CLIMATE CHANGE

Reckitt Sustainability Insights 2021

CLIMATE CHANGE

Climate change is affecting both planetary and public health. Our core business helps protect people's health, and to enable that we have to help combat climate change. We have a duty to combat climate change across all we do, from sourcing our ingredients and cutting the energy we use, to designing our products and their packaging. To minimise our impact on the planet, we look to make our own operations and our whole value chain more sustainable.

Climate change is the biggest challenge facing the planet, and its urgency guides how we contribute to efforts to keep global temperature rises below 1.5°C, in line with the Paris Agreement. Climate change threatens natural and social ecosystems. Changing weather patterns undermine livelihoods, dislocate communities, and force economic migration, as well as straining infrastructure.

Combatting climate change and mitigating its effects is central to our sustainability targets, especially our ambition to achieve net zero emissions across our value chain by 2040. Also, because of the close link between the health of the planet and the health of its people, the action we take on climate change helps deliver our purpose: to protect, heal and nurture in the relentless pursuit of a cleaner, healthier world.

Our work on climate encompasses our whole value chain, including our own operations and our suppliers'. It touches every stage, from when we manufacture and distribute products to when consumers use them and dispose of the packaging. The amount of energy we use, and how efficiently we use it, as well as where that energy comes from, is a crucial part of this. But so are the materials we use, and the way we design products. All have a bearing on the emissions we're responsible for. Steps we take now can have a significant effect, whether it's using more renewable energy or using less water to produce products.

OUR PERFORMANCE IN 2021

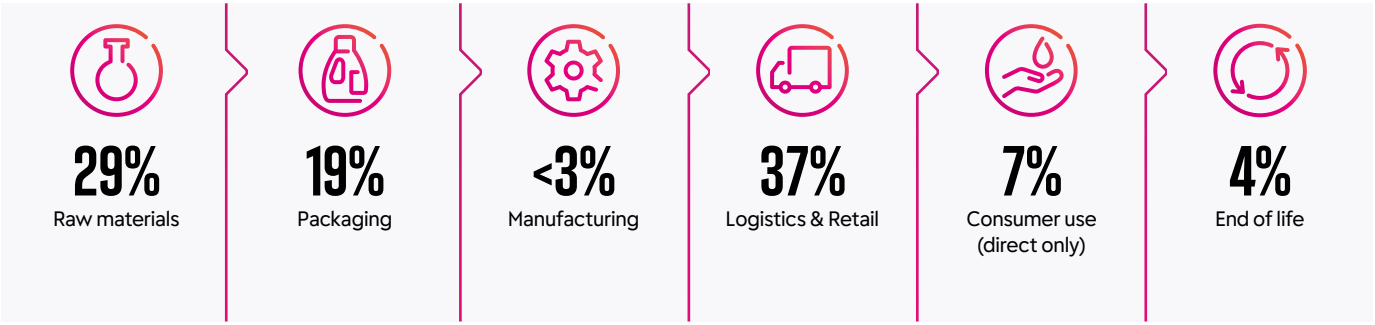
Aim	2021
65% reduction in GHG emissions in operations by 2030*	66% † reduction
100% renewable electricity by 2030	94% † (100% purchased electricity in manufacturing)
25% less energy in operations by 2025 * (per unit of production)	6% † reduction
50% reduction in our product carbon footprint by 2030*	22.6% † increase**

* Reduction is against a 2015 baseline.

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

** Excluding indirect consumer use.

Our carbon footprint



To reflect how important climate is to our work on sustainability, we set new science-based targets in 2021. As well as an ambition to be carbon neutral across our value chain by 2040, we've committed to two 2030 emissions targets:

- a 65% absolute reduction in the operations (Scope 1 and 2) greenhouse gas emissions which we control directly; and
- a 50% cut in our upstream and downstream value chain (Scope 3) emissions that make up the vast majority of our overall business/ product carbon footprint. This includes the footprint of the ingredients we use, our suppliers, logistics and how consumers use our products and dispose of our packaging.

We've also set a target in our operations to increase energy efficiency by 25% and water efficiency by 30%, both by 2025. This action on water is equally important given the impact of climate change on water resources, and helps us to our long term goal of halving our water footprint by 2040. For more about this, see our Water insight. At the same time, we're building understanding of both the physical risks of climate change to our value chain, and risks connected to the transition to a low-carbon economy.

We've made progress in 2021. Our target to cut emissions from our operations by 65% has been our priority. In 2021 we purchased 100% of our electricity from renewable sources, resulting in 94% of our electricity being renewable. Achieving this has meant we've also already exceeded our science based carbon emissions target, with a 66% reduction versus 2015. The challenge now is to maintain and strengthen this performance as we continue to grow in the context of an increasingly turbulent energy market.

These targets are validated by the Science Based Targets initiative. This independently assesses and approves companies' targets in line with its criteria for what's needed to keep global temperature below 1.5°C, and the Intergovernmental Panel on Climate Change's recommendations. It also ensures best practice in setting science-based targets.

We're encouraged that we've cut carbon emissions directly under our control, which come mainly from our manufacturing operations. Our mission now is to continue this as we strive for our 2040 net zero ambition. That said, greenhouse gas emissions associated with our own operations only make up 3% of our wider carbon footprint. Almost 50% is associated with our upstream supply chain, 37% is from the transport and retail of our products, and another 7% from direct consumer use of our products. Dealing with these factors is highly complex, given that they're outside our direct control. For this reason, change comes slowly and reducing our emissions in these areas is difficult. In our product carbon footprint, we have differentiated further to reflect these levels of control: where we sell the appliance, an Air Wick plug-in for example, we include the energy it uses in our consumer-use amount i.e. the 7%. This is known as the direct-use consumer phase. But if we look at a Finish dishwasher tablet, the carbon footprint is made up of the energy we use to produce the tablets, including all the materials used, 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 known as the indirect-use consumer phase. This isn't included in the 7%. This approach is in line with the WRI/WBCSD Greenhouse Gas Protocol and helps us focus on things in our control.

