



BUILDING A SUSTAINABLE FUTURE

Increasingly, our shared COVID-19 experience is revealing the connection between a healthy planet and healthy people. As a responsible business we want to play our part in addressing key social and environmental issues – our societal impact. It's the right thing to do and it's good for our business.

How we engage

Our new sustainability ambitions mark a step-change in how we engage with the wider world. We are not just concerned with mitigating our negative impacts, we want to do what we can to make things better.

Our new targets reflect our conviction that engaging positively with social and environmental issues underpins long-term growth and offers business opportunities. Reducing emissions, waste and water-use can lower our cost base. Integrating sustainability into our business model drives innovation and resilience. Our purpose-led approach is motivating our people to make change happen, and engages customers and consumers.

Our purpose relentlessly pursues a cleaner, healthier world. That extends far beyond personal hygiene and health, we need urgent action to build a cleaner, healthier planet. Our pro-active stance extends across our supply chain and through all our operations. We have strengthened our climate change commitment with a pledge to deliver for the Paris Agreement by 2030 and an ambition to be carbon neutral by 2040. We share learnings globally across our supply chain to meet consumers' evolving priorities more sustainably and at pace.

In 2020, this included partnering with energy suppliers to accelerate our commitment to renewable electricity around the world. We also partner with raw material suppliers and others to improve ingredients, make packaging more sustainable and use better chemistry.

Our sustainable innovation programme aims to reduce our carbon footprint, packaging and plastics, waste and water-use, while maintaining or enhancing product efficacy. We are reviewing our product range to ensure we deliver purposeful products that meet genuine consumer needs and advance circular economy principles. These principles apply to the energy we use, our ingredients and the way we package and deliver our products.

We have adopted a science-based approach to innovation. Our research and development effort is built on eight global science platforms. These trigger insights and pool expertise to generate more sustainable, even safer and more effective new product innovations.

We are also alert to the effect on nature of our activities and for those communities living in areas where we work or source our raw materials. We are working with local communities to protect the ecosystems that provide key natural raw materials for us, while safeguarding their human rights and dignity, and supporting their ability to earn sustainable livelihoods.

Embedding sustainability into strategy

Our aim is to generate business growth through the positive impact we have on the world. Our progress rests on three main pillars: purpose-led brands, combatting climate change for a healthier world and enabling a fairer, more diverse and inclusive society.

Our strategy is all about creating positive impact. We want to be a regenerative business that adds value to society and the environment. We're combatting climate change with ambitious plans to reduce our own carbon footprint. We're taking steps to improve the environmental performance of our products, factories, co-packers and suppliers. And all of these activities support the planet.

By sourcing raw materials, ingredients and packaging responsibly we protect communities and the ecosystems in which they operate. By respecting colleagues, contractors and suppliers we are encouraging fairness across the value chain. By producing safer, sustainable products, reducing waste, and maximising recycling and reuse, we enable and promote circular economic principles.

Combatting climate change

In June 2020, we announced our ambition to be carbon neutral by 2040, beginning with accelerating our delivery of the Paris Agreement by 2030, through science-based targets. Subsequently, Reckitt was one of the first three global companies to sign up to The Climate Pledge, co-founded in 2019 by Amazon and Global Optimism. Our ambition for carbon neutrality by 2040 is a full decade ahead of the world's goal of 2050.

Over 30 global companies are now Climate Pledge signatories. By agreeing to accelerate decarbonisation, we are signalling the need for a new wave of investments and innovative, low-carbon products and services. Collaboration will drive markets for these and speed up their adoption.

This means reducing carbon emissions from our sites by 65% and powering our operations with 100% renewable electricity by 2030. We are already sourcing renewable electricity where markets allow, and now have 100% renewable coverage in our largest manufacturing bases in the US, Europe, India alongside a number of other countries. All the electricity bought for manufacturing our Hygiene business's brands is now renewable.

