reckitt

Reckitt
Annual Report and Accounts 2020

BUILDING SHARED SUCCESS

WELCOME

OUR PURPOSE

We exist to protect, heal and nurture in the relentless pursuit of a cleaner and healthier world.

OUR FIGHT

We have a fight on our hands. A fight to make access to the highest quality hygiene, wellness and nourishment a right and not a privilege.

About our new brand

Reckitt branding reflects the purpose, fight, compass and behaviours of the company. Our new identity draws on our rich 200 year heritage. It symbolises the energy and can-do spirit of our people and the positive impact that they create on the world. Designed to be accessible, active and authentic; Reckitt is inspired by our purpose-led brands, and our efforts for a healthier planet and a fairer society.

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To learn more visit: www.reckitt.com/thisisreckitt

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Financial highlights

Net Revenue

£14.0bn

+11.8% LFL growth[4]
Reported growth +8.9%

Adjusted Operating Margin[4]

23.6%

-260bps

Reported Operating Margin

15.4%

nm [3]

Hygiene

42%

of Reckitt Total Net Revenue

Health

35%

of Reckitt Total Net Revenue

Nutrition

23%

of Reckitt Total Net Revenue

Adjusted Earnings Per Share (diluted)[4]

327.0p

-6.3%

Reported Earnings Per Share (diluted)

159.3p

nm [3]

Total dividend for the year

174.6p

unchanged

Society

Net Revenue from more sustainable products[1, 2, 4]

30.4%

Number of people informed through health and hygiene messaging and campaigns since 2013

1.41bn

FTSE4Good Index membership

17

consecutive years, including meeting 20 additional Breast-Milk-Substitute (BMS) criteria since 2018

Environment

Greenhouse Gas emissions per unit of production[1]

53%

reduction since 2012

Water use per unit of production[1]

39%

reduction since 2012

1. Excluding our Infant and Child Nutrition (IFCN) business – see Reckitt insights (www.reckitt.com/responsibility/policies-and-reports) for details
2. Calculated for 12 months ending 30 September 2020
3. Not meaningful
4. Non-GAAP measures are defined on page 77

Our Group is divided into three business units – Hygiene, Health and Nutrition – with each operating across attractive and growing segments.

Our portfolio is underpinned by five global megatrends that drive demand for our products. As a result, we are well positioned to benefit as we recover from COVID-19, and to deliver sustainable mid-single digit growth in the medium to long-term.

HYGIENE

Hygiene is the foundation of health and our purpose-led portfolio works to eliminate dirt, germs, pests and odours with market leading products such as Lysol, Finish, Mortein and AirWick.

Hygiene Net Revenue

2020
£5,816m

2019
£5,031m

LFL Growth[1]
+19.5%

Actual Growth
+15.6%

Adjusted Operating Profit[1]
£1,505m

Adjusted Operating Margin[1]
25.9%

Geographic profile

Developed markets	79%
Developing markets	21%

Key Hygiene brands

Vanish, Harpic, Lysol, Air Wick, Mortein, Finish, Veja

HEALTH

Our Health portfolio brings compelling, innovative solutions that provide pain relief, protection, hygiene, and personal care to households across the world, through brands like Dettol, Durex, Gaviscon, Nurofen, Mucinex, Strepsils and Veet.

Health Net Revenue

2020	2019
£4,890m	£4,462m

LFL Growth[1]	Actual Growth
+12.1%	+9.6%

Adjusted Operating Profit[1]	Adjusted Operating Margin[1]
£1,334m	27.3%

Geographic profile

Developed markets	54%
Developing markets	46%

Key Health brands

Durex, Dettol, K-Y, Nurofen, Mucinex, Gaviscon, Strepsils, Veet

NUTRITION

The Nutrition business includes our leading infant and child nutrition, adult nutrition and our range of vitamins, minerals and supplements. Brands include Airborne, Mead Johnson, Move Free and Schiff. The strength of this business is its focus on science-led innovations which underpin products catering to consumers from infant through to the elderly.

Nutrition Net Revenue

2020	2019
£3,287m	£3,353m

LFL Growth[1]	Actual Growth
UNCHANGED	-2.0%

Adjusted Operating Profit[1]	Adjusted Operating Margin[1]
£462m	14.1%

Geographic profile

Developed markets	45%
Developing markets	55%

Key Nutrition brands

Enfamil, Nutramigen, Enfinitas 蓝臻, Airborne, Move Free Joint Health, Schiff Since 1936

1. Non-GAAP measures are defined on page 77

MOVING FORWARD TOGETHER WITH PURPOSE

Chris Sinclair
Chairman

I am proud of what we were able to achieve this year in the face of some enormous challenges. Reckitt is emerging much stronger, as a more resilient and purposeful company.

We made significant progress in 2020 in building the foundations for future growth. We have added exceptional leadership talent at the top of Reckitt and across many of our geographies to help steer the company through this transformational stage. We are investing in capabilities and have organised ourselves to become more focused and purpose-led.

Business performance

Full year net revenue was £13,993m, with growth of +11.8% on a like-for-like basis. This was underpinned by strong performances from both Hygiene and Health; despite mixed markets, Nutrition also made good operational improvements while separating from Health and integrating Vitamins, Minerals and Supplements.

The performance uplift reflected the outstanding way our teams responded to the coronavirus pandemic (COVID-19), meeting the substantially increased demand for some of our brands through sharper execution, expanded capacity and better customer service. Together with our ongoing investment in our digital capabilities, this enabled us to deliver a stronger underlying performance across our portfolio of brands.

Adjusted operating profit was £3,301m, at an adjusted operating margin of 23.6%, down 260bps on last year in line with our guidance and reflecting planned investment across many areas as laid out by Laxman in the strategy presentation in February 2020.

Our business made solid progress on many fronts. It is an early indicator that the strategy announced last February is gaining momentum and yielding positive results.

We remain focused on delivering our strategy. Although it is too soon to be definitive, we believe that much of the additional demand we saw during 2020 for our Hygiene and Health brands is likely to be sustained even after the pandemic. We are accordingly investing in additional capacity and in expanding our Hygiene and disinfection business into new geographies and business segments.

For our Nutrition business, we delivered good growth in North America and from our Vitamins, Minerals and Supplements portfolio, although the operating environment in China continues to be challenging for our infant formula products. As a result, Laxman and the team are conducting a strategic review of our infant formula activities in China and we'll act on the conclusions of this in due course. In the meantime, our focus is on sustaining the wider investments for growth that have already started to yield benefits with renewed innovation, such as our first adult nutrition product, launched in December.

Governance and risk management have been important areas of focus for the Board over the last few years. We have done a lot of work through the Corporate Responsibility, Sustainability, Ethics and Compliance Committee to broaden and deepen our approach to managing safety and compliance risk, and to focus on our sustainability agenda. We continue to expand the investments and initiatives that enhance the safety and efficacy of our products, as well as their sustainability.

Consistent with the expectations we set out last year, the Directors have proposed a final dividend of 101.6 pence per share, which when added to the interim dividend of 73 pence, gives a full-year dividend of 174.6 pence per share. Subject to shareholder approval at the AGM in May 2021, this will be paid on 14 June 2021 to shareholders who were on the register on 7 May 2021.

AGM

Whilst our Annual General Meetings (AGM) are normally held as physical meetings with shareholders encouraged to attend, due to COVID-19 restrictions, in 2020 we recommended that shareholders refrain from attending the AGM in person, in line with guidance from the UK government at the time. Our 2020 AGM was held as a closed meeting, with a live virtual webcast which shareholders were able to view online.

For this year's AGM, currently planned for 28 May 2021, we are proposing a similar format, with the addition of a live Q&A to allow the Board to interact directly with shareholders. The safety of our shareholders, Directors, employees, and other stakeholders is of the utmost importance to us.

At this year's AGM, we will be proposing an additional special resolution to adopt amended Articles of Association of the company, giving us the flexibility to hold a hybrid AGM going forward, if deemed necessary. Further details are set out in the Notice of Annual General Meeting available on www.reckitt.com/investors/your-shareholding/agm/.

Implementing our strategy

In 2020, the safety of employees and the continued supply of products, especially those critical to combat the spread of COVID-19 were the key priorities. At the same time, we were able to grow and develop the business. While we face another year of uncertainty with the continued global pandemic and economic disruption, we remain focused on executing our strategic priorities and embedding our cultural transformation.

We made rapid progress on multiple fronts during 2020. The fact we have been able to achieve so much in a COVID-19-affected year attests to an exceptionally strong team performance and the dedication of our employees across the world as they have risen to the challenges. Without their efforts, our contribution to managing the pandemic would have been much more limited.
We saw significantly increased consumer demand, especially for our Dettol, Lysol, Finish and Airborne brands. This presented considerable opportunities, but it also posed some major challenges during a global pandemic. Our factories, suppliers and logistics operations had to contend with social distancing and quarantine constraints, which were often imposed at very short notice. This added to the complexity of stepping up supplies. I am proud to say that our people rose to the challenge. They responded with flexibility, commitment and Reckitt's characteristic, can-do spirit.

These efforts allowed us to scale up our product supply dramatically in critical areas. We strengthened our global supply chain and improved customer service levels. We continued to make good strides in digital and e-commerce and are now building a competitive advantage in this arena. And we also managed the successful launch of an entirely new business line. Our professional services offering, Global Business Solutions, is already demonstrating strong growth potential, including exciting partnerships with transport and hotel groups.

Meanwhile, we have been pursuing the organisational and cultural transformation programme outlined in the strategy we published in February 2020. The July restructuring into three Global Business Units added focus and sharpened execution.

Talent and culture

The Board is very encouraged by the rapid progress we have made this year in terms of talent and culture. We have a new leadership team in place and have strengthened skills in numerous key areas, notably digital capabilities, sales excellence, and supply chain management. Our workforce has shown itself to be adaptable and highly effective in very testing conditions. Their resilience and commitment have brought tangible improvements to execution across the Group.

Laxman and his leadership team have also crafted a very coherent and powerful cultural agenda founded on purpose and responsibility. This has helped unite and inspire colleagues. Our purpose encapsulates why we exist and what we aspire to achieve as an organisation. Our fight adds urgency to that, and our compass guides our actions. Early indications are that these have been extremely well received both within the Group and by external stakeholders.

We are investing significant energy and resources in our sustainability agenda. Sustainability is an integral part of our long-term sustainable growth business strategy and intrinsic to our identity as a responsible, purpose-led business that aims to make a positive difference in the world. This focus on sustainability resonates with stakeholders and is warmly embraced by our workforce. Employee surveys during 2020 confirmed that our people are proud to work for Reckitt and this is reflected by the level of commitment they have shown.

Changes to the Board

I have said already how proud I am of everything that the leadership team and our colleagues worldwide have been able to achieve in difficult times. That goes equally for my fellow Directors. The company is very fortunate to have highly talented individuals on the Board who are committed to Reckitt and passionate about its purpose.

We welcomed two new Non-Executive Directors this year who are already making valuable contributions to our deliberations. Margherita Della Valle joined us in July 2020 and also became a member of the Audit Committee. Margherita has extensive experience of financial markets and digital technologies and has been instrumental in business transformation programmes in her prior roles. Her sectoral expertise and insights bring fresh perspectives, which have broadened the Board's base of experience.

In December 2020, we announced that Olivier Bohuon would join the Board and the Remuneration Committee in January 2021. Olivier spent many years as a successful CEO of a large global company. He has deep experience in healthcare products and markets and his insights will enrich and inform the Board's discussions.

After a decade at the company, Warren Tucker retired from the Board and Audit Committee at the conclusion of our AGM on 12 May 2020. My thanks go to Warren for his sage advice and wise counsel. The Board will miss his committed and constructive presence. We wish him well in his future endeavours.

As we announced last year, I am delighted to welcome back Reckitt alumnus, Jeff Carr, who rejoined the company as its Chief Financial Officer in April 2020. He succeeded Adrian Hennah who stepped down as CFO in April and retired in October 2020, following a transition to Jeff. I would like to thank Adrian for his valued service and many contributions. Jeff has a strong track record of transformational strategic and operational leadership and is playing a key role in Reckitt's strategic transformation.

Conclusion

Looking ahead, we remain committed to the strategic priorities laid out last February. The appropriateness of these priorities has been reinforced and validated by what we have seen during the pandemic. We believe we have set ourselves the right objectives. We now need to ensure that our execution delivers strong, sustainable performance.

We are sharpening our portfolio and strengthening the organisation to be able to compete and innovate more effectively. We are making real progress on managing the business responsibly and sustainably.

Ultimately, we aim to deliver consistently strong returns for shareholders by meeting stakeholder priorities, and we are well-placed to achieve that ambition. I am optimistic about Reckitt's future as a high-performing, purpose-led business.

A BETTER HOUSE IN A GREAT NEIGHBOURHOOD

Laxman Narasimhan
Chief Executive Officer

> **"We delivered very strong revenue performance in 2020, with nearly £14 billion of sales and 11.8% Like-for-Like growth.**

Overview

In February 2020, we set out our strategy for rejuvenating sustainable growth at Reckitt, and outlined our medium-term financial targets. Our objective is to rebuild Like-for-Like revenue growth to the mid-single digit range, and to deliver operating margins in the mid 20's by the mid-20s, in turn driving earnings per share growth in the region of 7-9%.

Underpinning our expectations are five megatrends that drive market growth and a portfolio of trusted brands, with a strong heritage. Many of the fundamental capabilities were already in place: we have a good science and innovation, great people, a strong performance culture and great e-commerce capabilities. But there were areas which required improvement. Until 2020 our commercial execution had been deteriorating, our supply chain was not as resilient as it should have been, and we were letting customers down too frequently.

At the time, I described the business as a good house in a great neighbourhood. Since then, we've made record levels of investment, improved execution and customer service and have made good progress towards becoming a great house again.

Throughout 2020, we delivered a strong start to our plan by executing well against our strategic goals and responding successfully to rapidly changing market conditions. This has resulted in a very strong financial performance, well ahead of our original expectations. In addition, we have delivered a step-change in the scale and scope of our business. This has reinforced the strength our growth opportunities, and the relevance of the investments we are making to capture these.

2020 performance

We delivered very strong revenue performance in 2020, with nearly £14 billion of sales and 11.8% Like-for-Like growth. In Hygiene, we delivered excellent growth by increasing capacity to meet the strong demand for Lysol, while a number of other brands also saw significantly greater demand driven by 'nesting' behaviours. Our Health business saw some dynamic trading, led by sustained strong demand for Dettol, which showed similar trends to Lysol. Our Sexual

Wellbeing segment improved in the second half of the year as social distancing restrictions related to COVID-19 eased and we benefited from the launch of our new ultra-thin condom. This was offset to an extent by trading in over-the-counter medications, where market conditions were weaker due to the soft cough, cold and flu season towards the end of the year. Finally, our focus in Nutrition was on operational execution and maintaining market share, particularly in Greater China where market conditions were more challenging. This was in part offset by strong performances in our US business and our increased focus on vitamins, minerals and supplements, particularly immunity and senior nutrition which will support our longer-term ambitions for this business.

Step-change in our business

The global pandemic has reinforced the relationship between hygiene and health. A much greater awareness of the importance of day-to-day cleanliness and sanitation is now driving fundamental day-to-day behaviours. Around the world, this is leading to disinfectants and anti-bacterial cleaners selling in higher volumes, gaining more shelf space and penetrating new categories of cleaning. For example, growing into laundry sanitation, expanding in wider surface cleaning – with more wipes and sprays, and becoming the norm for hand sanitising. As a result, our leading global disinfectant brands – Dettol, Lysol and Sagrotan to name but a few – grew in aggregate by over 60% and have significant room to grow further.

Our teams have driven our success

Our teams have overcome significant hurdles to increase production of these, and other products, while staying safe and supporting their communities. I am humbled to see first-hand this 'can-do' attitude with which Reckitt is frequently associated. I had learned much about this prior to my joining the company around 18 months ago. I am immensely grateful to our teams around the world for their hard work and flexibility. Our purpose, to protect, heal and nurture in the relentless pursuit of a cleaner and healthier world, has been at the centre of our response and continues to be as relevant as ever.

Strategic progress in 2020

At the same time, we have invested a record £745m through the P&L back into the business to rebuild the long-term capabilities to improve customer service, to innovate and improve product quality and to grow purpose-led brands. Our investment in Centres of Excellence has already begun to yield results, particularly in the important area of customer service where we have meaningfully increased our ability to support customers – developing the relationship from being one of transaction, to a fuller commercial partnership. The annual Advantage survey of retailers shows that we have made a material improvement in this area, advancing 9 places, moving from the lowest tier to inside the top 10 of FMCG peers globally, with further improvements expected over time. Achieving this while delivering a step-change in capacity has been very pleasing but there is still much to do, particularly on our supply chain performance. On all fronts, we are targeting meaningful further improvements over the coming years.

We also made the organisational changes necessary to deliver our strategy. In July, we established our three focused Global Business Units and have progressively strengthened our leadership teams throughout the year.

Furthermore, we have executed successfully against the drivers of growth: increasing penetration; optimising market share; entering new places and entering new spaces. Our market share performance was growing, led by Dettol, Lysol, Durex, Finish, our North American IFCN business and various OTC products, including Gaviscon. As a result, 70% of our core Hygiene category market units, and 85% in Health, held or gained market share in the year. Dettol and Lysol now generate over £3bn in combined revenue and are present in over 300 million homes globally. However, our growth in 2020 has been broad-based. Geographically, our ten largest markets grew by an average of 15%, and we've seen good growth across most of our categories. Finish has taken significant share, Airborne's revenue was up well over 100%, and we have driven good share gains in Durex where we launched our first polyurethane (ultra-thin) condom in China. Innovation and consumer insight continues to drive share gains in a number of our categories, and we continue to see strong opportunities for white space growth.

In e-commerce, our 'Be Big', 'Be Fast' and 'Be Bold' strategies have accelerated revenue growth to a record 56% in the year with online sales now representing c.12% of Group revenue. We are witnessing fundamental changes to consumer behaviour as consumers continue to move online.

Underpinning much of our investment in the business, our productivity programme is also well ahead of expectations, with savings of £407m achieved in 2020. As a result, we have increased this programme and are now targeting savings of £1.6bn over the period 2020-22, compared to the £1.3bn previously.

Strengthening our environmental and social ambitions

In addition, we are strengthening our environmental and social ambitions as our focus turns from mitigating our negative impacts to making a net positive contribution through understanding how we can make things better. Reflecting this, we announced in June 2020 our pledge to be carbon neutral by 2040. In addition, we are committed to powering our operations with 100% renewable electricity by 2030, with the ambition of net zero carbon emissions by 2040 – a decade ahead of the global climate action deadline of 2050 as stipulated in the Paris Agreement. Equally, we were one of the first three global companies to sign up to The Climate Pledge, co-founded in 2019 by Amazon and Global Optimism. From a societal perspective, we established the Reckitt Fight for Access Fund during the year where we have committed to the equivalent annual investment of 1% of our Adjusted Operating Profit. This will help improve access globally by ensuring high-quality products, providing education and information and driving availability. Additionally, we established the Reckitt Global Hygiene Institute in July 2020, a global initiative to generate high-quality scientific research-based evidence to inform public health recommendations and promote behaviours that improve global hygiene.

Our business portfolio

When we established our strategy in February 2020, we said that we would be active managers of the portfolio, seeking to migrate the portfolio towards higher growth businesses. We have therefore taken decisive action to strengthen our portfolio, so that we are better positioned to take advantage of market growth as we recover from COVID-19, and in the long-term

Firstly, our infant nutrition business in China has been operating in challenging conditions, with declining birth rates, tougher regulations and increased local competition who have been investing heavily. Additionally, the pandemic has brought about the closure of the border with Hong Kong, preventing any meaningful cross-border trade. We do not expect the situation to improve materially in the near term and so are engaging in a strategic review of this business. No decision has yet been taken as to the overall outcome and we will provide further updates as appropriate.

Additionally, we announced the sale of Scholl, the footcare brand, after ten years of ownership and at the same time agreed to acquire Biofreeze, a leader in over-the-counter topical pain relief. The brand has a strong footprint in the North America retail and clinical channels and a growing international presence.

Looking forward

Overall, recent market developments continue to support our 4-6% medium-term growth expectations. In Hygiene, we should grow around 4-5% as we expect to outperform a larger and faster growing market for disinfection. Health should also outperform, with strong demand for sexual wellbeing products helping support 4-6% growth. Senior adult nutrition, and strong growth in VMS should also enable Nutrition to deliver 3-5% growth in the medium-term.

2020 was a turning point for Reckitt. Our performance is strong, we are building our capabilities, actively managing our portfolio and transforming our culture. We expect 2021 to be a year of further strategic progress and we remain confident that we will meet our medium-term targets.

Laxman Narasimhan
Chief Executive Officer

In 2020, we all had to adapt to new realities. At Reckitt, we stepped up to play our part in combatting the spread of the virus and we've also been hard at work to progress our business transformation plan. I wanted to take stock with the leadership team at the end of an eventful year.

Q&A

Q **Laxman Narasimhan: What are your thoughts on our performance in 2020?**

Harold van den Broek | President Hygiene
This was an incredible year for hygiene – I couldn't be more proud of our people. The teams understood the importance of good hygiene as the foundation of good health. I saw focus, speed, sense of ownership, ramping up production, asking suppliers to help with materials and knowledge, many working 24/7 to make it all happen. We didn't fulfil all the demand all the time, but it wasn't for lack of trying.

Aditya Sehgal | President Nutrition, eRB & Greater China
It has really demonstrated the importance of living our purpose. The strength of our brands and culture shone through. We displayed strong agility and we outperformed. The new focus on nutrition is already making a difference. And eRB's performance was just outstanding. Digital sales were up by more than 50%. This was really the year that e-commerce came to the fore as a key engine of growth.

Kris Licht | President Health & Chief Customer Officer
I've been so impressed by the resilience and perseverance of our Health team in a time of great need. We had to rethink and reprioritise – we dramatically increased our supply capacity for disinfectants – 37 new manufacturing locations in one year! And even though we had to work virtually, we've strengthened retailer partnerships. Given everything, it's amazing to me that we executed so well in year one of our transformation.

Volker Kuhn | Chief Transformation Officer
2020 brought the best out of our people and teams. I have deep respect for their tremendous achievements and how they dealt with unprecedented challenges. Importantly, we've made a strong start to our ambitious transformation journey. Our organisation has proved extremely agile. We overdelivered on business performance and productivity gains, and I am particularly proud of the speed and agility we demonstrated in successfully launching Global Business Solutions. In short, our people didn't leave any stone unturned to satisfy the unprecedented demand of the pandemic, while strengthening the foundation of the business for the future.

Rupert Bondy | General Counsel & Company Secretary
I agree with that. In 2020, going through a leadership, strategy and culture change while responding to COVID-19 was definitely challenging, but it was also energising. It seemed to bring out the best in our people.

Miguel Veiga-Pestana | Head of Corporate Affairs & Chief Sustainability Officer
I'm proud of how we've collectively responded and all that we've achieved in these extraordinary times. I'm a particularly passionate advocate of our purpose, fight and compass. It's inspirational and it motivates me to get up in the morning. We are a purpose-led, purposeful company with some truly amazing iconic brands that make a difference to people's everyday lives. It was also great to see us step up in 2020 with our Climate Change commitment to be 'net zero' by 2040.

Laxman Narasimhan: For more recent joiners, what attracted you to Reckitt and now you're here what's your take on its culture?

Angela Naef | Chief R&D Officer
The big transformation that was underway was the real pull for me. I wanted the chance to bring science and technology to bear on real-world problems. What's struck me most about Reckitt people? Their sense of purpose. I'm working with a highly motivated and committed global team focusing on things that really matter.

Ranjay Radhakrishnan | Chief Human Resources Officer
Before joining in March, I'd admired the Reckitt powerhouse from the outside. Now I get to see the engine. I love the pragmatic, entrepreneurial and action-oriented spirit here.

Sami Naffakh | Chief Supply Officer
I'm a bit of a special case. I arrived in July but I also used to work for Reckitt more than a decade ago. It's a very different animal now, a much more mature organisation. But it's also managed to keep its amazing entrepreneurial, can-do spirit. I especially relate to our purpose, fight and compass, and our clear commitment to social responsibility – sustainability, diversity – without any concession to financial performance.

Jeff Carr | Chief Financial Officer
Our culture is very unique and our people are fantastic, during these challenging times I'm very proud how our teams have reacted with speed and agility to deliver such a strong performance in 2020.

Harold van den Broek | President Hygiene
I think Reckitt's culture has evolved significantly just in the last year. We're become much more open, diverse and inclusive, and there's a learning culture here, which will liberate more energy and ideas.

Laxman Narasimhan: What are your main challenges and opportunities?

Aditya Sehgal | President Nutrition, eRB & Greater China
My focus in Nutrition is on strengthening the core and creating new engines of growth. Our digital business is already doing really well. I want us to keep on overdelivering in e-commerce. And we can deepen and broaden our business in China.

Kris Licht | President Health & Chief Customer Officer
For me, it's about strengthening the Health business, I also think there are a lot of opportunities available to us if we put more time and resource into customer partnerships.

Volker Kuhn | Chief Transformation Officer
My priorities are to continue to shape the growth in new places and spaces, deliver on our stepped up productivity ambitions as well as our commitments to building stronger capabilities, which are foundational for sustained outperformance.

Angela Naef | Chief R&D Officer
My focus is on building the capabilities that will further our delivery in science, technology and innovation to create superior solutions that help to address global issues and opportunities that are safe, efficacious and impactful.

Jeff Carr | Chief Financial Officer
Our transformation journey has started so well, the opportunity is now to build on our strong start and deliver our goal of long-term sustainable growth.

Sami Naffakh | Chief Supply Officer
I want to develop an adaptive supply network for Reckitt that leverages the macro changes we're now seeing in the world. There's still a lot to do, but in time I do expect our supply chain to become much more customer and consumer-centric, agile, lean, resilient, sustainable and responsible.

