our net revenue coming from more sustainable products as measured by our Sustainable Innovation Calculator.

Aim

1/3¹

net revenue from more sustainable products by 2020

2020

30.4%[†]

¹ Excluding our Infant Formula and Child Nutrition business.

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

Our product designers think about sustainability right at the start of the innovation process. We encourage an innovation culture where sustainability is always considered, and improvements, both big and small, are made at every opportunity.

Creating more sustainable products

Our ambition is that every innovation we make is more sustainable than its predecessor. And everything counts – from major new product launches, to a small incremental change to an established brand. Whether we're improving an existing product range by reducing plastic packaging. Switching to a more sustainable ingredient. Exploring solutions through business acquisitions. Or if we're inventing a completely new product with a lower environmental footprint. Each of these is a step in the right direction.

And sometimes the core DNA of our products means they exist to produce less waste, or ensure less energy or water is used. For example, Vanish makes clothes last longer by removing stains and reviving clothes, while Calgon makes washing machines more energy efficient and longer lasting by reducing limescale build-up.

It isn't enough for us to simply ask our scientists to incorporate sustainability into the innovation process. We need to measure the impact of each change. For example, for us to report a product as 'more sustainable', it must make a 10% improvement on carbon, water or packaging versus the benchmark (see scoring table of page 4). There are always benefits and drawbacks to innovations and we weigh the impact of our decisions carefully. For example, a natural ingredient may score highly on one aspect of sustainability, but have a higher water impact than a synthetic ingredient; or plastic packaging may actually have a lower carbon footprint than a composite equivalent.



The key tool for our work in this area is our Sustainable Innovation Calculator (SIC). It scores our product innovations using quantitative metrics to establish whether an innovation, however big or small, makes a product 'more sustainable'. This means we're able to assess every change to ensure it's helping Reckitt's brand portfolio as a whole become more sustainable. The calculator considers metrics including water, carbon, plastics, packaging and ingredients. The ingredients analysis is based on green chemistry principles and includes preferred sustainability credentials such as certified origins for natural raw materials. This year, while teams were still using the SIC, we worked behind the scenes on a revision to our ingredients metric. From January 2021, product developers now have more tools to help us continuously improve. The SIC encourages moving beyond simply avoiding ingredients on our Restricted Substances List and, instead, using ingredients that are perhaps from recycled feedstocks, have better biodegradability and a lower hazardous chemical footprint. This helps to future-proof our products and meet growing consumer expectations. We will see more coming through in next year's reporting as the SIC gains further momentum. The update incorporated green chemistry, sometimes known as sustainable chemistry, along with additional measures to help Reckitt work towards the circular economy. (For more on green chemistry see our [Product Stewardship insight](#).)

We want to ensure that all Reckitt employees keep sustainable innovation front of mind. We revised our Operating Models and integrated sustainability across the board. We've also refreshed and broadened our training to ensure more of our teams are aware of the Sustainable Innovation Calculator's vital role. We made this accessible to all employees at Reckitt, even if they are not directly involved in product development. It is also part of much wider communication of our sustainability ambitions. Internal communication on World Environment Day, for example, encouraged all employees to consider the importance of protecting the biodiversity of our planet. We're finding that our community is becoming more engaged with sustainability and keen to improve the environmental footprint of our products. This change is visible across the organisation, from the eRB business who look to improve sustainability through investments, to our country representatives working directly with customers and retail partners.

As well as focusing on our operational footprint, we have also reinforced our development activity to scrutinise and improve product footprints in more detail. This included further expanding the use and development of the SIC.



MORE ABOUT SUSTAINABLE PRODUCT INNOVATION

We want consumers to trust our brands; to feel confident that our products are safe and cause no harm to the ecosystems or the people that they touch during their life cycle. The overall topic is covered by several insights to make the subjects more accessible.

They are:

- **Product stewardship** – the processes we follow to use safe, environmentally-friendly ingredients in our products as well as the transparency and labelling to empower our consumers to make informed decisions when buying our brands.
- **Plastics and packaging** – our journey to use less packaging, use more recycled material and encourage consumers to recycle our own products.
- **Our value chain** – the steps we take to ensure that we, our suppliers and our suppliers' suppliers are living up to our values and standards – whether that's on human rights or safeguarding ecosystems and the planet for future generations.

Our performance in 2020

Target

One third of our net revenue coming from more sustainable products as measured by our Sustainable Innovation Calculator.

Although we did not quite reach our target of one third of net revenue from more sustainable products by 2020, we made significant headway in an extraordinary year, achieving 30.4%. In these times, when we've seen unprecedented demand for many of our products, we have not only managed to keep our labs and factories operating safely despite the pandemic, but still managed to implement the many changes to our products that add up to delivering an increase in the share of sustainable net revenue.