CASE STUDY

SAVING TREES WITH SMARTER INVOICING

In India, we are saving trees by reducing paper. Statutory and operational requirements in India require a paper-based invoice trail for all transactions. Invoices make up at least 98% of all the paper consumed by Reckitt India. The India country team revised layouts to reduce the average invoice length from nine to two pages. This will save an estimated 5 million A4 sheets every year, equivalent to 100 tonnes of CO₂ in avoided emissions – simple, but effective.

We are also expanding on-site generation, using solar technology. We are building on successful investments in the US, Columbia, Pakistan, Mexico and India, and creating new projects in Thailand and elsewhere. In Pakistan, our Mauripur factory has expanded its solar energy system by 370kW. The factory had set itself the objective of having 50% of its energy load generated by solar energy. This has now been achieved. Its 507kW capacity solar farm is reducing its GHG emissions by 420 tonnes annually, equivalent to planting around 70,000 trees.

During 2020, we continued to invest in energy-efficiency projects. Several sites implemented initiatives, such as installing electric chillers and automated pump controls.

These steps have helped to propel us past our 2020 goal of reducing Greenhouse Gas (GHG) emissions per consumer unit by more than 40% since 2012 – we in fact achieved a 53% reduction.

We have increased energy efficiency by 27% and will continue to improve on that. While this falls short of our 35% improvement target, this is in part because other urgent priorities, notably GHG reduction, took precedence; we also focused on strengthening product quality and productivity. We will, however, target an additional 25% improvement in energy efficiency from current levels as part of our drive towards delivery for the Paris Agreement by 2030.

In parallel, we have been strengthening our approach to assessing climate change risk. This began in 2018 with a detailed initial study of climate-related risks across all business units. We've continued assessing risks and are progressively mitigating

these in our operations and in our products through our environmental programme.

Our new environmental agenda is a further step along this journey. In 2020, we established a partnership with Judge Business School at Cambridge University. This will further assess the risks and opportunities posed by climate change. This work, which considers both supply networks and product development will become a central foundation for our climate strategy for sustainable growth.

We're developing a 'digital twin' approach with Judge Business School to model a range of climate risk and opportunity scenarios across the business. This is part of a comprehensive investigation across 2021 to further assess the detailed risks to global supply chains and our sites. It will factor in consumer responses and purchasing patterns related to climate change. This frames our mitigation and adaptation responses in supply chains and product development. For example, in water-stressed locations it will prioritise site and catchment activity on water. We will continue to report on the risks we envisage and our response to them. A detailed disclosure on climate-related financial risk, including our climate-related risks and our activities to address them is in our Climate change insight.

Promoting the circular economy

Consumers are increasingly aware of their own environmental responsibilities – a trend driven in part by more widespread access to data. There is growing awareness of the importance of biodiversity and ecosystem protection. The demand for plastics reduction is growing. And they expect companies to play their part.

Society is transitioning from one based on taking, using and disposing of resources to one that applies systems thinking to reduce, reuse, recover and recycle them. The companies that are ready to meet this paradigm shift will be best positioned for long-term growth.

Packaging and plastics

We are actively reducing our reliance on plastics and improving the sustainability of our packaging. By using less material and increasing its recyclability we are reducing cost, promoting the circular economy and addressing consumer, customer and regulatory concerns.

We continue to progress our work to reduce our use of virgin plastics. In 2020, we joined the US Plastics Pact, which works collectively towards the common vision of a circular economy for plastics, as outlined in the Ellen MacArthur Foundation's New Plastics Economy initiative.

We work with numerous partners to extend our ability to deliver impact at scale. Under the Partners to Innovate programme, we are exploring future plastics opportunities by expanding PCR inclusion, developing bio-based resins and investigating chemically recycled resins. Strategic partnerships, with companies like Dow, on new materials, and Veolia, on jointly developed solutions to replace virgin plastic, will help us achieve these goals.

The Veolia partnership has delivered several successful projects in Europe. The injection moulded containers for Finish Quantum now incorporate 30% recycled polypropylene (r-PP) content. Vanish Oxi Powder tubs have 35% recycled polyethylene (r-PE) content. These programmes are being rolled out for other products in Europe and extended to other regions.