Miguel Veiga-Pestana | Head of Corporate Affairs & Chief Sustainability Officer
I couldn't agree more. This is a critical year in so many ways. Time is running out to address the challenges facing the world today and we have to play our part. I'm excited that we've recently set out our ten year sustainability ambitions as an integral part of our strategy – working with our partners to build a cleaner, healthier world.

Ranjay Radhakrishnan | Chief Human Resources Officer
The Reckitt culture is so important in all this. I confess I'm itching to connect with people face-to-face. I do hope that in 2021 I will be able to meet more colleagues, visit factories, markets so I can see, live and breathe a bit more of our frontline operations.

Laxman Narasimhan | Chief Executive Officer
I'm with you there Ranjay! Let's hope the world's in a better place soon and we can all meet again in person before too long.

WHY WE DO IT

Our purpose

We exist to protect, heal and nurture in the relentless pursuit of a cleaner and healthier world.

Our fight

Making access to the highest quality hygiene, wellness and nourishment a right, not a privilege.

Today, our brands like Dettol, Lysol, Harpic, Finish, Durex, Mucinex, Enfamil and Move Free, among others, fight at the frontlines to give our consumers a better life. Why we exist – our purpose, our soul – is clear.

Each word matters. They speak to our portfolio and the categories in which we play. Relentless pursuit captures Reckitt's entrepreneurial and can-do spirit, all in service of creating a cleaner, healthier world.

HOW WE DO IT

Our key resources

Our people and culture
We employ outstanding people who work in a unique culture that harnesses their passion and allows them to make a real difference.

Our stakeholders
We develop strong, trusted relationships with our customers, consumers, suppliers and communities. We access and develop networks and partnerships that extend our impact.

Our key brands
We have a portfolio of global leading brands and other 'local hero' brands that offer faster growth and higher margins. Disruptive, 'rocket' brands redefine and extend the spaces in which we operate.

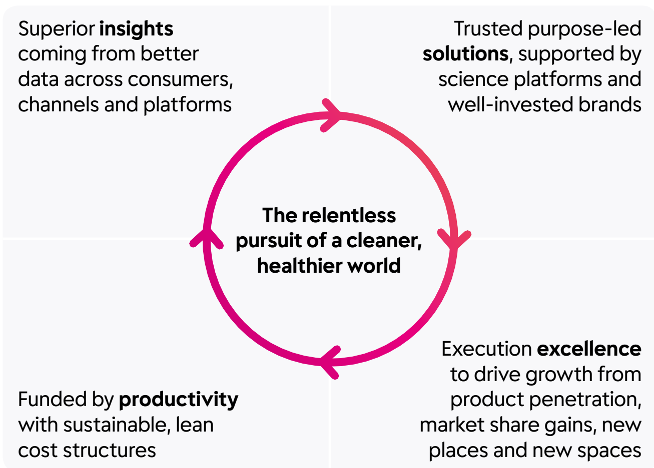
Our infrastructure
Our business is underpinned by strong manufacturing sites, R&D laboratories, centres of excellence and logistics centres.

Our knowledge and skills
We have deep consumer understanding, proven R&D, quality and innovation capabilities and an agile organisation, which gets products to markets fast.

Our financial strength
Shareholders' equity, debt and retained profit give us the financial resources to implement our strategy.

A virtuous circle of growth

Overarching our core business model, we seek to **deliver continuous productivity improvements**, allowing **for further investment in the business** – to our brands, capabilities and growth opportunities. In doing so, Reckitt creates a **virtuous circle of growth**.



The value we create

Consumers
Consumers receive innovative, safe and high-quality products, which help them live cleaner, healthier lives.

For more information
See page 28

Customers
Bricks and mortar and e-commerce customers gain from selling our leading brands, growing our categories and driving customer value in relevant channels.

For more information
See page 32

Investors
Investors benefit from strong operational and financial performance, resulting in attractive returns via dividends and long-term share price appreciation.

For more information
See page 36

People
Reckitt provides exciting and challenging careers, with excellent rewards for outstanding performance.

For more information
See page 40

Communities
Our products and social programmes lead to improved health and hygiene standards.

For more information
See page 48

Environment
We recognise the impact we have on the environment we share with others. We are working to reduce our impact by reducing our greenhouse gas emissions, contributing to reducing global warming and climate change.

For more information
See page 52

Our leadership behaviours

In order to deliver on our ambitions around purpose and our business strategy, we need our culture and our people to be operating at their peak. In many ways, our culture today is the shadow we cast as leaders. To evolve that culture and achieve sustainable outperformance, leadership is a key lever to pull. Our leadership behaviours set out how we expect each of our leaders to behave and define what good leadership looks like and how we will evaluate our leaders going forward. Reckitt leaders OWN, CREATE, DELIVER and CARE.

Own
- Live our purpose, fight and compass
- Know our business cold
- Make decisions

Care
- Actively listen, learn and include
- Speak direct with respect
- Act to unleash potential

Create
- Spot opportunities
- Innovate, iterate and scale
- Relentlessly build better

Deliver
- Focus on what matters
- Move boldly and at pace
- Join forces to win bigger

Our compass

Our compass sets out the new values and behaviours for our business. At it's heart is the goal of always doing the right thing with clear principles around putting consumers and people first, seeking out new opportunities, striving for excellence and building a culture of shared success. Our compass will guide us to sustainable growth in the future.

OUR PURPOSE DRIVES OUR PERFORMANCE

Our purpose, to protect, heal and nurture in the relentless pursuit of a cleaner healthier world drives our performance. Our purpose focuses our teams and creates opportunities for business growth that will deliver long-term shareholder value. We create value for our business and for society through our growth which increases our social and environmental impact.

Our strategy meets the needs and the concerns of our stakeholders. Our strategy delivers our purpose and our fight to make access to the highest quality hygiene, wellness and nourishment a right, not a privilege.

Our brands create opportunities in people's lives, through better health, hygiene and nutrition. They meet growing consumer demands, all the more so during the pandemic. In doing so, they have an authentic social impact, fighting at the front lines to give our consumers a better life. We don't just sell products, we design solutions that meet fundamental human needs.

Connecting with our stakeholders

Our stakeholder relationships extend our ability to deliver on our purpose. Listening to and working with consumers, customers, partners and colleagues throughout our business brings greater opportunities. During 2020, as we launched our new strategy and developed our environmental and social ambitions, this was more important than ever.

With Ipsos Mori, we engaged with a representative sample of our consumers in each of our key markets in the UK, US, Mexico, India and China. The research helped us better understand what our consumers knew of our corporate purpose and how we are bringing it to life through our brands. Our purpose-led brands are well known and trusted by consumers. Our wider corporate work, for example our partnerships and work throughout our value chain, is less understood. Importantly, the research demonstrated the need to show consumers the connections between our consumer brands and our wider corporate activity. This can build trust more broadly, and powerfully reinforce that the whole is greater than the sum of the parts. This is one of the goals of our business strategy, brought to life through our Reckitt brand.

Those same consumers also told us what was important to them. 71% said climate change was as significant a threat as the pandemic, and 65 % told us they would support a green recovery. This reinforced the importance of our commitment to combat climate change, and our ambition for carbon neutrality by 2040. We are collaborating on this with Amazon and their Climate Pledge.

In UN Climate Week, we jointly hosted discussions on climate change to encourage scaled-up activity. With other peer companies, we have also worked in the Business Avengers group to support delivery of other Sustainable Development Goals (SDGs). Reckitt is leading activity on SDG 3, Good Health and Wellbeing, as it is central to our Health, Hygiene and Nutrition brands. We know the importance of the SDGs to our stakeholders and, more importantly, to communities where we work around the world.

Understanding our contribution to society is important in our role as a global corporate citizen. It helps frame our approach to create the greatest impact. Our 2020 socio-economic report described the impacts of our business in the US. We will carry out similar studies elsewhere to strengthen our activity and engagement with stakeholders.

CASE STUDY

OUR WWF PARTNERSHIP

Reckitt is partnering with WWF over three years to create a movement to fight for nature. WWF and Reckitt's Hygiene business will together:

- Preserve and restore 2,100 km of freshwater across two major river basins in the Amazon and Ganges (two of the world's most important freshwater ecosystems)
- Innovate for a more sustainable world, including improving understanding of the impact of household products on aquatic environments, and explore how to improve the innovation pipeline; and
- Inspire millions to fight for nature through impactful brand partnerships with our consumers and engaging our employees

As part of our partnership, Air Wick, is working with WWF to bring its purpose to life and connect people to nature. The Air Wick team is activating this purpose in various markets, including Australia, the UK and US, to raise awareness of the importance of nature and how we can all do more to protect and restore it. Reckitt will support WWF projects to restore wildflower habitats to reverse the decline of biodiversity. For example, in the US, Air Wick is helping to reseed 1 billion sq ft of native grasslands and wildflower habitat in the Northern Great Plains.

Putting consumers first

Consumers buy brands they trust. They rightly expect safe, effective and sustainable products, delivered at a fair price. This is always our focus, but we are also meeting their growing expectation that products are responsibly sourced and won't damage the environment. And that our social and environmental impacts tackle global issues for a sustainable future.

Read more page 28

Fostering stronger customer relationships

Our customers' expertise brings consumer insights to strengthen our innovation pipeline. We work with our customers to build and meet joint goals, design and develop even safer and more effective products and to enable greater social and environmental impact. Collaboration with our customers enables joint activity that supports both our own purpose and our collective ambitions.

Read more page 32

Engaging investors

Through engaging with our investors we have support for our strategic initiatives and in return they share our success. Open, effective communication, combined with performance and clear plans for the future, builds trust and confidence in our company.

Read more page 36

Inspiring and supporting our people

Our highly skilled people enable our success. We want to attract, develop and retain the very best. Engaged, inclusive teams spur growth and performance. We want our teams to feel good about what they do and our contribution to the world as a whole. Our purposeful culture strengthens engagement and brings better brand offerings for consumers and more value for shareholders and investors.

Read more page 40

Extending our impact with like-minded partners

We join forces to build shared success with suppliers, scientists, civil society and more, that deliver practical and sustainable solutions to create a cleaner, healthier world. Our partners share our purpose and values. Through them, we build lasting solutions with real social impact.

Read more page 44

Investing in communities

We fight to make access to the highest quality hygiene, health and nutrition a right not a privilege. Improving that access, in communities with unmet needs, creates social impact and brings our brands to new consumers. Through our products, consumer education and skills, we empower people to make small changes in their lives for a cleaner, healthier world.

Read more page 48

Building a sustainable future

The world's environmental challenges demand action on multiple fronts. Our ambition is not just to combat these challenges, but to help build forward better where we can, and especially where we can have most impact.

Read more page 52

MEETING THE NEEDS OF SOCIETY AND OUR STAKEHOLDERS

Our business is responsive to the change that is happening around us. We're working together to keep pace and meet people's changing needs. As part of our business transformation, our strategy focuses on our purpose in the world, clearly articulating the reason we exist and the change we want to see that drives our growth.

Reckitt works with a wide variety of stakeholders: our consumers and customers; investors and shareholders; our suppliers and partners; governments in support of a wider public health agenda; and, of course our 43,500+ strong team whose engagement drives our business.

The trends we describe in our business strategy create challenges and opportunities for ourselves and all of our stakeholders.

These trends connect us to the needs and expectations of our stakeholders. Our approach creates opportunities for growth, stronger relationships with stakeholders and, through our business, a positive social and environmental impact. While the pandemic has touched everybody around the world, the trends have continued and even gathered momentum. The need for self-care within the wider public health arena has perhaps never been more visible, especially within an ageing population. Greater awareness of climate change leads to an emphasis on building forward better and mandates our contribution to support the Paris Agreement. The expansion of virtual communication has made digital technology even more essential and valued by everybody.

The pandemic has also reinforced the necessity for agility within our business and preparedness for similar future regional or global events. Organising our supply networks to address such potential events is a natural evolution of the agility we demonstrated in maintaining and actually growing production during 2020. In doing so we helped people combat the pandemic. We built powerful relationships with our suppliers and, importantly, with our customers with progressively stronger service delivery.

Addressing these trends is central to our purpose-led growth. Our ambitions for 2030 and beyond, stemming from our materiality assessments, considered these trends while thinking how we would build forward better.

Our approach helps deliver the UN's Sustainable Development Goals, which are central to our ambitions. By aligning with the SDGs, we are addressing challenges faced by society as a whole and creating opportunities for ourselves. While -we are tackling many of the 17 Goals, we will continue our emphasis on five where we can have most impact through our business – SDGs 2, 3, 5, 6 and 13.

Integrating social and environmental impact within our business agenda draws upon James Reckitt's legacy. New innovations bring greater efficacy for consumers and greater impacts for society. We are developing our brands, our business, our supply networks and channels to consumers to maximise our positive impact on society within the growth of our business. This reflects the heritage that has guided Reckitt for over 200 years.

The megatrends

Hygiene
Urbanisation and global warming

Health
Growing demand for self care

Health
Sexual health crisis

Nutrition
Growing and ageing population

Digital and e-commerce
Technology proliferation

As Reckitt, we're now more unified than ever. We're working together, with all of us pulling in the same direction, and in support of all our stakeholders. This unity makes us stronger because it links to our total offer. We are connecting everything we do with everything that people value.

Consulting with our stakeholders

We consult stakeholders in many ways across our business. Top-level meetings with our customers; multi-stakeholder forums; academic partnerships, especially for science and medicine; our work with the Reckitt Global Hygiene Institute; and our new Board listening sessions with key stakeholders – all serve to bring the voice of our stakeholders into our business agenda. Our work is informed by feedback from groups relevant to our business operations, including consumers, customers, suppliers, investors, governments, non-governmental organisations (NGOs), industry peers, educational institutions, communities and our employees. They tell us what matters most and those insights help us better meet their needs, and improve our approach for the future. In doing so they add to the materiality process described in our Focusing on what matters insight. Whilst we did not carry out a new study in 2020, assessment for our sustainability agenda provided an update.

Our 2020 internal engagement programme amplified the voice of our 43,500+ strong team. It helped strengthen our culture and supported our diversity and inclusion ambitions against a backdrop of global cultural trends and campaigns. The programme, described in our People section, brought our people together in an unprecedented way and increased employee engagement overall.

At Board level, we have brought the voice of our various stakeholders to life in assessing challenges we face in our value chain. We began a new series of Board listening sessions with a panel on climate change and water stress. Members of our CRSEC Committee heard from one of our key customers, an international NGO partner, the UK Government on the global climate change conference in 2021, an Indian state Government where water stress is a critical issue, and the investor community. The session provided detailed understanding from each stakeholder's perspective and has helped to frame our ambition on water in our new sustainability agenda. A similar event included members of our Executive who heard from our human rights partner, the Danish Institute for Human Rights, about their human rights impact assessment of our Thai value chain. The subsequent action plan aims to strengthen human rights for people we work with in Thailand.

The Sustainable Development Goals

In 2015, UN Member States adopted the 17 Sustainable Development Goals as part of the 2030 Agenda for Sustainable Development. In 2019 the UN Secretary-General called for a decade of action by all stakeholders, asking civil society, academia, the media and the private sector to deliver the 2030 Goals. At Reckitt, we recognise the impact we have for society and on many of these goals. As with the interdependence between the Global Goals, the connection between the health of people and of the planet is central to our sustainability agenda. We recognise that as society thrives, so do we. We want to do all we can to help meet this challenge.

There are five SDGs where our impact can be greatest. These embody the work of our brands and our business as a whole, through our value chains and in our partnerships that support the poorest communities – where hunger, disease and poor sanitation are most prevalent, and where the worst effects of climate change are felt first.

Aligning with the United Nations Sustainable Development Goals (SDGs)

SDG 2: Zero hunger

In infant nutrition we focus on the first 1,000 days of life. Our products keep mothers healthy and nourish their babies. In line with World Health Organization (WHO) guidelines, we promote exclusive breastfeeding in the first six months. Protecting people against malnutrition and stunting is a key theme for our social impact investment programme.

SDG 3: Good health and wellbeing

This goal is closely aligned with our purpose and as the Business Avenger for SDG 3, we are championing swifter progress in the private sector. Many of our brands play a role in promoting health and wellbeing. They include Durex, Dettol, Gaviscon and Mucinex, as well as Lysol and our Mortein insecticide products. The pandemic has ensured this has been a focus throughout 2020.

SDG 5: Gender equality

Promoting gender equality is in our employment policies and in our social impact programmes. Our employment policies drive gender equality in our teams. We have mentoring schemes for female employees, gender-balanced shortlists and proportionality targets at senior management level. We also now report internationally on our gender pay gap. We have set up social impact projects to encourage girls to stay in school in South Africa and equip women in rural communities with independent income.

SDG 6: Clean water and sanitation

Our Harpic, Dettol and Lysol brands are closely associated with programmes emphasising the importance of good sanitation and hygiene. In partnership with Water.org and WaterAid our Mission Paani and Banega Swasth campaigns improve access to water and sanitation, building community awareness of health and hygiene. Publicity campaigns emphasise conserving water and ensuring sustainable sources for future generations, and build water harvesting in selected villages.

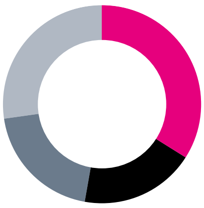
SDG13: Climate action

We are accelerating delivery of the Paris Climate Change Agreement to keep global warming to below 1.5°C. This is a major milestone in our ambition for carbon neutrality by 2040 – a decade ahead of the world's goal of 2050. We will reduce carbon emissions from our sites by 65% and power our operations with 100% renewable electricity by 2030, while also reducing our products' footprint.

Reckitt operates in attractive, growing market segments, underpinned by clear megatrends:

Urbanisation and global warming, and their impact on the spread of infection, re-enforcing the necessity of improved hygiene; growing demand for self-care, given pressures on governmental spending globally; growing importance of sexual health and wellbeing; a growing and ageing population; and ever-changing technology, which is transforming consumer knowledge and purchasing habits. Most of these trends have been accelerated or accentuated by COVID-19.

HYGIENE



Global market

£80bn[1]

4–5%

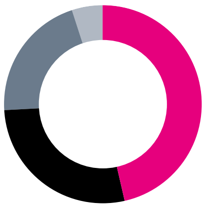
Surface
Dish
Laundry care ex. detergents
Other

Top Reckitt markets

Relevant megatrends

1 5

HEALTH



Global market

£160bn[1]

4–6%

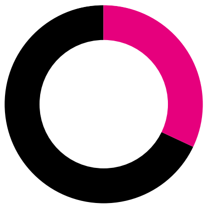
OTC
Germ protection
Sexual Wellbeing
Other

Top Reckitt markets

Relevant megatrends

1 2 3 5

NUTRITION



Global market

£130bn[1]

3–5%

Infant formula
Vitamins, Minerals & Supplements

Top Reckitt markets

Relevant megatrends

4 5

1. Source: Euromonitor and company estimates. Nutrition excludes Solid baby food

Megatrends

COVID-19 impact on megatrends

1 Global warming and urbanisation

The issue: The transmission of infection is likely to be a growing global issue over the coming decades, as growing populations and movements of people create the conditions necessary for the spread of disease. It is estimated that an additional 2.5bn people will live in cities over the next 30 years[1] – this increase is driven primarily by Africa and Asia, with 10 new 'megacities' expected by 2030[2]. Similarly, climate change is increasingly being linked to growth in infection and disease, with deforestation thought to be the cause of 1/3 of new and emerging outbreaks such as Ebola or Zika[3].

+2.5bn people living in urban areas over the next 30 years

10 new 'megacities' to be formed by 2030

The role we play: with our category-leading disinfection brands, such as Dettol, Lysol, Sagrotan and Napisan, we help break the chain of infection. We work hard to better understand and respond to evolving consumer needs, such as the growing demand for protection against germs outside of the home.

COVID-19 impact:
- Penetration to existing plus new households
- New market expansion
- New use occasions

2 The role of self-care

The issue: In both developed and emerging markets, ageing populations and stretched public finances are placing ever growing pressures on health systems. This is in turn leading patients to seek – and governments to encourage – self-care. This is made easier by technology which provides increasingly sophisticated personalised recommendations.

48% in UK to consult pharmacists more often, although 31% would not have done so pre-COVID-19 [4]

Half of all UK hospital trusts[5] are in **FINANCIAL DEFICIT**

The role we play: with our over-the-counter brands such as Mucinex, Nurofen and Strepsils, we provide people with the products and information they need to treat many everyday symptoms such as cold and flu, themselves, without recourse to a medical professional. By saving a trip to the doctors, we are helping to reduce demand on strained public healthcare.

COVID-19 impact:
- More self-care due to further pressure on health systems
- Increase in telemedicine
- One-off decreased cold and flu season

3 Sexual health crisis

The issue: Sexual health and wellbeing is a growing societal issue and widely considered an endemic, with 1m infections globally every day. In many areas of the world awareness and understanding of these issues are poor.

1m people infected each day with a sexually transmitted infection [6]

1.7m newly infected with HIV infections globally according to latest World AIDS day 2020 factsheet [7]

The role we play: as the world's leading producer of condoms and with 90 years of brand heritage, Durex has a crucial role to play in improving education around risks of sexually transmitted infections, and encouraging safe sex. We focus our efforts to shape long-term attitude and behaviours on the point of market entry programs help young people make informed and confident choices, working with partners such as National AIDS Control Organization (India), Solidarte (France), Dance 4Life (Netherlands), UNFPA (Mexico), and the Ministry of Health in Russia.

COVID-19 impact:
- Increased sexual health crises as a result of untreated symptoms
- Social distancing reducing frequency of condom use

4 Ageing population

The issue: With people living longer, there is growing demand for health and wellbeing products that allow people to live their lives to the full – with a healthy body and mind.

c.£1bn size of the elderly nutrition market in China, which is growing at c.17% per annum [8]

2bn people will be aged over 60 by 2050 [9]

The role we play: our VMS brands such as Move Free, MegaRed and Neuriva address important needs in nutrition. Leveraging the science capabilities within our Infant Nutrition business, our product innovation naturally addresses the opportunity presented in the adult and senior markets.

COVID-19 impact:
- Continued growth in speciality and immunity
- Birth-rate challenges in the near-term

5 Technology proliferation

The issue: Technology is transforming consumer behaviour and purchasing decisions, affecting what people buy and how they buy it. This has implications for the way we develop and market our products, the value we can offer consumers, as well as how we manage our supply chain.

710m people make up the Chinese e-commerce market, now bigger than the US and Europe combined [10]

+49% growth in US online retail sales in Q4 2020 [11]

The role we play: our investment in eRB means that consumers can discover and purchase our products how and when they want. Our direct to consumer business now allows for speedy delivery of health products such as analgesics and condoms. We are also increasingly able to deliver personalised nutrition.

COVID-19 impact:
- Fundamental change in consumer engagement
- Step-change in e-commerce transactions
- Digital, personalised health

1. United Nations
2. United Nations
3. Ecohealth Alliance
4. Ipsos Consumer Healthcare Survey, July 2020
5. The Kings Fund
6. World Health Organisation
7. UNAIDS Factsheet, December 2020
8. Company estimates
9. World Health Organisation
10. www.statista.com
11. Mastercard survey between October – December 2020

REJUVENATING SUSTAINABLE GROWTH

In February 2020, we shared our strategy for rejuvenating sustainable growth, and our medium-term financial targets. This set out how we would:

1. **Drive growth, rebuild a strong earnings model** and outperform with mid-single digit organic top-line, mid 20's margins and 7-9% EPS growth
2. **Enable improved growth by investing in key capabilities to strengthen product innovation** and enhance customer service, with sustainability at the heart of everything we do
3. **Fund investment through delivery of an enhanced productivity programme** and short-term reduction in operating margin
4. **Deliver progressive improvements to our top-line growth** through better product penetration, market share gains, and expansion into new places and new spaces
5. **Manage capital allocation** to support a strong balance sheet while actively migrating our portfolio to higher growth opportunities

The three phases of rejuvenation

The journey will be undertaken in three phases that will initially establish consistent performance, build revenue momentum and finally achieve sustained outperformance.

2019[1]	1 First phase Stabilise and perform	2 Second phase Perform and build	3 Third phase Outperformance
NR growth +0.8% EPS growth +2.8%			NR Mid-single digits EPS +7-9%
Performance drivers	• Sustain Hygiene growth • Reignite Health volume and growth • Reignite Nutrition developing market growth	• Step up Hygiene growth • Sustain and step up Health growth • Broaden and grow Nutrition • Improve Health and Nutrition margins	
Example investment areas	• eRB • Research and development • Product quality • Customer service and marketing excellence • Supply chain performance • Sustainability	• eRB • Maintain foundational capabilities • Availability in developing markets • Channel-specific sales resources • Science and technology platform partnerships	

1. 2019 Like-for-Like NR and Adjusted diluted EPS presented

Good strategic progress in 2020

During 2020 – in the first phase of our plan – we have executed well, against a highly dynamic market backdrop, achieving financial targets ahead of expectations. As outlined, we have taken the opportunity of stronger than expected revenue growth to reinvest in incremental growth opportunities. As a result, we have taken advantage of some positive market developments across the breadth of the portfolio. For example, COVID-19 has presented significant opportunities for our disinfectant brands, resulting in strong growth; over this period, we have worked to take Dettol and Lysol into 70 new markets, and new category adjacencies over 2020 and 2021, including to service business customers, in particular the providers of accommodation, travel services, public spaces and events, workspaces and shared facilities.

