



SUSTAINABLE PRODUCT INNOVATION

Reckitt Sustainability Insights 2021



SUSTAINABLE PRODUCT INNOVATION



Innovation is fundamental to how we develop products that meet our consumers' needs. For us, sustainability is a key pillar in the innovation process, supporting the growth and success of our brands, while reducing our impact on the planet.

Innovation is the key to our success. It's how we exploit our best ideas to develop brands that stand out and products that work so well that consumers buy them again and again. But innovation is also the key to our sustainability impact. It's how we make sure that we limit our environmental footprint while still producing highly effective, safe, compliant and high quality products.

Everyone expects us not just to be innovative, but sustainable. Governments want us to contribute to their environmental targets, customers want us to be in step with their sustainability goals and consumers want to know we're doing all we can to curb our environmental impact. Innovation helps us satisfy all these demands and progress towards our own sustainability ambitions. It also helps us contribute to a healthier planet and a fairer society with our purpose-led brands.

The result of sustainable innovation could be a pack that's easier to recycle or reuse, a simplified formulation that more effectively uses raw materials or a product that uses less energy when our consumers use it. Many kinds of expertise come together to make this possible. They include R&D specialists gathering and applying our scientific knowledge of materials and chemistry to achieve results like developing polymers to reduce the weight of our packs, or following the principles of green chemistry. We've mobilised this expertise into nine 'science platforms', exploring areas from polymers to microbiomes, that produce data and insights we can harness across our brands.

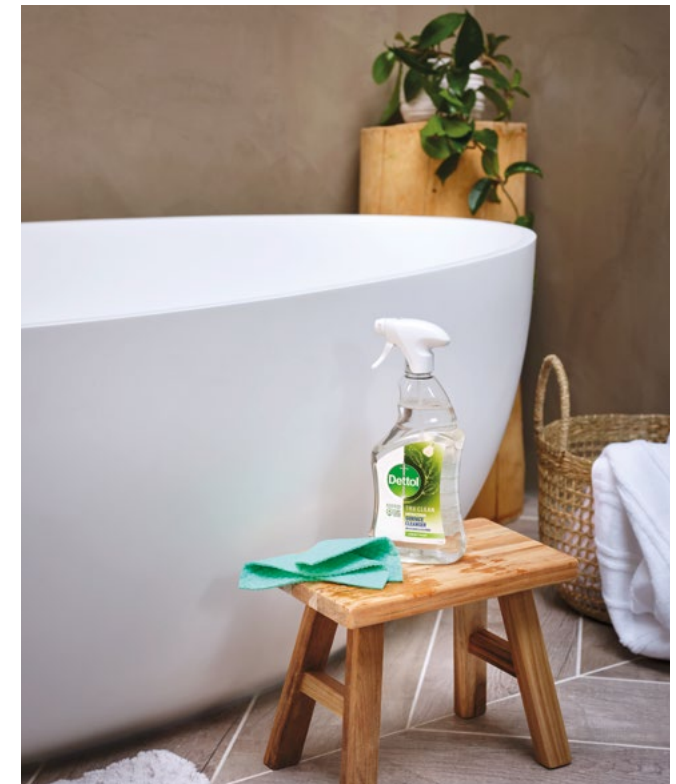
Design is also integral to sustainable innovation. Design decisions dictate how sustainable a product is at every stage of the value chain. Designers specify materials, and they decide how a product will be packaged and how consumers will use it and dispose of it. All these decisions have an impact on sustainability through the lifecycle of the product, from sourcing ingredients and manufacturing products to transporting them and managing the waste after disposal.

OUR PERFORMANCE IN 2021

Aim	2021
50% net revenue from more sustainable products by 2030	24.9% ^{†1}

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

1 The 2021 total net revenue from more sustainable products excluding our Infant Formula and Child Nutrition (IFCN) business was 29.3%.