We know we can't ignore that indirect-use phase because it can add a lot of carbon emissions depending on the energy people use at home. For example, natural gas is a fossil fuel with high carbon emissions. Electricity in the home might be generated by burning gas or even coal, and in that case is also high in carbon emission. However, electricity generated from wind turbines, solar or hydroelectric is from a renewable, low-carbon source. Governments and power supply companies are working to help reduce the carbon for domestic energy supplies, but this will take time and vary from country to country. Although this domestic energy, with its indirect-use carbon emissions, is not specifically included in our target, we still want to reduce them as much as we can. To help achieve this, we're designing our products so that when they are used they use less energy or water, for example by enabling consumers to lower the temperature on their washing machine. This means less energy is needed to power appliances at home, lowering their carbon footprint and helping combat climate change. By helping people use less energy or water, it can also contribute to lower costs at home for our consumers.

This means we must focus on how people use our products, as well as how we make them. Which, in turn, means examining everything from how we design products and packaging to the ingredients we use, and the energy and water people need to be able to use the products. This includes how we deliver the products to consumers, and how consumers then use and dispose of them or their packaging. We can reduce the overall footprint by using different ingredients, using recyclable or recycled packaging and changing product design so the product needs less water or energy to do its job. This involves working with suppliers at one end of the value chain, and with consumers and appliance manufacturers at the other. This is how we reduce emissions over time.

The close connection between climate change and water stress also matters here. Some of our biggest and fastest-growing markets, like the Middle East and India, are in water-stressed areas. We must adapt products to reflect this, even though it creates extra complexity. The impact of climate change can mean these water-stressed regions also have the most difficulties accessing hygiene and health services, which makes our products all the more important. We need to look at the context of every product, and make sure that in working to cut emissions, we still create the right outcome for our consumers and the planet.

Our value chain is made up of inter-dependent parts covering the sequence from 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. We might manufacture some of our products in a more concentrated form to reduce packaging, and so lower carbon emissions from transport. But consumers could then have to use and potentially 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 innovation insight.

PROGRESS AGAINST OUR TARGETS

In 2021, we surpassed our target to reduce greenhouse gas emissions from our manufacturing and warehousing operations, achieving a 66% reduction compared with our emissions in 2015. This was partly down to energy savings, but the most significant factor was our growing use of renewable energy: 94% of our electricity overall in 2021 was from renewable sources. And 100% of our purchased electricity around the world for our manufacturing sites was renewable. This puts us on track to achieve our RE100 commitment ahead of schedule.

An example of our growing efforts to source renewable energy is our Salt Lake City site. In 2021, our factory joined a local community-based renewable collective – the Blue Sky Renewable Program. It's the brainchild of the local Electric Power Company, Rocky Mountain Power. Their premise is simple: 'If everyone takes a small step together, the impact can be momentous'. By joining the programme, the site now runs on 100% renewable electricity and is supporting community-based renewable energy projects for local organisations.

ENERGY CONSUMPTION

Our target is to use 25% less energy (per unit of production) in our operations by 2025, compared to 2015. In 2021 we've seen a 6% reduction overall against the 2015 baseline. This is lower than we would like and is partially down to us having to ventilate factories to combat COVID-19, and so using more energy for heating.

We're developing plans for our sites to help us continually improve how we use energy across our three business units. In 2021, higher production to meet increased demand for hygiene products increased our energy use by 0.8% over 2020. But by increasing renewable electricity and running energy efficiency programmes, like installing new automated sleep mode sensors for packaging lines at our factory in Mauripur, Pakistan, we've made up for this impact.

Other energy efficiency projects include:

Building sustainability into our science and innovation centre Our Hull Science and Innovation (S&I) Centre received Leadership in Energy and Environmental Design (LEED) Gold status in 2021. This recognises our focus on embedding sustainability in the design of the centre, which comprises new labs and a refurbished 1920s building. It includes 1,000 sq m of solar panels which produced around 135 MWh of electricity in 2021, saving around 30 tonnes of carbon a year. The building also has condenser-type boilers, as well as reverse-cycle heat pumps for low-grade underfloor heating and cooling. Other sustainable features include a carbon monoxide sensing system, which optimises the amount of ventilation the building needs, and energy-saving features on fans and pumps.

Optimising compressed air At our factories in Nottingham in the UK, Mira in Italy and St Peters and Evansville in the USA we've found more efficient ways to generate, distribute and use compressed air so we use less energy. This has included installing new systems, and changing distribution design.

Upgrading HVAC and chillers At our facilities in Bangpakong, Thailand, Evansville, USA, Mauripur, Pakistan, Sitarganj, India and Agbara in Nigeria, we upgraded our HVAC, air handling and chiller systems, helping us regulate ventilation and temperature more efficiently.

Reusing captured energy In Shangma and Anhui in China, at Sitarganj in India and Evansville in the USA, we've found, and made the most of, opportunities to recover heat by capturing energy to reuse.

CASE STUDY

WORKING TO MAKE OUR HOMETOWN CARBON NEUTRAL

We're part of a collaboration between the private, public and education sectors to make our hometown of Hull, and the Humber estuary, the first carbon neutral region in the UK. The goal is to develop an innovative economic model that helps Hull and similar cities to support a net zero future.

This is especially ambitious, as the Humber, the UK's 'energy estuary', is currently Britain's biggest CO_2-emitting region. This is down to the longstanding presence of the fossil fuel industries that currently power the country.

Hull is the birthplace of Reckitt, so we were proud to open our new global R&D centre there in 2019, and to champion this new Building a Better Hull project. When we re-branded last year we wanted to celebrate our continuing investment in the region through something tangible and sustainable.

We believe the project will create a prosperous future for the city and become a blueprint for estuary economies around the world.

As well as attracting the support of global businesses like Reckitt, the project is supported by the CBI and Make UK.

We hosted a panel event on the project at the United Nations Climate Change Conference COP26.

Energy and Greenhouse Gas (GHG) data

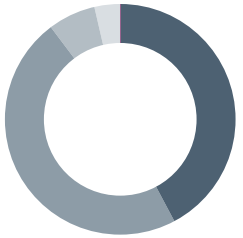
Energy usage	Units	2015	2020	2021†	Change vs 2020	Change vs 2015†
Energy use per unit of production[1]	GJ per tonne	1.54	1.44	1.45	+0.8%	-6%†
Absolute GHG emissions[2] Scope 1 & 2	tCO_2e	393,004	248,793	133,636	-46%	-66%†

1 Data is for manufacturing and warehouses unless otherwise stated.

2 GHG emissions Scope 1 and 2 data is for manufacturing, warehouses, R&D and Offices and is reported in line with the WRI/WBCSD GHG protocol market-based approach.

