# CLIMATE CHANGE

**We are focused on doing our part to combat climate change, from how we source ingredients and reduce the energy we use, to how we design our products and packaging.**

# CLIMATE CHANGE CONTINUED

## 2022 PERFORMANCE

| Our ambitions | 2022 progress | 2021[1] | 2020[1] | 2015 baseline[1] |
|---|---|---|---|---|
| Net zero across our value chain by 2040 | | | | |
| 65% absolute reduction in operational (Scope 1 & 2) GHG emissions by 2030 vs 2015 | **-66%†** | -66% | -39% | — |
| 100% renewable electricity by 2030 | **93%†** | 92% | 61% | — |
| 25% reduction in energy use (per tonne of production) by 2025 vs 2015 | **-3%†** | -8% | -9% | — |
| 50% absolute reduction in product carbon footprint emissions by 2030 vs 2015 | **+17%†** | +21% | — | — |
| **Other GHG metrics** | | | | |
| **MANUFACTURING & WAREHOUSING** | | | | |
| Scope 1 GHG emissions ($tCO_2e$) | **121,275†** | 117,172 | 124,430 | 124,867 |
| Scope 2 GHG emissions (location-based) ($tCO_2e$) | **237,471†** | 232,234 | 236,471 | 275,432 |
| Scope 2 GHG emissions (market-based) ($tCO_2e$) | **9,448†** | 12,857 | 109,632 | 259,184 |
| Total Scope 1 & 2 GHG emissions (location-based) ($tCO_2e$) | **358,746†** | 349,406 | 360,901 | 400,299 |
| Total Scope 1 & 2 GHG emissions (market-based) ($tCO_2e$) | **130,723†** | 130,029 | 234,062 | 383,365 |
| Energy use per tonne of production (GJ per tonne of production) | **1.51†** | 1.44 | 1.39 | 1.56 |
| Emissions intensity (market-based) ($tCO_2e$ per tonne of production) | **0.04†** | 0.04 | 0.07 | 0.13 |
| **PRODUCT CARBON FOOTPRINT** | | | | |
| Total Scope 1, 2 and 3 carbon footprint (without indirect consumer use) (million $tCO_2e$) | **13.0†** | 13.4 | — | 11.1 |
| Total Scope 1, 2 and 3 carbon footprint (with indirect consumer use) (million $tCO_2e$) | **40.0†** | 41.5 | — | 37.6 |

† Assured by ERM CVS as part of its limited assurance scope. For details, see our **Sustainability Governance, Reporting and Assurance Insight**

1. Data restated due to removal of divested sites and data reporting improvements. See our Reporting Criteria for more detail at **reckitt.com/our-company/policies-reports**

# **CLIMATE CHANGE** CONTINUED

Climate change affects the health of both people and the planet. Through our purpose-led brands, we help protect, heal and nurture people's health. To be able to do that, now and in the future, we are focused on doing our part to combat climate change.

To minimise our impact on the planet, we look to make our own operations and our whole value chain more sustainable. This will help mitigate the risks to our business associated with a changing climate, but also presents opportunities for our business as we adapt to a low carbon economy, as outlined in our net zero roadmap.

We launched our Sustainability Ambitions and our net zero roadmap in 2021, and we've been reducing greenhouse gas (GHG) emissions in our own operations since 2012. We know we need to do more across our value chain, through the design of our products and how people use them.

You can read more about our performance in the **Sustainable Product Innovation**, **Water**, **Waste**, **Plastics and Packaging**, and **Biodiversity and Ecosystems Insights**

## Our carbon footprint

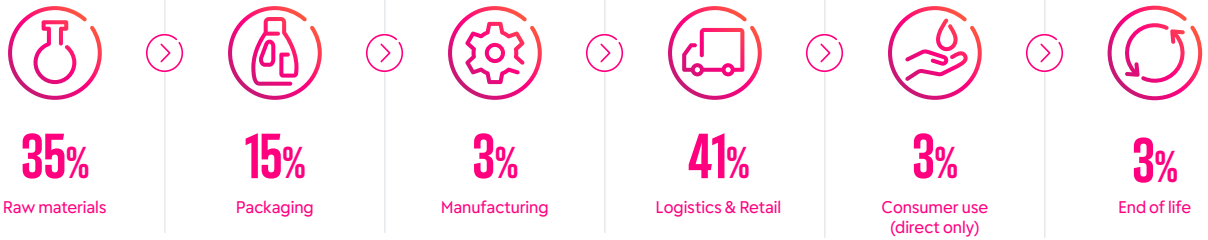
Emissions associated with our own operations only make up 3% of our wider carbon footprint, with Scope 3 emissions accounting for 97% of our overall emissions.

Dealing with these emissions is highly complex, given that they're mostly outside our direct control. However, to tackle climate change we need urgent action. That's why we are committed to influencing others in our value chain and working collectively with partners to drive down emissions.

Our value chain comprises interdependent parts that cover the sequence from us sourcing raw materials and manufacturing products, to consumers using and disposing of them. Cutting carbon emissions in one part of the chain might increase them in another. For example, we could manufacture a product in a more concentrated form that reduces packaging, and so lowers carbon emissions from transport. But consumers may then have to use and heat more water to use the product, so losing some or all of the environmental gain. We use our Sustainable Innovation Calculator to think through these issues when we design new products or modify existing ones.

For more about this, see our **Sustainable Product Innovation Insight**

### OUR CARBON FOOTPRINT*




* Figures do not equal 100 due to rounding

## SAVING ENERGY THROUGH CONTINUOUS IMPROVEMENT AND PERFORMANCE MANAGEMENT

Optimising equipment is often the first port of call when looking to reduce energy use and associated emissions. It also helps cut costs. At our Tuas plant in Singapore, we've optimised our dryers, creating production efficiencies as well as cutting energy and cost. Through detailed performance data analysis, the team identified the top preferred formulations to increase dryer output. By optimising the inlet and exhaust temperature, the team achieved 700MWh and £144,000 in energy and cost savings.

As with many manufacturing businesses, compressed air is used for our manufacturing processes, accounting for around 10–30% of energy use. Though our minimum standards, sites undertake ongoing compressed air leak detection and repair programmes.

In 2022, we rolled out programmes to assess air lines to identify leaks that waste energy, and 34 of our sites have proactively undertaken compressed air efficiency surveys, repairing leaks and optimising systems. One example is our Makiti City, Philippines site, where we repaired the leaks to reduce the site's energy consumption.

We've also reduced emissions by:

- Running a heat and cooling loss survey at Hull, UK, which found 21 reduction opportunities and led to an implementation plan for the site to action
- Spotting steam efficiencies from existing equipment at our Nottingham, UK, site and replacing steam traps, with a 1.5 GWh annual energy saving
- Piloting two electric trucks to replace diesel-powered vehicles at our site in Saint Peters in the US

# CLIMATE CHANGE CONTINUED

## Our operations

In the current context of the energy crisis, geopolitical conflict and its impact on energy security, our approach to energy management has never been more important. Alongside environmental considerations, it is core to other business aspects, such as cost and security of supply.

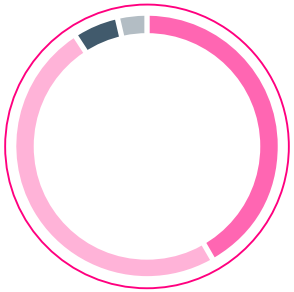
Our carbon reduction strategy for manufacturing comprises five pillars: pursuing zero carbon technologies; optimising existing technologies to drive energy efficiencies; performance management through continuous improvement; digitalisation; and securing alternative energy sources. We use different types of fuel and energy, such as electricity and gas. Depending on how the energy is generated, it can come from fossil fuels or renewable sources. We increasingly use renewable electricity and almost all of our electricity used today is from renewable sources, like solar. In line with our ambition to decarbonise our operations, we continue to look for ways to improve our energy efficiency and how we use and reuse energy in our facilities.