Strong early achievements investing in the core enablers of growth

Our strategy is centred around rebuilding core capabilities that will support sustainable growth – such as eRB, R&D, product quality, customer service and marketing excellence, supply chain performance and sustainability. While there is still work to be done, we have already made good progress in reinvigorating a number of these functions in a number of areas. Firstly, on customer service, we have established centres of excellence for sales, marketing, e-commerce and medical sales and are building out our global customer relationship teams. We are already harvesting the benefits having seen a significant improvement in our third-party relationships and ranking on the external Advantage survey of retailers where we have advanced 9 places, moving from the lowest tier to inside the top 10 of FMCG peers globally. We expect to make further improvements over time:

Secondly, on supply chain, we responded strongly to the exceptional demands of 2020 with investment, SKU-rationalisation and the use of co-packers. We have also commenced reshaping the network in order to increase long-term capacity and resilience through responding to channel shifts with greater flexibility and reducing overall lead times and leveraging data, AI and machine learning to target substantial further improvements.

Thirdly, we are improving our Digital and e-commerce strategy – Be Big, Be Fast and Be Bold – by investing in and leveraging established capabilities to accelerate developments in D2C, marketplaces and through Bricks and Clicks channels where customer behaviour changes, as more consumers migrate online, have driven the strongest growth. We have also invested to further build B2B e-commerce to leapfrog go-to-market capabilities in developing and emerging markets.

R&D, Quality and Product Innovation is the fourth area of focus and we have already increased the run-rate of R&D investment by 35% compared to 2019. This investment will help drive development of new science platforms. The strength and depth of the innovation pipeline is already leading to new products such as the ultra-thin condom which was launched into the Chinese market in 2020 and the development of our first adult nutrition products within the first year of programme. We have also worked to widen consumer health brands across broader demand spaces and significantly enhanced consumer-perceived product quality and quality processes.

We are driving the sustainability agenda and made a £40m investment in the Fight for Access Fund to support disadvantaged groups battling COVID-19. We also launched the Reckitt Global Hygiene Institute to advance evidence of behaviour change and are investing across the portfolio to drive the acceleration of new sourcing, packaging and product innovations as a clear differentiator for purpose-led brand growth. We are committed to climate change and thus we are accelerating work to deliver on the Paris agreement so that we achieve carbon neutrality by 2040.

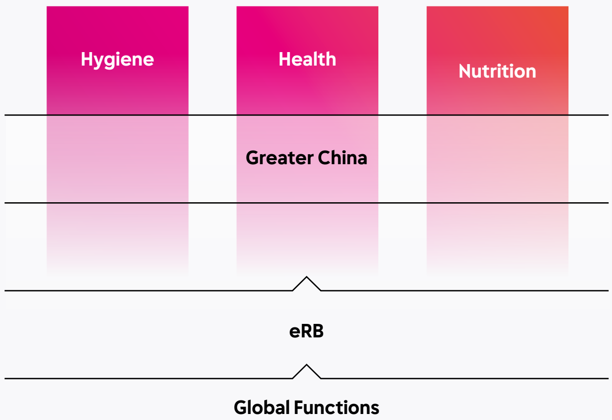
A new organisation structure

Finally, we have throughout 2020 established a new organisational structure, moving to three category-focused business units of Hygiene, Health and Nutrition, with our China and e-commerce teams integrated across each of these (see box).

Strong first year from our enhanced productivity plan

Our investments, which total over £2bn over the period 2020-22, are funded primarily by our productivity programme. In our first year we delivered productivity savings of £407m, significantly ahead of our plan. As a result, and with new opportunities identified, we have increased our plan by £300m, to £1.6bn over the three years. This will help us mitigate a number of new input cost pressures.

OUR ORGANISATIONAL STRUCTURE



Getting the right balance between scale, focus and accountability is key. As such, during 2020 we moved to three category-focused business units with full P&L accountability: Hygiene, Health and Nutrition, with the latter comprised of the IFCN and VMS businesses which previously sat in Health. Within each of these three Global Business Units we are developing capability centres of excellence that can be leveraged across the company.

Due to its strategic importance for the business, we elevated China to an integrated unit that will work across the three business units. Digital, e-commerce and analytics are at a major turning point for the consumer and we can further speed rapid growth by building leapfrog digital capabilities. The digital platform we have in China is one that other rocket brands can leverage. For this reason, the China business unit will also house our global e-commerce capability.

Clear decisions around capital allocation

Building a stronger balance sheet is a clear priority for us. During 2020, we have reduced net debt by over £1.7bn through improved cash generation and maintaining a strong fiscal discipline around funding our investment programme through enhanced productivity and outperformance. As a result, our net debt leverage metric has improved with Net Debt / Adjusted EBITDA falling from 2.9x at the end of 2019 to 2.4x. Consistent with the policy outlined in February 2020 we have confirmed we will hold our full year dividend unchanged at 174.6p. This is so we can rebuild dividend cover to two times and confidently grow the dividend sustainably in the future in line with a stronger, more consistent EPS growth.

PRODUCTIVITY IN ACTION

- Continued Reckitt manufacturing efficiency drive and continuous improvement programme across all sites
- Developed Reckitt production system focusing on performance management, leadership, consistent standards, continuous improvement routines on site and leveraging analytics / technology to highlight / solve problems
- Successfully deployed our new production system in pilot sites – Nijmegen (NL – Nutrition) and Nottingham (UK – Health)

We are also taking decisive action to manage our portfolio. With markets for infant formula in Greater China continually evolving, we have been undertaking a strategic review of the infant formula business in China. No decision has yet been taken to the overall outcome and we will provide further updates as appropriate. At the same time, we have agreed the sale of Scholl and the acquisition of Biofreeze. Together, these deals are expected to be earnings neutral initially, but to position further the portfolio towards higher growth markets.

Delivering sustainable change to culture and purpose

Our strategy is founded upon a clear sense of purpose. We exist to protect, heal and nurture in our relentless pursuit of a cleaner, healthier world. We do all we can to ensure that access to high-quality hygiene, health and nutrition becomes a right not a privilege. Our purpose and fight are set out in more detail in our 'business model' overview in this report.

This purpose-led agenda is underpinned by the core set of values guiding our behaviour. They are set out in our compass (See page 13). This places integrity at the heart, with the goal of always doing the right thing. Our compass describes the values needed to promote a culture that puts consumers and people first, continually seeks out new opportunities, strives for excellence and builds shared success. It celebrates what made Reckitt successful in the past and aligns us with what is needed for sustainable growth in the future.

Fundamental to the transformation of Reckitt is the work underway on sustainability. During the year, we have stepped up our investments in a number of ways.

- Our purpose, fight and compass has been adopted across the business; strengthening our environmental and societal commitments and driving positive changes to culture
- Our Fight for Access Fund was launched to support our community engagement; initially focused on helping disadvantaged groups battling COVID-19 related issues; the equivalent of 1% of adjusted operating profit will be invested annually
- Reckitt Global Hygiene Institute launched to help inform public health recommendations and promote behaviours that improve global hygiene
- Accelerated the development of new sustainable sourcing, packaging and product innovations as a clear differentiator for purpose-led brand growth
- Launched our Climate Change commitments, accelerating work to deliver Paris Climate Agreement by 2030 and achieve carbon neutrality by 2040

ESTABLISHING CENTRES OF EXCELLENCE

Throughout 2020 we have invested to create four centres of excellence: central functions whose role is to support the GBUs in specific areas of speciality, sharing best practice, and committing dedicated resource.

1. **Marketing excellence** – seeking to accelerate the growth of Reckitt's brands through the development of a best in class Marketing function and to drive a step-change in our brand building capability. Organised around the five pillars of: Purpose-led brand building; Brand experience and Design; Insights and Analytics; Data-driven marketing and media; and Marketing Capability and Operations.
2. **Sales outperformance** – re-building this historic strength of Reckitt, turning our sales capability in to a competitive differentiator. Led by newly-appointed Chief Customer Officers for each of US and International, this function partners with customers to understand their business and develop mutual opportunities for growth.
3. **eRB** – the home of Reckitt's e-commerce, CRM and digital execution initiatives, across three pillars: 'Be Big' (scale success, through platforms); 'Be Fast' (rapid experiments and D2C services); and 'Be Bold and Open' (minority investments in start-ups).
4. **Medical sales** – seeking to transform the way we engage with healthcare professionals, through a consistent, efficient and commercially elevated approach to the medical channel.

The newly-created roles which sit within these functions have been filled with both internal and external talent. Whilst these functions will continue to build throughout 2021, there is evidence of early success, with improving customer relationships, and improved marketing and sales efficiency.

Our four growth drivers

We see our strategy driving growth in four complimentary ways: increasing product penetration, driving market share gains, entering into new places and opening up new spaces. Increased penetration is about capturing new consumers entering the category, and pushing our products to gain a greater role in a category (e.g. germ protection in surface cleaning, auto dishwashing within dishwashing more broadly). We gain market share through winning with end-consumers and by servicing existing consumers faster, better, and more efficiently with better and more relevant products than our competitors.

New places is white space growth and taking our brands and products into new territories and countries through our existing network, via e-commerce and using our cross-border organisation.

New spaces and adjacencies capture new market opportunities using our brand strength to penetrate other parts of the demand space a brand plays in.

In the first year of our transformation plan, we have made significant progress against our four growth drivers.

Increased penetration

- Our category-leading disinfectant brands have seen exceptionally strong levels of penetration increase, with Lysol for example now present in over half of all US homes and used by over 100 million households globally; In Canada, Lysol penetration is up over 1200bps over the past year
- In India alone, Harpic is now used in over 100m homes, up by nearly 30 million compared to 2019, as a result of purpose-led marketing campaigns centred around behaviour change

Market share gains

- 70% of our core Hygiene category market units, and 85% in Health, held or gained market share in the year
- Finish has taken significant share in the US, up over 70bps, in a strong but competitive market, in part due to its purpose-led campaigns around the critical issue of water scarcity
- Gaviscon grew market share by over 100bps globally, including over 100bps in the UK, as a result of product innovation and strong execution
- Step-changed Mortein's performance in key markets through building brand trust, product innovation and improved marketing
- Durex gains of c.130bps in China following the launch of the PU, ultra-thin condom
- Sequential improvements in market share performance for Mucinex, delivering unchanged market share overall, through better execution in weak US market conditions for medicated products

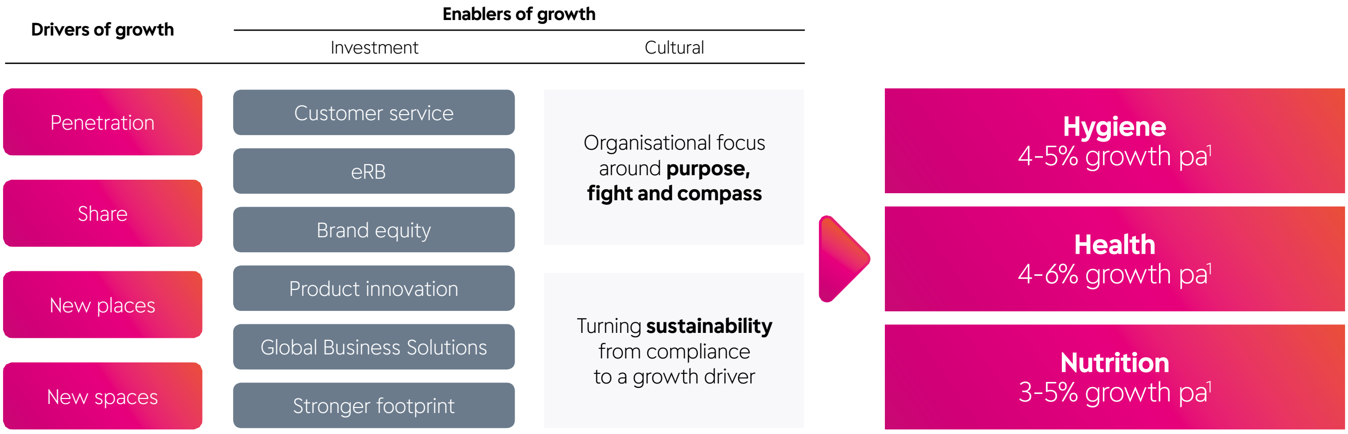
New places

- Increased demand for Dettol and Lysol provided the opportunity for expansion into a total of 41 markets during the year
- Global Business Solutions – our professional business – growing strongly and expected to contribute c.100bps to Reckitt growth in 2021 to represent c.8% of total disinfectant revenue
- Lysol's entry into Brazil in May for example, launching Sprays, Wipes and Liquids, has already achieved prompted brand awareness of over 40%

New spaces

- In Hygiene, we entered into the aromatherapy category in the US, with Air Wick essential mist – an innovation which was recognised amongst the Top 25 Breakthrough Innovations in this year's US BASES awards – four of which were Reckitt products
- In Health, product innovation took Mucinex (All-in-One and Nightshift) and Strepsils (Herbals) into new product adjacencies
- Adult Nutrition launched in China

Drivers of growth



1. Medium term growth rates

CASE STUDY

Increased penetration

HARPIC PENETRATION IN INDIA

In India, we have seen a continued increase in the penetration of Harpic following purpose-led behaviour change campaigns. Our campaigns have sought to encourage consumer use of a specialized toilet cleaner like Harpic rather than the non-specialized detergents and water, frequently used historically.

The central idea of the brand is that it "Removes 10/10 stains and disinfects your toilet" – a claim backed by a consumer tested product formula. The campaign was executed successfully, leveraging celebrity ambassadors, with heavy investment in Digital, TV, print, out-of-home and rural outreach, reflecting the diversity of the consumer base in the country.

The brand is now used in over 100m homes, up by nearly 30m compared to 2019. This increase has been seen nationwide, with penetration in both urban and rural areas up significantly.

In doing so, and through a partnership with Network18, the largest TV news network in India, Harpic has built more than simply a brand that consumers trust. Rather it has become the champion of sanitation in India. In Q1 2020, Harpic was rated the 3rd most trusted homecare brand in India.

CASE STUDY

Market share gains

INNOVATION-LED PERFORMANCE IN THE US

In the US, we have seen good market share performances in Nutrition.

The immunity segment within VMS has seen exceptionally strong growth given consumer concern around COVID-19, but in addition, Airborne has grown share as a result of strong innovation and rapid ramp up of supply, increasing threefold during the year.

In Infant Formula, Enfa defended an already strong position in the WENR ('WIC[1] Exempt, Non-Rebated') market growing over 5%. This was led in large part by strong insight-led innovation with NeuroPro – an Omega3-DHA-led product. The innovation was allied to strong consumer and healthcare professional marketing execution.

1. WIC – Women, Infants and Children programme

CASE STUDY

New places

EXPANDING THE DUREX FOOTPRINT

In 2020, Durex continued to democratise access, driving continuous improvement in availability even in the most fragmented consumer markets. In Russia, in partnership with Fractal Analytics – a leader in the use of Artificial Intelligence in decision making – Durex used leading edge machine learning to help us decide where our products should be sold, and in what ranges. Backed by vast quantities of data on consumer demographics, geographical nuances and commercial sales, these insights resulted in significant market share uplift as, for example, we adjusted pack sizes in certain 24/7 pharmacies located in close proximity to a nightclub.

At the same time, we know that consumers will often want to make purchases whilst at home, when time can be of the essence. Thanks to our partnership with Glovo and Deliveroo, we are shaving further time off delivery, with many deliveries now taking place in under 900 seconds.

CASE STUDY

New spaces

ENTERING THE PROFESSIONAL SPACE

Global Business Solutions was established during 2020 in response to the growing need for germ protection as consumers want to feel safe outside the home, as well as inside. New opportunities have therefore emerged as workspaces, accommodation and other public spaces, such as hospitality venues and public transport, need to not only be clean, but be visibly clean. Our category leading disinfectant brands will enable customer facing businesses and venues to give their customers the appropriate reassurance.

Reckitt offers 'front-of-house' solutions, where our brands are visible to our partners' customers. For many of our partners, we work closely to develop and integrate ourselves into their existing cleaning protocols, thereby helping them to solve long-term challenges related to hygiene and cleaning on their premises and understanding the key risk areas and complexities. Partnerships signed so far have been with globally-renowned organisations such as: AirBnB, British Airways, Delta Airlines, Hilton and Uber.

The 100+ strong GBS team has a global presence and is multi-functional. GBS is growing strongly and we expect the momentum to continue and contribute c.100bps to Group net revenue growth in 2021.

100+

people are part of our multi-functional team with global presence

c.100bps

Global Business Solutions expected contribution to 2021 Group revenue growth

Our brands

Lysol SAGROTAN Dettol

PURPOSE-LED PERFORMANCE

Our strategy to rejuvenate growth draws on our 200 year heritage of social impact. Our brands provide people with access to the highest quality hygiene, wellness and nourishment a right and not a privilege.

We create impact through our brands and how we work, with an emphasis on purpose-led brands, a healthier planet and a fairer society. Our ambitions for 2030 support long-term, purpose-led growth. They drive us to reach more people with our brands and create measurable impacts in their lives that also help tackle global social and environmental challenges and deliver the UN's Sustainable Development Goals.

As our approach towards sustainability has matured, so have our goals. Getting the fundamentals right means we can also drive outperformance. Our ambitions stem from engaging with our stakeholders, understanding the megatrends society faces, and an awareness of our role as a global corporate citizen. Our purpose-led growth strengthens connections with our consumers and customers. Our partnerships, with customers, suppliers, civil society and governments, increase the impact we have on common goals.

We innovate to create new opportunities and continually strengthen the safety and quality of our products. We strengthened our Global Safety Assurance function during 2020 with additional resources that also help identify and manage emerging issues across our sector. Our global quality programme reinforced standards throughout our supply network, during a year when we built significant additional capacity. At the same time, our innovation programmes progressively improve the sustainability of our products. Our Sustainable Innovation Calculator, which measures the impact of our brands, highlighted the need to improve our product environmental footprint to support our ambitions on climate change and water. Until recently, we prioritised our operational footprint, reducing our carbon emissions, increasing energy and water efficiency and reducing waste. We will continue that work but are more focused on reducing product footprints.

Financial and non-financial KPIs

We assess operational and strategic progress against key performance indicators, or KPIs. These provide a clear direction as to 'by how much' and 'in what way' we should achieve our goals. Importantly, these robust measures are reflected in management targets and are aligned with our growth objectives and our purpose, fight and compass.

The KPIs here address financial goals as well as wider social, environmental and cultural aspects. Different business functions measure progress against specific targets in areas such as supply chain performance, customer satisfaction, product innovation and other efficiency measures. These are built into managers' personal objectives and reviewed regularly.

Integrating environmental, social and governance goals

Our approach embeds non-financial performance into our business while meeting growing consumer and stakeholder expectations. Our organisational model strengthens collaboration between Global Functions and markets, helping us to deliver financial, environmental and social goals within a strong governance framework. Our Executive team reviews progress to continuously drive performance and our impact in society.

Social and environmental impact is increasingly embedded in our product innovation, our ways of working, and in our partnerships. Our partnerships reflect the complex networks and ecosystems we are part of. They amplify our collective efforts for greater shared impact.

As we close our 2020 targets we have made progress but know there is more to come. Looking forward, we are increasingly connecting our financial and non-financial goals. Our sustainability ambitions for 2030 are to reach half the world with products that contribute to a cleaner, healthier world and to engage 2 billion people in programmes, partnerships and campaigns that create a positive impact and support the SDGs. Collectively these are both an opportunity for growth and positive societal impact. Our three areas of activity: purpose-led brands; a healthier planet; and a fairer society, are the platforms through which we will deliver this growth and impact. Product innovation will meet the growing needs and expectations of consumers and society. Our actions on climate change build both resilience and opportunity for the future, for example within a low carbon economy. Our work to enable a fairer, more diverse and inclusive society can strengthen economies, livelihoods and communities while also enabling core values within society. More details of our sustainability ambitions for 2030, and the full details of our targets, our approach and performance are available at www.reckitt.com/sustainability.

CASE STUDY

EMBEDDING SUSTAINABILITY IN PRODUCT INNOVATION

Our Sustainable Innovation Calculator (SIC) strengthens how we measure our environmental footprint and use of ingredients, raw materials and packaging. This provides quantitative metrics and tracks progress to ensure our innovation programmes align with our sustainability goals.

The SIC informs development decisions by comparing the impacts of new products against existing benchmarks, such as our carbon footprint, water impact or ingredients. 30% of our portfolio is already 'more sustainable'. In 2020, we updated the calculator to strengthen measurement of the ingredients used, green chemistry and packaging. This will help deliver our ambitions for 2030, delivering more sustainable products to consumers, while reducing our chemical footprints and improving use of more sustainable ingredients and packaging.

FINANCIAL

LFL Net Revenue Growth[1]

KPI: An indicator of strong sales execution, innovation and customer service.

2020	11.8%
2019	0.8%
2018	3%
2017	0%
2016	3%

Goal/Target: to rebuild consistent mid-single digit growth in the medium term.

Adjusted Operating Profit Margin[1]

KPI: An indicator of brand strength and return on investment in innovation and marketing.

2020	23.6%
2019	26.2%
2018	26.7%
2017	27.1%
2016	27.8%

Goal/Target: our plan outlined a reduction in 2020 and 2021 and then recovering to the mid 20s by the mid-2020s.

Adjusted diluted EPS[1]

KPI: An indicator of overall success.

2020	327.0p
2019	349.0p
2018	339.9p
2017	316.9p
2016	287.6p

Goal/Target: to achieve consistent 7-9% earnings per share growth as we deliver mid-single digit revenue growth and improving margins over time.

FCF Conversion[1]

KPI: A strong link to an efficient capital structure and well managed working capital.

2020	131%
2019	87%
2018	84%
2017	94%
2016	93%

Goal/Target: to maintain the delivery of strong free cash flow conversion over time.

ORGANISATION

Gender diversity

KPI: Percentage of female senior managers in our global workforce[2].

2020	30%
2019	26%
2018	25%
2017	24%
2016	20%

Target to 2022: 40%
Company wide, our gender balance is currently 49% female and 51% male.

Lost Work Day Accident Rate (LWDAR)

KPI: Number of incidents resulting in at least one lost day of work per 100,000 hours worked.

2020	0.050
2019	0.076
2018	0.084
2017	0.121
2016	0.084

Goal/Target: Continued decrease of LWDAR rate.

1. 2016, 2017 and 2018 figures are as originally reported within the relevant periods and have not been adjusted for any subsequent updates made to IFRS
2. Represented in our Senior Management Team, Global Leadership Team, and Group Executive Committee including our CEO and CFO
3. Excluding our Infant and Child Nutrition (IFCN) business – See Reckitt Insights (https://www.reckitt.com/sustainability/) and Reckitt Reporting Criteria Basis for Preparation (https://www.reckitt.com/sustainability/policies-and-reports/) for details
4. Calculated for 12 months ending 30th September 2020
5. 2019 and 2020 year end zero waste to landfill performance includes IFCN sites.
6. Manufacturing and warehousing only

SOCIETY

Purpose-led brands

KPI: Total number of people informed through health and hygiene messaging and campaigns since 2013.

2020	1.4bn
2019	1.0bn
2018	0.8bn
2017	0.6bn
2016	0.4bn

Target to 2025: Inform 1 billion people through health and hygiene educational programmes and behaviour change communications.

Social impact investment

KPI: Total value of cash contributed, employee time in working hours and in-kind product donations valued at cost to the business.

2020	£52.8m
2019	£12.2m
2018	£14.4m
2017	£10.5m
2016	£5.2m

Target to 2025: £20m per year.

Product innovation[3,4]

KPI: Total Net Revenue from more sustainable products.

2020	30.4%
2019	24.6%
2018	18.5%
2017	18.2%
2016	13.2%

Target to 2020: 33% of Net Revenue.

ENVIRONMENT

GHG emissions per unit of production[3,6]

KPI: The percentage reduction in Greenhouse Gas emissions per unit of production, against our 2012 baseline.

2020	53%
2019	42%
2018	35%
2017	31%
2016	22%

Target to 2020: 40% reduction.

Water use per unit of production[3,6]

KPI: The percentage reduction in total water consumption per unit of production, against our 2012 baseline.

2020	39%
2019	37%
2018	38%
2017	37%
2016	32%

Target to 2020: 35% reduction.

Sending zero waste to landfill[5]

KPI: The percentage of our factories achieving zero waste to landfill, including both hazardous and non-hazardous waste.

2020	96%
2019	96%
2018	93%
2017	100%
2016	97%

Target to 2020: 100%.

Manufacturing waste per unit of production[3]

KPI: The percentage reduction in manufacturing waste per unit of production, against our 2012 baseline

2020	28%
2019	27%
2018	26%
2017	21%
2016	20%

Target to 2020: 30% reduction.

Carbon footprint per dose of product[3]

KPI: The percentage reduction in our total carbon footprint per dose of product sold against our 2012 baseline.

2020	18%
2019	6%
2018	4%
2017	2%
2016	0%

Target to 2020: 33% reduction.

Water impact per dose of product[3]

KPI: The percentage reduction in water used during the product's life cycle, adjusted to reflect water scarcity, per dose of product sold against our 2012 baseline.

2020	13%
2019	4%
2018	-4%
2017	8%
2016	6%

Target to 2020: 33% reduction.

PUTTING CONSUMERS FIRST

Consumers buy brands they trust. Rightly, they expect safe, effective and sustainable products, at a fair price. They also want to be sure that the products they buy are responsibly sourced and won't damage the environment. And that the business behind them is playing its part to tackle global issues and support a sustainable future.

How we engage

Consumers want great products and they put their trust in their favourite brands. Our brands are trusted by people all over the world, and we work hard to earn that trust.

Consumers today know a lot more about how the world works and that affects their choices. With better information, they expect more from us and our brands. They are not satisfied by warm words and look for more assurance backed up by concrete commitments and actions.

We share that expectation. We seek to understand, mitigate and preferably avoid any negative impacts while maximising our positive impact on society. Beyond that, our purpose is to make things better in the relentless pursuit of a cleaner healthier world.

