



FOCUSING ON WHAT MATTERS

Reckitt Sustainability Insights 2021



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Our business and the world around us are changing fast. To reflect this, we've reviewed our sustainability priorities. The results show our ambitions are in sync with our stakeholders' views on where our biggest environmental and social impacts lie.



Understanding and responding to our stakeholders across the world is central to our work and our strategy for growth and sustainability.

Our starting point in addressing sustainability is establishing what matters most to both internal and external stakeholders, from customers, consumers and communities, to investors, suppliers and employees. This guides our strategy, policies and communications and helps us manage our impact and relationships. It's also how we can make sure we're making the biggest difference we can.

REVIEWING WHAT MATTERS MOST

In 2021, we conducted a new materiality assessment. This was important, for several reasons. Since our last assessment in 2018, both the company and the world have changed. The significant issues of the past three years, including the COVID-19 pandemic and the increasing focus on climate change and its impacts on the planet and people, have changed the context in which we operate.

In parallel, we've made strides in embedding sustainability in our business, exemplified by our 2030 ambitions. We've also transformed the foundations of our strategy for growth. Our purpose to protect, heal and nurture in the relentless pursuit of a cleaner and healthier world, is embedded in our work every day.

And we're guided by our Compass to do the right thing, always. This helps us in our fight to make access to the highest quality hygiene, wellness and nourishment a right, not a privilege. As we framed our new ambitions, we reviewed them in mind of the complex ecosystem we are part of, the emerging policy frameworks and the world's biggest problems which also guide our wider business strategy. Nonetheless, we still felt it was important to further sense check our position against all the changes we see. That's why this materiality study was so timely.

This year, in line with emerging trends and regulation, we included a 'double materiality' aspect to the assessment which considered our impact on issues, as well as their impact on us. More detail about double materiality and how we conducted the materiality assessment is provided later in this insight.

OUR SIX KEY ISSUES: CLIMATE CHANGE MOVES CENTRE STAGE

The assessment results reaffirm the ambitions and associated targets we set in March 2021 – purpose-led brands, a healthier planet, and a fairer, more inclusive and diverse society – are relevant to all stakeholders and that our priorities match theirs. They tell us we're prioritising the right issues: there's a clear connection between our most material issues, our 2030 ambitions and our business strategy.

Focusing on what matters continued

Materiality matrix

Materiality matrix showing the priority of issues in terms of the view of the business and the view of stakeholders:



- | | | |
|--------------------------------------|---|--|
| 1. Climate change | 8. Labour & human rights | 15. Biodiversity & ecosystems impacts |
| 2. Product quality & safety | 9. Supply chain management | 16. Talent management & employee development |
| 3. Packaging & waste | 10. Employee health, safety & wellbeing | 17. Data privacy & cybersecurity |
| 4. Advancing global health & hygiene | 11. Water | 18. Contributing to local communities |
| 5. Ethical business conduct | 12. Diversity, equality & inclusion | 19. Sales & marketing practices |
| 6. Sustainable product innovation | 13. Responsible governance | |
| 7. Public health challenges | 14. Ingredients | |

Stakeholders didn't see any major gaps in our strategy and recognised the significant progress we've made in the past two years.

The top six issues are:

1. Climate change
2. Product quality and safety
3. Packaging and waste
4. Advancing global health and hygiene
5. Ethical business conduct
6. Sustainable product innovation

Environmental issues dominate the results, with climate change overtaking product quality and safety as Reckitt's most significant sustainability issue. Stakeholders felt that the regulatory, physical and reputational risks of climate change would have significant negative financial impacts if we didn't address them properly. Of course, we are actively pursuing our new targets, and making progress along our roadmap (see our [Climate change](#) insight).

Similarly, of the top six issues where we can have the biggest positive or negative impact, two more have an environmental dimension: packaging and waste, and sustainable product innovation. We already address these in our measurable, time-bound targets.

Climate change

Climate change sees the biggest shift in our materiality assessment, from medium to very high priority. This reflects increasing global awareness among governments, businesses and the public of the urgent need for action, underlined by the COP26 conference, which happened close to the time of the assessment.

Internal and external stakeholders noted the disruption climate can have on business operations, as well as the mounting pressure from regulators, investors and consumers on businesses to manage climate-related issues.

For more on how we're responding, see our [Climate change](#) insight.