MAKING INFORMED DECISIONS: THE SUSTAINABLE INNOVATION CALCULATOR

To help us get these crucial decisions right, we've developed our Sustainable Innovation Calculator. This shows the effect of every choice we make on the sustainability of a product, whether we're improving something that already exists or developing something completely new. Our ambition is that every innovation we come up with is more sustainable than what it replaces.

By measuring the impact of each change before the product launches, our product developers get the information they need to let them adjust the product design. For us to report a product as 'more sustainable', it must improve significantly on the carbon, water, plastics, packaging or ingredients impacts of the benchmark it's replacing.

There are always benefits and drawbacks to innovations and we weigh the impact of our decisions carefully. For example, a natural ingredient might score well on one aspect of sustainability, but have a higher water impact than a synthetic ingredient; or plastic packaging might actually have a lower carbon footprint than a composite equivalent. The Sustainable Innovation Calculator is our guide through this thought process. It uses quantitative measures to determine whether an innovation makes a product 'more sustainable'.

This means we can assess every change to make sure it's helping our brand portfolio as a whole to become more sustainable. The calculator looks at water, carbon, plastics, packaging and ingredients. The ingredient metric stems from green chemistry principles (see our [Product stewardship](#) insight) and includes sustainability credentials like certified origins for natural raw materials.

In 2021, we revised our ingredients metric significantly, giving our product developers more tools to help us continuously improve. The calculator now encourages doing more than simply avoiding ingredients on our Restricted Substances List. Instead, it gives higher scores for using ingredients that are from circular feedstocks, that biodegrade better and that have a lower hazardous chemical footprint. This helps to future-proof our products and meet growing consumer expectations, as well as anticipate regulatory developments.

HOW THE SUSTAINABLE INNOVATION CALCULATOR SCORING WORKS

To be considered sustainable, our product innovations must score as follows:

DIAL SCORE	CARBON (g CO ₂ e/dose)	WATER (Effective water L/dose)	PLASTICS (Reduction/%PCR/ Recyclability)	PACKAGING (Reduction/%PCR/ Recyclability)	INGREDIENTS (Based on four Green Chemistry KPIs)	OVERALL SCORE (An aggregate score of all five dials)
	≥ 10 points (≥ 10 reduction)			≥ 10 points		MORE SUSTAINABLE ≥ 10 points
	≥ -1.5 points to < 10 points (between 1.5% increase and 10% reduction)			> -10 points to < 10 points		AS SUSTAINABLE > -10 points to < 10 points
	≤ -1.5 points (≥ 1.5% increase)			≤ -10 points		LESS SUSTAINABLE ≤ -10 points

COMMUNICATING THE ROLE OF THE SUSTAINABLE INNOVATION CALCULATOR

We want to make sustainable innovation second nature for all our employees. We've trained people across functions to make sure they know the Sustainable Innovation Calculator's role. It's also part of wider communication of our sustainability ambitions. There have been a number of internal articles about the Sustainable Innovation Calculator which give colleagues globally more in-depth information on how it works. Our community is becoming more engaged with sustainability and keen to improve the environmental footprint of our products. We can see this change across the organisation, from creating e-commerce products with more sustainable product profiles, to our representatives working directly with customers and retail partners.



MORE ABOUT SUSTAINABLE INNOVATION

We want consumers to trust our brands. We also want them to feel confident that our products are safe and cause no harm to the ecosystems or the people they touch. This involves a broad range of activities, which we cover in these insights:

- **Product stewardship** – the processes we follow to use safe ingredients in our products and lower our chemical footprint, as well as the transparency and labelling that help our consumers make informed decisions when they buy our brands
- **Plastics and packaging** – our work to use less packaging, use more recycled material and encourage consumers to refill or recycle our product packaging
- **Climate** – our efforts to reduce carbon emissions across our value chain
- **Water** – how we reduce the water it takes to produce and use our products
- **Our value chain** – the steps we take to make sure that we, our suppliers and their suppliers are living up to our values and standards, whether it's on human rights or safeguarding ecosystems

PROGRESS AGAINST OUR TARGET

Although we've seen a slight drop in like-for-like performance in 2021, the sustainable innovation we've developed over the last three years gives us a strong pipeline for 2022 and good foundations for future progress. COVID-19 has caused unprecedented demand for many of our products, but we've managed to keep our labs and factories operating safely despite the pandemic, while maintaining a more sustainable portfolio of products.