We are also working with Veolia on broader circular economy initiatives to stimulate waste collection, add value to waste and influence consumer behaviours to promote the right sorting and recycling habits.

Our Yoyo project in France was a circular economy proof-of-concept initiative to demonstrate cost-effective HDPE recycling. Recycling high-density polyethylene (HDPE) is hampered by the lack of demand for the recycled product. We equipped consumers with distinctive pink recycling bags for their HDPE plastic bottles. These were then returned, via municipal sites, to Veolia facilities for reprocessing. The resulting r-HDPE was used as feedstock, providing 25% of the content in brand new Vanish tubs.

Reducing waste

Our campaign for zero waste across the business has been highly successful. We met our zero waste to landfill (ZWTL) target at all our baseline sites in 2020. Overall, we have also reduced waste by 28% since 2012, almost reaching our 30% target. But we can't and won't stop there. We'll save another 25% as part of our new targets, and increase recycling.

Our Chonburi nutrition plant in Thailand met its ZWTL target in 2018, but in 2019, 6% of its waste was still being incinerated. The factory set out to eliminate all waste incineration by recycling or reusing all of its waste. It achieved this by converting more waste streams to material which could be used by others. For example, developing a new supply stream of spent processed milk and powder for farmers to use as animal feed. Through these and other measures, Chonburi became the first of our sites to achieve not just ZWTL but zero waste to incineration (ZWTI).

CASE STUDY



CIRCULAR FASHION

Minimising waste goes beyond making our own production processes more efficient, it is also about changing consumer behaviour. Fashion has been cited as one of the world's most polluting industries, responsible for 4% of global emissions. It's an entire industry that was built on waste, with the idea that clothes constantly need to be replaced. But it doesn't have to be like that.

Vanish has a different mission. It aims to promote sustainability and responsible clothing consumption. And through its new partnership with the British Fashion Council, its ideas are now percolating through to the fashion industry. The brand has become a founding partner of the Institute of Positive Fashion (IPF). It has been named as a research partner on the IPF's launch project, The Waste EcoSystem, which aims to understand what it will take to create a circular fashion industry in the UK, and how that can be expanded globally.

Innovating for a cleaner healthier world

We've developed a rigorous methodology for developing safe and sustainable products that serve a genuine and growing consumer need. Our global research effort is organised around science platforms on key topics that span business areas. Concentrating expertise in scientific specialisms maximises our ability to develop differentiated science and related insights. These provide the basis for new technologies, materials and formats which can then be developed into superior, even safer and more sustainable products.

Science platforms

Our eight centres of scientific excellence cover specialisms that relate to Reckitt areas of interest. They focus on allergy and immunity, digestive health, entomology, microbiome management, nutrition and cognition, polymer science, sensory enrichment and surface chemistry. Our approach in each reflects principles underpinning the fast-emerging area of green chemistry.

We apply this knowledge in over 20 core technology areas, such as controlled release or surfactants, to a circular design process where consumer, sustainability and business benefits are reinvested in continuing improvement. This innovation process aims to improve on current offerings by developing differentiated products that are more effective and more sustainable.

Careful management of the ingredients we select for inclusion in our products combined with global safeguards form the cornerstone of our approach to product stewardship. We collaborate with partners, suppliers and our customers to find new solutions that both delight consumers and improve on our collective chemical and environmental footprints. Reckitt is proud to have been recognised for these efforts as a 'frontrunner in chemical footprinting' in the Chemical Footprint Project's 2020 results.

Sustainable innovation

Our Sustainable Innovation Calculator helps us compare the sustainability of product innovations with existing benchmarks. We evaluate a product's ingredients, raw materials, packaging and its consumer impacts to assess whether new products are more sustainable. The tool is continually evolving as sustainability knowledge improves. In 2020, we put more focus on ingredients and packaging, alongside carbon and water footprints. We improved its integration into all three global businesses. This helped us deliver 30% of our net revenue from more sustainable products.