### Progress against our targets

We continued to meet our Science-based Target Initiative (SBTi) validated target to reduce emissions from our manufacturing and warehousing operations, cutting them by 66% compared with 2015. Year-on-year Scope 1 and 2 emissions remained relatively stable due to a higher use of natural gas, resulting from increased infant formula production in the US market. This offset some of the emissions savings associated with our energy efficiency improvements.

Other emission reduction activities included focusing on how we can replace gas with alternative green and lower emission fuels. We've continued work at our sites in Hull, in the UK and Nowy Dwor in Poland, to assess energy sources like biogas, hydrogen and ground source heat pumps. This has involved looking at costs and feasibility, including implementation, how ready the technologies are, as well as their risks. For example, our activity to replace gas with alternative lower emission energy sources and fuels has led to a plan that includes removing old boilers, reassessing combined heat and power (CHP) and piloting heat pumps.

### ENERGY USE IN OPERATIONS 2022†



- **Electricity (Non-renewable) (Purchased grid electricity)** 0 GJ
- **Electricity (Renewable) (Onsite renewable electricity, PPAs, Green Tariffs & RECs)** 1,922,291 GJ
- **Fuel (Non-renewable) (Light, medium fuel and heavy fuel to, coal energy, natural gas and LPG/Propane/butane energy)** 2,262,535 GJ
- **Fuel/heat (Renewable)** 255,273 GJ
- **Other indirect purchased energy (e.g. heat, steam or other non-renewable purchased energy)** 164,772 GJ

Energy exported to the grid or sold to a third party 1,758 GJ

†Assured by ERM CVS as part of its limited assurance scope. For details, see our **Sustainability Governance, Reporting and Assurance Insight**

### Energy and decarbonisation

Driving energy efficiency in parallel with switching to renewable energy is fundamental to our strategy. In 2022, 93% of our electricity overall was from renewable sources, largely in the form of renewable electricity. This puts us on track to achieve our RE100 commitment ahead of schedule and has been achieved through on-site solar, local Power Purchase Agreements (PPAs) and renewable partnerships, supplier 'green tariffs' and Renewable Energy Certificates (REC's). All of our purchased electricity around the world for our manufacturing sites was renewable.

We continue to focus on energy efficiency projects at our sites and have reduced our energy use per tonne of production by 3% against our 2015 baseline.

By further investing in new more efficient equipment, and piloting new digital intelligence systems that help us automate energy optimisation, we're reducing energy use even further.

## GENERATING MORE OF OUR OWN RENEWABLE ENERGY

We continued to generate more of our own energy in 2022, and 13 of our sites now have solar photovoltaic (PV) panels installed.

Our Barcelona distribution centre installed a solar roof, which has economic as well as environmental benefits as it will cover 40% of the site's electricity needs, saving up to €40,000 a year.

In September, we also completed construction of a 5,500m² solar roof at our site in Anhui, China.

# CLIMATE CHANGE CONTINUED

## Our product carbon footprint

Developed and updated in 2021, our product carbon footprint includes emissions across the whole value chain (Scopes 1, 2 and 3). Beyond our own emissions, we're increasingly considering emissions related to the materials we buy (upstream) and to logistics, retail and consumers' use of our products (downstream). We're also working to increase the share of our revenue that comes from more sustainable products.

In setting out our product carbon footprint, we've reflected the following levels of control:

- **Direct consumer use:** where we sell the appliance — an Air Wick plug-in, for example — we include the energy it uses in our total global consumer emissions
- **Indirect consumer use:** if we look at a Finish dishwasher tablet, the carbon footprint is made up of the energy we use to produce and distribute the tablets, including all the materials, and also the electricity consumers need to run their dishwashers. The carbon footprint of that electricity, in appliances such as dishwashers or other energy, such as gas for heating water, is not included in our global consumer emissions

This approach is in line with the GHG Protocol and helps us focus on the things within our control.

While much of this domestic energy, with its indirect-use carbon emissions, isn't specifically included in our target to reduce our product carbon footprint, we still want to reduce these emissions as much as we can. This is why we're designing our products so that they need less energy and/or water to use, for example by encouraging people to use their washing machines at lower temperatures with effective products such as Vanish. This means less energy is needed to power appliances at home, helping people use less energy or water, lowering their carbon footprint as well as helping them save money.

The close connection between climate change and water stress is also important. Some of our biggest and fastest-growing markets, like the Middle East and India, are in water-stressed areas. We must adapt our products to reflect this, even though it creates extra complexity. The impact of climate change can mean people in these water-stressed regions also find it hard to access hygiene and health services, making our products all the more important. We look at the context of each market, and make sure that, in working to cut emissions, we still create the right outcomes for people and the planet. We discuss this in more detail in our Task Force on Climate-related Financial Disclosures (TCFD) statement here, and in our **Water Insight.**

### Progress against our targets

The carbon footprint of our products increased by 17% in 2022 against 2015, due to an increase in production volumes. The business is now significantly bigger than it was in 2015 and we have not yet fully decoupled growth from carbon emissions. We will continue with our decarbonisation programme, while also strengthening our scope 3 modelling and data.

Our Sustainable Innovation Calculator considers our products' carbon footprint and wider Scope 3 emissions as one of five key performance indicators (KPIs) that are assessed for all projects.

For more about the Sustainable Innovation Calculator, see our **Sustainable Product Innovation Insight**

As our understanding of our carbon footprint grows, we update our modelling. For instance, we've remodelled our Scope 3 retail impacts to include consumers' journeys to shops, the growth of e-commerce, and changes in both recycling infrastructure and how people dispose of products and packs, all of which affect emissions.

We've also looked more closely at product design and have started to work with suppliers to reduce our products' impact up and down the value chain. But we have to make sure our products still deliver their health and hygiene benefits. Our **Product Stewardship Insight** has more on how we make our ingredients more sustainable and contribute to a circular economy. Our science-based targets help guide this work.

### GREENHOUSE GAS EMISSIONS ACROSS THE VALUE CHAIN (SCOPES 1–3)

| | Total carbon footprint (million tonnes $CO_2e$) | | |
|---|---|---|---|
| | 2022 | 2021* | 2015* baseline |
| Raw materials | **4.6** | 4.4 | 3.6 |
| Packaging | **2.0** | 2.3 | 1.8 |
| Manufacturing | **0.4** | 0.4 | 0.6 |
| Logistics and retail | **5.3** | 5.3 | 4.2 |
| Direct consumer use | **0.4** | 0.4 | 0.6 |
| End of life | **0.4** | 0.5 | 0.4 |
| **Total in scope** | **13.0** | **13.4** | **11.1** |
| Indirect consumer use i.e. in appliances that use our products (out of scope) | **27.0** | 28.1 | 26.5 |

*Restated due to changes in Scope 3 methodology and business footprint. See our **Reporting Criteria** for more detail.

### 2022 SCOPE 3 CATEGORIES

| GHG emissions (tco2e) | |
|---|---|
| Purchased goods and services | 6,040,000 |
| Downstream transportation and distribution | 4,211,000 |
| Use of sold products (direct only) | 400,000 |
| End-of-life treatment of sold products | 433,000 |
| Downstream leased assets | 28,000 |
| Waste generated in operations | 26,000 |
| Upstream transportation and distribution | 1,814,000 |
| Business travel | 123,000 |
| **Total** | **13,075,000** |

## CLIMATE CHANGE CONTINUED

### Value chain partnerships

We're partnering to drive innovation and more sustainable outcomes in our value chain. For example, we're looking at ways to reduce our distribution emissions. This includes working with Great Bear Distribution and BP to trial hydrogenated vegetable oil (HVO) fuel in our UK distribution services, and assess the potential benefits and implications. Highly volatile fuel prices meant it wasn't practical to proceed in 2022, but we'll continue to review the position. We recognise that not all innovations and solutions are right for us at a particular point in time, but we will integrate learnings into our net zero roadmap as we continue to investigate possible solutions.

### Other emissions

We don't report on ozone-depleting substances, as we're not a significant user. Also, while we do emit low quantities of common industrial air emissions like sulphur and nitrous oxides (SOx and NOx), and particulates (dust). These emissions are below regulatory limits, and are not considered material.