We exist to protect, heal and nurture. And we fight for access to the highest-quality hygiene, wellness and nourishment, because we believe that's everyone's right. By reaching more consumers, in different markets, we will also increase our impact with the growth of our business. Our ambition is to reach half the world by 2030 with our purpose-led brands, engaging 2 billion people through our programmes and campaigns to promote a cleaner healthier world. Our brands are at the heart of the social and environmental impact we create, and we focus on enabling a healthier planet and fairer society. In doing so, we help to deliver the UN's Sustainable Development Goals. Most importantly, and reflecting James Reckitt's heritage, we create social impact in the lives of people we serve, our consumers, their families and their communities.

Our compass guides our direction and the value and behaviours we adopt. The goal of always doing the right thing underpins all our actions. Putting consumers and people first is a guiding principle.

Sustainable products, plastics reduction and improved reuse and recycling have moved up the consumer agenda. Combatting climate change is central to expectations to build back better after the pandemic. Awareness of biodiversity and calls for ecosystem protection have also grown. We are responding on all of these fronts.

Societal impact and sustainability are at the heart of our business strategy and, alongside quality and value, are increasingly important consumer expectations. We invest in brand innovation that maximises consumer benefits and delivers positive impacts for society-at-large, aiming for new products that do more for consumers and for society. On climate change, we have increased our ambitions and are making quicker progress to reduce carbon emissions and support a healthier planet. Within our business and in our value chain we are enabling a fairer, more diverse and inclusive society.

Responding to COVID-19

Reckitt became a key strategic supplier in the fight against the spread of COVID-19. Our priority was to reduce transmission while keeping people safe and addressing the stresses faced by consumers and communities. We launched the myth-busting COVID-19 facts.com website and published warnings on improper use of disinfectants. We commissioned a major scientific study, which confirmed the virucidal effectiveness of our brands. Through Dettol, we also launched what became the largest public health campaign in history. Dettol's #HandWash Challenge began in India in April. By the end of the year, it had garnered over 125 billion views on TikTok.

Maintaining stock availability

As the pandemic took hold, consumer demand for Dettol, Lysol and other market leading hygiene brands escalated dramatically. We had anticipated the demand surge in January and worked hard to ramp up supply. We maximised output. Production moved to a 24-hour, 7-day-week schedule at 35 of our factories. We also adapted and reconfigured production lines where possible to meet the emerging challenge, for example in Thailand, where our Durex lube production line was rapidly repurposed to meet the growing need for hand sanitiser.

The pandemic posed unique challenges for global supply chains, which rely on steady supplies from numerous suppliers and shipping companies. Sourcing components and ingredients became a key problem across the industry. Our Jingzhou factory in China for instance gets over 100 different parts and raw materials from outside suppliers. When its usual suppliers ran out of stock our supply teams had to scour the markets for alternatives, and then qualify them to make sure they reached our quality thresholds. They succeeded.

At times, getting these supplies meant moving tons of raw materials across continents, if necessary by air freight. But cost was a secondary consideration. Maintaining production and supply to consumers remained the priority.

Our production centres worked flat out. Many of them had to find ways to do this while complying with strict social distancing, quarantine and curfew regulations. And of course, we also had to keep our people safe.

These were exceptionally challenging conditions, which tested our processes as never before. Global demand for Lysol and Dettol rose significantly. During some periods, it didn't matter how much we produced, everything was selling out. We achieved tremendous output growth in a very short time-frame and have learnt important lessons about resilience and flexibility.

It's still hard to gauge whether all of this heightened demand for hygiene products will be reflected in a more permanent shift in consumer behaviour. However, we recognise that any future pandemic will rapidly expand demand. We are therefore making additional investments now to increase the capacity of COVID-19 critical products such as disinfectants, sanitisers, soaps and surface cleaners, and to enhance our production flexibility.

Safe, effective and sustainable products

Consumers have always valued safety and now increasingly they value the sustainability of the products they choose. They want products that are more effective and that they trust not to harm them or the environment. Those that can afford to are willing to pay a premium for products that are more sustainable. And expectations of basic performance are rising too.

Reckitt's innovation programme accelerated activity in 2020. It centred on developing more sustainable products, ingredients and packaging while building in safety by design and maintaining effectiveness.

For all our brands, we're researching even safer and more sustainable alternatives. We're introducing products that preserve and, where possible, improve efficacy while using more natural ingredients. Our first natural-based laundry brand in the US, UK and Spain in 2020 is an early example of this research. Botanical Origin appeals to eco-conscious consumers with a natural-based cleaning product that delivers performance which appeals to all.

Air Wick's Botanica range of oils, sprays, candles and reed diffusers are all based on natural ingredients. From 2021 onwards, over half of the feedstock for the entire Air Wick range of liquid electricals will use renewable ingredients.

In October, Dettol launched its first ever alcohol-free hand sanitiser. It uses bio-renewable active ingredients, including lactic acid sourced from cane sugar, and citric acid sourced from corn, to boost efficacy. The sanitiser has been proven to kill 99.9% of germs, bacteria and viruses and is effective against COVID-19. Following its successful launch in China it will be rolled out internationally in 2021.

We're acting to make our products as safe as they can possibly be, with strict controls on their development and testing. We are also developing products to take greater account of consumer preference. The Mucinex Free From cold and flu decongestant spray wax launched in 2020. This provides effective relief for adults and children over 12 and is especially designed for consumers that prefer to avoid alcohol or sugar.

We extended the Durex Naturals range of paraben and glycerine-free lubrication into the US under the KY brand in 2020. Durex also launched paraben-free intimate wipes in European markets to help protect women from infection and sexually transmitted disease.

Earning trust

Trust originates from our safe and effective brands and is reinforced by our attention to wider issues that matter to consumers and society as a whole. Our sustainability commitments, on climate change, plastics, the circular economy and human rights, resonate strongly with our consumers and customers. They want to know that the issues they believe in are important for the company that makes their favourite brands.

But our sustainability agenda is not just about satisfying consumers. Broader considerations inform and infuse our approach, such as the increasing connection between a healthy planet and healthy lives for us all. We are trying to address a broad range of sustainability challenges to select, develop, make and sell products that advance the cleaner, healthier world we want to see. We want to build a more prosperous and resilient future for our company and society with purpose-led brands and initiatives that improve people's lives and put the planet first.

125bn

views on Dettol's #HandWashChallenge on TikTok

CASE STUDY

#HANDWASH CHALLENGE

Dettol's #HandWashChallenge campaign became a vivid display of the power of the TikTok platform for younger demographics. Dettol India kicked off the campaign by inviting Bollywood celebrities and some of India's top TikTok influencers to upload their own dance-based interpretations of the handwashing rap. The campaign went viral and soon, not just young people, but grandparents, health workers, all demographics were uploading videos. In just four days #HandWashChallenge had nearly 9 billion views. Dettol rolled out geo-specific versions for countries in Asia, Africa and the Middle East. By the end of the year, it had racked up more than 125 billion views. There were over 75 million unique videos as people all over the world uploaded their own rhythmic interpretations of correct handwashing techniques. And it didn't end there; #HandWashChallenge spread beyond TikTok too, with over 565 million video shares across the internet.

FOSTERING STRONGER CUSTOMER RELATIONSHIPS

Our interests overlap with those of our customers. Both of us want to serve shopper and consumer needs. We foster multi-level, cross-functional relationships that help us pinpoint shared strategic objectives, and improve our operational performance, execution and availability.

How we engage

Healthy, mutually beneficial relationships are based on more than category and brand sales, they are grounded in a shared sense of purpose. We express our purpose through the innovations we deliver, by meeting consumer needs, and by making a difference with our brands to the categories in which we operate. And we develop those categories more effectively by working closely with our retail customers.

Customers prefer to work with agile manufacturers that have transformational ambitions for their brands and categories. And having closer connections with customers brings other benefits too.

When our customers tell us how what we do looks to them it's a chance to improve. They are the retail specialists, and they know what their consumers want. They have insights that can spur product innovation.

Our top 25 customers contribute around a third of net revenue. We've invested significantly more time and resources in developing these customer relationships during 2020.

The appointment of a global chief customer officer at executive board level has added weight and focus to this effort. He is supported by CCOs for North America and International Customers, each managing the leading customers in their respective regions.

Depending on the profile of the customer, we coordinate our largest relationships globally, regionally or nationally. At the operational level, we have substantially expanded our customer-facing teams to provide multi-disciplinary support to our major North American and international customers. We aim to grow mutually beneficial long-term relationships by building structural partnerships and vertically integrated networks with our customers.

Strong relationships start from the top. Top-to-top meetings help articulate shared objectives built on a common sense of purpose. We run strategy workshops with key major customers to identify areas of common interest. We are uncovering more ways to meet customer priorities by deploying our brands to address their priorities.

Strong structural partnerships and relationships are fundamental. Our customers can draw on the expertise of category, shopper, sustainability, operational, channel and format, and regional specialists. It means that when there is a specific issue, they have someone with relevant expertise who can articulate and advance their interests at Reckitt.

Where we engage

Globally, our major physical trading channels include hypermarkets and supermarkets, pharmacies, drug stores, traditional trade and emerging trade (including discounters, convenience stores, mother and baby stores, travel and speciality retail). Online, we have well over 1,000 e-commerce customers. Our brands are on all the main portals, we trade via marketplace platforms, through physical retailers' digital presence and via e-pharmacy outlets.

Supermarkets are our primary channel in North America and developed markets, particularly for Hygiene. In Europe, supermarkets are the primary channel for hygiene and home products, while pharmacy is the largest single channel for our health and wellness brands.

It is still the case that most sales are made through physical outlets, but online presence is getting more important. Many large retailers have already adjusted their business models and those that have not will need to pivot quickly to omnichannel fulfilment to remain competitive. We are matching this change by developing an omnichannel approach to category and customer engagement.

Small independents with relatively few chain outlets make up the bulk of the pharmacy sector. This remains the primary channel for our health brand portfolio in many territories. We have built up an extensive network of expert local representatives who manage these relationships, and the cross-selling and detailing of our brands.

In e-commerce, we will often invest in building ever closer partnerships. Our digital customers promote our brands online through their e-commerce outlet, but we also generate revenue for them by investing in media space on their platforms. As we sell more on a platform we often spend more on media space.

Whether the sales channel is online or offline, we aim to identify synergies at the strategic level, promote purpose-led innovation and invest in partnerships and networks that enhance and expand our categories.

Joint value creation

The leadership team made purpose-driven customer engagement a corporate priority in 2020. We focused on building strategic retailer partnerships founded on common purpose. We identified common areas of interest and windows of opportunity through numerous top-to-top meetings and strategic workshops. Engagement is coordinated centrally to ensure customers connect with a unified Reckitt voice and have access to cross-functional and cross business unit support. Our digital capability allows us to deliver omnichannel support to customers and is a key engine for growth.

We find synergies when we work with customers on areas of common interest. This purposeful, coordinated approach is driving improved performance both within existing categories and in new spaces.

Walmart is one of several big retailers with sustainability goals that mirror Reckitt's approach. In September 2020, it announced plans to become a regenerative company targeting zero emissions by 2040. Its ambitious goals for regenerative agriculture, the circular economy and improved conditions for suppliers are consistent with our approach at Reckitt. The two companies work together to advance their shared agenda. For instance, following Walmart's 2019 commitment to a 10% reduction in its chemical footprint by 2022, we contributed to that goal by reformulating our fragrances to make them more sustainable.

We are embracing the digital revolution as we continue to invest in marketing expertise. In October 2020, we launched our virtual interactive Marketing Excellence Village. We invite partners and selected customers here to share and discuss our values, plans, and visions virtually in various online buildings. Our teams hold quarterly town halls in our main events building, the Curve. We discuss insights, data and analytics in the Hive; collaboration in the Design Lab focuses on brand experience; we meet in the Stack to discuss data-driven marketing and media topics; in the Forum for Good we work on purpose-led brands; and in the Academy we concentrate on marketing capabilities and operations. The cutting-edge concepts mapped out in the Village are carving out new ways of working in the digital arena.

Safer, cleaner retail spaces

In 2020, as society grappled to control the spread of COVID-19, physical retailers suffered as social interactions declined. Surveys revealed that some 60% of shoppers felt anxious about being in stores after lockdown. Not surprisingly, most retailers experienced a radical reduction in footfall.

We worked with key strategic partners in the pharmacy and drugstore sector to reassure consumers by creating safer, more hygienic spaces. We introduced front-of-store sanitisation stations, put health and safety advice at strategic, in-store locations and installed protective zones for those waiting for prescriptions. We also worked with retailers to safeguard business areas and protect employees. Some retail partners introduced dedicated hygiene zones within their stores, which provided a focus for Reckitt brands.

Growth in e-commerce

With widespread lockdowns and social distancing in place to combat COVID-19 many consumers turned to digital channels for their groceries and provisions. Online sales experienced double-digit growth during the year. Our e-commerce operation continued to outperform: online operations now account for 12% of our global sales, a significant uplift since 2019.

The global pandemic turbo-charged online growth this year, but most analysts agree this was not a one-off event, rather, it has accelerated an underlying consumer trend. Much of this growth is now baked in and expected to remain when social distancing constraints ease. According to data from IBM's US Retail Index, the pandemic has accelerated the shift from physical stores to digital shopping by roughly five years.

Having already built a strong e-commerce capability Reckitt was equipped to respond quickly and flexibly to the rapid changes we saw during the year. As physical retailers migrated their offers online, we were able to adapt our supply chain and core offerings to maintain access to our products via multiple online channels.

Reckitt has strong relationships with all the major global marketplace platforms, like Amazon, Alibaba and JD.com. A mix of 1P/3P, these platforms constitute our largest online channel. They account for more than half of Reckitt global online sales. We deploy advanced analytic and automation tools to optimise revenue here.

Omnichannel/eGrocery retailers, our second major channel, returned the highest level of absolute growth in 2020. All large physical retailers are now leveraging their strengths in geographic reach and scale and developing omnichannel strategies. We can call on the multi-disciplinary skills and resources we've developed for marketplace online platforms to help them succeed in the digital arena.

In some domestic markets, the unemployment and job insecurity caused by the crisis reduced consumer demand. Cross-border platforms with full localisation and familiar payment options helped our brands attract consumers in international markets. We are also building direct online relationships with consumers for our brands on a growing number of direct-to-consumer (DTC) channels.

E-pharmacy is another fast-growing channel. There has also been rapid development in the newly emerging ultrafast channel over the last two years. These on-demand platforms are attracting consumers by delivering products within minutes not hours. We are adapting to these challenging delivery criteria by mobilising highly responsive supply chains that can meet these requirements.

For each of these channels, we're developing closer customer partnerships and building up our brands.

Consumers' needs are evolving rapidly. And we have to be ready to respond at pace. To do that, we've designed our e-commerce operation to be fluid, adaptive and to share expertise globally. This is a highly dynamic environment where today's innovation can be outdated in months. We take nothing for granted.

12%

of global sales come from our e-commerce activities

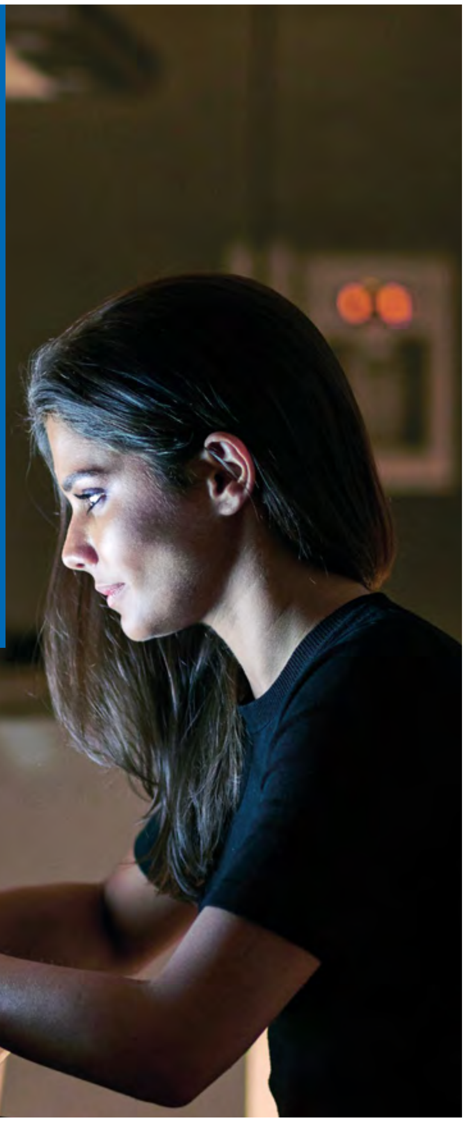
CASE STUDY

AMAZON EVENTING

Amazon Global Events have gained traction as key staging posts for global e-commerce. This year, with the COVID-19-led boost in e-commerce, they took on even greater significance. We coordinated preparation and execution for these events globally. In 2020, the coronavirus delayed Prime Day from July to October, moving it perilously close to the Black Friday-Cyber Monday dates. Our planning had to adapt. Our strategy enlisted over 1500 people during a 13-week lead-up that combined channel, supply chain, advertising and finance elements. Teams were equipped with advanced tools to enable automated website scraping, real-time performance tracking, and AI media buying.

Eventing execution was a huge collaborative effort involving 23 countries, 43 teams and multiple bots working 24/7. Many of our brands outperformed, with Finish, Durex and Enfamil all exceeding expectation. We saw stellar performance from our Dettol and Lysol brands which achieved triple-digit, year-on-year growth.

Our combined experience and expertise have created a multiplier impact on a global scale for these events. Our eventing execution continues to improve. We're learning more each year, building on our AI capabilities and locking in increasing levels of automation.



ENGAGING INVESTORS

Our long-term financial resilience depends on the continuing support of the investor community. It supports and sponsors our activities with the provision of debt and equity. We aim to communicate transparently with all investors so they understand and remain aligned with our strategy.

Why we engage

Our investment community includes current and potential shareholders, mainly institutional and retail investors, as well as 'sell-side' research analysts, banks and ratings agencies. Our investors, as owners of the business are a critical stakeholder group and are the providers of the financial capital – equity or debt – that underpins our business and allows us to successfully execute our strategy. In return for this, they expect to earn good financial returns. These can be in the form of dividends, capital appreciation or interest.

The cost of equity or debt is influenced by the quality of perceived risks. Maintaining an open, constructive dialogue around these issues is key so that investors can make appropriate decisions about the returns they can expect over time.

It is important that all market participants have equal and timely access to information from the company and as such, we are committed to engaging transparently as we forge ahead with building a renewed purpose-led business that is sustainable for the long term. Our Investor Relations team is key in maintaining this dialogue and ensuring that there is a wide array of information accessible, be it online or through recognised platforms for the investment community. It is also the responsibility of the IR team to ensure the Information provided is compliant with market abuse regulations and guidelines. In addition to the active responsibilities of the IR team, our corporate website has played a central role in ensuring our retail investors have access to the same information at the same time as our institutional investors.

Communication challenges with COVID-19

Over the past year, we have strengthened our IR team in recognition of our commitment to this area. The individuals within the team, together, bring over 50 years of corporate and capital markets IR experience gained from working across a range of companies and industries. Over the last twelve months, the IR team has developed stronger processes and channels of communication, including adapting and evolving the delivery of the IR programme to overcome the restrictions imposed by COVID-19. As a result of this, the team has had to be nimble and creative in its conversations with stakeholders as it has been more important than ever to deliver and provide useful and timely information to the market.

We have delivered a proactive IR programme and have met our financial reporting obligations through a combination of one-to-one meetings, group meetings, webinars, roadshows, conferences, round tables and fireside chats this year.

Beyond this, we have broadened our communication channels to all of our stakeholders through the use of regular e-Newsletters, fact sheets, presentations and broader updates to comment on recent and upcoming IR activity.

Despite COVID-19 restrictions driving much of our interaction online, in some ways, it made it much easier to engage with our global investor base and shareholders as we were able to be more flexible with allocating our time across the varying time zones. We look forward to holding face-to-face meetings again in the future, but it is likely that going forward, we may retain some of the benefits of more screen-based interactions as it has introduced a level of efficiency and flexibility as we better embrace digital IR communication.

Explaining our strategy

The strategy laid out by our CEO in February 2020 has brought renewed interest in Reckitt. Throughout the various meetings led by our CEO, CFO and the IR team, we focused on laying out our plans, including the required investments, delivery milestones and long-term goals. With the emphasis on clear corporate purpose and fight at the heart of our transformation, it was important to explain our strategy in the context of the impact that the ensuing market developments were having on the business.

Presciently, in the strategy update in February, our CEO stated that hygiene was the foundation of health. As the pandemic took hold across the world in early Spring 2020, the subsequent focus on disinfectant and germ protection and the role of our portfolio of category leading and heritage brands in managing the spread of the virus could not have been better predicted or be more fitting.

Our engagement activity in 2020

Given 2020 was a year like no other, it was necessary to adapt the investor engagement programme to meet the needs of transferring to the new virtual environment. We organised extensive engagement programmes with holders and non-holders alike. In 2020, we held over 300 meetings, with over 1,000 investors, representing over 350 institutions. As a result of the pandemic and ongoing social distancing practices, the meetings since mid-March have all been virtual.

They included one-to-ones, large and small group meetings, as well as regional meetings with international investor groups. We conducted investor meetings with a global investor base. For example, we held a virtual roadshow with Paris based investors. This consisted of two mornings of meetings with 17 different French investors. Similarly, we held virtual roadshows for Australian, German, Scandinavian and Spanish investors, which gave us the opportunity to meet with many funds in these regions.

For each of our quarterly results, we hold a presentation for analysts, investors and other interested parties, followed by a live Q&A. The full RNS, presentation and script are uploaded to our website shortly after the event, so that investors can spend time pouring over the details further, if they so wish.

With meetings being held virtually, we were able to participate in numerous conferences hosted by the various investment banks. This facilitated connection with a wider volume of investors than we might typically have seen during the weeks after reporting.

In total, we hosted presentations or attended meetings at over 15 conferences in 2020. The conferences were all heavily oversubscribed. Some of the conferences included key industry events on the annual conference agenda such as the Deutsche Bank Global Consumer Conference; the JP Morgan Flagship Consumer & Retail Conference; the Morgan Stanley Global Consumer and Retail Conference and the Sanford Bernstein Pan-European Strategic Decisions Conference.

Beyond the conferences, it was important that shareholders had access to management on a regular basis and to that end, we met with each of our top 20 shareholders consistently during the year.

Fund Managers as at 31 December 2020	Holding %
BlackRock	7.95
MFS	6.02
Morgan Stanley	5.89
Capital Group	3.42
Vanguard	3.40

In 2020, we held over 300 meetings with over 1000 investors, representing over 350 institutions.

Understanding investor views

In July, we completed the re-organisation of the business into three business units – Hygiene, Health and Nutrition. Investors were keen to gain insight into the underlying trajectory of the businesses and our ambitions and priorities for sustainable growth. Our growth enablers and growth drivers featured high on their list of discussion points. Many wanted to delve deeper into subjects like innovation, the development of our core category market units (CMUs) and the new Global Business Services channel. With the significant changes to the senior leadership team over the year, investors have been keen to hear about how the culture of the organisation is changing.

To fully understand and gauge the views of our investors and other financial stakeholders, we gather regular feedback using third party providers. On our behalf, the feedback company collected detailed comments and liaised not only with the investors we met, but also with the sell-side analysts who regularly write research on the company. The feedback obtained, which is shared and reviewed by the Group Executive Committee and the Board, helps us to better communicate the investment story in the most helpful manner to our investment community.

Governance and remuneration are areas of enduring interest and against the backdrop of stronger interest in ESG, we spent a lot of time addressing queries on these topics, particularly towards the end of the year.

The trust that our employees place in the company is underlined by the high proportion that own shares in the company – which, at around 55 percent of the workforce, is amongst the highest for a publicly owned, UK-listed company.

Employees as shareholders

At Reckitt, employee interests are aligned with those of our institutional and retail shareholders. The trust that our employees place in the company is underlined by the high proportion that own shares in the company – which, at around 55 percent of the workforce, is amongst the highest for a publicly owned, UK-listed company.

We have three separate plans which cater to our global workforce – the UK Sharesave; the US Plan and the GSPP (Global Stock Purchase Plan), which is for all other countries outside of UK and US. Our Group Leadership Team has share ownership requirements to increase alignment between management and shareholders and ensure focus on long term sustainable shareholder value.

Looking ahead

We will be looking to launch further initiatives in the coming year and will continue to adopt as flexible an approach as is necessary.

We will focus on building and enhancing our IR digital interaction and as COVID-19 restrictions continue, we will seek to use the corporate website and video interaction in more innovative ways to showcase the business and our strategy and to highlight the breadth of our portfolio. ESG will also form a bigger part of our 2021 investor relations programme as we roll out new targets. We will also look to uncover our heritage stories further and bring the richness and the great history of our brands to all of our stakeholders.

CASE STUDY

'A GOOD HOUSE IN A GREAT NEIGHBOURHOOD'

"Reckitt's strategy set out, pre-COVID-19, in February had focused on building long-term sustainable returns with an initial emphasis on improving execution.

Articulating strategy at the Morgan Stanley Global Consumer & Retail Conference

In Laxman Narasimhan's fireside chat at the Morgan Stanley Global Consumer & Retail Conference in December 2020 he connected with international investors to outline Reckitt's business transformation strategy and review its performance at the end of an eventful year.

He began by reminding his audience that Reckitt's strategy set out, pre-COVID-19, in February had focused on building long-term sustainable returns with an initial emphasis on improving execution. He explained that the impact of COVID-19 had in fact accelerated transformation and made the company more confident that it would achieve its objectives sooner.

Laxman highlighted five tailwinds that supported the company's positioning: hygiene as the foundation of health, the increase in sexual health concerns, the growth in self-care as public health comes under pressure, the need for nutrition solutions – for infants and, increasingly, for seniors – and the continuing disruptive effects of technology and in the digital arena. He explained why Reckitt is well-placed in all of these areas and took questions on how Reckitt intended to drive organic growth and improve shareholder returns.