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

Energy use in operations 2021[1]



- Electricity (Non-renewable) **1,089 GJ**
- Electricity (Renewable) **1,958,298 GJ**
- Fuel (Non-renewable) **2,211,620 GJ**
- Fuel (Renewable) **308,502 GJ**
- Other indirect purchased energy (e.g. heat, steam or other non-renewable purchased energy) **157,225 GJ**

Energy exported to the grid or sold to a third party 2,198 GJ

1 All data are for manufacturing and warehouses unless otherwise stated.

Our operations use different types of energy, from traditional forms of electricity and thermal energy to renewables and landfill gas. In line with our ambition to decarbonise our operations, we continue to look for ways to improve our energy efficiency and the way we use and reuse energy in our facilities.

In 2021, our energy use per unit of production increased by 0.8% compared with 2020, because we needed more ventilation to combat COVID-19 and because we increased production of hygiene products. But our energy savings programmes in 2021 largely made up for this increase, resulting in a 6% reduction in our energy use per unit of product versus 2015. Our overall energy consumption also went down by 6.3% compared to 2020. By continuing to invest in new and more efficient equipment, as well as piloting new digital intelligence systems that help us automate energy optimisation, we're reducing energy even further.

PRODUCT CARBON FOOTPRINT

Product carbon footprint is the only one of our four targets that includes emissions across the whole value chain (Scope 3, as well as Scope 1 and 2). As we've seen here, these emissions are hard to reduce because they happen upstream or downstream of our operations, which means we have less direct control over them. But, after focusing mostly on our own emissions, we're increasingly broadening our work to tackle 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. For more on this, see our Sustainable innovation insight.

As part of launching our new sustainability ambitions in 2021, we've updated our modelling, to fully include all of our business and reflect the timelines of our science-based targets from 2015 to 2030. This means that our 2021 data is not directly comparable to previous years.

The modifications include:

- Changing our baseline from 2012 to 2015
- Including all our Infant Formula and Child Nutrition (IFCN) business in our target, acquired from Mead Johnson
- Adjusting for the 2021 divestment of Scholl and our IFCN business in China to reflect the current corporate entity

The main change is to move from a measure of carbon intensity – carbon footprint per dose of product – to a measure of absolute carbon emissions compared to the 2015 baseline. Because of the growth of our business since then, our overall product footprint, which comprises Scope 1, 2 and 3 emissions, has risen by 22.6% compared to the 2015 baseline. For Scope 3 only, our emissions have gone up by 25.3%. Our 2030 target is to reduce it by 50%.

Over time, as our understanding of our carbon footprint grows, we progressively update our modelling. For instance, we've remodelled our Scope 3 retail impacts to update consumers' journeys to shops and also reflect the growth of e-commerce, as well as reflecting changes in how people dispose of products and packs, which has an impact on emissions.

We've also looked more closely at product design and have started work with our suppliers to shrink our products' impact up and down the value chain. At the same time, 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 that reuses more resources. Our science-based targets will help shape and guide this work.

Greenhouse Gas (GHG) emissions across the value chain (Scopes 1–3)

Total carbon footprint (million tonnes CO_2e)	Raw materials	Packaging	Manufacturing	Logistics & retail	Direct Consumer use	End of life	Total in scope	Indirect use phase i.e. in appliances that use our products
2021	3.8	2.5	0.4	4.9	0.9	0.6	13.1†	28.1
2020*	3.9	2.4	0.4	5.0	0.9	0.6	13.1	27.3
2015*	3.4	1.6	0.6	3.6	1.1	–	10.7	25.8

* Restated since 2020 report due to changes in Scope 3 methodology and business footprint.

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

CDP Data splits (tCO_2e)

Purchased goods and services	6,010,000
Downstream transportation and distribution	3,760,000
Use of sold products (direct only)	903,000
End of life treatment of sold products	573,000
Downstream leased assets	27,000
Waste generated in operations	25,000
Upstream transportation and distribution	1,703,000
Business travel	181,000

OTHER EMISSIONS

We're not a significant user of ozone-depleting substances (ODS), so we don't report on them here. 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 set regulatory limits, and are not considered material for reporting.

LOOKING AHEAD TO 2022 AND BEYOND

We've gone beyond our 2020 greenhouse gas targets and set new ones for 2030, as part of our science-based targets. We haven't made as much progress on energy efficiency as we wanted. This is partly down to our focus on the quality of our product, and the impact of COVID-19 with the need to maximise ventilation to support the safety of our teams. But we have made significant progress in renewable electricity and reducing energy use in our factories.

Looking forward, our focus is on the highest energy-consuming processes in all of our factories, where we are optimising these to be more energy efficient. These are standard manufacturing processes like compressors or boilers. We're also looking at the type of energy we use and the form it takes in our operations. This means using more green electricity where it might replace gas, while also considering alternatives to gas such as biomass, landfill gas and even, in the longer term hydrogen. We already use landfill gas in our spray dryers at our Evansville infant formula factory. We're trying to use more of this renewable fuel option while also starting to explore other alternatives for high thermal energy.

This is part of our resetting of our priorities, with new ambitions for sustainability and a focus on people, planet and product. This is the backbone of our efforts to tackle climate change and push towards net-zero emissions across our value chain by 2040. We also want to help fight the impacts of climate change on people's health, by protecting and improving people's health and hygiene around the world. That's what's behind our efforts to improve access to water in water-stressed areas and turn them into water-positive areas by 2030.

CASE STUDY

BOOSTING SUSTAINABILITY AT TAICANG

In 2021, we opened our new $300m Health and Hygiene factory in Taicang, China. And sustainability is built in from the ground up, explains Project Activity Manager Gavin Zhang: "Sustainability is the most important element of all engineering work. Our engineering team have worked with all other functions to deliver an intelligent Dettol and Durex factory, managing the whole lifecycle of this landmark green scheme in Taicang."

"Sustainability is the key success criterion of Project Taicang. We considered it from the very early stage of design right through to construction. That includes incorporating solar power, energy-saving technology, water recycling and reuse programmes and more."

The site's 612 solar panels provide 200 MWh of power a year, says Gavin. "In just one month, they reduced carbon emissions by 16.5 tonnes."