We know we need to improve the carbon and water impact of our brands. Since 2012, we have delivered 18% carbon reduction and 13% water reduction. This has improved in the last 2 years but needs to accelerate further. Until now, we have largely focused on our manufacturing operations to reduce emissions. Our new goals go further, reducing product carbon and water footprints alongside reducing plastic and helping consumers recycle after using our brands.

Managing water

Managing water resources effectively is essential for the health of our planet. Millions of people are affected by water scarcity and with climate change the number will rise.

Our biggest challenge is not within our own operations, it's that consumers need water to use many of our products. We are

campaigning to help consumers recognise looming water crises and take steps to address them by using our products more efficiently. We also work with communities in water-stressed areas to give people better access to clean water and sanitation.

The Finish no rinse campaign, which urges consumers to abandon pre-rinsing to save over 50 litres per wash on average, is highlighting the need to conserve in water-stressed regions. Following a successful launch in Turkey, it has continued internationally, with major campaigns in Australia and the US. Globally, thousands of people have pledged to save million of gallons of water annually.

In the long term we aim to be water positive in water-stressed locations within the Group and to sustain water resources in our supply chain. Reckitt is pursuing initiatives that increase water efficiency in all our operations and deliver savings across the value chain. We have surpassed our target of improving water efficiency by 35% by 2020, achieving 39% overall, but we know that to support water resources everywhere, our work cannot stop there.

Many of our factories, especially in water-stressed regions, introduced water-saving and recycling measures. Our Hosur site in India worked with local government agencies and communities to assess hydrology, future supply risks and planned production needs. It then agreed a plan to reduce water use, improve efficiency and enhance access and water retention in its catchment area. It built new dams, excavated ponds and de-silted drainage canals. In Indonesia, the Cileungsi factory built a new reverse osmosis system, upgraded steam traps and reduced its water use by 30%. And on a smaller scale, our Agbara factory in Nigeria has introduced a system for siphoning off ion-rich water from its borehole that it can't use in production, to provide grey water for cleaning purposes.

Protecting ecosystems

We rarely buy natural materials in their raw state, but as the ultimate user of natural refined materials we are as responsible for their sustainability impacts as our suppliers.

In 2020, we joined the CGF Forest Positive Coalition as one of 19 members committed to ending deforestation. With a collective market value of over \$1.8 trillion, the coalition has the scale and resources to accelerate systemic efforts to protect ecosystems and move towards a forest positive future.

Sourcing responsibly is in our own interests. We make future supplies more resilient by respecting the communities that produce our raw materials and the ecosystems in which they live and work. We work with partners on the ground to combat biodiversity loss while supporting labour rights and human dignity.

Currently, much of the seven million hectares of forest land lost annually is converted to palm oil production. More than 40% of palm plantation land is farmed by smallholders. They face intense competition and in many cases cannot afford to farm sustainably. We monitor deforestation through supplier programmes and the Starling satellite mapping approach we operate with our peers, but to reduce this consistently we also need to change the economics of land clearance for farmers.

Our programme with the Earthworm Foundation improves livelihoods for small farmers. It supports certification and assists them with intercropping projects to make their land more productive and sustainable. Alleviating the pressure on them to clear new land helps to prevent deforestation.

In 2019, we commissioned the Danish Institute for Human Rights to conduct country-level human rights impact assessment (HRIA) of our Durex and Enfa value chains in Thailand. Following its report in 2020, and to reduce the risk of deforestation in rubber farming, 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. The programme is similarly investing in communities working on rubber plantations in Malaysia to support their long-term sustainability.

CASE STUDY

POLLEN COUNT

Understanding the importance of biodiversity requires more than abstract, intellectual engagement. Although a relatively small project on its own, the Nowy Dwor employee-led bee-keeping project has the potential to open minds to the importance of biodiversity.

The Nowy Dwor site joined a national project to promote biodiversity led by Polish NGO, Liga Ochrony Przyrody (LOP). Reckitt is hosting four beehives and Reckitt employees are being taught how to care for bees. Honey is collected and packed for us. The honey is also laboratory tested and is helping conservation organisations to monitor the state of the environment.