### Modelling our climate risks and opportunities

As well as our climate mitigation activities, we're building capacity inand understanding climate risk, opportunities and adaptation. In 2022, we continued our partnership with the consultancy Risilience. Their Climate and Enterprise analytics technology, founded on the influential frameworks pioneered by the Cambridge Centre for Risk Studies, informs our risk management and strategic decision-making around climate change.

Our work with Risilience has profiled the relative medium-term impacts of physical climate change risks on our business and those associated with the transition to a low carbon economy. This has highlighted bigger potential impacts from transitional changes, and the need to focus on mitigating them across the value chain.

For more about this, and our climate adaptation activities, see the **TCFD statement** at the end of this Insight

## DRIVING LEADERSHIP AND COLLABORATION TOWARDS NET ZERO IN HULL AND THE HUMBER

The Humber region, which is home to the UK's highest emitting industrial cluster*, is responsible for 37% of $CO_2$ emissions. This means that the region has a big opportunity to drive positive change. We must achieve net zero in Hull and the Humber, in order to reach net zero in the UK. Therefore, along with Hull City Council, the University of Hull and Marketing Humber, we saw the opportunities and need for leadership and collaboration across the region. In March 2022, we launched the Oh Yes! Net Zero initiative, which is a unique opportunity for everyone in the Hull city region to create an innovative 'Living Lab' approach to securing a low carbon economy.

Oh Yes! Net Zero is a positive, action-led campaign for all to be a part of, from micro-businesses to multinationals, the public sector and households. Every small change made will help Hull lead the way to drive down carbon emissions and move towards a net zero future.

With support from partners including NatWest, Lloyds Bank, EY and the CBI, the Oh Yes! Net Zero campaign helps to connect organisations to resources and support on their net zero journey.

The diversity of organisations signed up shows a range of knowledge and experience, ensuring that the members are able to learn from, and collaborate with, other members on their transition to net zero. To date, over 130 organisations, collectively employing more than 45,000 people, have signed up to the campaign.

Collaboration has been key to driving awareness and action. Members have joined working groups focused on different areas related to net zero, such as energy and power, and enabling a Just Transition for all.

Also, on behalf of Oh Yes! Net Zero, Reckitt has funded the 'Protect Our Future' programme with Hull City Council to empower students from local secondary schools to take positive action against climate change. The programme includes all of Hull's 13 secondary schools.

We're running a competition for the schools to create a video showing what they are doing to support net zero, for example, initiatives in their school, in their homes and in their local community. We ran a workshop for students in January on how to create their video and communicate around climate change. In feedback collected at the event, of the 65 students who attended:

- 74% are now more confident talking about climate change
- 93% are now more enthused to suggest changes their school could make to help to protect and repair our planet
- 81% are now more likely to encourage friends and family to take action

*Source: World Economic Forum, Energy Transition, 2021

# CLIMATE CHANGE CONTINUED

## Driving global awareness of the connection between climate and health

At the COP27 climate change conference, we launched our **Planetary Health is Human Health Report: 2022 edition**, showing the connection between the health of the planet and the health of people. It explores how people perceive the health impacts of climate change, what action they're taking and what measures they want to see from businesses and government. The research shows most people (79%) agree that climate change and people's health are connected.

For more information, see our **Self-care Insight**

We've been working to build awareness of the impact of climate change on people's health. This included speaking and chairing events at COP27. We're also collaborating with Forum for the Future and leading healthcare businesses Bupa, Haleon and Walgreens Boots Alliance in the Climate and Health Coalition. This aims to mobilise and equip the private sector to speed up the transformation of health and climate systems for outcomes that will benefit both people and the planet.

Together, we want to develop more detailed guidance to deliver integrated climate and health strategies. This includes:

- Creating recommendations for government, investors and philanthropists to support private sector action
- Fostering alignment and connection between existing private sector initiatives
- Identifying gaps in research and understanding and producing more evidence of the links between climate change and health


## Understanding the interconnections between climate change and biodiversity

Our work with Nature-based Insetting at the University of Oxford is helping us to develop the foundations for nature-based solutions. Using the analytical framework, we're exploring the potential positive impacts, including to climate, from different nature-based solutions that protect and strengthen ecosystems.

For more information, see our **Biodiversity and Ecosystems Insight**

## Working with our suppliers

In 2022, we continued to work with our contract manufacturers through our Supplier Environmental Performance programme, in partnership with Manufacture 2030 and 230 suppliers. This is part of our strategy to help suppliers move from compliance to being more proactive in reducing their environmental footprint and significantly improving in areas like energy efficiency. These improvements often come through our site visits, but also through online support from Manufacture 2030, including a climate action programme to engage suppliers, building their awareness and sharing best practice and guidance. We intend to include more raw material, packaging and chemical suppliers in this work going forwards.

## Looking ahead

We remain committed to delivering our science-based targets and working towards becoming net zero by 2040. While we haven't made as much progress on energy efficiency as we wanted during 2022, driven by supply chain challenges and a focus on strengthening our approach to product quality, we have plans in place to make progress in 2023.

We will focus on the most energy-intensive processes in our factories, which we're optimising to be more energy efficient. We're also looking at the type of energy we use in our operations and the form it takes. This means using more renewable electricity where it might replace gas, while also considering alternatives to gas such as biomass, landfill gas or heat pump technology where we need thermal energy. We already use landfill gas in the spray dryers at our Evansville infant formula factory. We're trying to use this renewable fuel option more while also starting to explore other alternatives for high thermal energy. In the longer term, hydrogen may prove to be viable at scale, and we're continuing to monitor its development.

Beyond reducing emissions from our direct operations, we will continue to push for climate action across our value chain to achieve net zero emissions by 2040. We also want to help fight the impacts of climate change on people's health, by protecting and improving health and hygiene around the world. This is behind our efforts to improve access to water in water-stressed areas and make them water positive by 2030.

# CLIMATE CHANGE CONTINUED

## NET ZERO ROADMAP

### ACCELERATING ACTION

#### 2020

- **25% energy efficiency (by '25) –** prioritising high energy processes
- **100% renewable electricity (by '30)**
- **On site energy generation**
- **Evaluate renewable thermal energy –** ground/air source, biomass/biogas options
- **Green logistics –** UK, EU and US trials, HVO, EV and Hydrogen evaluation, Company vehicle fleet development
- **Carbon pricing** mechanism development
- **Water efficiency**

- **Increase circularity of packaging –** recyclability, PCR; Strategic packaging supplier development; consumer recycling communications
- Build reduction plans for **high carbon raw materials** and plastics
- **Green chemistry** within innovation and science platforms
- **Product innovation for lower carbon** including consumer use
- **Product water footprint** reduction

- Measure and reduce carbon in **key suppliers' operations**
- **Supplier water efficiency** development
- **Carbon capture ingredients** evaluation
- **Ecosystem and biodiversity** metrics development; ecosystem protection in landscape programmes and with suppliers
- **Regenerative agriculture** programme development

### SCALING UP

#### 2025

- Ongoing energy efficiency
- RE for non-manufacturing
- Extend on site generation and storage
- Progressive CHP replacement, Biomass/biogas in priority locations, Evaluate electrification of spray drying
- Developed market scale up on alternative fuels/EVs; Business travel offsetting development
- Carbon pricing for prioritisation of investments; Carbon evaluation in M&A activity
- Water **catchment area management**

- **100% recyclable** packaging, **25% PCR** minimum, progressive **virgin plastic reduction** with concentrates and refills; increased **consumer recycling** initiatives
- Decarbonise raw material production; Develop water-use switch alternatives
- Green chemistry scale-up, Progressive transition from fossil-derived feedstocks
- Product-composition for low-carbon, Product-use and end-of-life for low carbon
- In-use water fooprint reduction

- Supplier operations carbon reducation scale up; prioritise low-carbon raw materials
- Supplier water management programes
- Carbon capture ingredients development
- Nature-based-insetting development in key value chains
- Regenerative agriculture development in key value chains (dairy, latex, fragrance); Brand ecosystem activity development