Modelling our climate risks

In 2021, we continued our partnership with Risilience and Cambridge Centre for Risk Studies (CCRS) within the Judge Business School at the University of Cambridge. We worked with the Climate Risilience analytics platform that applies the Centre for Risk Studies' research frameworks and approaches to inform our risk management and strategic decision making around climate change. The work involved engaging with internal stakeholders across Reckitt, including procurement, brands, operations, sustainability and finance teams.

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

Understanding the link between climate and health

Through our work with London School of Hygiene and Tropical Medicine and the EcoHealth Alliance, we've built awareness of the impact of climate change on people's health. This included publishing a paper at the United Nations Climate Change Conference COP26 that set out the risks to human health of unabated climate change and presented recommendations to address these existential threats. We continue our work to help protect people from the these impacts through our efforts to strengthen health literacy and through the role of our brands which support hygiene and health directly.

Our work with Nature-Based Insetting at the University of Oxford helps us develop the foundations for nature-based solutions. These address the impact of climate change by protecting and strengthening ecosystems, including plant and tree life, by sequestering carbon in the future.

Designing for sustainability

We'll also continue our work on making our products more sustainable by reducing our Scope 3 impacts through how we design products, the ingredients and packaging we use and how we encourage consumers to use and dispose of them. Our Sustainable Innovation Calculator considers the carbon footprint of our products and the wider Scope 3 emissions, and we're now using it to guide product innovation in our Nutrition business alongside our Hygiene and Health activity. For more about the Sustainable Innovation Calculator, see our Sustainable innovation insight.

Working with our suppliers

In 2021, we worked with our contract manufacturers through our Supplier Environmental Performance Programme, in partnership with Manufacture 2030. This is part of our strategy to help suppliers move from a basic level of compliance to being more proactive in reducing their environmental footprint and making significant improvements in areas like energy efficiency. These improvements could come through our site visits, but also through desktop help from Manufacture 2030, improvement projects they suggest and webinars that improve suppliers' environmental performance. In 2022, we'll work with the suppliers in the programme and help them reduce their environmental footprint. We'll also include more raw material and packaging suppliers.

Making further progress

We'll continue to build on the following areas:

Improving energy efficiency: this includes refining processes and site design to use less energy, as well as action plans for sites based on energy audits and new modelling tools. These target high-energy processes, like compressed air. And we're progressively giving our global community of environmental specialists digital tools to help them share good practice quickly with the rest of the business.

Ramping up logistics action: we've formed a partnership on renewable energy with BP that's led to a UK pilot with logistics business Great Bear. They're using hydrogenated vegetable oil, derived from used cooking oils, in delivery vehicles. This reduces the carbon footprint of the vehicles involved by more than 90%.

We're also looking at ways to reduce emissions in our supply chain logistics and transport networks. For instance, in 2021 we saw that by sourcing milk powder for our infant formula plant in Michigan from suppliers close to home instead of in California, we could make our supply chain more resilient, reduce costs and shrink our environmental footprint. In two years, we've cut the plant's greenhouse gas emissions by 70% and lowered freight costs by 65%. Milk powder from California now goes to our site in Chihuahua, Mexico.

CASE STUDY

SUPPORTING OUR SUPPLIERS SWITCH TO RENEWABLES

To help make our supply chain more sustainable, we've funded our contract manufacturers to apply for and buy International Renewable Energy Certificates (IREC) for their facilities. This will help them verify their use of renewable energy.

So far, we've helped seven hygiene manufacturers in India to get IREC certificates. These suppliers can reliably claim the renewable energy they procure is using zero-carbon electricity, and so reduce the portion of their carbon footprint that's associated with purchased electricity.

Some are going even further and are also looking at opportunities to generate renewables on site. In addition to purchasing 100% renewable energy, two of our contract manufacturers in India which manufacture Harpic have installed solar panels to produce 5% of their electricity, equivalent to 28,800kWh.

Pushing ahead with solar power: having reached our 100% target for purchased renewable electricity, we're still pushing hard to reduce the footprint of the 6% of power we generate ourselves. We've installed solar facilities at 11 of our sites, including our new R&D facility at Hull in the UK, our new manufacturing site at Taicang in China and our site in Bangpakong, Thailand, which has 1,190 panels expected to generate 904 MWh a year, saving over 400 tonnes of carbon emissions.

Exploring alternative energy sources: for more energy efficiency and lower emissions, we'll develop more projects like increasing our use of renewable thermal energy by installing air or ground source heat pumps, alternative fuels like biomass and gas, or using more landfill gas as we have at our Evansville sites. Longer term, this will also include options like hydrogen as that becomes more viable.

Switching our suppliers from fossil fuel: While we don't use coal in any of our own sites and only buy renewable electricity, in many countries coal is still common as a fuel or as the source of electricity that our suppliers use. We're working with them to switch progressively to renewable options.

Engaging with stakeholders and raising awareness

Our Nutrition site in Singapore is among 14 businesses involved in planting one million trees in the next 10 years as part of the OneMillionTrees movement to improve Singapore's urban environment and boost climate resilience. Companies from the Biopharmaceutical Manufacturers' Advisory Council (BMAC) are teaming up with the National Parks Board. Each BMAC company leads a tree-planting ceremony to start a tree planting programme in Tuas Biomedical Park. Employees then continue the tree planting effort in the park's vicinity.

At Sitarganj and Hosur in India, our staff celebrated World Environment Day by hosting activities like tree planting, photo competitions, poster making, quizzes, and training and webinars on spill response and energy management.

At COP26, we focused attention on the impact of climate change on health. We published our paper, The Impact of Climate Change on Health: Reducing Risks and Increasing Resilience in the Era of COVID-19. Authored by the London School of Hygiene and Tropical Medicine and the EcoHealth Alliance, it demonstrated how the health of people all over the world is already suffering because of climate change.

Also at COP26, we demonstrated how people everywhere can contribute to combatting climate change in small ways that collectively make a big difference. For example, we highlighted the impact of washing hands with cool water, which is just as hygienic as warm water. If everyone in the UK did this, and avoided using the energy it takes to heat hot water, the country's annual carbon emissions would fall by 1.33m tonnes – the equivalent of taking 285,000 cars off the road.

Ahead of COP26, we hosted a series of photography, art and creative challenges to inspire change and open meaningful discussions around what it means to create a cleaner, healthier world. We joined forces with the global creative network Talenthouse to ask creators all over the world to produce images that captured moments where people had made a positive impact by creating a cleaner, healthier world. We got almost 2,000 entries from over 80 countries, with four winners featured at our COP26 exhibition stand, seen by some of the world's most important decision makers, activists and policymakers, and across our social media and digital channels. An internal version of the challenge attracted 300 photographs.