Focusing on what matters continued

Product quality and safety

Product quality and consumer safety are non-negotiable for us. They're central to keeping our brands effective, credible and reputable, and that, in turn, makes them better able to protect health and hygiene. A good record on safety and quality is a fundamental requirement for a business like ours. Our goal is also that there will be no compromise in the efficacy of our products as we move towards alternative ingredients that are more sustainable, as well as safe.

In our materiality assessment, stakeholders mentioned the risks posed by product recalls and volatile public perception of global consumer goods companies. Negative headlines about issues like unsafe products or unfair labour practices can quickly undermine trust in brands even if they're not directly associated with them. Stakeholders also believed our increasing focus on health means we'll face more intense scrutiny of the sort reserved for pharmaceutical companies. We welcome this attention as a spur to keep raising our standards. Our low rate of recalls (only one in 2021), is one indicator that our work here is paying off.

Our participation in the US Environmental Protection Agency's Safer Choice labelling scheme helps consumers quickly see our products contain safe ingredients, enhancing our transparency about the materials in our products. We make product quality and safety part of core business processes to help us deliver them consistently. For example, 100% of products must have a Product Safety Evaluation Report (PSER) before launch. For more about this, see our [Product safety and quality](#) insight.

Packaging and waste

More and more, consumers want packaging that's sustainable, by which they mean packaging that uses less plastic and is recyclable. Our people expect us to lead here, too. For us, sustainable packaging is a long-term investment and commitment, as we carry on pushing for progress through innovative packaging, product design and partnerships. More sustainable and recyclable packaging also means we leave a smaller footprint and less waste in the environment we are part of. We are reducing waste in our own operations, and it follows that we also don't want to create waste

when people use our products. See our [Plastics and packaging](#) insight and [Reducing waste](#) insight for more information.

For example, in 2021, our team won the Glass Packaging of the Year prize at the UK Packaging Awards for the newly developed Gaviscon bottle. The pink shrink sleeve has been replaced with a spray coating that significantly improves sustainability by saving plastic – while also not losing that essential 'stand-out' factor on the shelf, which helps maintain brand equity. As Gaviscon is a licensed health product, this was a particularly complex project, requiring our teams in safety, quality, regulatory, supply, procurement and R&D, to work together with our project management and packaging teams.

COVID-19 has continued to pose challenges for our sustainability agenda in this area, with demand for our products staying high. Demand for disinfectants outstripped the supply of PCR (recycled plastic) for bottles. Our footprint in this product area grew, as we used more packaging but couldn't increase the percentage of recycled material as much as we wanted.

Even so, we've been able to use more recycled paper and cardboard. We are also continually looking at ways of reducing the amount of material we use in the first place. When we do generate waste, we are looking at innovative ways of diverting it away from landfill and finding a use for the material. For example, in our Thailand Durex Factory we are sending waste latex to a manufacturer to create flip-flops. We have donated the first batch of these to the local school.

For more on how we deal with waste and plastics, see our [Product Stewardship – Ingredients and transparency](#), [Plastics and packaging](#) and [Reducing waste](#) insights.

Advancing global health and hygiene

Advancing global health and hygiene is now our fourth most material sustainability issue. This reflects its position at the core of our business and our purpose. It is also a measure of how we've continued to meet high demand for our hygiene products during the pandemic.

It's vital that we have ambitious and clear targets on hygiene, health and nutrition, and that we communicate our action and progress to

show we're true to our purpose. Stakeholders emphasised the need for more peer and NGO collaboration to maximise the impact Reckitt can have on global health issues. They felt that advancing global health and hygiene was one of our biggest potential societal impacts, but also saw it as fundamental to us successfully delivering our mission, and intrinsically linked to our financial performance.

While stakeholders thought our current performance was strong, they stressed that Reckitt needs to do more on hygiene, health and nutrition through product innovation, and through affordable and accessible products.

Ethical business conduct

The high position of this issue in our assessment reflects not just how much it matters but also how important our Purpose and Compass are in guiding us to do the right thing, always. Since 2020, we've worked to embed them in all our work. Ethical business conduct's ranking also reflects that the issue now stands independently in the assessment instead of being coupled with responsible business governance. Overall, it tells us we must continue to go beyond compliance and embed our purpose across the whole value chain.

We're working hard to continuously strengthen our approach, improve our processes and tools, and support our people to do the right thing, especially when the choices aren't obvious. For example, we developed a new Responsible Marketing Policy and Principles. For more on these, our Ethics and Compliance programme and our Code of Conduct, see our [Ethical behaviour](#) insight.