2020 also saw a significant increase in product volumes in certain product sectors where water is used, like antibacterials. This is understandable in the battle to combat COVID-19. It meant that some improvements in footprint per dose were overshadowed by the increased production volumes in those sectors, and adversely affected the water per dose. The small improvements in product carbon and water footprints were not what we wanted to achieve, and we will refocus on this as we pursue the science-based targets we have set ourselves for 2030. This includes a 50% reduction in product carbon footprint. Overall, however, we're pleased with the increased sustainability through innovation that we've encouraged over the last three years, which gives us strong foundations for future progress.

Net revenue from more sustainable products¹

	More sustainable net revenue (m)	% More sustainable net revenue
2013	£230	3.0
2014	£350	5.0
2015	£558	5.0
2016	£1,193	13.2
2017	£1,716	18.2
2018	£1,868	18.5
2019	£2,397	24.6*
2020	£3,376	30.4*

¹ Excluding our Infant Formula and Child Nutrition business.

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

Looking ahead – our performance in 2021 and beyond

We've updated our target to 50% of our net revenue to come from more Sustainable Products by 2030. We aim to achieve our new ambition in two ways. First, by adding more details to the Sustainable Innovation Calculator (see page 1) so we can consider the sustainability of our products in greater depth. And we will continue to evolve this vital tool to make our sustainable product innovation process as comprehensive and robust as possible.

Secondly, we're applying the calculator's measurement to all three Reckitt business units – Health, Hygiene and Nutrition. From 2021, the products from our 2017 Mead Johnson acquisition will be embedded in our sustainable innovation process. We'll now be more consistent in our approach to sustainable product development across our whole brand portfolio from Enfamil, the infant milk formula in Nutrition, to our hygiene brands, like Finish and our health brands, like Durex.

And as more people buy our products online, Reckitt continues to support this shift through innovation. We continue to develop more sustainable packaging options for this channel. Similarly, our eRB business unit invests in businesses with a focus on purpose and sustainability. Reckitt's 2020 acquisition of UpSpring included a portfolio of natural-ingredient products to help parents find innovative solutions to everyday health and wellness challenges.

Collectively, these measures help steer our course towards our goals of reducing product carbon footprints and supporting our ambition for carbon neutrality by 2040.

2020 product highlights

This year, despite the restrictions and challenges of COVID-19, our new product development pipeline remained strong, with some great innovations from some of our most popular brands. Our sustainable innovations tend to improve on one or more of three aspects, which all help to reduce the environmental impact of our products. First, better ingredients; second, better packaging; and third, more effective dosing.

Our work in **green chemistry**, reformulating existing products with new sustainable ingredients, grows in importance:

- Lysol Disinfecting Spray in the US replaced the main formula ingredient – petroleum-derived ethanol – with bio-based ethanol across the whole product range.
- Dettol's alcohol-free hand sanitiser in China uses bio-renewable actives (lactic acid and citric acid, sourced from cane sugar and corn, respectively) and is proven to kill 99.9% of bacteria and viruses including COVID-19. It will roll out to other countries in 2021.



- Harpic Essential toilet cleaners and toilet blocks, incorporating the use of biodegradable active ingredients and no harsh chemicals, were launched across the EU. The bottles have perforated sleeves that can be easily removed for better recyclability and the toilet blocks' blister packs are made from 80% recycled plastic.

Another key way to lower our products' environmental impact is to **reduce their packaging**. This decreases the volume of raw materials per product and their water and carbon impact:

- Air Wick Freshmatic device reduced its plastic content by 18%. This new version is also more energy efficient, requiring just one battery, rather than two.
- Scholl's Expert Support Insoles range replaced the plastic in the insoles with lighter PU foam and also removed PET film (plastic film) from the packaging. These incremental changes created 18% lighter packaging with a lower carbon footprint and a lower water impact

Concentrated versions of our products also reduce packaging materials and we use and transport less water everywhere. This approach significantly cuts the weight of the products, reducing carbon emissions generated in distribution:

- Lysol Smart, launched in the US in January 2020, is a refillable multipurpose cleaner in a trigger spray format with a reusable bottle that can be used up to 25 times, resulting in a 75% plastic saving. (See case study on next page.)
- Dettol launched its 250ml Liquid Handwash in India, Bangladesh and Sri Lanka, increasing the volume of formula from 200ml while using the same product pack-size. This saw a reduction in carbon emissions and a 20% reduction in plastic per dose.

Although the pandemic saw us prioritise much-needed anti-bacterial and home cleaning products such as Lysol and Dettol, we were still able to make some progress in **switching to more sustainable ingredients**:

- Aerogard Home pesticides' range was launched as a trigger spray format rather than a standard aerosol, in both Australia and Brazil. The formula contains natural active ingredients and recyclable packaging.
- Cillit Bang 'Naturally Powerful' kitchen and bathroom surface cleaners were launched in Germany in May 2020. Formulas contain naturally-derived ingredients, while the packaging contains 75% recycled-content material. The sleeve has been perforated for easy recycling, with on-pack removal instructions.