INSPIRING AND SUPPORTING OUR PEOPLE

The talented people who work at Reckitt want to make a difference in the world. They are inspired by our purpose and our fight, and guided by our compass. We give colleagues the space, the opportunities and the chance to have a real and positive impact. It's what we call Freedom to Succeed.

How we engage

Our success as a business is founded on our strong, distinctive culture. We want all colleagues to have a sense of belonging and take personal pride in what they do. Our approach is anchored by our purpose: the relentless pursuit of a cleaner, healthier world. The behaviours we share are guided by our compass; doing the right thing, always, is fundamental for everyone here. Our Freedom to Succeed employee value proposition aims to instil, promote, reinforce and reward the positive behaviours and attributes that make that real.

Our focus is on maintaining an open, positive, inclusive culture by promoting continuing dialogue across the company. We forge connections across the company in many different ways: via site visits, at virtual townhalls and through surveys, forums and focus groups for special interest areas.

Maintaining rich and active communications across the company is a priority for Laxman Narasimhan, our CEO. His popular car-pool conversations – informal chats with team members on the commute to work – were halted by COVID-19, but he along with other senior leaders continued to connect with colleagues with regular, screen-enabled sofa chats and through the Stronger Together series. All colleagues are encouraged to connect directly with senior leaders, via email and in live-streamed Q&A sessions.

The pandemic constrained site visits this year, but the leadership team and Board directors held regular virtual focus groups, townhalls and broadcasts with our teams. We ran virtual onboarding sessions for new GEC members, which included tours of key markets. There were also regional and domain-specific meetings with general managers and function leaders.

On social media our active LinkedIn presence is followed by over 30,000 Reckitt employees. There is also high employee engagement on other social channels and increasing interaction on internal social platforms.

We conducted regular surveys using an online tool, Glint, that yield detailed, in-depth insights into employee sentiment. There were two general all-employee surveys and three that asked for specific, COVID-19 related responses during 2020. Reckitt scored highly on overall engagement. Over 70% of those surveyed responded, including a significant number of responses from our manufacturing employee base. The feedback showed a highly motivated workforce, strongly committed to our purpose and fight. When asked to rate how proud they were to work here, they ranked Reckitt well ahead of our global peers.

The surveys also identified opportunities for improving performance. Colleagues were broadly positive about our equal opportunities policies, our investment in people and our status as a smarter, leaner workplace, although we still have work to do to raise the bar in these areas. This tallies with the three key themes emerging from employee feedback generally. First, our people are concerned about inclusion and the associated topics of equality of opportunity and career development. Second, although they were positive about currently available opportunities they wanted more investment in training and development. The third strand, highlighted by the pandemic, is a desire for smarter, more flexible working practices. We are addressing all of these areas in a spirit of continual improvement.

CASE STUDY

IN THE FRONT LINE AGAINST COVID-19

Jingzhou city in Hubei province is close to Wuhan, where the coronavirus epidemic began. It is home to one of Reckitt's biggest manufacturing plants for Dettol.

When Hubei went into lockdown the factory's products were desperately needed, but most of its 400 workers had left the city for the weeklong Chinese New Year (Spring Festival) celebrations. Managers worked with the government to get travel permits and accommodation. Nearly 300 colleagues agreed to come back: one worker made a six-hour bicycle trip, another walked 13 hours. They boosted dwindling mask supplies with a donation from a nearby factory and put the workers up in local hotels, where they remained isolated for several weeks.

Everyone understood that Reckitt was in the front line against COVID-19; the workers gave up a lot to play their part. The factory earned plaudits for its efforts and was recognised with a global award from the CEO – the Sir James Reckitt Award – Reckitt's highest accolade.

Reckitt spirit

In crisis, the Reckitt spirit comes out even stronger among our people. We saw that after the Beirut explosion, colleagues set up online support groups and raised over $1 million for employees and their families. And we saw that by how people stepped up in the face of a global pandemic, we had factory workers living on site to keep production going. To take just one example, our IFCN facility in Makati in the Philippines keep vital nutrition supplies flowing for children under curfew conditions. They converted office space to make 'the Reckitt hotel'. Some were living there for weeks on end without seeing their families.

When we had to close our offices colleagues adapted immediately. Face-to-face training programmes were swapped for virtual equivalents. Our IT specialists worked tirelessly to get our global systems fit for purpose.

Reckitt has become a key strategic player in the fight to stop the spread of COVID-19. This would never have been possible without the extraordinary efforts of so many of our colleagues.

Leading by example

In 2020 we developed leadership behaviours with the Group Executive Committee that translate our compass into meaningful action. The compass calls on colleagues to put consumers and people first, seek out new opportunities, strive for excellence, build shared success and above all, do the right thing, always. Our expectation of leaders is that they support and reinforce these behaviours. We ask them to own their area of the business and make decisions that matter. They should spot opportunities, innovating, iterating and scaling and building better in everything that they do. We expect them to care for their colleagues, actively listening and including and working together to deliver. These behaviours are being embedded into the assessment of talent and performance across the organisation.

Reckitt Leaders...

Own: Live our purpose, fight and compass. Know our business. Make decisions.

Create: Spot opportunities. Innovate, iterate and scale. Relentlessly build better.

Care: Actively listen, learn and include. Speak direct with respect. Act to unleash potential.

Deliver: Focus on what matters. Move boldly and at pace. Join forces to win bigger.

Diversity and inclusion (D&I)

We have over 43,500 colleagues operating in 60 countries across six continents from 120 different nations. It's incumbent on us to work together to embrace our diversity and build inclusion into everything we do, not just to create a sense of belonging within the company but to make better connections with the global community we serve.

In 2020 we have been working hard to make our culture more inclusive. We've established a D&I board chaired by our CEO. We also commissioned EY to give us an external perspective on where we are and where we could be. The EY diagnostic included an online listening exercise with feedback from 2,000 Reckitt people, focus groups in different languages, and interviews with key stakeholders, including members of the D&I board, Group Executive Committee and senior Reckitt leaders.

We have six workstreams in our inclusion strategy: leadership, policies, people, partnerships, procurement and brands. The leadership pillar ensures that inclusion is role-modelled, endorsed and promoted at a senior level. Our policies should be inclusive by design; we are reviewing these to ensure that's the case. The people pillar is about promoting a fully inclusive culture throughout the company. For partnerships, we seek out others that develop diversity and inclusion in society. We want to ensure our procurement policies support suppliers from diverse and minority communities. And we leverage the power of our brands to help build a more inclusive world.

Gender pay report

As a UK-based group we are required by law to produce a gender pay report which highlights any difference between average male and female hourly earnings. But Reckitt goes further. In 2020, we extended our reporting to five of our main markets covering more than 50% of all our people. In 2021, we will extend to a further ten markets.

Stronger Together: 6 pillars to drive inclusion

People: Building a culture of inclusive leadership

Policies: We continuously improve our policies to raise the bar on inclusion

Partnerships: Building selective partnerships

Brands: Leveraging the power of our brands to drive a more inclusive world

Procurement: Supporting suppliers from diverse and minority communities

Leadership: Senior level focus and sponsorship via a global D&I board

Workforce Disclosure Initiative

In 2017, ShareAction and over 50 financial institutions formed the Workforce Disclosure Initiative (WDI) to address the demand from investors and NGOs for greater transparency from businesses on how they value direct employees and those in their supply chains. Reckitt has participated for three years. In 2020, we were placed in the top quartile for transparency of the 140+ companies sharing information on pay, contract types, diversity, and their supply chains with a disclosure score of 82% compared with the 66% sector average.

Reimagining the workplace

In common with many businesses, the constraints on working imposed by the pandemic have also unearthed new possibilities.

In July 2020, we launched our Freedom Forum, a crowdsourcing platform that encourages colleagues globally to share their ideas on how we can change the way we do things. We request ideas in response to a particular theme. These are assessed for viability and the top five get proposed to leadership. The theme for the first forum, workplace of the future, attracted more than 600 ideas and over 10,000 votes. Ideas around how to enhance flexibility at work was most popular. We now have a cross-functional global team focusing on the future of work. It's looking not just at the practical implications of working flexibly, but at how it enables sustaining high impact at work and at home and broader cultural goals.

As people spend longer working from home, wellbeing and mental health are coming ever more into focus. In 2020, we paused global operations on two occasions to let people rest and recover in a stressful year, as well as ensuring our people have access to assistance programmes and other tools and resources to support individuals and build resilience. In 2021, this will be a key focus area when we have plans to dedicate more time and resources to employee wellbeing, enabling colleagues to thrive personally and professionally. Colleagues want to find ways to balance their workload more effectively. We recognise that space to stand back and sample different experiences can have a positive impact on productivity and innovation.

CASE STUDY

STRONGER TOGETHER

In 2020, we set up the Stronger Together conversation series – a five-year commitment that aims to shine a light on the inclusion topics that matter most to our people. Laxman chairs employee storytelling sessions that aim to advance understanding across the organisation about the lived experience of people of colour, women, the LGBTQ+ community, those with disabilities and other marginalised or disadvantaged groups. We are also hosting conversations with external guests and thought leaders to challenge our thinking and inform our responses on these topics.

In the first of these conversations, in May 2020, Reckitt people spoke about the reality of being black in America. It provoked strong emotions and sparked a worldwide response. Over 4,000 colleagues attended these sessions, which have also included conversations on LGBTQ+ and women in STEM. Colleagues have shown commendable courage and openness in coming forward to tell their stories. Their stories have helped us all to consider how different experiences impact on people's life chances.

EXTENDING OUR IMPACT WITH LIKE-MINDED PARTNERS

We work with our partners to deliver practical and sustainable solutions that further our purpose of creating a cleaner, healthier world. We want to build lasting solutions that have real social impact. To do that, we look for partners that share our purpose and endorse our values.

How we engage

Reckitt is on a mission. Our purpose – the relentless pursuit of a cleaner, healthier world – drives our actions and our compass guides our thinking. That sense of purpose underpins our sustainable business model. We further our purpose through purpose-led brands that serve a genuine social need. And that drives growth.

We join forces with others to build shared success. External partners support our efforts with expertise, objective assurance, research and local knowledge. We forge purpose-led alliances that link with our categories and brands. We participate in local and global campaigns to advance social and environmental objectives. And we combine with trading partners to build efficient, resilient supply chains that meet consumer needs and expectations.

Sparking innovation

Innovation for us is not just about making world-beating products, it's about connecting with our consumers in different ways, finding different ways to grow our business and making a difference to society and the environment.

The best ideas can come from anywhere, but there are natural synergies with like-minded start-ups and small-scale disruptors. They bring fresh thinking and new approaches. Our knowledge and resources can scale up their ideas. Together, we can have a lasting impact in areas that really matter to people's lives.

We reach out to entrepreneurs in many different ways. In 2020, we partnered with Startup Grind, the world's largest independent start-up community, at its tenth anniversary event in Redwood City, California. We hosted a health innovation hack there.

Reckitt mentors guided teams of entrepreneurs and creative leaders. They were supported by our R&D and marketing experts. We gave them 24 hours to prepare mental health solutions for expectant and recent mothers, which they then presented to an expert judging panel. As well as kudos, the winning team won a commitment from Reckitt to explore how to bring its idea to life.

The annual Reckitt Global Challenge is another way we reach out to talented innovators. Our flagship innovation competition attracts hundreds of entries. In 2020, they came from 32 countries on three continents. The teams were asked for ideas that contribute to positive social change. The national winners went to a global final at the annual One Young World conference. They got the chance to work at Reckitt, with their ideas going into our innovation pipeline and mentoring available to support their development.

ACCESS VC

B Corporations are purpose-driven organisations that want to use business as a force for good. The over 3,500 certified B Corps in 71 countries include some of the most innovative and progressive companies in the world. They are committed to combining profit and purpose.

We want to encourage collaboration with these independent, purpose-driven entrepreneurs. Their objectives chime with our own. That's why we've launched our own B Corp venture.

Access VC has been set up to be agile, flexible and a great partner for purpose-driven initiatives. It manages our existing Reckitt minority stake assets, including the Your.MD and Founders' Factory investments. It will be the launchpad for B Corp start-ups in the coming years.

Access VC offers more than just venture capital: it's a cooperative enterprise. Purpose-driven entrepreneurs get access to Reckitt's experts, brands, resources and scale.

Clinical professionals

We engage with healthcare professionals internationally to exchange information, share best clinical practice and sponsor research.

In South America we work with Neocosur, a non-profit, voluntary network of around 30 neonatal units in Argentina, Brazil, Chile, Paraguay, Peru and Uruguay. In India, we worked with senior paediatricians and dieticians to develop the country's first ever milk ladder and tackle cow's milk allergy (CMPA) in infants and young children. We also conducted clinical studies with the Department of Translational Medical Sciences at the University of Naples Federico II to better understand CMPA management.

In France, we worked with the paediatric, gastroenterology and allergy department at the Necker hospital for sick children, Europe's largest paediatric hospital, on research into eosinophilic esophagitis (EoE).

We manage numerous educational partnerships, including with Harvard School of Public Health, the Royal Children's Hospital in Melbourne and SickKids in Canada. We also share our expertise in professional journals and at presentations for international symposiums and congresses, including a virtual CME Symposium sponsored by the Pediatric College of Nuevo Leon and at the World Congress of Pediatric Gastroenterology, Hepatology and Nutrition in Vienna.

Innovative and responsible supply chains

We seek to encourage sustainable practice across the supply chain. To do that, we make sure we source responsibly and we collaborate with key suppliers and manufacturers to advance our purpose. Our Partners to Innovate programme aims to promote sustainable innovation and improve manufacturing processes.

This has included work with Dow to develop a new polymer system for Finish products. These use recyclable feedstock and replace a key petrochemical ingredient with biodegradable materials. We are working with major polymer producers to develop the next generation of recycled materials for high-quality post-consumer recycled (PCR) plastic packaging. We have also developed 100% PCR packaging with Banyan Nation in India for Dettol handsoap.

Manufacture 2030 is a software platform that aims to halve resource use in global manufacturing over the next decade. This industry-wide, cloud-based initiative helps to evaluate and improve the environmental performance of manufacturers, especially in developing markets. We joined the platform in November 2020. We're using it to encourage factories and suppliers to improve environmental performance. The initial 289 third-party manufacturers involved will soon be joined by others, bringing us a step closer to improving environmental performance across the whole supply chain.

In Africa, we partnered with leading e-commerce platform Jumia to simplify consumer access for health and hygiene products. As part of this agreement, we finance free shipping in eight African markets, to reach consumers in Algeria, Egypt, Ghana, Kenya, Morocco, Nigeria, South Africa and Uganda.

And we're increasing transparency across our supply chains. We have worked with key dairy suppliers, including Glanbia in Ireland and Friesland Campina in New Zealand, to trace milk to farm level. This provides reassurance that key Enfa products use milk from grass-fed cattle – an important issue for many consumers, especially in China.

Responding to COVID-19

Trinity Challenge

In September, Dame Sally Davis, Master of Trinity College of Cambridge, launched the Trinity Challenge in response to COVID-19. She was motivated by the belief that humanity has the means to ensure future health emergencies will not disrupt and destroy lives and livelihoods. But to do that it must prepare now.

The Challenge aims to build a coalition of partners that use data and analytics to develop insights that can protect us all against future health emergencies. Reckitt is a founding member. We've joined a network of 22 leading institutions including some of the world's best minds and most influential leaders from business, academia and the social sector to help identify and evaluate potential solutions.

Our collaborative research efforts focus on measuring and modelling the socio-economic impacts of pandemics and looking at the cost-effectiveness of non-pharmaceutical health and hygiene interventions.

COVID-19facts.com

There has been a lot of misunderstanding about COVID-19. There have been numerous competing narratives as the world struggled to get to grips with a fast-moving global pandemic. The World Health Organization has warned of an infodemic, with misperceptions on topics such as transmission, cures and protective measures circulating widely.

We teamed up with the Economist Intelligence Unit (EIU) to create a dedicated fact-checking website that aims to debunk common myths. Working in conjunction with Reckitt, EIU experts have been providing authoritative, science-based information on the COVID-19facts.com website since its launch in March 2020.

Advancing best practice

Illicit trade has grown well beyond the capabilities of individual governments and individual companies, and now demands a sustained, coordinated response. Reckitt joined the Transnational Alliance to Combat Illicit Trade (TRACIT) in 2020. TRACIT is a private sector initiative to mitigate the economic and social damages of illicit trade and counterfeit goods.

We also worked with Route 2, to assess the societal impact of our Durex brand. This quantified our impact throughout the value chain, from latex farmers through to end-consumers, as a Total Economic Contribution. Route 2's analysis established that the sale and use of Durex condoms in 2019 had created an estimated £122 million in value through the avoidance of deaths, unplanned pregnancies and sexually transmitted infections and diseases.

With the Danish Institute for Human Rights and our supplier partners, we assessed the whole of our Durex and Enfa value chains in Thailand to understand our impacts and consider how we could strengthen human rights. The DIHR report and our associated action plan has been published.

We are continuing our work to strengthen the human rights and livelihoods of people in our Durex and Enfa networks in Thailand. Our new Fair Rubber commitment is building community benefits and economic stability for the smallholder farmers in Thailand and Malaysia that provide us with high-quality latex for the brand.

Regulatory intelligence

We engage actively in the continuing debate on international regulatory frameworks for nutrition, health and hygiene.

Food law and regulation is a complex and evolving area. We are regularly consulted on policy and participate at high-profile educational events. For example, in 2020, Reckitt representatives presented to a global audience of industry professionals, academics and regulators at a Michigan State University programme on best practice for food safety and regulation.

The Economist Intelligence Unit's two Reckitt-sponsored white papers on self-care and the future of health continue to influence global debate on healthcare policy. Reckitt specialists and partner organisations have published and presented in China, Thailand and elsewhere on the role of self-care and the need to maintain transparent and consistent regulatory frameworks that protect people and support the sector.

In Hygiene, we cooperated with numerous regulatory and industry bodies to authorise and approve biocidal products for use in the battle against COVID-19. Our US regulatory team successfully advocated for the US Environmental Protection Agency to publish its List N of disinfectant ingredients expected to kill the coronavirus. After receiving data confirming the efficacy of our products for this specific SARS-Cov2 strain, Reckitt worked with regulators to expedite registration approvals. In several markets, including Australia, the US and Canada, we were the first to obtain this approval.

We also work with industry groups to develop common standards and enhance international best practice. As active members of the International Association for Soaps, Detergents and Maintenance Products (AISE) we are currently helping to develop the AISE Charter for Sustainability.

CASE STUDY

RECKITT GLOBAL HYGIENE INSTITUTE

In July, we established the Reckitt Global Hygiene Institute (RGHI), a new, fully independent, not-for-profit global initiative to develop insights and scientific analysis that can inform public health initiatives. Our £18m funding aims to strengthen the scientific evidence demonstrating hygiene's importance as a foundation for health. RGHI will act as a research and innovation hub bridging epidemiology, public health, and behavioural insights to generate practical, high-quality scientific research that leads to enduring behaviour change.

The Institute aims to advance understanding of the links between hygiene and health, encourage behaviour change and higher global hygiene standards, and promote best-in-class hygiene science internationally.

RGHI has assembled an expert panel of internationally renowned academics, which will drive and direct its research activities. Its early priorities include advocacy, establishing a new RGHI fellowship programme and publishing cutting-edge research.

Reckitt Global Hygiene Institute


VOLUNTEER

INVESTING IN COMMUNITIES

We want to make access to the highest quality hygiene, health and nutrition a right not a privilege. We are investing to improve that access in communities with unmet needs where we can have the most impact and through our brands, making high-quality products available to more people. We empower people – with products, education and skills – to make small changes in their daily lives that can unlock progress that lasts a lifetime.

How we engage

Reckitt seeks to play a full and constructive role in society. Our purpose and fight express what that means for us and guide how we make a difference. We believe that everyone has the right to high-quality hygiene, wellness and nourishment. And we fight on multiple fronts to make that happen.

Our social impact investment programme focuses on projects where we can make a measurable, sustainable and meaningful difference. It is centred on three main areas of activity. Sexual health and rights and maternal and child health are two; the third area, which was critically important this year, is clean water, hygiene and sanitation.

Fight for Access Fund

The launch in March of our Fight for Access Fund marked a new phase in our drive to translate our purpose – protecting, healing and nurturing in the relentless pursuit of a cleaner, healthier world – into transformative action for communities.

The Fight for Access Fund is a rallying point for the energy and resources we spend serving our communities. It's there to support projects that improve access to health, hygiene and nutrition for all. We've committed to allocating the equivalent of 1% of our annual adjusted operating profit every year to ensure we continue to broaden and deepen that access. We put this money to work through our brands on programmes that have a lasting, positive impact on people's lives. The Fund invests to improve access in a range of ways: by donating funds to organisations on the ground, by ensuring high-quality products are produced and enhancing their availability, and by educating and informing people.

Combatting COVID-19

In 2020, the collective battle against the spread of COVID-19 was the immediate and urgent priority. We mobilised £32m from the Fight for Access Fund and supplemented this with additional resources from savings during the year, which boosted our COVID-19 related funding to £52m.

CASE STUDY

DISINFECT TO PROTECT

In Asia, Lysol and the Philippine Red Cross (PRC) joined forces to launch Disinfect to Protect. This aims to break the chain of coronavirus infection by improving hygiene barriers and early diagnosis. Lysol Philippines contributed P36 million (c.£560,000) to boost mass testing. Half of this donation was used to build the Philippine Red Cross Molecular Laboratory, a mass-testing facility. The other half went to towards a COVID-19 Samaritan fund that prioritises testing for around 4,500 of the most vulnerable Filipinos, including pregnant women, the elderly and those with pre-existing conditions. Lysol supplemented this financial support with support in kind. It has equipped the PRC's sample collection facilities and testing laboratories with Lysol products to help keep frontline health workers safe.

We prioritised activities that addressed the stress faced by our consumers and in communities where we operate, to help stop the spread of the virus and break the chain of infection. The Fight for Access Fund supported governments and frontline health workers in 66 countries. The £1 million allocated for NHS workers in the UK was one of 20 major projects targeted globally. And there was strong backing too from our brands. Lysol, for instance, provided $2 million in matched funding to the US Centers for Disease Control and Prevention (CDC) Foundation.

Dettol committed £6 million to frontline health workers and provided urgently needed medical equipment in Wuhan, China. It also gave 10 million units of Dettol soap to vulnerable communities.

Dettol UK pledged to distribute 150,000 care packages to help frontline health workers and their families stay clean and safe. And it donated pre-purchased media time to the UK Government to help amplify its public health messaging campaign.

Globally, we donated over 27 million products, including 1 million litres of Lizol and Harpic disinfectant for Indian hospitals. And we provided essential PPE for frontline workers, including over 15 million face masks worldwide. We also supported public health messaging through our brand campaigns and by donating media space.

These are just a few of the many direct initiatives we undertook in 2020 to counter the spread of COVID-19. We have also been combatting the virus with projects that promote clean water, hygiene and sanitation.

Clean water, hygiene and sanitation

We have collaborated on public service campaigns with government agencies, NGOs, national medical associations and other stakeholders and provide funding, products and educational resources to promote handwashing and sanitation in Africa, Asia and the Middle East. We use the strength of our brands to stress the importance of good hygiene. Dettol India's #HandWashChallenge campaign was particularly successful at spreading a vital public health message to a younger demographic. It attracted billions of views on TikTok.

The Banega Swasth India (BSI) campaign has been stressing the importance of hygiene as a foundation for health since 2014. It has helped to instil behaviour change in 13m schoolchildren over the years, reducing diarrhoea and improving school attendance. The spread of COVID-19 through the country added urgency to the campaign. BSI launched its Healthily app and donated Return to School kits, including masks, sanitiser and public health posters, to over a million schools across the country.

For Mission Paani, Harpic teamed up with India's News 18 to highlight the country's water crisis. Their nationwide publicity campaign emphasised the importance of conserving water and ensuring sustainable sources for future generations. It also set up community pilot programmes to construct and renovate water harvesting structures in selected villages.

In 2020, the programme partners recalibrated their message in response to the COVID-19 pandemic. They launched the Swachhta aur Paani campaign in October. This stresses the critical importance of clean water for good hygiene and the urgency of maintaining hygienic and sustainable supplies.

In Kenya, where we have been at the forefront of handwashing campaigns for many years, the biggest obstacle has always been the lack of safe, clean sources of water. In 2020, we joined forces with water.org, donating KSh69m (c.£460,000) from our Fight for Access Fund. This funding will help water.org reach around 68,000 Kenyans living in poverty over the next two years, getting them access to safer water and sanitation.

In the US, Lysol is investing more than $20 million over the next three years to expand its HERE for Healthy Schools Program. It aims to reach the 15 million children in every Title 1 school in the country by 2022. The 58,000 Title 1 schools across the US are those deemed to have large concentrations of low-income students. The programme provides educational resources that will support the reopening of schools and encourage children to learn healthy habits to protect against the spread of germs in the classroom.

Sexual health and rights

We have a longstanding commitment to combat HIV and AIDS. We've joined forces with the United Nations Programme on HIV/AIDS (UNAIDS) to help protect people with HIV/AIDS during the pandemic. We're using the UNAIDS network to distribute hygiene packs to around 220,000 people living with HIV across Africa. The packs contain a three-month supply of Dettol soap and JIK bleach.

This latest initiative is in addition to our current Durex partnership with (RED) in South Africa, which is helping to keep 40,000 girls in school. Keeping Girls in School, match-funded by the Bill and Melinda Gates Foundation, is a $10 million commitment that aims to reduce new HIV infections in young women, reduce teenage pregnancies, improve access to sexual reproductive health services and encourage adolescent girls and young women to stay in school.

Maternal and child health

In 2020, we announced a partnership with the United Nations Population Fund (UNFPA), this provides access and support to expectant mothers during the pandemic, in Mexico, Philippines and Thailand.