#### 2030

- H2 cell generation
- Progressive CHP replacement, Further biomass/biogas, H2 for thermal energy, Spray drying fuels alternative
- Developing market green logistics trials
- Positive water catchment in water stressed areas

- **50% virgin plastic reduction** with progressive plastic replacement; product concentration to reduce packaging & impact from logistics
- Decarbonise high carbon raw material production scale up with suppliers
- Adoption of renewable feedstocks at scale
- Product-composition for low-carbon scale up; product-use and end-of-life scale up for low carbon

- Low-carbon supplier prioritisation; prioritise net-zero raw materials
- **Supplier catchment management** development
- Carbon capture ingredients scale up

### DELIVERING NET ZERO

#### 2035

- Progressive gas replacement
- Developing market green logistics scale up

- Net zero carbon supplier prioritisation
- Nature-based insetting scale up

#### 2040

- Offsetting beyond abatement

- 50% water footprint reduction

**NET ZERO BY 2040**

In Operations
In Product
In Supply Chains

# TCFD STATEMENT

## Climate change and our business

The Intergovernmental Panel on Climate Change (IPCC)'s Sixth Assessment report on Climate Change states that global emissions must fall by 43% by 2030 and reach net zero by 2050 to avoid catastrophic tipping points — these are irreversible changes which will have severe impacts on our planet and society. Many different actors, including governments, policy makers and civil society, are looking to businesses to demonstrate that, as well as managing our impacts on the environment, we understand the risks and opportunities that are associated with climate change, and that we are ultimately building resilience into strategic decision-making.

At Reckitt, we recognise the importance of climate change in our relentless pursuit of a cleaner and healthier world. From the perspective of our business and our consumers all over the world, we also recognise the increasingly clear and adverse impact that climate change is having and will have on people's health and wellbeing. Whether through new vectors of disease, poorer hygiene through water stress and increased bacterial loads, increased ambient temperatures or different acute weather patterns, to name but a few, these impacts pose both risks and opportunities within our value chain.

We assess risks and opportunities within our day-to-day business operations, structure and governance activities, based on the recommendations of the TCFD. Mechanisms such as the Transition Plan Taskforce draft framework published by the UK government are helping to further guide our actions. This helps us to embed our climate change response within core business activity, and mitigates risk and builds opportunity within our brands and value chain. For example, we have adopted our Sustainable Innovation Calculator for new and existing product development, measuring the climate and water impact of any innovations. Transparent reporting also helps embed our activity while demonstrating our approach, progress and performance.

We have conducted scenario analysis to consider the longer-term impacts of climate change on our business, working with the consultancy Risilience and their Climate and Enterprise analytics technology, founded on the influential frameworks pioneered by the Cambridge Centre for Risk Studies. In partnership with Risilience, we have developed a digital twin of our business, and used this to build and test scenarios for low carbon transition and physical risks across our value chain. The Risilience analysis produces a five-year, quantitative earnings value at risk estimation across physical and transition risks, consistent with the emissions pathways and scenarios specified by the IPCC. The Risilience analysis provides a long-term qualitative risk outlook, across physical and transition risks, up to 20 years.

### COMPLIANCE STATEMENT

In line with the Financial Conduct Authority (FCA) Listing Rule (LR 9.8.6R(8)), we confirm that this statement includes material climate-related financial disclosures, consistent with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

For strategy disclosures (a) and (b), further work is underway to enhance the identification, impact and reporting of climate-related risks and opportunities across our entire business, and how these map over the short, medium and long term. Our analysis will continue in 2023 and beyond, assessing key risks in greater detail including the relative impacts across raw materials, facilities and potential changes in consumer use. We will also assess the impact of our sustainability and climate strategy to provide insights into the efficacy and contribution of various climate mitigation initiatives. This will help us to focus activity where we can create greatest impact and to capitalise on potential opportunities associated with a low carbon transition that support our business resilience and growth in a future low carbon economy. We are working towards full compliance in the following areas and will report further progress in our next TCFD Statement:

- Assessment by geography and sector: our current analysis is presented for our whole business however it often considers specific geographies for supply chain risks and sectors for market-level risks and opportunities (TCFD Strategy (a))
- Assessment of climate-related issues in terms of consumer response to products, both in terms of risk and opportunity, and in different geographies: we continue to evaluate the response of our consumers but due to variations from market to market and demographic to demographic, particularly in a time of cost-of-living pressures, we will continue to assess the level of risk and opportunity associated with this area. Our sustainable product innovation programme takes such issues into account alongside transition risks, within our product innovation activity (TCFD Strategy (b))
- Assessment of climate-related issues in terms of acquisitions or divestments. We are developing processes to strengthen our approach (TCFD Strategy (b))
- Assessment of climate-related issues in terms of access to capital where there is apparently limited initial impact (TCFD Strategy (b))
- Further development of our decarbonisation roadmap alongside the initial interim milestones noted for our 2025, 2030 and 2040 targets and ambitions (TCFD Strategy (b))
- The development of our internal carbon-pricing approach and modelling which will inform future programmes (TCFD Strategy (b))

# TCFD STATEMENT CONTINUED

## Governance

### The board's oversight of climate-related risks and opportunities

Our approach to climate change risk is embedded within the Governance framework of our core business. Our Board, supported by the Corporate Responsibility, Sustainability, Ethics and Compliance Committee (CRSECC) and the Risk, Sustainability and Compliance Committee (RSCC), has responsibility for overseeing our climate change strategy.

The CRSECC is expected to meet at least three times a year, and at other times as required, to review progress against our sustainability strategy and performance against our targets. In 2022, the Committee met four times. The CEO, who has accountability for sustainability performance at executive level, attends the Committee's meetings and is joined by other senior executives.

The Board receives quarterly updates on sustainability issues and risks, and conducts a formal review at least once a year. Sustainability, including the key issue of climate change, is identified as a principal risk in our risk register, reflecting both its importance and its central role in Reckitt's growth strategy.

In 2022 we introduced two new measures under the Long-Term Incentive Plan (LTIP) to align with our 2030 Sustainability Ambitions: net revenue from more sustainable products and reduction in GHG emissions in our operations.

For more detail on our governance mechanisms, remuneration policy and the CRSECC's activities during the year, see our **2022 Annual Report**

### Management's role in assessing and managing climate-related risks and opportunities

The strategy is delivered through our Executive Committee and management team, who review plans and progress. Management of sustainability matters reflects the structure of our business as one Group with three business units.

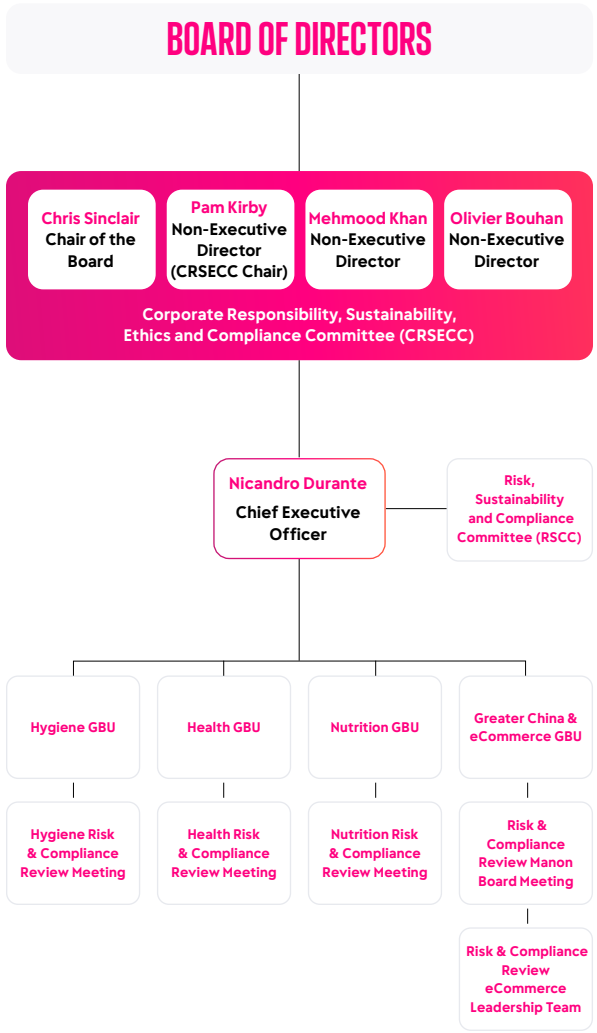
We have a single committee for the Group as a whole — the RSCC — which is chaired by our CEO. This is supported by business unit-level committees, which report to the RSCC and to the CRSECC. These committees all meet and report quarterly.