INVESTING IN MORE SUSTAINABLE INNOVATION

eRB, our dedicated digital business organisation, invests in start-up founders who support Reckitt's fight for access to quality health, hygiene and nutrition. We seek out businesses who are driving real social impact through new sustainable innovation, product design or awareness. Founders get access to Reckitt's experts, capability and scale to help them grow fast and build shared success with Reckitt brands.

They are:

- Oxwash, who is re-engineering laundry from the ground up through recycling water, capturing plastic microfibres and using ozone technology to wash at low temperatures. They've partnered with cross-functional leaders at Vanish to collaborate on new innovative formulas, their purpose and sustainability strategy, and entering the fashion and B2B rental markets.
- Bower Collective is a plastic-free refill subscription service for home and personal care products. In return for business insights to support their growth strategy, Reckitt gains learnings on a new refill subscription model, plastic-free product development and community development.
- With the support of Reckitt's Sustainability team, Grain has been developing their sustainable business model, growth strategy and design principles. Their expertise in household furniture design and sustainable materials gives Reckitt unique insights into the changing behaviours of our consumers in the home.

CASE STUDY



LYSOL SMART – A NEW FORMAT REDUCES OUR IMPACT

With COVID-19 increasing demand for our anti-bacterial products, Lysol Smart enabled us to help US consumers clean and disinfect their homes, while lowering their impact on the planet. Lysol Smart's new refillable trigger spray bottle can be reused and refilled up to 25 times. To use it, you simply fill the bottle to the water-fill line, insert the refill cartridge, attach the spray gun to the neck of the bottle and shake gently. This new format results in a 75% plastic saving.

How we manage sustainable product innovation

Our finance and sustainability teams work hand-in-hand to track our net revenue from more sustainable products. This financial evidence helps to create a strong business case for sustainability. Similarly, a network of sustainability champions in our R&D teams around the world work in each of our product categories to ensure sustainability is a priority when designing and developing products. Moreover, an increased awareness of environmental issues, thanks to sharing sustainability initiatives on our intranet, is uniting the global Reckitt community to think 'sustainability first'.

Sustainable Innovation Calculator – how we measure progress

Our calculator enables us to determine the impact of a product versus existing benchmarks, so we can decide whether it can be considered more sustainable and therefore count its revenues towards our net revenue targets.

The calculator is a streamlined life cycle assessment (LCA) tool that examines the water and carbon impact of products, their ingredients, raw materials and packaging, and also, crucially, the impacts of how they are used by consumers. To be considered more sustainable, a sustainable product innovation must score better in at least one of the categories without scoring worse in any others (see table below).

We continually update, improve and evolve this vital sustainability tool to empower our innovation teams with more data and insight. Starting in 2021, the calculator's new green chemistry metric allows us to factor in regenerative aspects of our ingredients such as the citric acid, sourced from corn, in Dettol's new alcohol-free hand sanitiser.

How the scoring works

To be considered sustainable, our product innovations must score as follows in each of the following categories:

Sustainable Innovation Calculator	Carbon g CO ₂ / dose	Water Effective water l / dose	Packaging		Ingredients Self declaration
			Plastics Reduction / % PCR / recyclability	Weight Effective packaging weight / dose	
Better	> 10% savings	> 10% savings	Plastic score combinations*: • Green, green, green • Amber, green, green • Green, amber, amber	> 10% savings	Complies with Restricted Substances List (RSL) and has a preferred sustainability credential
Same	1.5 – 10% savings	1.5 – 10% savings	Plastic score combinations*: • Amber, amber, amber • Green, green, red • Green, amber, red • Amber, amber, red • Green, red, red	1.5 – 10% savings	Complies with RSL
Worse	> 1.5% increase	> 1.5% increase	Plastic score combinations*: • Amber, red, red • Red, red, red	> 1.5% increase	Does not comply with RSL (or variance)



CASE STUDY

UPSPRING – INSPIRING SUSTAINABLE INNOVATION

Making the shift to more sustainable products means looking outside for companies to help accelerate our progress. UpSpring was a purpose-led acquisition, with the expertise and a naturals-led product portfolio to inspire our existing brands. One example of their approach is the UpSpring Milkflow 100% compostable coffee pod, developed to reduce the number of single-use coffee pods sent to landfill every year. The Milkflow pods are BPI certified 100% compostable, with a plant-based packaging made from corn starch and sugars. They contain zero plastic and zero BPAs (an industrial chemical used to make certain plastics and resins).

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.

Or write to:

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