We also helped expectant mothers in China, our Embrace Life initiative provides access to expectant mothers during Lockdown. With the China Children and Teenagers' Fund (CCTF), Chunyu Doctor, and NCP volunteer, we supported vulnerable expectant mothers in Wuhan and the Hubei Province. Their needs would otherwise have not been met during the pandemic, and the initiative helped them have a safe and healthy birth.

With CCTF, we also continued our 'Better Start in Life' programme. This is helping 10,000 pregnant women and babies, and reduces stunting by 40% in rural China. Nutrition interventions and education aim to prevent stunting, and help break an intergenerational cycle of malnutrition in China.

In India, the Nutrition India Programme (NIP) aims to reach 177,000 mothers of undernourished children across 1,000 villages to improve nutritional status during the first 1,000 days of life. In the five-year program, our goal is to reduce stunting in children under five by 40%.

Give time

Our Give Time programme offers colleagues around the world two paid volunteer days to work within their respective communities. In 2020, Reckitt employees provided 23,147 hours of support to good causes globally, with colleagues donating time, skills and expertise to add real value in their local communities.

The pandemic made volunteering much more difficult this year, but many colleagues found ways to give time virtually. Some connected with elderly and vulnerable people via telephone befriending services. Others sent letters to key workers, carers and healthcare professionals to thank them for the work they have been doing for their communities.

Reckitt's globally-led Give Time initiatives provide opportunities for colleagues to use their skills and experience to volunteer on a longer-term basis. Reckitt's long-term volunteer programme offers colleagues the opportunity to take part in a 13-week programme. At the start of 2020, four Reckitt employees managed teams of young volunteers in rural community projects in Nepal, Tanzania and Costa Rica. Through these programmes, Reckitt and Raleigh International bring young leaders and local communities together to work hand in hand to build lasting, positive impact.

Formed by One Young World, Lead 2030 is the world's biggest prize fund for young leaders that make an impact on the UN's Sustainable Development Goals (SDGs). Reckitt volunteers provided online mentorship to young people seeking Lead 2030 funding for their social enterprises. Our mentors shared practical and business knowledge to help them develop marketing strategies, e-commerce platforms and other key resources.

Fairness across the value chain

Communities are at the heart of our value chains. We see it as our responsibility to support people who live and work in them, whether or not they are directly employed by us. Accordingly, supporting human rights across our value chain is an important part of our community engagement. We want to ensure reasonable livelihoods and good working conditions. Enabling decent livelihoods strengthens health and wellness in their communities, which helps us deliver our fight to make access to the highest quality hygiene, wellness and nourishment a right and not a privilege.

For the smallholder farmers that provide us with natural raw materials, this translates into programmes that help improve productivity or recognise sustainably sourced suppliers with premium payments.

For larger suppliers, capacity-building programmes on both human rights and environmental performance protect and support the local communities where they operate. We work alongside peer companies through the AIM-Progress forum to promote responsible sourcing and strengthen delivery on human rights and working conditions. We are using the software-led initiative Manufacture 2030 to help our factories and other suppliers improve their environmental performance.

CASE STUDY

ACCESS TO EDUCATION IN UNDERSERVED COMMUNITIES

In June, Lysol announced a strategic partnership with UNCF (United Negro College Fund) to provide 100 scholarships for students pursuing studies in public health, nutrition and other STEM related fields, with the goal of supporting each recipient through their time at college over four years.

The Reckitt Scholars programme will expand Lysol's current commitment in the area of public education and efforts to improve access to health, hygiene and nutrition in the US, particularly in underserved communities and those disproportionately impacted by the COVID-19 pandemic.

UNCF is the nation's largest private scholarship provider for students of colour, and awarding more than $100 million in scholarships to students attending more than 1,100 schools across the US, including 37 historically black colleges and universities (HBCUs).

"We were compelled to take action after observing the disproportionate impact of COVID-19 on underserved communities and the lack of representation of the black community in higher education. It is more important than ever that we use our voice and influence as a force for good and look forward to collaborating with UNCF on this effort," said Ranjay Radhakrishnan, Chief Human Resources Officer, Reckitt.

"At a time when social, health and economic issues are all at the forefront of our national discourse, we are extremely grateful for support from donors, like Reckitt and Lysol," said Dr. Michael L. Lomax, UNCF's president and CEO. "This substantial gift is much needed and will have a lasting impact on students. Thank you for being a stellar example of what it takes to realise the vision of a nation where all Americans have equal access to a college education."

BUILDING A SUSTAINABLE FUTURE

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

How we engage

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

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

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

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

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

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

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

Embedding sustainability into strategy

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

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

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

Combatting climate change

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

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

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

CASE STUDY

SAVING TREES WITH SMARTER INVOICING

In India, we are saving trees by reducing paper. Statutory and operational requirements in India require a paper-based invoice trail for all transactions. Invoices make up at least 98% of all the paper consumed by Reckitt India. The India country team revised layouts to reduce the average invoice length from nine to two pages. This will save an estimated 5 million A4 sheets every year, equivalent to 100 tonnes of CO_2 in avoided emissions – simple, but effective.

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

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

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

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

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

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

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

Promoting the circular economy

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

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

Packaging and plastics

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

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

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

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

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

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

Reducing waste

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

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

CASE STUDY

CIRCULAR FASHION

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

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

Innovating for a cleaner healthier world

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

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

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

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

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

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

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

Our biggest challenge is not within our own operations, it's that consumers need water to use many of our products. We are campaigning to help consumers recognise looming water crises and take steps to address them by using our products more efficiently. We also work with communities in water-stressed areas to give people better access to clean water and sanitation.

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

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

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

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

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

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

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

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

In 2019, we commissioned the Danish Institute for Human Rights to a conduct country-level human rights impact assessment (HRIA) of our Durex and Enfa value chains in Thailand. Following its report in 2020, and to reduce the risk of deforestation in rubber farming, we have introduced our Fair Rubber commitment. This provides latex farmers in Thailand with a price premium that supports their livelihoods while also strengthening the supply of latex we depend upon and reinforcing sustainable farming principles. The programme is similarly investing in communities working on rubber plantations in Malaysia to support their long-term sustainability.

CASE STUDY

POLLEN COUNT

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

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

The information below is intended to help our stakeholders understand our position on key non-financial matters, following the new non-financial reporting requirements contained in sections 414C(7), 414CA and 414CB of the Companies Act 2006.

Reporting requirements	Policies and standards which govern our approach	Additional information and risk management	
Environmental matters	• Environmental policy • Responsible sourcing of natural raw materials policy • Plastics Pledge	Group Environmental Management System[1] How Purpose drives our performance Our Sustainability Performance Environment Task Force on Climate-related Financial Disclosures (TCFD)[2]	 Pages 12-15 Pages 24-27 Pages 52-55
Employees	• Code of Conduct • Our Values • Occupational Health & Safety • Speak Up policy • Policy on Human Rights and Responsible Business	How Purpose drives our performance Our Sustainability Performance People CRSEC Committee Report Gender Pay Gap Report Group Occupational Health & Safety Management System[1]	Pages 12-15 Pages 24-27 Pages 40-43 Pages 128-133
Human rights	• Policy on Human Rights and Responsible Business • Modern Slavery Act Statement • Commitments to international standards	How Purpose drives our performance. Our Sustainability Performance Partners Environment	Pages 12-15 Pages 24-27 Pages 45-47 Pages 52-55
Social and community matters	• Breast-Milk Substitute (BMS) Marketing Policy • Product Safety Policy	Our commitment to auditing and transparency on BMS How Purpose drives our performance Our Sustainability Performance Communities Social Impact Investment Report	 Pages 12-15 Pages 24-27 Pages 49-51
Anti-bribery and anti-corruption	• Code of Conduct • Speak Up policy	People CRSEC Committee Report	Pages 41-43 Pages 128-133
Policy embedding, due diligence and outcomes		Risk Management and Principal Risks CRSEC Committee Report	Pages 80-92 Pages 128-133
Principal risks and impact of business activity		Principal Risks	Pages 82-92
Description of business model		Our Business Model	Pages 10-11
Non-financial key performance indicators			Pages 26-27

1. Information not in the public domain
2. TCFD disclosure can be found in our Climate change insight

Most of our reporting on these topics and KPIs are contained in our Strategic Report under the sections entitled How purpose drives our performance, Our Sustainability Performance, Consumers, Customers, Employees, Partners, Communities, Environment, and Risk Management (or are incorporated into the Strategic Report by reference for these purposes from the pages noted). Reckitt has formulated appropriate policies and due diligence procedures regarding all the non-financial information presented in this Annual Report. We make it our responsibility to follow legislation and policy diligently. Insights into key policies and due diligence procedures, and the basis and methodological principles for the collation of our key sustainability metrics, can be found online at https://www.reckitt.com/sustainability/policies-and-reports/.

Gender diversity[1]

Definition: the percentage of women in our global workforce.
Target: expand our focus on diversity and talent by improving the retention rates of women from managers to senior managers. This is in line with our goal of doubling the number of women in senior management roles from a 2016 baseline.

Board Directors	Senior managers	Other employees[2]
7 (2019: 7) male	448 (2019: 417) male	21,611 (2019: 20,472) male
5 (2019: 4) female	182 (2019: 148) female	17,300 (2019: 16,708) female

1. Diversity data is taken as of 31 December 2020 for active Reckitt employees (excluding contractors)
2. 34 persons with undisclosed gender

Greenhouse Gas (GHG) emissions and energy consumption

Metric	Unit	2020	2019
Total Scope 1 GHG emissions	tCO_2e	**138,105**	140,117
Total Scope 2 GHG emissions	tCO_2e	**123,709**	201,902
Total Scope 1 and Scope 2 GHG emissions	tCO_2e	**261,814**	342,019
Emissions intensity[1]	tCO_2e per unit of production	**0.0291**	0.0424
Energy consumption resulting in above GHG emissions	kWh	**1,341,712,724**	
Proportion of GHG emissions arising from UK operations	%	**9**	
Proportion of energy consumption arising from UK operations	%	**12**	

We reported the above emissions on a market-based approach in line with the WRI/WBSCD Greenhouse Gas Protocol, Scope 2 Guidance and our Reporting Criteria. Following a location-based approach, our Scope 2 emissions for 2020 were 256,993 tonnes of CO_2e (2019: 273,688) and our total Scope 1 and 2 tonnes of CO_2e were 395,098 (2019: 413,805).

Our GHG and energy data includes emissions and energy consumption from operations covered by the Group Financial Statements for which we have operational control. Where we acquire new businesses, we include their emissions and energy consumption from the first full calendar year of our ownership onwards.[2] CO_2e, or carbon dioxide equivalent, is the effective amount of CO_2 generated by all gas emissions which add to the greenhouse effect and global warming.

1. The scope of our GHG emissions per unit of production KPI is for manufacturing and warehousing. Including R&D and offices the GHG emissions intensity per unit of production in 2020 and 2019 would be 0.0319 tCO_2e and 0.0447 respectively
2. For further information on the methodologies used to calculate our emissions and energy metrics please see our Reporting Criteria Basis of Preparation

Our policies

Anti-bribery and corruption
Our policy is that all Reckitt companies, employees and contractors must comply with the anti-bribery, anti-corruption and competition laws of all countries in which they operate. Directors and managers must ensure that the employees and contractors they supervise are aware of and comply with this policy. All employees and contractors must certify annually that they have complied with our Code of Conduct and the Audit Committee reviews internal audit findings in relation to this.

Employee policies
Reckitt's Code of Conduct governs standards of conduct in relation to our employees, as well as our stakeholders. In addition, Reckitt has policies committing to equal opportunities at work and to providing a safe and healthy working environment. Health and safety performance is monitored through our Group Occupational Health and Safety Management system, enabling us to investigate any incidents and take any necessary action. We have a Speak Up policy and process, allowing any employee or third party to confidentially report a violation of the Code of Conduct, local law or regulation, or unethical behaviour.

Human rights
Our Human Rights and Responsible Business Policy is based on the International Bill of Human Rights and the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work. We also follow the UN Guiding Principles on Business and Human Rights and Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

Product safety policy
The purpose of this policy is to assure our stakeholders of the safety of our products by describing our approach to Safety Assurance for products of Reckitt. We have a responsibility to develop products that are as safe and nourishing as they can be; to monitor their in-use safety and listen to feedback from users, and if things change, to react quickly and effectively to mitigate harm.

Responsible sourcing policy
This commits us to ensuring that natural raw materials in our products are produced in a manner that meets or goes beyond applicable laws and regulations, respects human rights, safeguards health and safety, protects the environment and generally supports sustainable development.

Environmental policy
This sets out our objectives for reducing our environmental impacts. It requires us to comply with relevant legislation, consider environmental issues in key decisions, and engage with multiple stakeholders for better environmental performance.

See more: https://www.reckitt.com/sustainability/policies-and-reports/

This statement, which forms part of the Strategic Report, is intended to show how Reckitt's Directors have approached and met their responsibilities under section 172 of the Companies Act 2006 during 2020. The statement has been prepared in response to the obligations set out in the Companies (Miscellaneous Reporting) Regulations 2018, and the UK Corporate Governance Code 2018.

As required by section 172 of the Companies Act 2006, a Director of a company must act in a way s/he considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the Director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- company's reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

As a Board our aim is always to uphold the highest standards of governance and business conduct, taking decisions in the interests of the long-term sustainable success of the company, generating value for our shareholders and contributing to wider society. We recognise that our business can only grow and prosper over the long term by understanding the views and needs of our stakeholders. Engaging with stakeholders is key to ensuring the Board has informed discussions and factors stakeholder interests into decision-making.

Considering stakeholder interests

The Board is responsible for promoting the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. The Board aims to ensure effective engagement with, and participation from its shareholders and stakeholders. The Board commissioned independent research in 2019 to identify stakeholder views and expectations of Reckitt. The findings were incorporated into, and continue to form part of, the Board's decision-making processes. This includes the use of meeting paper templates which set out stakeholder considerations, providing the Board with assurance that potential impacts on stakeholders are being carefully considered by management when developing plans for Board approval.

The Board is also responsible for assessing and monitoring the company's culture and for ensuring its alignment with the company's purpose, values and strategy. The Board's normal meeting schedule includes meetings with local functional teams and members of the workforce and visits to different operational areas of the business, including offices, sites and factories. The September Board meetings are normally held off-site, to enable the Board to engage with different areas of the business. In 2020, the normal meeting schedule was impacted by the COVID-19 pandemic and the consequent inability to have face to face meetings. However, even with meetings needing to happen virtually, workforce engagement took place virtually.

The Designated Non-Executive Director for engagement with the company's workforce, Mary Harris, engages with the Group's workforce throughout the year and provides updates to the Board on workforce engagement activities. The Board receives meeting papers which provide updates on employee culture and the results of internal employee surveys. The Board also reviewed internal video broadcasts including from the 'Stronger Together' series, in which employees spoke directly about their experience.

How the board engaged with its stakeholders during the year

Interests of our employees

The Board recognises the benefits of personal interaction and informal discussions in learning more about day-to-day operations, the development and execution of strategy, and gathering direct insights into culture from workforce engagement. The Board had regular reviews of talent, employee engagement and culture. There were direct interactions at Board meetings with key people in the business on a variety of topics.

As part of the September 2020 Board meeting schedule, Board Directors and the General Counsel & Company Secretary worked together to hold virtual roundtable sessions with small groups of Reckitt employees. Employees shared their thoughts on working at the company, its culture, purpose and mission, and their ideas about what could be improved. Following these meetings, each pairing provided feedback to Mary Harris, who in turn fed this back to the Board. The Chairman and other Board members were also actively involved in meeting top talent and future leaders during the year. These insights were invaluable in helping the Board understand employees' interests and factor them into its discussions and decision-making.

Amidst the ongoing COVID-19 pandemic, ensuring continued wellbeing for employees, both physical and mental, has been a high priority for the Board and senior management. Safe social distancing was preserved for all office-based employees as in most countries they worked from home throughout the pandemic. Maintaining safe working environments in our operational sites was also key and we established COVID-19 working practices including temperature checks and the provision of PPE. We updated our people policies and practices, encouraged virtual learning and leadership support through our Reckitt learning platform. We also ran virtual social events such as cook-alongs, quizzes and fitness classes and challenges.

Management maintained visibility by way of regular virtual townhalls and by direct engagement through broadcasted sofa conversations with senior leaders. We have conducted regular employee surveys as one way to measure our success and to help us adapt our approach to supporting our workforce. These showed employees overall were happy with our internal response to the pandemic. Willingness to recommend Reckitt as a place to work was higher than ever before during this time.

Our compass is key to our distinct culture and is also encapsulated in Freedom to Succeed, our employee value proposition, which rolled out during 2019. Freedom to Succeed represents the environment at Reckitt, where colleagues are empowered to share ideas, generate solutions, and contribute to the successful running of the company. In 2020, we also launched the Sir James Reckitt Award as a way to acknowledge outstanding teams who truly go above and beyond. This highly coveted award celebrates exceptional teams doing exceptional work in service of our purpose, fight, and compass. The worthy recipients for the inaugural award were the team in the factory near Wuhan, China for their commitment to manufacturing essential disinfectant through the early stages of the COVID-19 pandemic in China.

In the realm of diversity, inclusion and belonging, our culture was further enhanced in early 2020, with the launch of the 'Stronger Together' conversation series. These sessions focus on employee storytelling, enabling greater understanding across the organisation of race, gender and LGBTQ+ inclusion. Board members have attended the sessions this year, hearing first-hand the lived experiences of colleagues. We use this awareness to foster a more inclusive environment – to be 'stronger together'. There is an initial five-year commitment to the series, with a review of the frequency and effectiveness after the first 12 months. These sessions will continue to be about listening and learning, covering a broad range of inclusion and diversity topics. There is also a commitment, three times a year, to invite external voices to join these sessions, giving Laxman and the senior management team the chance to ask questions and to hear from customers, suppliers, partners and thought leaders about these important topics.

All employees are encouraged to make their voices heard. Our Purpose Council, comprised mainly of younger employees, identifies and adds momentum to social and environmental initiatives. Senior managers have mentors who are earlier in their career and in more junior roles. These mentors are empowered to provide input and share the wisdom of younger generations. Our Speak Up whistleblowing policy provides safe communication channels for those wishing to raise concerns. More information on our engagement activities can be found on pages 41 to 43.

The Board has undertaken a thorough exercise to understand the composition of the Reckitt workforce, and while we are primarily focused on permanent employees, we remain alert to any issues with employees of our subcontractors and ensure our procurement contracts have the highest possible requirements regarding working conditions.

CONNECTING WITH PEOPLE WITH PURPOSE

"I will continue to engage actively with employees in 2021 alongside my fellow Directors to ensure the Board's decision-making is enriched by their insights and reflects their experience.

Mary Harris
Designated Non-Executive Director for engagement with the company's workforce

During 2020, direct Board engagement with colleagues has been invaluable in helping to ensure that, in an extremely challenging year, we put colleague safety and wellbeing first, while ensuring we fulfil our purpose for our consumers, customers and the communities in which we operate.

My meetings and conversations with colleagues during the year have reinforced my sense of the company's culture of ambition and commitment, with a clear purpose at its core. The opportunity to make a positive difference is a major motivating factor for the people here. It validates the Board's decision in February 2020 to endorse our purpose-led strategy.

The new purpose, fight and compass continue to inspire and unite colleagues. In the unfamiliar and testing conditions imposed by COVID-19, feedback from surveys and direct conversations suggested even greater shared determination to deliver our purpose, despite an inevitably intensified workload. Management's response to that, a gift of two additional holiday days for all employees, was warmly endorsed by the Board.

The Board has monitored the impact of COVID-19 on colleagues closely, including understanding the initiatives taken to support physical safety, as well as their broader wellbeing and mental health. I saw this for myself in the future workplace initiative, which solicited feedback on employee experience. My participation in the 'Stronger Together' conversation series deepened my appreciation of colleagues' concerns on Black Lives Matter and broader diversity and inclusion themes. Feedback from these sessions influenced the new Diversity and Inclusion strategy endorsed by the Board in 2020.

The Board is monitoring the strategic and cultural transformation at Reckitt through periodic surveys and direct interactions with colleagues. Regular employee engagement allows rapid follow-up where issues occur, and informs resourcing requirements and investment in new capabilities, as evidenced in 2020 by the Board's agreement to launch an entirely new business line, Global Business Solutions.

The employee voice was further enhanced through the appointment in 2019 of Mary Harris as the Designated Non-Executive Director for engagement with the company's workforce. As part of her role, Mary has the same access to internal communications materials, channels and events that Reckitt employees do. During the year, Mary has been involved in key conversations with the workforce, relaying this information in Board discussion where appropriate.

Shareholders

The Board also continued engagement with investors. Several Non-Executive Board members participated in one-on-one investor meetings, in addition to the normal meetings between executive management and investors and analysts. Our Chairman, CEO and CFO had extensive interactions with many of our key shareholders, particularly upon the announcement of our new strategy. The restrictions imposed by COVID-19 limited our ability to meet in person. However, we were able to participate in a number of virtual meetings. Our CEO participated in numerous conferences, many of them hosted by banks, in forums and fireside chats with international investors.

The Chair of our Remuneration Committee has continued to have a close dialogue with shareholders in respect of executive remuneration, and we are pleased to note the continued support for our approach to the Remuneration which shareholders approved in 2019. The Chairs of both our Audit and CRSEC Committees also participated in one-on-one investor meetings on an ad-hoc basis.

We welcomed the opportunity for individual shareholders to submit questions ahead of our AGM in 2020, which was held as a closed meeting with a virtual webcast due to the COVID-19 pandemic. Board members listen and respond to shareholder views and feed back to the business as necessary. More information on our engagement activities can be found on pages 37 to 39.

Fostering relationships with our customers, partners and suppliers

Our CEO engaged with several key customers, partners, and suppliers to maintain and build on our existing relationships and ensure that key stakeholder concerns are understood and reported back to the Board.

We engaged with our customers to improve supply provision and communications. Increased international demand, particularly for hygiene products, combined with the global supply chain disruptions caused by COVID-19, required continuing close engagement with our suppliers and logistics partners. Output was increased by focusing on full pallets, shipped direct from factory to customers and we prioritised essential products across our customers. Service was a constant element of our supplier engagement agenda, which helped maintain supply, when for many products such as Lysol and Dettol, demand increased hugely during the pandemic. Collaboration with suppliers in every market helped ensure continuity of supply of ingredients and packaging, while also enabling us to qualify new suppliers and co-packers to help meet demand.

Reckitt's 'Partners to Innovate' programme with suppliers not only enabled this unprecedented increase but also supported our innovation pipeline with, for example, access to new packaging materials that meet growing consumer demand for recycled plastics and our own sustainability ambitions. A virtual meeting with key suppliers in December, involving our CEO and Chief Supply Officer, further strengthened our supplier relations, while generating support to deliver our strategy, standards of customer service, innovation opportunities and wider ESG agenda.

Our Third Party Code of Conduct, available on our website, sets out the standards we expect of any suppliers (and their contractors) working directly with or on behalf of the Group to maintain trusted business relationships in accordance with the Group's values, culture, policies, procedures and applicable laws.

From a customer perspective, support for business partners in delivering their hygiene standards through the pandemic has been a strong element during 2020. An entirely new professional business channel was developed, based on the trust consumers have in our brands. Reckitt's Global Business Solutions came from a standing start to build partnerships with Avis Budget Group, Transport for London, Amtrak, Airbnb, British Airways and Delta Airlines, amongst others. Reckitt supports them with the expertise, knowledge, and products they need to provide their customers with the highest standards of hygiene and safety that our brands guarantee. Reckitt partnered with the Hilton Group, to launch the 'Hilton Cleanstay' programme to deliver high standards of cleanliness and disinfection in Hilton properties around the world. In a first for the hospitality business, Reckitt and Hilton are collaborating with the Mayo Clinic to help Hilton guests enjoy an even cleaner and safer stay from check-in to check-out.

Reckitt's reputation with customers and consumers is strengthened by our scientific experience and global capabilities. We continued to develop our scientific credentials during 2020, and in July launched the 'Reckitt Global Hygiene Institute' with key partners in medical science, health and education. The aim of the Institute is to generate high-quality scientific evidence to inform public health recommendations and promote behaviours that improve global hygiene, underpinned by our belief that access to the highest quality hygiene is a right not a privilege and that hygiene is the foundation of health. More information on our engagement activities can be found on pages 33 to 35 and pages 45 to 47.

Impact on our communities and the environment

In 2020, the COVID-19 pandemic meant we had to act with urgency to address the stress faced by our consumers and communities where we operate, to stop the spread of the virus and break the chain of infection. Reckitt's Fight for Access Fund was established to work with partner organisations, help frontline health workers, promote behavioural change, and help the communities in which we live and work. We mobilised over £52m to address our fight against the spread of COVID-19, across 66 countries, including donating Reckitt products to the NHS, partnering with Meals on Wheels Australia to support and protect the elderly and partnering with UNAIDS to help protect people living with HIV across Africa. More information on the Fight for Access Fund can be found on our website at www.reckitt.com/sustainability or in the Communities section on pages 49 to 51.

Our purpose – to protect, heal and nurture in the relentless pursuit of a cleaner, healthier world – puts us at the centre of the most pressing issue facing the world today. Our commitment to this purpose is evidenced by our new sustainability ambitions for our products and business activities and the impact we have on society and the environment as a whole. In developing these, as outlined in pages 52 to 55 we have considered the most material issues facing Reckitt, and are working with peers, customers, governments, and civil society to meet shared aims. For example, our commitment to accelerate delivery on the Paris Climate Agreement for 2030 and our ambition for carbon neutrality by 2040 aligns with Governments globally and many of our key customers, including Amazon with whom we are partners in delivering their Climate Pledge. We have also joined the global consumer-facing 'Count Us In' coalition to mobilise consumers and indeed our own teams in measures to combat climate change at an individual level. With these points in mind, it was pleasing to secure FTSE4Good Index accreditation for the 17th consecutive year.