The RSCC reviews risks, including those relating to climate change, and our progress in managing them, and covers all of our environmental, social and governance (ESG) activity. Climate change, performance against operational targets and product footprint activity is discussed in each meeting, and details of carbon roadmap areas and plans to strengthen activity are considered.

Our monthly environmental reporting allows site, regional and functional teams to monitor performance against operational carbon emissions, renewable electricity and energy efficiency metrics. This allows them to manage activity to remain on track to meet our targets while dealing with emerging issues. These monthly performance reports are shared with all relevant functional leaders. Summaries and progress are reviewed monthly at supply chain leadership forums and quarterly in our business unit and global business risk reviews.

Within the business, our Corporate Affairs & Sustainability function leads sustainability-related strategy development and compliance, while programmes are implemented by our Brands, Supply Chain, R&D, Safety, Quality and Regulatory Compliance teams. All functions are represented and overseen by the Executive.

### OUR SUSTAINABILITY GOVERNANCE FRAMEWORK



# TCFD STATEMENT CONTINUED

## Strategy

### Understanding our climate-related risks and opportunities

Our approach to understanding the climate-related risks and opportunities affecting Reckitt is underpinned by our scenario analysis, which has been strengthened over the last few years as we further develop our internal data-driven model of the business, or 'digital twin' in partnership with Risilience. This captures key business information, including our locations, financial data, greenhouse gas emissions, and the origins of natural raw materials.

With Risilience, we assessed both transition and physical risks. Transition risks are quantitatively modelled over the short term (five years), and qualitatively over the medium to long term. Operational and market disruption physical risks are quantitatively modelled over a longer time frame (up to 20 years). This informs our understanding of the relative impacts and long-term implications of transition risks derived from policy development, consumer preference, investor sentiment, liabilities and technology, together with acute and chronic physical risks to the value chain. Overall, this supports our assessment of the materiality of individual risks within the time horizon.

### Climate emission pathways

Our analysis considered multiple climate scenarios and their implications. We explored the range of potential future global climate pathways, which ultimately guide the externalities that are applied to our business in the scenario models.

The five emission pathways are designed to provide a range of results when analysing climate risk. These have been developed as combinations of SSP-RCP pathways from the IPCC's modelling where:

- SSP (shared socioeconomic pathway) models the societal changes that could occur in the future, including policy changes, consumer changes, investor changes etc.
- RCP (representative concentration pathway) models the ultimate temperature rise, resulting from the SSP taken

We chose these scenarios to enable us to compare both physical risks and transition risks across the same emissions pathway, as they will both have the same driving narrative force behind them. We also chose them as there is a great deal of scientific detail within each pathway.

| Emission pathway | Scenario | Description | Temperature increase by 2100 (°C) |
|---|---|---|---|
| **Paris Ambition** | SSP1–1.9 | The most rapid transition pathway as extreme actions are taken to reduce emissions globally with widespread policy changes for a goal of net zero by 2050. | 1.5 |
| **Paris Agreement** | SSP1–2.6 | Immediate and coordinated global action is taken to reduce emissions growth with widespread policy changes across various sectors with a goal of net zero by 2070. | 2 |
| **Stated Policy** | SSP2–4.5 | Refers to the (conditional and unconditional) policies that countries have pledged through their Nationally Determined Contributions. | 2.5 |
| **Current Policy** | SSP3–7.0 | Defined by the climate-related policies that governments have in place today, i.e. if no further policy action is taken. | 3 |
| **No Policy** | SSP5–8.5 | Designed as a complete removal of all carbon reduction policies and a push towards fossil fuel development. | >4 |

We focus on, and report, two scenarios, 1.5°C (Paris Ambition) and 3°C (Current Policy). These scenarios highlight the variation in risks and opportunities in meeting our science-based targets by 2030 and net zero by 2040.

The 2022 assessment is currently presented for our whole business and is not yet separated specifically by geography or sector. These scenarios assume no further climate mitigation. As a result, they exclude our strategic climate actions, which are reducing carbon emissions by strengthening our operating efficiency and developing activity and products with lower carbon and water footprints. This both mitigates risk and creates opportunities. For example: building more resilient supply chains at site level and within ingredient origins; product innovation to meet emerging consumer demand for more sustainable products; and developing products that are well placed for a low carbon, low -water policy and physical environment.

For more details, see our **Water** and **Sustainable Product Innovation Insights**

# TCFD STATEMENT CONTINUED

### Climate-related risks and opportunities identified over the short, medium and long term

Within our 2022 climate-related scenario analysis we include both physical and transition risks, each of which were assessed under the IPCC transition scenarios outlined above. The following risks were modelled:

#### Transition risks

These risks reflect trends in global policy, technology, finance and society to support the transition towards a low carbon economy.

TRANSITION RISKS IN SCOPE

| Risk classification | Policy | Market | Market | Technology | Reputation | Liability |
|---|---|---|---|---|---|---|
| **RISK SUB-CLASSIFICATION** | **CARBON PRICE** | **CONSUMER PREFERENCE CHANGE** | **INVESTOR SENTIMENT** | **LOW CARBON INNOVATION** | **CLIMATE ACTIVISM AND CONSUMER STIGMATISATION** | **CLIMATE-RELATED LITIGATION** |
| **Risk description** | Legislation enacted by national and local governments to price and penalise GHG emissions.<br><br>In this scenario, carbon pricing policies (either emissions trading systems or carbon taxes) are implemented variably in all jurisdictions; countries are categorised into climate policy leaders, followers and laggards, which defines their carbon price trajectory. | Changing consumer behaviour and reduced demand for goods and services due to shifts in consumer preference.<br><br>This scenario considers the potential uptake rates of sustainable alternatives, in terms of the proportion of consumers transitioning from conventional to less emissions-intensive products and services. | Market disruption, cost of capital and valuation changes as investors prioritise returns from low carbon companies.<br><br>This scenario assesses the macroeconomic impacts to individual sectors driven by a series of contrasting divestment trends, from an orderly transition to chaotic market herding. | Disruptive technology changes in key sectors of the economy responding to changing energy needs.<br><br>A key dimension of this transition will be the risk to existing assets which depend on fossil fuels or are inefficient in their energy usage. | Investor and customer sentiment influenced by a company's actions to manage climate change risk.<br><br>This scenario considers the potential uptake rates of sector activism and company-specific activism, in terms of the proportion of consumers partaking in climate-related actions, including boycotting, and transitioning to less emissions-intensive products. | Litigation brought by plaintiffs against companies for their liabilities in causing harm from climate change.<br><br>This scenario assesses the likelihood of climate-related litigation against a single company, and the chances that the defendant wins, loses or settles. |

#### Physical risks

Physical risks can be acute, which are event driven, or chronic, which reflect longer-term shifts in climate patterns.

PHYSICAL RISKS IN SCOPE

| Risk classification | Key facility operations | Market disruption | Raw materials supply |
|---|---|---|---|
| **Type** | **Acute and chronic risk**<br>Heatwaves, droughts, freezing conditions, flooding and windstorms. | **Chronic risk**<br>Long-term effects that heatwaves and droughts have on consumer demand. | **Chronic risk**<br>Impact of temperature and precipitation changes on yield. |
| **Risk description** | Disruption to production activities and output from extreme weather events. | Consumer purchases of products or services affected by extreme weather events. | Agricultural produce and water supply affected by extreme weather events and chronic changes in climate. |

We consider climate-related risk over the short term (up to three years) in line with our Group risk assessment, over the medium term (3-5 years) in line with our strategic planning cycle, and over the longer term (10 years+) through our ongoing work with Risilience Climate and Enterprise analytics technology, founded on frameworks pioneered by the Cambridge Centre for Risk Studies. We have assessed the near- to medium-term risk in terms of the five-year impact on discounted future earnings value for these risks. This allows comparison of different risks, whether physical or transition, within a standard framework.