We also collaborated with Talenthouse's Untitled platform to challenge young people aged seven to 18 to submit a piece of artwork that describes how they believe we can create a cleaner, healthier world. We received a host of entries and again used these in our communications

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:

The Sustainability team
Reckitt Benckiser Group plc (Reckitt)
103–105 Bath Road
Slough
Berkshire
SL1 3UH
UK

A winning photo from our competition in partnership with Talenthouse, capturing moments where people have positively impacted our planet to create a cleaner, healthier world. Kliford Gonzales – Philippines

Our TCFD Statement

OUR TCFD STATEMENT

CLIMATE CHANGE AND OUR BUSINESS

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, increased risk, poorer hygiene through water stress and increased bacterial loads, increased ambient temperatures or different acute weather patterns to name but a few, these impacts will pose both risks and opportunities within our value chain. To that end, in our approach to deliver the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), we assess risks and opportunities within our day-to-day business operations, structure and governance activities.

This embeds our climate change response within core business activity, helping to build an effective response that mitigates risk and builds opportunity within our brands and value chain. For example, we have adopted our Sustainable Innovation Calculator (SIC) for all new product development, measuring the climate and water impact of new innovations. This is also why we strongly support climate disclosure and transparency, in our annual reporting and associated sustainability insights.

We have conducted climate-related risk and opportunities scenario analysis to consider the longer-term impacts of climate change. Since 2020 with Risilience and Cambridge Centre for Risk Studies (CCRS) within the Judge Business School at the University of Cambridge, we have developed a digital twin model of our business. This builds scenarios for low carbon transition and physical risks across our value chain, with a 5 to 20 year horizon and consistent with the emissions pathways and scenarios specified by the Intergovernmental Panel on Climate Change (IPCC).

COMPLIANCE STATEMENT

We are pleased to confirm that we have included in this TCFD Statement for Reckitt the material climate-related financial disclosures consistent with the four recommendations and the eleven recommended disclosures set. However, as we try to align our approach to the updated TCFD additional guidance (Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures) (2021 TCFD Annex) which was released in October 2021, there are some recommendations in the 2021 TCFD Annex: All Sector Guide that we are continuing to work on and will require more time for us to fully consider. In line with the current Listing Rules requirements (as referred to in Listing Rule 9.8.6R(8)), these areas are detailed below with reference to the TCFD recommendations.

- Development of more detailed disclosures by geography or sector, in addition to the current considerations for the overall business: our current analysis often considers specific geographies for supply chain risks and sectors for market-level risks and opportunities, and we will develop these for future reporting (TCFD Strategy (a)).
- Assessment of climate related issues in terms of acquisitions or divestments, where we are developing processes to strengthen our existing compliance agenda: we will report on these in the future (TCFD Strategy (b)).
- Assessment of climate-related issues in terms of the response of consumers, to products in different ways, both in terms of risk and opportunity, and in different geographies: we have begun to assess these, considering both internal and external data and will report more on these in the next two years. Our sustainable product innovation programme does, however, already take such issues into account alongside transitions risks, within our product innovation activity (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, during 2022, of our internal carbon pricing approach and modelling which will inform future programmes (TCFD Strategy (b)).
- With ongoing activity, we continue to build resilience against the impacts of climate change (TCFD Strategy (c)).

We are working to implement the 2021 TCFD Annex recommendations in full over the course of 2022 and will report further on these in our next TCFD statement.

OUR APPROACH

In 2021, we worked with Risilience and Cambridge Centre for Risk Studies (CCRS) within the Judge Business School at the University of Cambridge to assess our climate change risks and opportunities. The Climate Risilience platform applies the climate change research frameworks and approaches pioneered by Risilience and provides quantitative analytics that informs our risk management approach. Our programme involves key functional stakeholders throughout Reckitt including procurement, brands, operations, sustainability and finance teams. A series of workshops developed the platform, populating it with our data and, subsequently, reviewed the scenarios to develop mitigation.

We assess risks and opportunities in the short term (up to three years), medium term (three to six years) and long term (six to 12 years and beyond) (TCFD Strategy (a)). From a range of potential future global climate pathways, we initially assessed five different scenarios: a >4°C (global temperature rise by 2100); a 3°C scenario based on international policies in 2020-21; a 2.5°C scenario; a Paris Agreement-aligned mitigation (2°C) and a 1.5°C (global net zero by 2050 as referred to by IPCC) scenario. Each of the pathways are underpinned by the shared socioeconomic pathways (SSPs) which are widely used, including in the IPCC assessment reports. These include key narratives and projections that describe different socioeconomic outlooks with key variables that are incorporated into the models. Representative scenarios are chosen from the range of SSPs which are consistent with the defined temperature outcomes (>4°C, 3°C, 2.5°C, 2°C, 1.5°C). As we examine relevant trends, for example on consumer uptake of sustainable products and associated consumer behaviours which are not explicitly modelled in the SSPs or elsewhere, we are reviewing historical evidence, various literature sources, and behavioural models (TCFD Strategy (b)). We will report further on these in the future. In this report, to provide a spectrum of potential impacts, we focus on two of these, 3°C and 1.5°C, with details in the table following. These illustrate parameters for various impacts and opportunities based on policy frameworks for each. With the help of Risilience, our near-to medium-term analysis included piloting a cumulative 5-year view which supports our financial and operational planning (TCFD Strategy (b)).

GOVERNANCE

Our approach to climate change risk is within the Governance framework of our core business. Our Board, supported by the Board's Corporate Responsibility, Sustainability, Ethics and Compliance Committee (CRSECC) and Risk Committee has responsibility for oversight of our climate change strategy (TCFD Governance (a)). The strategy is delivered through our Executive Committee and management team, who review plans and progress (TCFD Governance (b)). Progress is considered 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. For more details on our Governance Framework and CRSECC, see pages 141 to 147 in our Annual Report and see our Sustainability governance, reporting and assurance insight.

Our monthly environmental reporting allows site, regional and functional teams to monitor performance (TCFD Governance (b)). 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.

For more details on how we report performance to senior leadership and the CRSECC, see our Sustainability governance, reporting and assurance insight.