The Board will look to continually engage stakeholders to drive sustainability performance and deliver positive societal impact. An immediate example of this was our Board listening session to investigate the impact of climate change and especially water scarcity on our business, value chains and people living in the communities where we work. Members of our CRSEC Committee, joined by our CEO and leading executives, heard from representatives of international NGOs, Indian State Government, the investor community, the UK Government who are hosting the 2021 global climate conference, and a key Reckitt customer, Amazon, which has prioritised climate change in its work. The session provided an excellent review of the issues facing business and communities, and the perspectives of the different stakeholders on climate change and water scarcity. It enabled Reckitt to embrace these perspectives in its work and supported stronger oversight of the agenda amongst the CRSEC Committee members involved. Further sessions are planned during 2021 on a range of ESG issues. More information on our engagement activities can be found on pages 49 to 55.

Stakeholder influence on long-term strategic decisions

Strategic review

The strategic review which commenced in 2019 continued into 2020. Feedback from multiple stakeholders, including customers, shareholders and employees, has informed our new strategy. The Rejuvenating Sustainable Growth strategy, including our new purpose, fight and compass, was approved by the Board in February 2020.

From early on, the priority was to listen and to learn. In the months leading up to the announcement of our new strategy, Laxman and his team spent time in markets all around the world and met key customers. They visited field operations, factories, research and development centres, and spent time with the sales teams. Laxman spoke to shareholders, alumni and many employees, a large portion of whom are shareholders in Reckitt. The team analysed our performance and assessed our capabilities versus our competitors.

The conversations with customers and sales teams identified numerous opportunities for collaboration based on areas of common interest that remained underdeveloped. This helped to highlight the importance of investing more in global customer relationships. An entrepreneurial, can-do spirit and a sense of personal commitment to their work emerged as common attributes among Reckitt employees. And even before the COVID-19 pandemic, many stakeholders, including employees and institutional investors, expressed the view that Reckitt should focus on long-term growth and that this was best achieved by strengthening its social and environmental commitments.

These discussions helped Laxman and his team crystallise a purpose-led strategy, with several mega-trends acting as tailwinds, to rejuvenate long-term sustainable growth. We announced that our business would operate as three Global Business Units: Health, Hygiene and Nutrition, leveraging scale to build capabilities and reflecting our core purpose of protecting, healing and nurturing. There would also be a specific focus on China and a company-wide digital capability. The implementation of this strategy will be resourced by a three-phase investment plan, largely funded by productivity. At the heart of the plan is the creation of long-term shareholder value, which will be achieved by meeting the needs of all stakeholders, through the relentless pursuit of a cleaner and healthier world.

The COVID-19 pandemic has reinforced key elements of the new strategy; it has, for example, become sadly all too apparent that hygiene is the foundation of health. Our new purpose, fight and compass have proved timely and relevant. As an example of putting the new strategy into action in the context of the pandemic, in June, the Board endorsed the launch of a new business unit, Global Business Solutions. The business case for the launch rested on consultations and initiatives with Reckitt's customers and professional partners. We also see digital as a key area of growth and the pandemic has accelerated the switch to digital consumption. Our strategic priorities include driving business performance, engaging with our workforce and other stakeholders, and managing potential risks, including those arising from numerous workstreams running concurrently under our transformation programmes. The transformation programmes that will help position us to meet our business objectives may prove easier to implement in a fast-changing world.

Diversity and Inclusion strategy

Stakeholders play an increasingly important role in shaping key decisions. The Board incorporates their feedback into its discussions as a matter of course. It also factors stakeholders' views into its decision-making process. For example, before endorsing the company's Diversity and Inclusion strategy in June 2020, the Board listened to employee and external stakeholder voices in the 'Stronger Together' conversation series and via other forums. Their views and stories had a profound influence on the final approved strategy.

2021 Financial Plan

In November 2020, the Board approved Reckitt's 2021 Financial Plan. Although no formal engagement with stakeholder groups contributed to this decision, the 2021 plan was a continuation of Reckitt's February 2020 strategy. As such, it advanced Reckitt's purpose-led strategy, which aims to deliver strong, sustainable returns to all stakeholders. The plan included mechanisms and resources to represent stakeholder interest and increase engagement.

Throughout this Annual Report are further examples of how we take into account the likely consequences of our long-term decisions. It demonstrates how we build relationships with our stakeholders; the importance of engaging with our employees; and how we understand and address our impact on the environment and the communities in which we operate; and how we strive always to behave responsibly.

Hygiene

NEVER HAS HYGIENE BEEN MORE IMPORTANT

2020 performance highlights

LFL Net Revenue growth
+19.5%

Adjusted Operating Margin[1]
25.9%

Key strategic priorities

- To maximise the opportunity for our disinfectant brands created by COVID-19, entering new markets and broadening our product offering;
- Continue to build those capabilities that will set us up for sustained outperformance, especially in science and innovation, e-commerce and customer service;
- Evolve the culture of Reckitt, including embedding the new leadership behaviours.

Hygiene net revenue grew +19.5% on a Like-for-Like basis to £5,816m for the full year. Lysol and Finish both delivered very strong growth, with Lysol up over 70% for the year as a whole. Air Wick, Harpic, Mortein and nearly all other power brands delivered healthy growth.

Overview

Hygiene has long been seen as a foundation of health and never more so than in the current environment. Driven by the strong megatrends that support sustainable market growth, our hygiene business plays a crucial role in delivering the Group's overarching purpose as our consumers seek to lead cleaner, healthier lives. With globally recognised brands such as Finish, Lysol and Air Wick, we have category-leading products in a number of household and homecare market segments. More people around the world are using our products than ever before, with Lysol now used in over 100m households globally, and Harpic in over 100m households in India alone.

Underpinning much of what we do, our people have developed a clear purpose and fight around which our hygiene brands are built. For example, Finish seeks to alleviate the burden of dishwashing whilst saving water compared to manual dishwashing. Through Air Wick, our new Botanica range is helping people connect to nature, though more natural fragrances and a refreshing design.

2020 saw our Hygiene business rise to the challenging environment created by the pandemic, to deliver a step-change in customer service, manufacturing capacity and product development. Overall, we delivered a major step-change in sales, adding an additional £800m to revenue, with strong share gains and the entry in to new geographies and product adjacencies for many of our brands.

> **2020 turned out to be an extraordinary year, where we fully lived our purpose and fight. The world saw the importance of Hygiene as the foundation of Health.**
>
> **Harold van den Broek**
> GBU President

1. Non-GAAP measures are defined on page 77

2020 performance

Hygiene net revenue grew +19.5% on a like for like basis to £5,816m for the full year. This reflected volume growth of +17.7% and price/ mix improvements of +1.8%.

Throughout 2020, the business delivered strong penetration-led growth with good market share gains in most categories, with 70% of net revenue of core CMUs growing or holding share as consumers continue to choose our trusted brands. This broad-based performance was notably driven by good share gains from our leading disinfectant (Lysol, Sagrotan etc.) and dishwasher (Finish) brands. All major Lysol CMUs delivered share gains, with particularly strong growth and gains in North America.

By brand, Lysol was the strongest performer overall, with net revenues up well over 70%, led by growth in North America, but with strong performances in all other markets, including growth in a range of new countries and categories where we expect to sustain progress and deliver good growth in the future.

Finish also grew strongly, with growth in excess of 20%, reflecting strong execution, market share gains and an increase in the frequency of use of domestic appliances. Finish net revenues improved year-on-year in all geographies, with particularly strong performances in the USA and UK. Air Wick also delivered good growth in the year, after a slow start, led by the USA and Europe, in part reflecting the successful launch of Air Wick Essential Mist and a strong performance from the base scented oils business. Mortein and Harpic also delivered growth in all their major geographies, with Harpic particularly strong in India. Cillit Bang also delivered double digit growth for the year. Overall, of our power brands, only Vanish saw reduced sales in the year, reflecting the impact of 'stay at home' behaviour on the demand for stain removal.

Adjusted operating profit for Hygiene at £1,505m was up 21.3% on a constant FX basis and 17.7% on a reported basis. Adjusted operating margin was 25.9%, 50bps higher than last year. While we accelerated investments under our plan to rejuvenate sustainable growth, notably in e-commerce and digital capabilities, the increased investment was more than offset by record productivity and the strong leverage generated by growth in the business.

CASE STUDY

PURPOSE-LED MARKETING IN FINISH

Finish, our leading dishwasher brand, has defined a purpose related to saving finite resources through simple behaviour change. This led to a programme with National Geographic and other partners to firstly raise awareness of the criticality of water in our lives and inspire consumers to change their behaviours to save water – starting with dishwashing and skipping pre-rinsing of dishes.

We started in 2019 in Turkey and Australia and immediately saw that purpose activation not only led to market share gains but also positively impacted our brand equity and our product performance credentials. In Turkey we grew market share by 240bps, interacting with 4 million people and delivering over 20 million impressions in Australia, we managed to grow the category penetration by 190bps while 170,000 people pledged to save water with Finish.

This was followed by extending the programme in 2020 to 11 markets in North America and across Europe, reaching over 350 million consumers to drive positive impact through behaviour change.

INCREASED GLOBAL HYGIENE HABITS

Hygiene habits have increased due to the pandemic and are becoming embedded

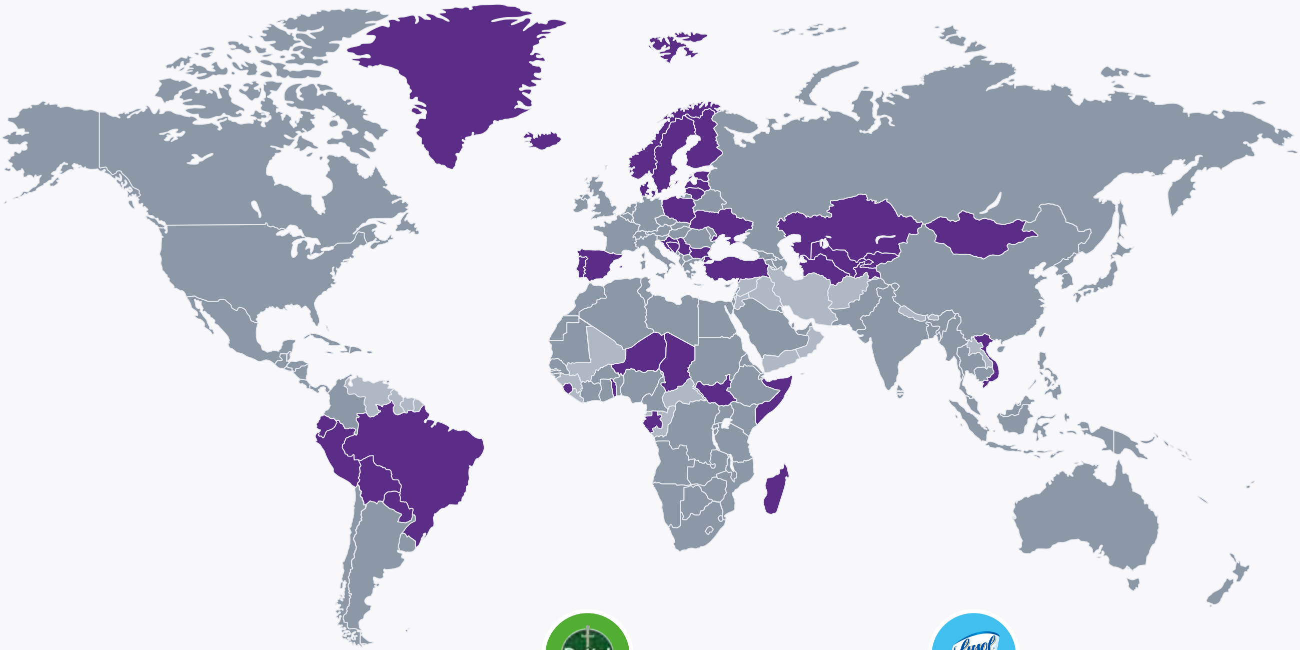
85%
Hygiene habits improved[1]

79%
Intend to continue hygiene habits post-pandemic[1]

1. Based on Reckitt research

EXPANDING OUR LEADING DISINFECTANT FOOTPRINT GLOBALLY

We're on track for expanding our footprint to 70 new markets by the end of 2021



Our category-leading brands have strengthened further over the past year

Presence pre-COVID-19 Presence by end of 2021

	Dettol	Lysol
2021	112 MARKETS	61 MARKETS
	2019: 83 markets	**2019:** 20 markets

		Protects me from illnesses[1]	Trust/ credibility[1]
Lysol		+800bps	+600bps
SAGROTAN		+800bps	+1200bps
Dettol		+2200bps	+500bps
Dettol		+800bps	+500bps

1. Source: H&P Equity and Reckitt internal brand attribute tracking. Q4 2020 vs Q4 2019

Health

IMPROVING CUSTOMER SERVICE AND INNOVATION PIPELINES

2020 performance highlights

LFL Net Revenue growth

+12.1%

Adjusted Operating Margin[1]

27.3%

Key strategic priorities

- Capturing opportunities in new markets, segments, formats and categories;
- Strengthening our innovation pipeline to bring new products to market and to drive category growth;
- Further developing our digital health offering; and exploiting e-commerce opportunities;
- Remaining focused on productivity gains and simplification, creating the funds to invest in growth.

Health revenue grew Like-for-Like +12.1% in 2020 to £4,890m. Dettol was the stand out brand, with over 50% growth in the year. Durex grew strongly in the second half, while our over-the-counter products successfully met exceptional consumer demand in the first half, before a weaker cough, cold and flu season at the end of the year held back overall growth.

Overview

Our Health business operates across a number of fast growing categories, driven by many of the same megatrends as Hygiene and Nutrition. As a result, our well-positioned portfolio of leading global and regional brands all have strong opportunities for growth. For over-the-counter or 'consumer health' brands, like Mucinex, Nurofen, Gaviscon and Strepsils, this reflects the growing focus on self-care as state resources become more constrained; for Durex and our other sexual wellbeing brands, the growing importance of sexual health and awareness of the transmission of infection; and for disinfection, the pressure of globalisation and urbanisation which are driving the speed, variation and penetration of viruses. The importance that consumers place on these health and wellness issues, drives their desire for trusted solutions, as they are reluctant to risk a compromise in quality. These dynamics favour trusted brands – particularly in current times of uncertainty.

The 2020 performance in part reflects a number of dynamics borne out of the COVID-19 pandemic, which has impacted the cough, cold and flu season, socialisation, and the demand for good hygiene. Strategically, good progress has been made in 2020, as we seek to

"In 2020, we articulated our purpose – and were immediately thrust into a public health crisis, where Reckitt had a chance to contribute and do our part. That we were able to play a role in keeping consumers and front line workers protected has been a source of pride and satisfaction for our teams.

Kris Licht,
GBU President

1. Non-GAAP measures are defined on page 77

rejuvenate long term sustainable growth in the Health business. We remain focused upon delivering consumer-centric health solutions, leveraging our heritage brands, and drawing on innovation and partnerships.

2020 performance

Health revenue grew LFL +12.1% in the full year to £4,890m. This reflected volume growth of +8.4% and price/mix improvements of +3.7%.

Overall, Health delivered strong market share growth, with 85% of core category market units by revenue growing share in 2020. Although driven principally by broad-based gains for Dettol, Durex and Gaviscon also outperformed their respective markets.

Consumer demand for disinfectants drove strong demand for Dettol throughout 2020, with the brand growing over 50%. With an increased focus on effective antibacterial agents, Dettol achieved strong market share gains in most major geographic regions for the brand. In addition, a major expansion of the geographic and category reach of the brand was started, leveraging the proven capabilities and heritage of the Dettol portfolio. The benefits of this expansion are expected to underpin performance in 2021 and help lock-in the market gains to date and achieve strong growth for the brand in the years ahead.

Following a more challenging first half of the year, relaxations of social distancing regulations resulted in improved demand for our sexual well-being products, led by Durex, in the last six months. As a result, the category delivered good growth in revenue for the year as a whole. The positive trend has been particularly pronounced in markets where the rate of pandemic infection has materially improved. In addition, we launched 'Durex 001' in China in October – marking our entry into the fast-growing Polyurethane (ultra-thin condom) segment. With strong sales execution and innovative marketing support through partnerships in music and lifestyle brands, we are seeing strong share performance, with total share in China up c.130bps in 2020. We expect this innovation will help reverse previous market share losses over the coming quarters. Elsewhere, where our 'Invisible' portfolio and Naturals lubricants platform have been the focus, share performance has been strong in most major markets.

In aggregate, our over-the-counter (OTC) portfolio saw revenue decline 3% in the full year. The year started strongly, with good early gains for Mucinex and the benefits of pantry loading in the early stages of the pandemic. The category saw lower consumer demand during stay-at-home conditions and as a result of the weaker cough, cold and flu season towards the end of the year. For example, the Influenza-like-Illness Index was down over 80% in December. Within OTC, several brands have performed well, including Gaviscon, which delivered share gains of over 100bps globally and double digit revenue growth in the year, as a result of sustained execution of a well-established go-to-market models, continued white space expansion, and growing innovation. Looking forward, we expect the weak cough cold and flu season to significantly impact revenue in the first quarter of 2021 as the category laps the exceptionally strong start to 2020. Progressively, comparatives become easier and with a strong pipeline of investments and innovations, we expect the segment to return to good growth in the second half of the year.

Our portfolio of personal care products grew overall, despite some weaknesses in the early part of the pandemic, with good performances from Veet and E45. Clearasil was also steady and while Scholl declined overall, demand showed some signs of recovery in the second half.

Adjusted operating profit for Health at £1,334m was down 0.2% on a constant FX basis and down 2.6% on a reported basis. Adjusted operating margin was 27.3%, down 340 basis points year-on-year reflecting the significant investments made under our plan to rejuvenate sustainable growth and some product mix effects, partially offset by the benefits of our enhanced productivity programme.

CASE STUDY

GAVISCON DRIVING MARKET SHARE GAINS

In Digestive Health, uninterrupted by the COVID-19 environment, Gaviscon continued a three year run of very strong results across all major countries. Underpinning this was the sustained execution of a well-established Healthcare Professional and Consumer success model, continued white space expansion and a growing innovation pipeline.

During the year, we grew market share globally by c.100bps, with double-digit revenue growth.

Market share optimisation
Market share growth vs. 2019

+110bps

+210bps

+380bps

+390bps

+180bps

+340bps

CASE STUDY

FOCUS ON: SEXUAL WELLBEING

In a year where the COVID-19 pandemic has significantly impacted sexual wellbeing behaviours, Durex has continued to challenge conventions to help break down stigmas and taboos so that people can enjoy sex that feels good for them. From India to Russia, to Italy, we are increasingly getting Durex into daily conversations and making the brand a part of the culture.

Even during the lockdown, Durex has found new ways to reach consumers, with new 'ultra-fast' partnerships with Glovo, Deliveroo, and Ocado Zoom. As shoppers shifted their spending towards e-commerce channels, Durex made the necessary supply chain adjustments to meet exceptional levels of demand. The brand provided the consumers with the content and products to support an increase in solo sex occasions with lube-specific bundle packs that helped deliver market share gains in e-commerce.

To keep up with the commitment to continuously improve consumer adoption of safe sexual behaviours via better experience with protection products, Durex is now offering a consistent condom orientation so that users can open and wear them "right side up", always. The brand is also on the journey to offer a better fit because "when it fits right, it feels right." These experience improvements are being communicated across the consumer journey, and in lead roll-out markets we already see positive early results, with share gains in both Germany and Russia.

Our premium condom products have been supported with extensive innovation across the world.

In China, a key market for us, we entered in to the fast-growing PU segment, whilst in the Performance segment, we have extended our platform with several new propositions. Along with strong sales execution and innovative marketing support with music and lifestyle brand partnerships, we see strong share gains.

In the rest of the world – AiR, and our Naturals lubricant platform have been the focus. Within AiR, we have increased the number of sizes available to drive both comfort and sensation. In Naturals, the new variants, along with our #LadiesLetsLube campaign, continued to bring in new category and brand users as we breakdown the stigmas on using the category.

With first sex being so critical to shaping long-term attitude and behaviours, we continue to focus on the point of market entry programs to help young people make informed and confident choices, fight AIDS and STIs and celebrate diversity and inclusivity around the world. Throughout the year we have led with partnerships such as Stonewell, Her, Durex Red (Global), National AIDS Control Organisation (India), Solidarte (France), Dance 4Life (Netherlands), UNFPA (Mexico), and the Ministry of Health in Russia.

Nutrition

INVESTING TO BUILD A STRONGER PLATFORM FOR GROWTH

2020 performance highlights

LFL Net Revenue growth

UNCHANGED

Adjusted Operating Margin[1]

14.1%

Key strategic priorities

- Improve the performance of our business in China through driving efficiencies, reinvestment in growth and evaluating potential strategic options;
- Invest in the business more broadly to deliver mid-single digit growth, capturing opportunities in vitamins, minerals and supplements and adult nutrition;
- Drive further productivity to fund increased re-investment.

2020 was an important year as we integrated our nutrition portfolio and invested to address a number of legacy issues. During this time, we delivered a stable performance in challenging conditions. Performance in North America was particularly strong with both our infant formula and immunity products delivering good growth. The Greater China infant nutrition market remained challenging due to the closure of cross-border sales from Hong Kong and increased domestic competition.

Overview

Our Nutrition business seeks to protect heal and nurture through providing the highest quality nutrition to those at all stages of life – from infancy to old age. With products spanning infant formula, allergy nutrition and Vitamins Minerals and Supplements ('VMS'), we seek to build and develop 1:1 relationships with consumers – personalising solutions at scale.

Our business is currently centred around infant nutrition – a large, global market with significant barriers to entry and with the opportunity for highly attractive margins. But with ageing populations and growing importance placed on nutrition throughout the life cycle, we see opportunity to rejuvenate sustainable growth for the business unit through further expansion in to the adult and senior segments. This leverages our science and technology expertise, with existing go to market capabilities and in certain instances our existing brand equity in Vitamins, Minerals and Supplements. Like our other businesses, Nutrition

> **"The creation of a focused Nutrition business gives us the opportunity to leverage our outstanding technology base across a wider range of growth markets in infant, adult and specialty nutrition.**
>
> **Aditya Sehgal,**
> GBU President

1. Non-GAAP measures are defined on page 77

is a leader in the use of e-commerce tools that have underpinned our market development and customer service.

2020 performance saw good underlying growth in many of our markets, with exceptional demand for a number of our VMS products more than offsetting market-specific challenges in our infant business.

2020 performance

Nutrition revenue was unchanged on a LFL basis in the full year at £3,287m. This reflected a volume decline of 1.0% and price/mix growth of +1.0%.

Infant and child nutrition (IFCN) revenues were down 4% year-on-year, despite the strong performance in North America from Enfamil, where new innovations such as NeuroPro helped the business defend a strong share position in a growing WENR (un-subsidised) market. In particular, the Omega3-DHA-led innovation, strong consumer insight and good execution helped improve competitiveness and market shares in the second half of the year. Performance in Latin America was largely as expected, after the successful overhaul of a key spray-dryer facility in Mexico, although underlying markets remained soft, reflecting the prevailing economic climate in the region.

The Greater China business remains a focus area for the Group as we seek to improve operational performance and continue our review and analysis of strategic options. We will provide further updates through 2021. Performance of infant formula in Greater China, which represents around 25% of our Nutrition business and around 6% of Group revenues, was adversely impacted by ongoing restrictions on cross-border trade activity between Hong Kong SAR and mainland China. In mainland China itself, a steady market share performance in the first few quarters of the year was offset by a challenging fourth quarter where, as expected, sales were adversely affected by increased price competition, particularly in the large Mother and Baby Store channel. We continue to compete well with our multi-national peers and grow share in the high-premium and super-high-premium market. However, a slowing rate of premiumisation and more competition from local suppliers is expected to reduce growth opportunities in the near-term.

In 2020, as a result of the COVID-19 pandemic additional uncertainty has been introduced into the annual impairment review of the goodwill and other intangible assets of IFCN. To reflect this uncertainty management has increased the pre-tax discount rate. This resulted in the IFCN net book value exceeding its recoverable amount, therefore management have recorded an impairment loss against IFCN goodwill of £985m. Detailed information can be found in Note 9.

2020 was a transformative year for some of our vitamins, minerals and supplements brands which now represent around 15% of the Nutrition business and grew over 30% in 2020. Airborne, our immunity supplement, grew in excess of 100% in the year, with strong growth in brand awareness and consumer demand as a result of heightened health concerns. Neuriva, launched in 2019, continued to deliver good growth with the product now commanding a 16% share of its category – up c.10% points over the previous year.

Adjusted operating profit for Nutrition at £462m was -34.3% lower on a constant FX basis and -35.7% lower on a reported basis. Adjusted operating margin was 14.1%, down 730 basis points year-on-year reflecting a number of one-off charges in the second half of the year and the impact of weaker market conditions and limited cross-border trading in Greater China. In particular, as a result of the Hong Kong SAR / China border closures, stock write-downs of stranded product resulted in around £40m of charges in the last quarter. Looking forward, a number of initiatives are underway to improve performance and we expect to be able to make some improvements to margins in 2021, and more substantially beyond, through productivity savings, trading improvements, the benefit of product innovations and the non-repeat of the 2020 one-off charges.

“ The impact of the pandemic on our markets has been challenging, with lower cross-border trade and, short-term, a lower birth rate. We are taking action to position the business to turn these challenges into opportunities and drive back towards mid-single digit growth in the medium term.

Aditya Sehgal,
GBU President

CASE STUDY

FACTORY UPGRADES IN MEXICO DURING THE COVID-19 CRISIS

After 61 years of successful operational use, during the first half of 2020 we invested c.$60m in our LATAM Nutrition factory dryer in Mexico to expand the capacity by 20% and improve performance.