# TCFD STATEMENT CONTINUED

## Impact of climate-related risks and opportunities on business, strategy and financial planning

Potential impacts as a result of 1.5°C (Paris Ambition) and 3°C (Current Policy) pathways:

| Risk classification | Time horizon assessed | Modelled scenario impacts | Mitigating actions considered as part of our strategy and financial planning |
|---|---|---|---|
| **TRANSITION RISKS** | | | |
| **Policy and legal**<br>**Fiscal carbon policy development** | Short<br>Medium<br>Long | 1.5°C<br>• Radical action by all governments to reduce emissions, driven by carbon price mechanisms<br>• Global effective carbon price of $80 per tonne by 2025<br>• Carbon price driven by GHG emissions across the value chain<br>• Reckitt carbon price financial impacts driven by GHG emissions across the value chain:<br>  ◦ Upstream suppliers pass through costs<br>  ◦ Downstream consumer price increases<br>  ◦ Operational costs increase<br>3°C<br>• Mild global carbon price rise driven by the adoption of various pricing mechanisms ($20 per tonne in established markets)<br>• Sectors covered by policies today remain static and are not expanded<br>• Reckitt carbon price financial impacts driven by GHG emissions across the value chain:<br>  ◦ Upstream suppliers pass through costs<br>  ◦ Downstream consumer price increases<br>  ◦ Operational costs increase | • Monitoring of emerging policy and regulatory frameworks, together with financial tracking of fiscal policy requirements on taxation, informs our planning activity and response to address transition risks from climate-related policy. This contributes to business planning, for example on the development of climate response activity within supply chain and product innovation<br>• Targeting progressive decarbonisation in our manufacturing and product footprint, for example, improvements in energy efficiency alongside increasing use of renewable energy, sustainable product innovation, and increased use of recycled and recyclable materials. Our net zero roadmap identifies areas where we can drive progressive decarbonisation in our operations, products and value chain footprints to mitigate this risk<br>• Increasing the breadth and depth of data-driven analysis across the supply chain to better identify and mitigate emissions-intensive activities |
| **Market**<br>**Consumer preference change** | Short<br>Medium<br>Long | 1.5°C<br>• Changing consumer demand to low-carbon alternatives affects product sales<br>• Low-carbon alternative products progressively increase market share, supported by policy frameworks including carbon labelling<br>• Reckitt brands variably exposed to demand loss, depending on climate (GHG emissions) impact of products (including raw material composition, manufacturing and consumer use)<br>3°C<br>• Changing consumer demand to low-carbon alternatives affects product sales<br>• Reckitt brands variably exposed to demand loss depending on climate (GHG emissions) impact of products (including raw material composition, manufacturing and consumer use) | • Reckitt considers consumer sentiment and preferences within our routine brand activity and subsequent innovation programme. In addition, our materiality review and routine sentiment review consider civil society and consumer organisation sentiment. Consumer responses to our brands are captured through our sales data and in broader consumer insight research at brand and sector level. Collectively, and alongside wider stakeholder engagement programmes outlined in our Annual Report, this helps us respond to consumer sentiment on climate change and provides input to our product innovation programme<br>More details on our materiality assessment and how we engage with our broad range of stakeholders can be found at **reckitt.com/our-impact/our-approach/materiality-and-stakeholder-engagement**<br>• Our Sustainable Innovation Calculator helps inform new and existing product development by using quantitative metrics to establish whether an innovation makes a product more sustainable. The calculator specifically includes product carbon and water footprints, stimulating innovation to lower the footprints to both address carbon price increases and consumer sentiment concerns. The development of more sustainable products influences our product development pipeline and supports our ambition for 50% of net revenue to be derived from more sustainable products by 2030. In addition, our science-based target of a 50% product carbon footprint reduction by 2030 enables Reckitt's brand portfolio to become more sustainable and resilient<br>More details can be found in our **Sustainable Product Innovation Insight** |

## TCFD STATEMENT CONTINUED

| Risk classification | Time horizon assessed | Modelled scenario impacts | Mitigating actions considered as part of our strategy and financial planning |
|---|---|---|---|
| **Market**<br>**Investor sentiment** | Short<br>Medium<br>Long | 1.5°C<br>• Investors are increasingly aware of and focused on company activity to mitigate risks or create opportunity from climate change, together with broader market dynamics and potential significant volatility associated with the transition to a low carbon economy (with higher cost of capital, potential write-downs and credit rating downgrades)<br>• As the world pushes towards Paris Ambition targets, the modelled chance for a well-planned transition into a green market is high, at 50%. Conversely, the chance of a more chaotic market collapse is minimal<br>3°C<br>• Investors are aware of company activity to mitigate risks or create opportunity from climate change, together with broader market dynamics and limited volatility associated with the transition to a low carbon economy (with higher cost of capital, potential write-downs and credit rating downgrades)<br>• As the world continues business as usual, the modelled chance for a well-planned transition into a green market is 10%. Conversely, the chance of a more chaotic market collapse is 30%. The chances of other market outcomes sit between these two outcomes | Dialogue with investors provides routine consideration of sentiment relating to our sustainability strategy, including climate action. Our performance in delivering on our targets and within ESG ratings and indices such as the Dow Jones Sustainability Index, MSCI and Sustainalytics ratings and CDP performance provides further insight into how our approach to tackling climate change is regarded |
| **Technology**<br>**Low carbon innovation** | Short<br>Medium<br>Long | 1.5°C<br>• Radical transition to low carbon technologies and energy systems<br>• Renewables supply 26% of primary energy globally by 2025 (Risilience analysis)<br>• Significant devaluation of carbon-intensive assets in operations.<br>3°C<br>• Slow transition to low carbon technologies and energy system<br>• Slight devaluation of carbon-intensive assets in operations | • Technology-related asset risk is considered within our modelling, with mitigation being developed. Steps will include progressive energy switching for sites using natural gas within CHP units or boilers. This may involve electrification, use of alternative fuels such as biomass, or the adoption of new technology such as ground or air source heat pumps. The choice of different options is based on current and projected site needs, especially for thermal energy. In some cases, such as our Evansville site, alternatives to natural gas are already in place. Evansville uses landfill gas, alongside natural gas, and the potential to increase that through gas cleaning or other technology is also being considered<br>• Additionally, the Sustainable Innovation Calculator, Reckitt's abridged lifecycle assessment tool mandated in new and existing product development, considers the carbon effects of new technology developments, and is the basis for product-related carbon performance targets<br>• Additional metrics, such as investment in technology to address climate change impact, will be reported in the future in line with taxonomy disclosure requirements |