We take part in external benchmarking and indices to consider our performance, and to benchmark against peers (TCFD Metrics and Targets (c)). For climate change, the most recognised is the Carbon Disclosure Project (CDP) – we've scored an A- for our climate change disclosure in the last four years. Our targets and activity have also been reviewed with MSCI's Implied Temperature Rise (ITR) rating. This aligns with the reporting recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and all greenhouse gas emissions scopes. Reckitt's current ITR rating is 1.39. Performance on these and core ratings through MSCI, Sustainalytics and within the Dow Jones Sustainability Index also forms part of our performance metrics. This informs us on the levels of confidence for investors, helping to manage climate related transition risk from that perspective (TCFD Strategy (b)).

STRATEGY

Risks and timelines

Our approach assesses physical and transition risks in the short term (up to three years), medium term (three to six years) and long term (six to 12 years, and beyond) (TCFD Risk Management (a)). We have assessed the near- to medium-term risk in terms of the 5-year impact on discounted future earnings value for these risks. This allows comparison of different risks, whether physical and transition, within a standard framework.

The risks within scope include:

Transition Risks	Physical Risks
Transition risks reflect trends in global policy, technology, finance, and society to support the transition towards a low-carbon economy. The following table explains the outcomes of the transition risk scenario analysis to Reckitt to 2025. We report the changing risk profile under two different climate scenarios, 3°C and 1.5°C. (TCFD Strategy (b))	Physical risks are assessed under two different time horizons, 5 years (2025) and 20 years (2040) focusing on impacts to various dimensions of the value chain from extreme temperatures, storms, water stress and flood risk. We quantified the expected change in physical risk, nominally the difference between the current (2020) and future (2025 and 2040) likelihood of extreme weather events. Physical risks were assessed as relatively low on the 5-year horizon but increase towards the 20-year time point. (TCFD Strategy (b))
Policy: Carbon Price Compliance	Upstream supply of natural raw materials. Palm oil, Latex, Dairy, Paper and Board, potentially impacted by extreme adverse weather event or climate change impacts on weather patterns affecting crops directly or via water stress or other impacts.
Market: Consumer Preference Change	Key Facility Operational Disruption & Asset Damage.
Technology: Low-Carbon Innovation	Water stress, increased temperatures, frequency of extreme adverse weather events (droughts, floods storms).
Reputation: Climate Activism & Consumer Stigmatisation	
Market: Investor Sentiment	
Liability: Climate-related litigation	

With Risilience we assessed physical risks on a 20-year horizon (to 2040) (TCFD Risk Management (a)). This informs our understanding of the long-term implications of acute and chronic physical risks to the value chain. Modelling supported assessment of the materiality of individual risks and the relative impacts of different climate risks within the time horizon.

Scenarios within scope

The analysis considered multiple climate scenarios and their implications. It also explored the range of potential future global climate pathways defining variable extents of emissions reduction. Each of the pathways are underpinned by the shared socioeconomic pathways (SSPs) which are widely used, including in the IPCC assessment reports. These include key narratives and projections that describe different socioeconomic outlooks with key variables that are incorporated into the models. Representative scenarios are chosen from the range of SSPs which are consistent with the defined temperature outcomes. These included five scenarios: a >4°C (global temperature rise by 2100); a 3°C scenario based on international policies in 2020-21; a 2.5°C scenario; a Paris Agreement-aligned mitigation (2°C) and a 1.5°C (global net zero by 2050 as referred to by IPCC) scenario. In this report, to provide a spectrum of impacts, we focus on two of these, 3°C and 1.5°C, with details in the table following.

To enable this scenario analysis, with Risilience, we built an internal data-driven model of the business, or 'digital twin'. This captures key business information including locations, financial data, greenhouse gas emissions, and natural raw material sourcing origins. The scenario analysis enables comparisons with our business model. The assessment is currently presented for our whole business, and is not yet separated specifically by geography or sector although the digital twin allows this detail within our review. These comparisons assume no further climate mitigations and, as a result, also exclude our strategic climate action which are both abating carbon emissions, strengthening operating efficiency and developing products with lower carbon and water footprints. This both mitigates risk and creates opportunities. For example: through building more resilient supply chains at site level and within ingredient origins; product innovation to meet emerging consumer demand for more

sustainable products; and by developing products that are well placed for a low-carbon, low-water policy and physical environment (TCFD Risk Management (b)). (For more details, see our insight sheets on Climate change, Water and Sustainable product innovation).

Organisational resilience

CCRS's Platform provides quantitative analytics to inform our risk management and decision making, applying the research frameworks and approaches pioneered by Risilience. The platform supports a cross-functional review of risks across key internal business functions including procurement, brands, operations, sustainability and finance teams, together with Risilience.

This approach will continue in 2022, further assessing key risks and looking in greater detail at the relative impacts across key brands and raw materials (TCFD Risk Management (a)). It will assess the impact of Reckitt's climate change and broader sustainability ambitions to mitigate these impacts and contribute to overall business performance. In doing so, the assessment will provide insights into the efficacy of various mitigation initiatives helping us to both prioritise ways of managing risks and also potential opportunities associated with a low-carbon transition.

The table below summarises potential impacts, in the absence of current and planned mitigation activity (TCFD Strategy (b)).