Sustainable product innovation

Sustainable product innovation is now a priority topic that stakeholders see as fundamental to our purpose. Included within it are themes like technology and digitisation, product innovation and R&D, environmentally and socially sustainable products, and low-carbon ingredients and materials.

Our ambition is that every innovation we generate is more sustainable than its predecessor. Everything counts here, from major new product launches to small incremental changes to an established brand. We could be improving an existing product range

Focusing on what matters continued

by reducing plastic packaging; switching to a more sustainable ingredient; or exploring solutions through business acquisitions. Or we could be inventing a completely new product with a lower environmental footprint. Each of these is a step in the right direction.

A great example of a more sustainable new product was our launch in March 2021 of our Harpic Essential Power toilet block in France and Australia. It's a toilet block with 95% natural origin ingredients, based on ECOCERT certification, and more bio-based ingredients (like surfactants and fragrance) than standard Harpic toilet blocks.

A key tool is our Sustainable Innovation Calculator. This helps us compare the sustainability of product innovations with existing benchmarks. We evaluate a product's ingredients, raw materials, packaging and its environmental impact once consumers use it to assess whether new products are more sustainable.

The Calculator is continually evolving as our sustainability knowledge improves. In 2021, we integrated it further into all three global businesses: Hygiene, Health and Nutrition. This helped us deliver almost 30% of our net revenue from more sustainable products, moving us closer to our 2030 target of 50%. This is the like-for-like comparison for our Health and Hygiene businesses with our 2020 performance. For more details on how we are making our products more sustainable, please see our [Sustainable product innovation](#) insight.

OTHER CHANGES SINCE 2018

In this materiality assessment, social issues have risen up the agenda. Since the last assessment, the world has seen various social justice movements gather pace and the impact of the COVID-19 pandemic. Both have focused attention on how far employers promote a fair and equitable workplace that looks after employees physically and emotionally. It shows in this assessment, with employee health, safety and wellbeing, and diversity, equity and inclusion both becoming more significant.

Supply chain issues have also become more significant. Labour and human rights, and supply chain management both shifted notably to the right of the materiality matrix, indicating their growing importance to both stakeholders and the business. This is down to



increasing expectations of corporates to be transparent about, and accountable for, the social and environmental performance of their suppliers. It also shows how the pandemic has underlined businesses' vulnerability to supply chain volatility. For more on this, see our [Value chain](#) and [Human rights](#) insights.

Among most of our stakeholders, biodiversity isn't yet a business priority. For internal stakeholders, our impacts on biodiversity and ecosystems moved down the list of issues with an impact on Reckitt, compared to 2018. But external stakeholders did see this as the next big emerging issue, with increasing public awareness and nature-based financial disclosures such as the Taskforce on Nature-related Financial Disclosures (TNFD) anticipated in the coming years. We now have an opportunity to mitigate risks, get ahead of peers and articulate our ambitions.

We recognise the growing importance of biodiversity and ecosystems, which is why we're working with Nature Based

Inssetting at the University of Oxford to look at nature-based solutions. For more on this, see our [Protecting ecosystems in our value chain](#) insight.

HOW WE CARRIED OUT OUR MATERIALITY ASSESSMENT

Our 2021 materiality assessment used the 'double materiality' approach recommended by the Global Reporting Initiative and which is embedded in proposals for the new EU Corporate Sustainability Reporting Directive.

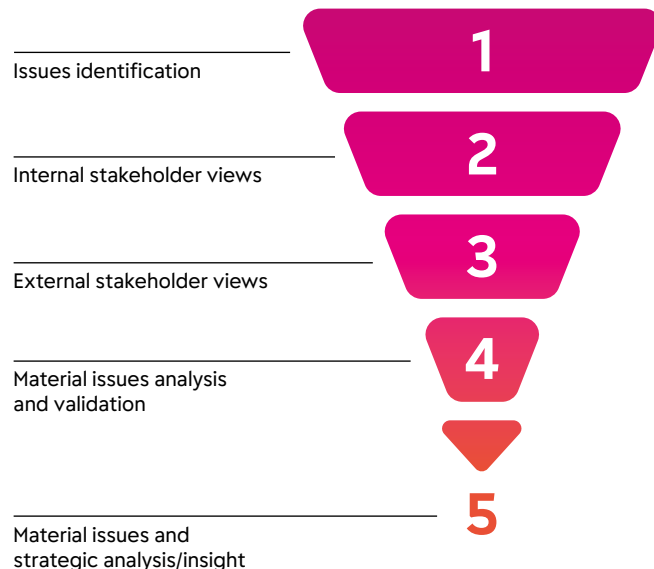
Through this approach, we uncover why issues are important by understanding whether they pose a high financial risk or opportunity to the business, or if the business has a high impact on the issue (hence 'double'). Business risks can be both direct and indirect. For example, recalling a product because of a quality failure will have direct impacts and costs. It might also erode trust to the point where people shift to buying other products. Similarly, if a company loses trust because of perceived sustainability failures, weaknesses or poor performance relative to peers, then that too could translate to a financial impact.