## TCFD STATEMENT CONTINUED

| Risk classification | Time horizon assessed | Modelled scenario impacts | Mitigating actions considered as part of our strategy and financial planning |
|---|---|---|---|
| **Reputation**<br>**Climate activism and consumer stigmatisation** | Short<br>Medium<br>Long | 1.5°C<br>• Small relative reputational impact as the world is on track to net zero<br>• Reputation defined by rate of business transition relative to the wider economy<br>3°C<br>• Moderate reputational impact as the world is not on track to net zero<br>• Reputation defined by rate of business transition relative to the wider economy | See our 'Mitigating actions for Consumer preference change' on **page 13** |
| **Liability**<br>**Climate-related litigation** | Short<br>Medium<br>Long | 1.5°C<br>• As physical climate damages increase globally, litigation is increasingly used as mechanism to hold companies accountable for their impact<br>• Exposure defined by sector or company emissions intensity<br>3°C<br>• As physical climate damages increase globally, litigation is increasingly used as mechanism to hold companies accountable for their impact<br>• With greater impact at a 3°C trajectory, litigation may be more significant<br>• Exposure defined by sector or company emissions intensity | • Litigation is tracked functionally and within our business units and markets. It is reviewed via our corporate risk programme, with regular reviews at business unit and global levels, including oversight from the RSCC. Litigation relating to climate change will inform progress in managing transition risk<br>For more details on our risk management approach, see our **2022 Annual Report** |
| **PHYSICAL RISKS** | | | |
| **Operational risk** | Short<br>Medium<br>Long | These results vary less over pathways in the short term compared with transition risks; however, they potentially vary more in the long term, depending on the rate of emissions reduction.<br>Physical risk results are largely driven by supply chain risks | • Mitigation activity includes site location and design, including building design to mitigate temperature, adverse weather and water stress risks<br>• Water stress is also mitigated by our water efficiency and catchment area management activity, aiming for all sites in water-stressed locations to be water positive by 2030. Site location planning in water-stressed regions already considers future water resources<br>• Damage to assets and the frequency of such events arising from extreme weather and other potentially climate-related events are reviewed through our risk management and business continuity programmes, and connect into financial programmes on insurance |
| **Raw materials supply** | Short<br>Medium<br>Long | Risk increases for raw materials sourced from regions of the world where changes in precipitation and temperature will be more pronounced as a result of climate change.<br>These results vary less over pathways in the short term compared with transition risks; however, they potentially vary more in the long term, depending on the rate of emissions reduction. Physical risk results are largely driven by supply chain risks. | • Supply chain risks include impacts on manufacturing suppliers and raw materials. Mitigation is driven by environmental performance improvement and monitoring of raw material origins, with potential switches if needed |
| **Market disruption** | Short<br>Medium<br>Long | These results vary less over pathways in the short term compared with transition risks; however, they potentially vary more in the long term, depending on the rate of emissions reduction.<br>Physical risk results are largely driven by supply chain risks | • Our sustainable product innovation programme, supported by the Sustainable Innovation Calculator, targets products and their use by consumers. This enables design for lower carbon and water footprints in use, helping mitigate physical risks in the marketplace and help meet emerging consumer preference for lower impact products |

## TCFD STATEMENT CONTINUED

| Opportunity classification | Opportunity description | Potential actions and performance measures that are considered as part of our strategy and financial planning |
|---|---|---|
| **Resource efficiency** | • Use of more efficient modes of transport<br>• Use of more efficient production and distribution processes<br>• Use of recycling<br>• Move to more efficient buildings<br>• Reduced water usage and consumption | Participation in renewable energy programmes and adoption of energy efficiency measures<br>Resource substitutes and diversification |
| **Energy sources** | • Use of lower or zero-emission sources of energy<br>• Use of supportive policy incentives<br>• Use of new technologies<br>• Participation in carbon markets<br>• Shift toward decentralised energy generation | We are aiming to increase our overall use of renewable energy to 100% by 2030 and maintain our current 100% renewable electricity in manufacturing from 2022 onwards. We are investing in on-site generation and increasing energy efficiency, targeting 25% improvement by 2025. |
| **Products and services** | • Development or expansion of low emission goods and services<br>• Development of climate adaptation and insurance risk solutions<br>• Development of new products or services through R&D and innovation<br>• Shift in consumer preferences<br>• Access to new markets | R&D and product innovation which result in improved environmental performance upstream in our supply chain, in our direct operations and for our customers. For product development, a range of tools assess climate-related factors across the product lifecycle from material sourcing to consumer use, as part of our innovation process. These provide insights into the climate-related risks and opportunities associated with our products via our Sustainable Innovation Calculator, which we use to help steer our R&D teams during development of new, more sustainable products across all our brands. The calculator considers metrics including water and carbon footprint, plastics and packaging, and ingredients. Such product innovation provides opportunity for growth, by meeting emerging consumer demands and expectations and developing products that are well placed for emerging fiscal policy and physical environments (transition and physical risks) due to climate change.<br>For information on our SIC and how were developing products which are more sustainable, please see our **Sustainable Product Innovation Insight** |

# TCFD STATEMENT CONTINUED

**Resilience of strategy taking into consideration different climate-related scenarios, including a 2°C or lower scenario**

Our Sustainability Ambitions are embedded into our business strategy for growth, and support both resilience and opportunity for our operations and brands. Our climate risk scenario platform provides quantitative analytics to inform our risk management and decision making across our brands and wider organisation.

**In the short to medium term, overall risk is primarily driven by transition risks.** The rate of global decarbonisation and implementation of associated policy frameworks are critical determinants of the magnitude of transition-related impacts. The most significant impacts are likely to arise from policy-driven carbon price increases, which are greatest in a 1.5°C scenario. Changes in consumer preference are also likely to be greater in that scenario and our further evaluation of emerging consumer data will support both mitigation activity and opportunity development from this.

**The change in expected physical risks is likely to be minor over a five-year horizon**, although climate change-induced extreme weather events are already driving physical impacts in our value chain. Over 20 years, physical risk impacts are likely to become more pronounced in a number of ways. With increased frequency, extreme weather events will disrupt direct and upstream operations, while changes to regional climates may lead to chronic changes to costs, the availability of natural raw materials, and the nature of products that are most viable in certain regions.

Physical risks will increasingly include a greater frequency of extreme weather events, water stress, and higher ambient temperatures which impact sites, supply networks and consumer value chains. Mitigation activity includes site location and design, including building design to mitigate temperature, adverse weather and water stress risks. Water stress is also mitigated by our water efficiency and catchment area management activity, aiming for all sites in water-stressed locations to be water positive by 2030. Site location planning in water-stressed regions already considers future water resource planning. Supply chain risks include impact on manufacturing suppliers and raw materials. Mitigation is being driven through environmental performance improvement and monitoring of raw material origins, with potential switches if needed.

Our sustainable product innovation programme, supported by the Sustainable Innovation Calculator, targets products and their use by consumers. This enables design for lower carbon and water footprints in use, helping mitigate physical risks in the marketplace and help meet emerging consumer preferences.

We recognise the current limitations of the digital twin and will look to enhance the depth and breadth of data used in our modelling.

**For our operations**, associated transitional risks and opportunities for Reckitt have been identified within a short- to medium-term time horizon, with a moderate potential magnitude of impact. Potential transitional risks and opportunities identified include those associated with increased costs, such as energy or commodity prices. To mitigate these risks, we are aiming to increase our overall use of renewable electricity to 100% by 2030 and maintain our current 100% renewable electricity in manufacturing from 2022 onwards. We are investing in on-site generation and increasing energy efficiency, targeting a 25% improvement by 2025.

**For our supply chain**, the associated risks and opportunities for Reckitt have been identified within a short- to medium-term time horizon with a moderate to low potential magnitude of impact. Potential transitional risks and opportunities identified include those associated with energy cost increases impacting our suppliers, due to increasing climate-related regulation and financial policies consistent with a low carbon economy, such as carbon pricing. Such risks to our supply chain could result in increases in operational costs for Reckitt and have influenced the business's approach to working with suppliers and helping them reduce their own carbon emissions. Reckitt's approach to sourcing natural raw materials (for example, palm oil and latex) has been influenced by the climate-related risks and opportunities we have identified. In 2021, we published our Sourcing for Sustainable Growth Policy which, alongside our Third-Party Code of Conduct, outlines our approach to supply chain due diligence and explains how our expectations of business partners align with our commitments. In our Sourcing for Sustainable Growth Policy, we outline our standards for meeting and exceeding applicable laws and international standards, ensuring health and safety at work, protecting the environment and safeguarding human rights. We also ask our business partners to commit to seeking out new opportunities to improve products and innovate responsibly. Through product innovation, we are aiming to reduce carbon and water footprints and adapt to potential market circumstances, targeting a 50% product carbon footprint reduction by 2030.

In the absence of our current activity to address climate change risks to our operations, products and value chains being considered within the current modelling, the scenario analyses suggest that the collective climate change impacts may present risks to Reckitt's activity. However, Reckitt's strategy, targets, activity and progress, including those mentioned above, help mitigate these risks and build resilience. These measures are intended to strengthen operating practice, support more resilient value chains and develop products to meet emerging policy frameworks and consumer preferences. In doing so, these measures can progressively reduce carbon impacts within the five-year time horizon and beyond. With these measures continuing, the current scenarios and associated risks are not considered material to ongoing business operations.