Transition Risks		3°C Current Policy	1.5°C Paris Ambition
Policy: Carbon Price Compliance Carbon price regulation by governments to incentivise GHG emission reduction (either directly via carbon price or emissions trading schemes, or as shadow price).	Narrative	Global effective carbon price of $20 per ton by 2025 with participation from all major economies. Assumes that all GHG emissions are priced (either directly or indirectly).	Radical action by all global governments, global effective carbon price of $80 per ton by 2025. Assumes that all GHG emissions are priced (either directly or indirectly).
	Impact	Depending on level of carbon price, there could be an increase in costs across the value chain.	This radical government action to support 1.5°C targets appears unlikely on a global basis and across all emissions scopes. If it were to arise, it would more likely lead to an increase in the costs of carbon emissions across the value chain.
Market: Consumer Preference Change Consumer preferences shift towards more sustainable (less carbon-intensive) products, with innovative competitors disrupting market demand and challenging market share.	Narrative	As above, moderate impact in terms of growth for low-carbon alternative products by consumers.	As above, significant growth in low-carbon alternative products grows as consumers aim to reduce their footprint. Opportunities to gain growing market where Reckitt's products represent the sustainable option.
	Impact	We see increasing consumer preference for more sustainable products through existing consumer insight data. More significant policy positions are likely to enhance these. Further work is underway considering a range of different data from Risilience, our own consumer research and other information, to assess potential risks and opportunities surrounding this. We will report further on this in the future.	
Technology: Low-Carbon Innovation Uptake rate of low-carbon technologies affects business competitiveness, costs and asset values.	Narrative	At the global level, a slow rate of adoption of low-carbon technologies, with regional differences in investment and pace of uptake. Limited reliance on fossil-fuel based energy means that there is minimal impact to the value of Reckitt's current assets.	A radical global transition to low-carbon technologies and energy systems. Major investments are required to keep pace with technological and regulatory change. There is widespread uptake and investment in low-carbon technologies to meet market demands and regulatory pressures.
	Impact	Without the current activity underway to progressively implement new and emerging technology and work with suppliers to reduce carbon and water footprints in operations, there may be minimal impact on the value of Reckitt's physical assets (incl. property, plant, and equipment). Similarly, cost increases may arise in the upstream supply chain.	Although Reckitt has limited use of fossil fuels overall, a failure to adopt emerging low-carbon technology may result in impact to physical fossil fuel-based assets at this higher level of policy impact and without current mitigation plans. Procurement costs may similarly increase as suppliers face similar increasing costs and those associated with a failure to implement technology.

Transition Risks		3°C Current Policy	1.5°C Paris Ambition
Reputation: Climate Activism & Consumer Stigmatisation Perception of an organisation's climate impact. Consumers engage in climate activism, affecting market demand for certain brands.	Narrative	The share of consumers engaging in activism and boycotts against carbon-intensive brands grows significantly as global action to mitigate climate change remains insufficient. Companies with carbon-intensive products and services, which are not taking sufficient action to reduce emissions, are most exposed to consumer scrutiny and reputational damage.	Assumes a lower uptake of consumer activism and boycotts given the world is on track to achieve net zero by 2050. Climate laggards, with carbon-intensive products and services and/or insufficient decarbonisation plans are exposed to reputational impacts.
	Impact	Given the product sectors involved, this may have some potential to brands' reputation and loss of revenue. However in the health and hygiene sectors, and with current mitigation activity on product innovation, this is likely to be limited in the short to medium term.	Without our current net zero strategy, brands may be exposed to reputational damage and resulting loss of demand and revenue. In the health and hygiene sectors, and with current mitigation activity on product innovation, this likely to be limited in the short to medium term.
Market: Investor Sentiment Negative investor sentiment prompts divestment of carbon-intensive assets across markets. Systemic market change has macroeconomic impacts.	Narrative	Higher probability of a more disorderly investor response to climate change risk, with the potential for dramatic market shifts.	Higher probability of a more orderly and coordinated investor response to climate change risk, with alignment between climate regulation, financial markets and public sentiment. Divestment from carbon-intensive companies in a controlled fashion allows a smoother transition to low-carbon assets.
	Impact	In the absence of our current climate change activity, there is potential for investor sentiment-driven shifts to that impact on the cost of capital.	Sector and company carbon-intensity is recognised as a key driver of exposure to investor divestment. In the absence of current activity on climate change, weaker performance on climate metrics may result in moderate exposure to higher costs of capital.
Liability: Climate-related litigation Growth in prevalence and success of legal cases against corporates for their relative climate impact and resulting physical or economic damages.	Narrative	Weak policy frameworks result in litigation against greenhouse gas emitters. More litigation cases are brought against businesses that are seen to be responsible for climate change.	An increase in the number of laws and regulations results in a decrease in the number of litigation cases. Businesses comply with these rules, decreasing the probability of litigation.
	Impact	The probability of litigation and related legal costs and damages in the next five years is low relative to greenhouse gas intensive sectors.	The probability of litigation & related legal costs/damages in the next five years is relatively low.

Overall risk is primarily driven by transition risks in the short- to medium-term timeframe. The rate of global decarbonisation, and implementation of associated policy frameworks is a critical determinant 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 in the five-year event horizon, although climate change-induced extreme weather events are already driving physical impacts to the value chain (TCFD Strategy (b)). 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.

Although less apparent in the short term, 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 neutral 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 meeting emerging consumer preference.

In the absence of the current activity to address aspects of climate change in terms of operations, products and value chains, the scenario analyses suggest that the collective climate change risks may present risks to Reckitt's activity. However, Reckitt's current strategy, targets, activity and progress mitigate these risks and build resilience through a variety of measures (TCFD Risk Management (b)) including:

- increased use of renewable energy with 100% RE by 2030, and maintaining current 100% RE in manufacturing from 2022 onwards;
- increased energy and water efficiency with improvements of 25% energy efficiency and 30% water by 2025;
- product innovation to reduce carbon and water footprints and adapt to potential market circumstances, with a 50% product carbon footprint reduction by 2030; and
- supplier engagement to reduce supply chain carbon footprints.

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 5-year time horizon and beyond. With these measures continuing, the current scenarios and associated risks are not considered material to ongoing business operations.

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 (TCFD Risk Management (a)). 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 an integral part of the integrated risk management framework, identifying the principal and emerging risks with the greatest potential to have a substantive or strategic impact to the Group. The assessment is completed annually in advance of the business unit and corporate strategic planning process, taking into consideration outcomes detailed areas specific risk assessments conducted throughout the year, e.g. climate related physical and transition risk scenario analysis. At 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 (TCFD Risk Management (c)). Further information can be found in our Risk Section of our Annual Report. Additionally, though our ESG issues materiality assessment, sustainability risks are reviewed every 2-3 years in line with AccountAbility's 5-part materiality test. For further information on our materiality assessment please see our Focusing on what matters insight.

Over the past 4 years, we have conducted climate-related risk and opportunity scenario analysis which recognises the longer-term impacts of climate change. These also extend consideration of risk to 2030 and beyond. In 2018, with PwC we reviewed Reckitt's activities 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 scenarios. 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, in 2020, we began a long-term partnership with Risilience and Cambridge Centre for Risk Studies (CCRS) within the Judge Business School at the University of Cambridge. This supports

modelling of climate risks in greater detail, helping to shape prioritisation of activity to mitigate these over the next decade. The Risilience model utilises broader 5-20 year event horizon and scenarios that are consistent with the emissions pathways and scenarios specified by the Intergovernmental Panel on Climate Change (IPCC). 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 manage activity on business continuity.