A double materiality process asks two questions:

1. What are the key sustainability issues that have the potential to affect Reckitt's financial position? (Financial materiality.)
2. What are the key impacts of the business on society and the environment? (Impact materiality.)

First, we identified the most important topics for our business. Our assessment identified the 19 most important issues for our stakeholders and our business, which we plotted on a matrix to show their significance. Then, through the interview and survey process, they were prioritised. We're working consistently on all the topics on our matrix, while giving most emphasis to the top six issues. In some cases, we've defined a topic differently, and this has contributed to it being repositioned in the matrix as our stakeholders reviewed them all. We only changed the definition where it made sense to split a broader topic into two, to provide more specific areas of focus. This was the case for public health and advancing global health and hygiene – an important change given the focus on the latter.

The process



HOW WE WORK WITH STAKEHOLDERS

We value all our stakeholders' opinions and have regular, ongoing dialogue with many of them. This has continued through the global pandemic, though with fewer face-to-face conversations.

Our role as a health and hygiene company has seen us interact more 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 helped critical workers and disadvantaged communities protect themselves from the virus. Our programmes involved partnerships with governments and the United Nations, acting as an important part of their wider public health response to the pandemic. In 2021, we worked with more peer companies to help them protect their consumers and their own teams. This included partnerships with Eurowings and Pakistan International Airlines, which helped people continue to travel safely.

HOW WE LISTEN TO OUR STAKEHOLDERS

We interact constantly with all our stakeholders. In 2021 a particular highlight was the United Nations Climate Change Conference COP26 in Glasgow, where we were one of the principal sponsors and the official Hygiene Partner. We organised and took part in roundtables over the whole fortnight, bringing us into contact with customers, investors, governments, policymakers, NGOs and academics.

Our dialogue with other stakeholders includes:

- **Consumers** – through routine dialogue and gathering brand insights
- **Employees** – through virtual town halls for all employees hosted by our CEO; GLINT employee surveys; engagement with our Board through dialogue forums; and with our CEO through our 'Ask Laks' intranet forum, where anybody from Reckitt can ask questions, which he then answers on the site or in an informal discussion video
- **Investors** – through routine discussions and investor forums, often focusing specifically on sustainability. We demonstrate our work to investors through our involvement with key external indices and platforms like the Dow Jones Sustainability Index, FTSE4Good and the Carbon Disclosure Project (CDP) on climate change, water and forests
- **Customers** – routinely meeting our key customers' leaders and teams helps strengthen our partnerships. It also helps make us as effective and efficient as possible in bringing products to their consumers, 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
- **Governments and policymakers** – we routinely talk about regulations with government agencies and regulatory bodies across the world
- **Communities and NGOs** – through our brand partnerships such as Water.org, and through our work with the Earthworm Foundation, Oxfam Business Advisory Service and our Fair Rubber

commitment, we're supporting the livelihoods of farmers, workers and their families, helping to make the latex sector sustainable for years to come

- **Suppliers** – we constantly talk to our supply network to make sure we work efficiently together. We also discuss longer-term plans with our key suppliers around developing safe, resilient and sustainable supply networks, including for natural raw materials, ingredients and packaging. This helps us work with our suppliers as partners, and understand trends, issues and opportunities. Examples of our work in this area can be found in our [Human rights across our value chain](#) insight and [Protecting ecosystems in our value chain](#) insights
- **Academia** – we're working with Resilience, utilising a platform pioneered by the Centre for Risk Studies within the Judge Business School at Cambridge University, to further assess, understand and mitigate the impacts of climate change in our global value chains. This partnership will strengthen our support for climate change risk reporting mechanisms. We're also working with Nature Based Insetting at the University of Oxford to look at nature-based solutions and build our strategy and targets for sustaining biodiversity and protecting ecosystems

LISTENING TO OUR STAKEHOLDERS

Reporting effectively on 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:

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