# TCFD STATEMENT CONTINUED

## Risk management

### Processes for identifying and assessing climate-related risks

Over the past six years, we have conducted climate-related risk and opportunity scenario analyses which recognise the longer-term impacts of climate change. These also extend consideration of risk to 2030 and beyond. In 2018, we reviewed Reckitt's activities with PwC, considering low carbon transition risk such as those arising from policy changes relating to carbon pricing, together with physical climate impacts from extreme weather events. These considered 2°C and 4°C scenarios and associated risks and opportunities analysis across our value chain.

Building from this, and to strengthen our assessment and planning activity, we began a long-term partnership with Risilience and Cambridge Centre for Risk Studies at the University of Cambridge Judge Business School in 2020, which will continue into 2023. This supports our modelling of climate risks in greater detail, helping to shape prioritisation of activity to mitigate these over the next decade.

In addition, and within our ongoing risk management, Reckitt strengthened established sustainability metrics and indicators, including those on climate change. These include our science-based targets on climate change, announced in 2020, and our Sustainability Ambitions for 2030, which were launched in March 2021. The Risilience analysis has also helped identify, assess and respond to physical risks such as more frequent weather events including flooding or droughts. These can have an impact on operational capacity within our supply chain, and extend existing corporate risk management activity on business continuity.

### Processes for managing climate-related risks

A range of activities are underway to mitigate climate-related risks:

**For transition risks** such as the potential for commodity cost rises through low carbon land management and international carbon pricing systems, procurement teams continually review supply chains to mitigate such impacts. In the longer term, this may also involve the use of alternative ingredients and materials with evaluation and development through our R&D function. An increasing carbon price, whether from market dynamics or policy intervention, might similarly affect manufacturing and energy costs. Progressive improvements in energy efficiency will continue to mitigate this, alongside increasing use of renewable electricity.

**In our operations**, sustainability risks, including climate change, flooding and water scarcity, are assessed across sites through annual global asset and environmental risk reviews. The results are reported and reviewed through our risk management framework, and established governance processes (see **page 10**). For non-Reckitt sites, we work with our suppliers to help them reduce their own carbon emissions. Our partnership with Manufacture 2030 helps suppliers measure and progressively reduce their emissions. In doing so, the resulting supply chains will become more resilient to the transition and physical risks from climate change, enabling performance opportunities.

In water-stressed locations, for example, alongside global programmes to improve water efficiency, we are developing a water catchment area approach. This includes using different water quality where practical and not compromising product standards. To reduce the need for abstracting water in these locations, water harvesting and local water course remediation projects have been carried out, supporting better access to, and sustainability of, water resources in the local area. These measures support our aim to be water positive in all 17 sites in water-stressed locations by 2030, helping mitigate local water stress risks. In the case of our Hosur factory, the measures in place have been verified as equivalent to the site's annual water use. When planning new sites, we consider future water suppliers and activities from the outset to develop a sustainable long-term water supply and lower the risk of water stress. Complementing this catchment approach, a water scarcity study is underway to better understand how products can be developed to keep risks to water sources as low as possible. This broad approach supports resilience against water risk and develops opportunities in performance and longer-term resource pressures.

For further information on how we manage water resources, please see our **Water Insight**

Climate-related risks are identified, assessed and managed on an ongoing basis, and with a forward horizon in excess of 10 years. These risks and opportunities have been identified within a short-, medium- and long-term time horizon with a moderate potential magnitude of impact. These measures are part of routine business planning within brand and supply chain activity. They form part of financial planning for those business functions in annual and three-year cycles in order to manage risks and deliver against our Sustainability Ambitions.

For example, capital allocation for environmental improvements on carbon are built into current five-year planning and are within existing external disclosures. Progress in these areas is reviewed routinely, as frequently as quarterly for some metrics such as operational carbon emissions, renewable electricity and energy efficiency. Reviews of progress enable further assessment of resource need and allocation within ongoing financial and operational planning activity. No additional resources to address both these climate-related risks and opportunities are currently expected beyond existing business investments already disclosed.

# TCFD STATEMENT CONTINUED

**Processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management**

Reckitt operates an integrated company-wide risk management process for financial and non-financial risks performed at the functional, business unit and corporate levels. This comprises identification and monitoring of potential risk impacts, mapping current controls and development of management action plans to address control gaps. The Group principal and emerging risk assessment is part of the integrated risk management framework, identifying the principal and emerging risks with the greatest potential to have a substantive or strategic impact on the Group. The assessment is completed annually in advance of the business unit and corporate strategic planning process, taking into consideration the outcomes of detailed risk assessments conducted in specific areas throughout the year, for example, climate-related physical and transition risk scenario analysis. At the corporate level, sustainability (including climate change) was identified as a principal risk during 2021, assessed in line with the UK Corporate Governance Code Revisions 2018. It continued to be a principal risk in 2022. Further information can be found in the **Risk Section** of our Annual Report. Additionally, through our ESG issues materiality assessment, sustainability risks are reviewed every two to three years.

For further information on our materiality assessment, see **reckitt.com/our-impact/our-approach/materiality-and-stakeholder-engagement**

## Metrics and targets

We have established sustainability metrics and indicators including our science-based targets on climate change and our Sustainability Ambitions for 2030, see **page 2** for year-on-year performance. The metrics we use to measure progress against our net zero ambitions can be found in our net zero roadmap, which includes energy, emissions, water, waste and packaging-related metrics. We are also working on developing a set of metrics for biodiversity in 2023.

### Emissions reduction

**Reckitt has two key climate-related targets to drive performance in areas both directly controlled and across our value chain,** in line with the Paris Agreement on Climate Change to keep global warming to below 2°C. To realise our own ambition to achieve net zero by 2040, we have set targets for Scopes 1, 2 and 3 emissions for 2030. These targets are validated by the SBTi:

1. Reduce absolute Scope 1 and 2 emissions by 65% by 2030 from a 2015 base year
2. Reduce our product carbon footprint (Scope 3 emissions) by 50% by 2030 from a 2015 base year, which will help to mitigate the impact of transition risks, such as changing consumer preferences in favour of low impact products

### Energy use

**Supporting these goals is our commitment to RE100 and increasing the use of renewable electricity to 100% by 2030. We also aim to improve energy efficiency across our operations by 25% by 2025.** This activity is initially focused on the highest energy-consuming processes in manufacturing sites. The overall approach includes plans and targets for all sites which contribute to longer-term climate change and science-based targets, and our ambition to be net zero by 2040. These ambitions will affect our operations as, for example, in 2021, further steps were taken to include progressive energy switching for sites using natural gas within CHP units or boilers. See our 'Mitigating actions for Low carbon transition' on **page 14**. In some cases, such as our Evansville site, alternatives to natural gas are already in place.

We report progress against these metrics on an annual basis. We also participate in the annual CDP climate change disclosure and report our performance against the CDP climate indicators. Our response can be found at **reckitt.com/our-company/policies-reports**

### Other metrics

Beyond the above climate-related metrics, performance is also assessed against other transition risks, including:

- Monitoring of emerging policy and regulatory frameworks, together with financial tracking of fiscal policy requirements on taxation. This informs our planning activity and response to address transition risks from climate-related policy. It contributes towards business planning, for example on the development of climate-response activity within supply chain and product innovation
- Damage to assets with the associated remediation costs and the frequency of such events arising from extreme weather and other, potentially climate-related events are reviewed through our risk management and business continuity programmes. These also connect into financial programmes on insurance
- Investor ratings performance through the Dow Jones Sustainability Index, MSCI and Sustainalytics ratings, and CDP performance provides ongoing insight into investor sentiment. Dialogue with individual investors provides further routine consideration of sentiment relating to our climate change and wider ESG activity.
- Tracking litigation functionally and within our business units and markets. See our 'Mitigating actions for Climate-related litigation' on **page 15**

For more details on our risk management approach, see our **2022 Annual Report**