Our Hygiene business has led the way on sustainable innovation over the past few years. Our Health brands have used the calculator for product innovation for the past two years and this is leading to increased revenue from more sustainable products. As a number of our health and nutrition products are licensed under medical regulation, it can take a little longer for those innovations to reach our consumers. We rolled the calculator out to our Infant Formula and Child Nutrition business, completing the groundwork for better performance in 2022 and beyond.

From 2020, amid the COVID-19 pandemic, we've seen a sharp increase in production volumes for disinfectant products and anti-bacterials, like hand sanitiser, that use a significant amount of water. So, while we made some improvements in footprint per product dose, they were offset by the higher production volumes. The improvements in product carbon and water footprints were smaller than we wanted, and we'll refocus on this as we pursue the science-based targets we've set for 2030. This includes halving our product carbon footprint.

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
2021	£3,311 ⁺	29.3 ⁺
		24.9 ²⁺

- 1 Excluding our Infant Formula and Child Nutrition (IFCN) business unless stated otherwise.
 - 2 2021 including IFCN.
- + Assured by ERM CVS as part of their limited assurance scope; for details, see our [Sustainability governance, reporting and assurance](#) insight.



2021 PRODUCT HIGHLIGHTS

Despite the restrictions and challenges of COVID-19, which has made us devote more resources to existing hygiene products, our new product development pipeline stayed strong, with innovations from some of our most popular brands. We aim for our sustainable innovations to improve on one or more of three aspects, which all help reduce the environmental impact of our products: better ingredients, better packaging and more effective dosing.

Our work in green chemistry, introducing products with more sustainable ingredients, continues.

KY JELLY AND KY LIQUID: REFORMULATING TO SAFER ALTERNATIVES

In the US, KY Jelly and KY Liquid were reformulated to replace ingredients such as methyl parabens with safer alternatives. At the same time, we made packaging changes to reduce the amount of plastic packaging and improve overall recyclability.

Using our Sustainable Innovation Calculator, the changes made to KY Jelly and KY Liquid were more sustainable from a carbon, water, plastics and ingredients perspective. This means that both positively contribute to our 2030 goal of 50% net revenue from more sustainable products.

CASE STUDY



AIR WICK ESSENTIAL MIST: REDUCING OUR WATER, CARBON AND PLASTIC FOOTPRINT

Air Wick's Essential Mist brings fragrances inspired by nature into the home.

Our new compact design is a great example of how we can lower the environmental impact of our products. We've reduced the weight of the device by 24% as well as achieving a 26% plastic reduction in the overall starter kit.

The new pack also has more recycled content, helping us pre-empt emerging regulation calling for more Post Consumer Resin (PCR).

Overall, this makes the product more sustainable from a carbon, water, plastic and packaging perspective, as measured by our Sustainable Innovation Calculator.

CASE STUDY

- In Europe, Gaviscon launched GaviNatura, a new product which provides heartburn and indigestion relief from 100% natural ingredients. In addition, packaging the new product in a glass bottle increased the overall packaging recyclability and reduced the amount of plastic packaging
- In France, we launched Harpic Essential Power toilet block with ECOCERT certified formula containing 95% ingredients of natural origin, among them bio-based surfactants and fragrance replacing synthetic ones
- In the US, Air Wick replaced its Scented Oil range for electrical plug-ins with fragrances that significantly increased the naturally derived content to over 50%

Another key way to lower our products' environmental impact is to reduce or change their packaging. This cuts the volume of raw materials for each dose of the product, along with their water and carbon impact:

- In Europe, Finish Rinse Aid has moved to a 35% Post Consumer Resin (PCR) bottle, with a sleeve that's now perforated for easy removal before consumers recycle the bottle. Finish Dishwashing gel also has a 35% PCR bottle, with a perforated sleeve currently available in Italy to be rolled out further in 2023
- In several European countries, we launched our new Strepsils Herbal range with cartons containing recycled content
- In the UK, Vanish Miracle Serum for Whites and Colours launched in a dedicated e-commerce pack, removing the need for additional packaging from e-commerce retailers



Reformulations of our products also help reduce the packaging materials and water we use, significantly cutting the weight of the products, and thereby reducing carbon emissions generated in distribution:

- In Europe, we reformulated Finish Quantum Ultimate, which has reduced its carbon footprint by over 10% and water footprint by more than 5%
- In the US, reformulating surfactants in Lysol Power Bathroom foamer, sold in a trigger bottle, delivered a reduction of over 8% in carbon impact and over 9% in water impact
- Also in the US, Airborne launched Simply C Gummies. These provide the same immunity benefit as the current product but with reduced carbon and water impact due to ingredient changes

Despite continuing to prioritise anti-bacterial and home cleaning products like Lysol and Dettol in the pandemic, we made progress in switching to more sustainable ingredients. In Brazil, we launched Veja Power Nature All-Purpose Cleaner in a trigger format with ingredients from renewable plant sources, and a biodegradable, dermatologically tested formula. The product also comes in a 50% PCR bottle with a perforated sleeve for easy removal before disposal. The launch of Dettol TruClean was another highlight, becoming the UK's Number 1 'Eco New Product Development' as recognised by a leading retailer. It combines a 100% plant-based active ingredient with a fully recyclable bottle containing up to 35% PCR.

HOW WE MANAGE SUSTAINABLE PRODUCT INNOVATION

Our network of sustainability champions in our R&D teams work in each of our product categories to make sure sustainability is a priority in product development. When it comes to reporting, our finance and sustainability teams work together to track our net revenue from more sustainable products. This evidence helps us create the business case for sustainability and track progress towards our targets.

Engaging with our employees through events and sharing news of sustainability initiatives on our intranet is increasing awareness of environmental issues, and making the global Reckitt community more likely to put sustainability first.

HOW WE MEASURE PROGRESS

Our Sustainable Innovation Calculator helps us see the impact of a product compared to the existing product it could replace. In this way, we see whether the new product is 'more sustainable' and so whether its revenue counts towards our 2030 target of 50% net revenue from more sustainable products.

The calculator is a streamlined Life Cycle Assessment (LCA) tool that helps us assess the water and carbon impact of products, as well as their ingredients, raw materials and packaging. Importantly, it also includes the impact of how consumers use the product.

To be classed as more sustainable, the overall score of a product innovation must be equal or higher than +10 points when compared to the benchmark.

We continually update and improve the calculator to give our innovation teams more data and insight so they can make better-informed decisions. Starting in 2021, the calculator's green chemistry metric allows us to factor in the regenerative characteristics of our ingredients, such as the citric acid (sourced from corn) in Dettol's alcohol-free hand sanitiser.

LOOKING AHEAD – OUR PERFORMANCE IN 2022 AND BEYOND

We've updated our target so that we're now aiming for 50% of our net revenue to come from more sustainable products by 2030. We're also applying the calculator to more of our products. From 2021, the products from our Infant Formula and Child Nutrition business, acquired in 2017, are included in our sustainable innovation process. This means we're now more consistent in our approach to sustainable product development across our whole portfolio, from our nutrition brands, like Enfamil infant milk formula, to our hygiene brands, like Finish, and our health brands, like Durex. While the initial push to integrate the Sustainable Innovation Calculator focused on new product innovation and our top 20 global brands, we're increasingly making it part of our smaller brands and how we make changes to existing products.

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

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:

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