A range of activity is underway to mitigate such risks (TCFD Risk Management (b)). 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 the current 19 sites in water-stressed locations by 2030, helping mitigate local water stress risks. In the case of our Hosur factory, the measures in place are being verified as equivalent to the site's annual water use. In the planning of new sites, at the outset we consider future water suppliers and activities that develop a sustainable long-term water supply to 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.

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 (TCFD Risk Management (b)). 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 energy. A 25% improvement in energy efficiency is targeted by 2025, alongside the further use of renewable electricity, whether bought on or generated on site. Currently, all electricity bought for manufacturing is from renewable sources or supported by RECs with the latter being progressively switched. By 2030, all electricity will be renewable and, already, all electricity for manufacturing is renewable with non-manufacturing sites being addressed by 2025. 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 become carbon neutral by 2040.

In our operations, sustainability risks including climate change, flooding and water scarcity are assessed across sites through annual global asset and environmental risk reviews (TCFD Risk Management (b)). The results are reported and reviewed through our risk management framework, and established governance processes in our business unit and global risk committee, and our CRSECC Board sub-committee. For non-Reckitt sites, we work with our suppliers to help them reduce their own carbon emissions. Our partnership with Manufacture2030 helps suppliers measure and progressively reduce their emissions. In doing so, the resulting supply chain will become more resilient to the transition and physical risks from climate change, enabling performance opportunities.

At a product level, climate-related risks are identified, assessed and managed on an ongoing basis, and with a forward horizon in excess of 10 years (TCFD Risk Management (b)). For product development, a range of tools assesses 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 for our products via our Sustainable Innovation Calculator (SIC). It scores our product innovations using quantitative metrics to establish whether an innovation makes a product 'more sustainable'. This supports our ambition for 50% of net revenue to be derived from more sustainable products by 2030 and our science-based target goal of 50% product footprint reduction by 2030, collectively enabling Reckitt's brand portfolio as a whole to become more sustainable and resilient. The calculator considers metrics including water and carbon footprint, plastics and packaging, and the ingredients. Such product innovation also 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. For information on our SIC and how were developing products which are more sustainable, please see our Sustainable product innovation insight.

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 3-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 5-year planning and are within existing external disclosures (TCFD Risk Management (b)). 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 change-related risks and opportunities are currently expected beyond existing business investments already disclosed.

METRICS & TARGETS

Reckitt has established climate-related targets and metrics to drive performance in areas both directly controlled and across our value chain (TCFD Metrics and Targets (a)). These targets are in line with the Paris Agreement on climate change. To help reach the Paris Agreement's ambition to keep global warming to below 1.5°C, and realise our own ambition to be carbon neutral by 2040 (covering Scope 1, 2 and 3). As an interim milestone on that journey to 2040, we have set science-based targets (SBTi) for Scope 1, 2 and 3 emissions for 2030:

- Reduce absolute Scope 1 and 2 GHG emissions by 65% by 2030 from a 2015 base year
- Reduce absolute Scope 3 GHG emissions by 50% by 2030 from a 2015 base year

Supporting these goals is a reaffirmed commitment to RE100 and increasing use of renewable electricity to 100% by 2030. Within our roadmap on climate change, it is accompanied by ongoing activity to improve energy efficiency by 25% by 2025. This activity is initially focused on the highest energy-consuming processes in manufacturing sites. Further steps will also include progressive energy switching for sites using natural gas within combined heat and power (CHP) units or boilers (TCFD Risk Management (b)). 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.

Through a combination of these measures, and increased use of renewable electricity in manufacturing, there has been a significant reduction in carbon emissions. Environmental performance indicators for carbon emissions, energy and water use are reported to supply chain teams on a monthly basis and to business unit and global level risk reviews on a quarterly basis. This enables prompt review of performance and actions to strengthen performance within the ongoing annual and 3-year plans. Details of Scope 1, 2, and 3 emissions are contained in our Annual Report (page 73) and in this Climate change insight (TCFD Metrics and Targets (b)).

At the end of 2021, all electricity purchased for use in our manufacturing sites is from renewable sources (TCFD Metrics and Targets (c)). Together with a 7% improvement in energy efficiency and changes in our footprint through our Chinese operations, this contributes to an overall 66% reduction in greenhouse gas emissions against our 2015 baseline. This delivers on our science-based target for Scope 1 and 2 operations, ahead of schedule. We recognise that this progress will have to be sustained together with further measures to continue reducing our carbon footprint. In the short-term, we will continue to strengthen supplies of renewable electricity, further develop on-site generation through solar and other options, and continue to drive energy efficiency. For the medium to longer term, switching from natural gas to renewable fuels and developing renewable thermal energy options are a priority (TCFD Risk Management (b)).

For further information and details of activity on our climate-related metrics and targets please see our Climate change insight (earlier in this document), Water insight, Product innovation insight and our Annual Report (page 73) (TCFD Metrics and Targets (b)).

Beyond climate-related metrics, performance is also assessed against other transition risks (TCFD Metrics and Targets (c)) including:

- 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 towards business planning, for example on the development of climate response activity within supply chain and product innovation.
- Damage to assets and the frequency of such events arising from extreme weather and other, potentially climate change related events, are reviewed through our risk management and business continuity programmes, and connect into financial programmes on insurance.
- Investor ratings performance through the Dow Jones Sustainability Index, MSCI and Sustainalytics ratings and CDP performance provides ongoing insights into investor sentiment. Dialogue with investors provides further routine consideration of sentiment relating to our climate change activity.
- Our materiality review and routine sentiment review considers civil society and consumer organisation sentiment. Consumer responses to our brands are captured in our product quality activity, through our sales data and in broader consumer insight research at brand and sector level. Collectively this helps us respond to consumer sentiment on climate change and provides input to our product innovation programme. More details on our materiality assessment and how we engage with our broad range of stakeholders are within our Focusing on what matters insight.
- Litigation is tracked functionally and within our business units and markets. It is reviewed via our corporate risk programme, with quarterly reviews at business unit and global levels, including oversight from a specific Board sub-committee. Litigation relating to climate change will inform progress in managing transition risk. More details on our risk management approach are within our Sustainability governance, reporting and assurance insight.