The resilience of our employees was tested as the planned refurbishment coincided with the start of the COVID-19 crisis and lockdown. However, the team worked together to maintain availability of important SKUs across the LATAM region.

Using insights and creativity, and demonstrating the Reckitt 'can-do' attitude, the team managed to improve the IFCN business and quickly switched to virtual tools to maintain open lines of communication with the various medical teams with which we partner.

$60M

investment in our Latam Nutrition factory dryer

+20%

increase in capacity by 20%, and improved performance

STRONG FINANCIAL PERFORMANCE

Jeff Carr
Chief Financial Officer

We've delivered a strong financial performance in 2020. Net revenues were nearly £14bn, up 11.8% LFL, driven by volume led growth in a COVID-19 environment.

Adjusted operating profit of £3,301m was up 0.7% at constant currency. Our adjusted operating margin was 23.6%, 260bps lower than last year. This was largely due to the planned investment programme announced in February 2020, as the operational leverage from the strong revenue growth was reinvested in growth initiatives and used to offset COVID-19 related costs. On a reported basis, operating profit was £2,160m and included an impairment loss of £985m on IFCN goodwill reflecting the volatility and uncertainties relating to COVID-19. Adjusted diluted earnings per share were 327.0p, considerably ahead of our initial expectations.

We've generated very strong free cash flow of £3,052m, up 42%. Free cash conversion was 131%, benefiting from the negative working capital position. We anticipate this working capital inflow will partially unwind in 2021, albeit free cash conversion over 2020 and 2021 is expected to be very strong. Building a stronger balance sheet is a clear priority. In 2020 we reduced net debt by £1.7b to £9.0b, through improved cash generation and maintaining strong financial discipline. As a result, our net debt leverage metric has improved, with Net Debt / Adjusted EBITDA falling to 2.4x, a reduction of 0.5x in the year.

Consistent with our statement in February 2020, the Board has recommended holding the full year dividend unchanged at 174.6p. We will maintain the dividend per share at 2019 levels until we rebuild dividend cover to target levels, at which time we will be able to resume growth in dividends in line with the growth in adjusted net income.

Looking to 2021, set against our strong top-line growth in 2020, we expect our business to grow in 2021 with like for like net revenue growth in the range of flat to +2%. Our margin expectation for 2021 is broadly unchanged; in line with previous guidance we will continue to invest in growth resulting in adjusted operating margins in 2021 being between 40-90bps lower than 2020 levels.

Looking to the medium term, our outlook remains unchanged. We continue to expect to progress towards achieving sustained mid-single digit organic revenue growth in the medium term, and a mid-20s margin by the mid-2020s.

Detailed Group Financial Review

Net revenue

On a Group basis, net revenue was £13,993m, representing 11.8% growth on a LFL basis of which 9.6% was volume and 2.2% price/mix. This very strong growth was volume led in a COVID-19 environment, as customers sought trusted, heritage brands, reinforced by stronger purpose-led brand equity and strengthened execution. Total net revenue at actual exchange rates was up 8.9%, reflecting a foreign exchange headwind of 2.9% principally driven by Latin American currencies.

Hygiene net revenue was £5,816m, up 19.5% on a LFL basis, of which 17.7% was volume and 1.8% price/mix. This very strong net revenue growth was driven by Lysol and Finish, with strong growth for Air Wick, Harpic, Mortein, Veja, Calgon and Cillit Bang. Hygiene net revenue at actual exchange rates was up 15.6%.

Health net revenue was £4,890m, up 12.1% on a LFL basis, of which 8.4% was volume and 3.7% price/mix. This growth was driven by very strong Dettol growth in all major markets, strong growth from Gaviscon and improved Durex momentum. Nurofen and Strepsils declined year on year, reflecting the weak cough, cold and flu season towards the end of the year. Health net revenue at actual exchange rates was up 9.6%.

Nutrition net revenue was £3,287m, unchanged from the prior year on a LFL basis, of which -1.0% was volume and 1.0% price/mix. US IFCN growth and increased customer focus on wellness and immunity, with Airborne up over 100%, offset the adverse IFCN market in Greater China. Nutrition net revenue at actual exchange rates was down 2.0%.

e-commerce delivered channel growth of 56% in 2020, estimated to be c.12% of Group net revenue.

Net revenue in the year reflects the deferral of certain shipments not reaching customers by 31 December 2020, consistent with the passing of control requirements under IFRS. Prior year net revenues included these shipments, the year-on-year impact of which was not significant. The deferral reduced net revenue for the Group by £67m in 2020, of which £25m related to Health, £36m related to Hygiene and £6m related to Nutrition.

Gross margin

Gross margin decreased by 20bps to 60.3% as a result of adverse product mix principally in Health, COVID-19 related expenses and higher costs in IFCN, including c.£40m of inventory write-downs following the Hong Kong border closure, which together more than offset productivity savings within our cost of goods sold.

The impact of the deferral of shipments, as disclosed above, was negligible on gross margin.

Net operating expenses

Brand Equity Investment (BEI) was up 7%, or £138m, on a pound spent basis (at constant currency), at 13.9% of net revenue, 50bps lower than the prior year, reflecting leverage benefits from strong net revenue growth in 2020, productivity initiatives to improve the ratio of working to non-working media spend and investments in digital talent. In absolute terms BEI increased by 5% on a reported basis.

Other costs increased by 290bps as a percentage of net revenue, reflecting higher year-on-year performance related costs, investments in capabilities and finite-life transformation costs.

Group operating profit

Group adjusted operating profit was £3,301m (2019: £3,367m) at an adjusted operating margin of 23.6%, in line with our mid-year guidance and 260bps lower than the prior year (2019: 26.2%). This largely reflects the impact of the planned investment programme announced in February 2020. As announced at the half year, the operational leverage from the strong revenue growth was reinvested in our growth initiatives and used to offset COVID-19 related costs of around £120m (c.80bps). These COVID-19 related costs are incremental to our planned investments and we expect them to continue into 2021.

Reported operating profit was £2,160m (2019: £1,954m operating loss) at a reported operating margin of 15.4% (2019: -15.2%). In the year to 31 December 2020, adjusting items of £1,141m are included in reported operating profit (2019: £5,321m), this includes £985m (2019: £5,037m) of goodwill impairment (note 9), intangible asset amortisation of £80m (2019: £81m) and a charge in relation to the Korea HS issue of £69m (2019: £nil). Further details on adjusting items can be found on page 78.

Net finance expense

Adjusted net finance expense was £260m (2019: £188m). The increase of £72m is principally due to comparison with adjusted net finance expense in 2019 which included income from significant items not repeated in 2020. Excluding these items, adjusted net finance expense in 2020 slightly increased as lower net interest costs on the Group's borrowings were offset by the interest element of an indirect tax provision and other finance expenses recorded in 2020.

Reported net finance expense of £286m (2019: £153m) includes £26m of finance expenses on tax balances (2019: £35m finance income) which are reclassified to income taxes on an adjusted basis.

Tax

The adjusted tax rate, which excludes the effect of adjusting items, was 22.7% (2019: 21.8%) in line with expectations.

The reported tax rate was 38.4% (2019: minus 31.6%). The tax rate in 2020 and 2019 was impacted by the non-taxable goodwill impairment. Excluding this item from both years, the reported rate in 2020 increased by c.3% to 25.2%, primarily due to the impact of the enacted increase in the UK corporation tax rate from 17% to 19% on deferred tax liabilities recorded on intangible assets.

Discontinued operations

Income from discontinued operations of £50m (2019: £898m expense) relates to a partial release of a provision relating to the prior year settlement with the Department of Justice (DoJ) in relation to Indivior plc matters. This follows a review of outstanding items relating to the DoJ settlement and the associated provisions. The prior period expense reflects the charge to the Income Statement for the $1.4bn settlement agreed with the DoJ, which was paid in full by the end of 2019, and amounts deemed necessary to cover any remaining litigation exposure.

Earnings per share (EPS)

Adjusted diluted EPS from continuing operations was 327.0p (2019: 349.0p), the decrease of 6.3% primarily driven by lower adjusted operating profit and higher adjusted net finance expense.

Reported diluted EPS from continuing operations was 159.3p (2019: loss per share of 393.0p).

Balance sheet

As at 31 December 2020, the Group had total equity of £9,159m (31 December 2019: £9,407m).

Current assets of £5,314m (31 December 2019: £5,033m) increased by £281m, driven by higher inventories and cash and cash equivalents offset by lower trade and other receivables.

Current liabilities of £6,938m (31 December 2019: £8,931m) decreased by £1,993m. This decrease principally resulted from significantly lower short-term borrowings, following repayment of commercial paper and term loans in the year, which more than offset higher trade and other payables.

Non-current assets of £25,978m (31 December 2019: £27,106m) primarily comprise of goodwill and other intangible assets of £22,979m (31 December 2019: £24,261m) and property, plant and equipment. The £1,128m decrease in non-current assets is driven by goodwill and other intangibles, as the result of the £985m IFCN impairment charge in addition to a decline due to the retranslation of foreign currency denominated assets.

Non-current liabilities of £15,195m (31 December 2019: £13,801m) increased by £1,394m, driven predominantly by higher long-term borrowings following the issuance of new bonds of just under £2bn in the year.

Net working capital

During the period, net working capital improved by £802m to negative £2,229m (31 December 2019: negative £1,427m). Net working capital as a percentage of 12-month net revenue is -16% (31 December 2019: -11%).

The improvement in net working capital was primarily driven by higher trade and other payables, up £922m to £5,742m (31 December 2019: £4,820m), and lower trade receivables, down £158m to £1,921m (31 December 2019: £2,079m) partially offset by higher inventories, up £278m to £1,592m (31 December 2019: £1,314m). The increase in trade and other payables is due to higher manufacturing activity, volume related increases to trade spend accruals and higher variable pay accruals.

Cash Flow

	31 Dec 2020 £m	31 Dec 2019 £m
Cash generated from continuing operations	**4,557**	3,408
Less: net interest paid	**(267)**	(210)
Less: tax paid	**(762)**	(647)
Less: purchase of property, plant & equipment	**(394)**	(306)
Less: purchase of intangible assets	**(92)**	(137)
Plus: proceeds from the sale of property, plant & equipment	**10**	37
Free Cash Flow	**3,052**	2,145
Free Cash Flow Conversion	**131%**	87%

Cash generated from continuing operations was £4,557m (2019: £3,408m), higher by £1,149m primarily driven by favourable net working capital movements of £802m. Net cash generated from operating activities was £3,518m (2019: £1,411m) after net interest payments of £267m (2019: £210m) and tax payments of £762m (2019: £647m).

Free cash flow is the amount of cash generated from continuing operating activities after capital expenditure on property, plant and equipment and intangible assets and any related disposals. Free cash flow reflects cash flows that could be used for payment of dividends, repayment of debt or to fund acquisitions or other strategic objectives. Free cash flow as a percentage of continuing adjusted net income was 131% (2019: 87%).

Net debt

	31 Dec 2020 £m	31 Dec 2019 £m
Opening net debt	**(10,749)**	(10,746)
Free cashflow from continuing operations	**3,052**	2,145
Shares reissued	**131**	61
Purchase of investments and acquisition of businesses	**(36)**	(36)
Dividends paid	**(1,257)**	(1,242)
Movement in lease liabilities	**(86)**	(63)
Exchange and other movements	**1**	272
Cash flow attributable to discontinued operations	**(10)**	(1,140)
Closing net debt	**(8,954)**	(10,749)

During the year to 31 December 2020 net debt reduced by £1,795m to £8,954m. The significant reduction in net debt was driven by strong free cash flow of £3,052m offset by dividend payments of £1,257m. The Group regularly reviews its banking arrangements and currently has adequate facilities available to it.

The Group has committed facilities totalling £5,500m (31 December 2019: £5,500m) which are undrawn and available to draw. The Group remains compliant with its banking covenants. The committed facilities are not subject to renewal until from 2022 onwards. During 2020, the Group temporarily drew down part of its committed facilities due to short term illiquidity in the commercial paper market. This was repaid in full during 2020.

Dividends

The Board of Directors recommends a final 2020 dividend of 101.6 pence (2019: 101.6 pence), to give a full year dividend of 174.6 pence (2019: 174.6 pence). The dividend if approved by shareholders at the AGM on 28 May 2021, will be paid on 14 June 2021. The ex-dividend date is 6 May 2021. The final dividend will be accrued once approved by Shareholders.

Capital returns policy

Reckitt has consistently communicated its intention to use its strong cash flow for the benefit of Shareholders. Our priority remains to reinvest our financial resources back into the business, including through value-adding acquisitions, in order to deliver sustainable growth in net revenue and improving earnings per share over time.

In managing the balance sheet, we intend to maintain key financial ratios in line with those expected of an A-grade credit-rated business. This will broadly define acceptable levels of leverage overtime.

Repatriating cash to shareholders through a growing dividend remains a long-term goal of the business. As a result of the investments being made in 2020 and expected to be made in 2021, which will benefit long-term sustainable growth, our dividend pay-out for the current year is above the threshold set out in our policy, i.e. of paying an ordinary dividend equivalent to around 50% of total adjusted net income. As set out in February 2020, we will maintain the dividend pay-out per share at 2019 levels until we rebuild dividend cover to target levels, at which time we will be able to resume growth in dividends in line with the growth in adjusted net income.

In line with the investment priorities, we expect to invest an incremental capital expenditure of around £400m in total, spread over the next few years.

We will continue to rigorously evaluate our portfolio to actively migrate it to higher growth.

Return on Capital Employed (ROCE)

The Group continues to focus on employing capital appropriate to drive long term value creation for its shareholders. The Group's ROCE in 2020 was 10.1% (2019: 10.3%). This is largely the result of Adjusted Operating Profit at constant exchange rates being broadly flat compared to the prior year coupled with a higher adjusted tax rate in 2020 than 2019.

Adjusted and Other Non-GAAP Measures

The financial information included in this Annual report is prepared in accordance with International Financial Reporting Standards (IFRS) as well as information presented on an adjusted basis.

Financial information presented on an adjusted basis excludes certain cash and non-cash items which management believe are not reflective of the underlying financial performance of the business. Financial information on an adjusted basis is consistent with how management reviews the business for the purpose of making operating decisions. Adjusting items comprise exceptional items, other adjusting items and the reclassification of finance expenses on tax balances.

- Exceptional items are material, non-recurring items of expense or income.
- Other adjusting items relate to expenses or income that the Group adjust for because their pattern of recognition is largely uncorrelated with the underlying performance of the business. This includes the following items:
  - Amortisation of acquired brands, trademarks and similar assets;
  - Amortisation of certain other intangible assets recorded as the result of a business combination;
  - Profits or losses relating to the sale of brands and related intangible assets;
  - Changes to deferred tax liabilities relating to (a) acquired brands, trademarks and similar assets and (b) certain other intangible assets recorded as the result of a business combination; and
  - Re-cycled foreign exchange translation reserves upon the sale, liquidation, repayment of share capital or abandonment of a subsidiary previously controlled by the Group.
- Adjusting items include a reclassification of finance expenses on tax balances into income tax expense, to align with the Group's tax guidance. As a result, these expenses are presented as part of income tax expense on an adjusted basis.

Adjusted measures

- **Adjusted Operating Profit and Adjusted Operating Profit margin:** Adjusted operating profit reflects the IFRS operating profit excluding items in line with the group's adjusted items policy. See page 78 for details on the adjusting items and a reconciliation between IFRS operating profit and adjusted operating profit. The adjusted operating profit margin is the adjusted operating profit expressed as a percentage of net revenue.
- **Adjusted tax rate:** The adjusted tax rate is defined as the Adjusted continuing income tax expense as a percentage of Adjusted profit before tax.
- **Adjusted diluted EPS:** Adjusted diluted EPS is the IFRS diluted EPS excluding items in line with the group's adjusting policy. See page 78 for details on the adjusting items and a reconciliation between IFRS net income and adjusted net income. The weighted average number of shares for the period is the same for both IFRS EPS and adjusted EPS.
- **Adjusted net working capital:** Adjusted net working capital excludes the impact of the Department of Justice (DoJ) accrual in respect of the 2019 settlement with the DoJ in relation to Indivior plc matters.

Other non-GAAP measures

- **Like-for-Like (LFL):** Net revenue growth or decline at constant exchange rates (see below) excluding the impact of acquisitions, disposals and discontinued operations. LFL growth also excludes Venezuela.
- **Constant exchange rate (CER):** Net revenue growth or decline adjusting the actual consolidated results such that the foreign currency conversion uses the same exchange rates as were applied in the prior period.
- **Brand Equity Investment (BEI):** BEI is the marketing support designed to capture the voice, mind and heart of our consumers.
- **Net working capital (NWC):** NWC is the total of inventory, trade and other receivables and trade and other payables. NWC is calculated as a % of last twelve months net revenue to compare changes in NWC to the growth of the business.
- **Net Debt:** The Group's principal measure of net borrowings being a total of cash and cash equivalents, short-term and long-term borrowings, lease liabilities and derivative financial instruments on debt.
- **Free Cash Flow and Free Cash Flow Conversion:** The Group's principal measure of cash flow defined as net cash generated from continuing operating activities less net capital expenditure. A reconciliation of cash generated from operations to Free Cash Flow is shown on page 76. The Group tracks Free Cash Flow on a % of adjusted net income to understand the conversion of adjusted profit into cash.

Other definitions and terms

- **E-commerce:** e-commerce channel net revenue is defined as direct sales from Reckitt to online platforms or directly to consumers. Estimates of total e-commerce sales as a percentage of group revenues includes direct sales and an estimate of sales achieved by our brands corresponding to sales through our omnichannel distributors and retailer' websites.
- **Continuing operations:** Continuing operations excludes any credits or charges related to the previously demerged RB Pharmaceuticals business that became Indivior plc. Net income/(loss) from discontinued operations is presented as a single line item in the Group Income Statement.
- **Return on capital employed (ROCE)** is defined as adjusted operating profit after tax divided by monthly average capital employed. Capital employed comprises total assets less current liabilities other than borrowings-related liabilities. Total assets exclude cash, retirement benefit surplus, current tax and a technical gross-up to goodwill that arises because of deferred tax liabilities recorded against identified assets acquired in business combinations. Total assets has been adjusted to add back the impairment of IFCN made in 2019 and 2020, so that ROCE is not increased by these impairments. Current liabilities exclude legal provisions recorded as a result of exceptional items and current tax.

The table below reconciles the Group's reported IFRS measures to its adjusted measures for the year ended 31 December 2020.

		Adjusting items			
Year ended 31 December 2020	**Reported £m**	**Exceptional items[1] £m**	**Other Items[2] £m**	**Finance Expense Reclass[3] £m**	**Adjusted £m**
Operating Profit	**2,160**	**1,061**	**80**	**–**	**3,301**
Net finance expense	(286)	–	–	26	(260)
Share of loss of associate	(1)	–	–	–	(1)
Profit before income tax	**1,873**	**1,061**	**80**	**26**	**3,040**
Income tax expense	(720)	(3)	59	(26)	(690)
Net income from continuing operations	**1,153**	**1,058**	**139**	**–**	**2,350**
Less: Attributable to non-controlling interests	(16)	–	–	–	(16)
Net income from continuing operations attributable to owners of the parent company	**1,137**	**1,058**	**139**	**–**	**2,334**
Net profit for the period from discontinued operations	**50**	**(50)**	**–**	**–**	**–**
Total net income for the year attributable to owners of the parent	**1,187**	**1,008**	**139**	**–**	**2,334**
Diluted earnings per share (EPS) from continuing operations	**159.3p**				**327.0p**

1. Exceptional items include £985m impairment on IFCN Goodwill (2019: £5,037m) (note 9), a charge of £69m (2019: £nil) relating to the Korea HS issue and a charge of £7m relating to previously announced restructuring projects (principally RB 2.0 costs). Included within income tax expense is a £3m tax credit for these exceptional costs
2. Other adjusting items of £80m relate to the amortisation of certain intangible assets recognised as a result of the acquisition of MJN. Included within income tax expense is a net £59m charge, being a £19m tax credit in respect of this amortisation offset by a £78m tax charge to adjust deferred tax liabilities for intangible assets for the UK tax rate change
3. Adjusting items of £26m relate to the reclassification of interest expense on income tax balances from net finance expense to income tax in the adjusted measures

The table below reconciles the Group's reported IFRS measures to its adjusted measures for the year ended 31 December 2019.

		Adjusting items			
Year ended 31 December 2019	Reported £m	Exceptional items[2] £m	Other Items[3] £m	Finance Expense Reclass[4] £m	Adjusted £m
Operating (Loss)/Profit	**(1,954)**	**5,240**	**81**	**–**	**3,367**
Net finance expense	(153)	–	–	(35)	(188)
(Loss)/Profit before income tax	**(2,107)**	**5,240**	**81**	**(35)**	**3,179**
Income tax expense	(665)	(45)	(18)	35	(693)
Net (loss)/income from continuing operations	**(2,772)**	**5,195**	**63**	**–**	**2,486**
Less: Attributable to non-controlling interests	(13)	–	–	–	(13)
Net (loss)/income from continuing operations attributable to owners of the parent company	**(2,785)**	**5,195**	**63**	**–**	**2,473**
Net loss for the period from discontinued operations	**(898)[1]**	**898**	**–**	**–**	**–**
Total net (loss)/income for the year attributable to owners of the parent	**(3,683)**	**6,093**	**63**	**–**	**2,473**
Diluted earnings per share (EPS) from continuing operations	**(393.0)p**				**349.0p**

1. Exceptional items within Discontinued Operations of £898m relate to charges in relation to the settlement amount for the US Department of Justice ("DoJ") and the US Federal Trade Commission investigations. Refer to Note 29 for further details
2. Exceptional items within Operating Profit of £5,240m relate to MJN integration / RB2.0 costs (£113m), restructuring and other projects (£11m), IFCN impairment of goodwill (£5,037m) and Oriental Pharma impairment of intangible assets (£79m). Included within income tax expense is a £45m income tax credit for these exceptional costs
3. Other adjusting items of £81m relate to the amortisation of certain intangible assets recognised as a result of the acquisition of MJN. Included within income tax expense is a £18m income tax credit in respect of these costs
4. Adjusting items of £35m relate to the reclassification of interest income on income tax balances from net finance expense to income tax in the adjusted measures

CLIMATE-RELATED FINANCIAL RISK

Climate-related financial risk is monitored through our executive and Board, with mitigation and adaption activity in our product development and supply chain operations.

Following an initial assessment of the potential areas of climate-related financial risks in 2018 which helped to inform our activity, we have begun a further, more detailed assessment in conjunction with Judge Business School. This is considering both risks and opportunities posed by climate change through our value chain, from the origin of our raw materials, to our manufacturing operations and how they may be affected by adverse weather patterns and rising temperatures, to the potential changes to consumer spending patterns that climate change may bring.

This will further inform our activity, for example influencing product development to create more sustainable products with lower carbon and water footprints; reducing Greenhouse Gas emissions and using renewable energy; and increasing resilience to water stress. That work includes our own operations and those of our suppliers, considers the way ingredients are developed and sourced, and considers how consumers use and dispose of our products.

A detailed disclosure on climate-related financial risk, including our climate related risks and our activities to address them are in our Insight on Climate Change, which can be downloaded at www.reckitt.com/sustainability/policies-and-reports.

Our approach to integrated risk management at Reckitt

Risk management occurs at different levels in Reckitt with identification and assessment performed at the functional, Global Business Unit, corporate and Group levels to provide both a 'top-down' and 'bottom-up' three-dimensional view of risk and is implemented as follows:

	Functional risk assessments	Global Business Unit/ corporate risk assessments	Group principal and emerging risk assessment	Board oversight	Annual Report
	Consolidation and critical challenge by Risk Management	**Reviewed by Global Business Unit / corporate function leadership teams**		**Principal and emerging risks identified through the Group Risk Assessment are disclosed in Reckitt's Annual Report**	
WHAT	• Identifies and monitors risks impacting the operation of each function or functional area • Controls are mapped to the three lines of defence • Detailed management action plans are developed to address control gaps	• Identifies and monitors risks with the potential to impact each Global Business Unit and the corporate centre • High-level control strategies and action plans are documented for each risk. Supporting functional risks are referenced	• Identifies the most significant principal and emerging risks with potential to impact the Group • Principal and emerging risks are disclosed in the Annual Report	• Oversight across each principal risk provided by a nominated Board Committee	
WHEN	• Completed annually, reviewed quarterly with updates provided to the Audit Committee	• Completed annually in advance of the Global Business Unit strategic planning process	• Completed annually in advance of the Global Business Unit strategic planning process	• Periodic reporting and risk deep dives occur with input from the risk owner	
HOW	• Functional risks are reviewed in detail annually to identify any changes to the risk profile including new risks and changes in assessment • Formal sign-off by functional heads with Group CFO • Updates on top risks and associated mitigations are reported to the Risk, Sustainability & Compliance Committee (RSCC) and Audit Committee on a quarterly basis	• Global Business Unit risk assessments are reviewed and updated annually through a series of one-to-one meetings with Global Business Unit leadership • For corporate functions, the functional risk assessments are reviewed and challenged	• One-to-one meetings are held with all Group Executive Committee (GEC) members, Group functional and assurance heads, external advisors and Non-Executive Directors (NEDs) • Synthesised output formally reviewed and signed off by the GEC and thereafter by the Board		
WHO	• Risk assessment owned by functional leadership team • Functional risk owners assigned to each specific risk, controls and action plans	• Global Business Unit/ corporate management teams led	• Group Risk Management • GEC owners assigned with principal and emerging risks circulated to the Board for final review and sign-off	• GEC owner	

Our approach to principal and emerging risk assessment

The Group principal and emerging risk assessment is an integral part of the integrated risk management framework above, identifying the principal and emerging risks with the greatest potential to impact the Group. The assessment is completed annually in advance of the Global Business Unit and corporate strategic planning process as follows:

Identification of risks

What could impact Reckitt and the achievement of its objectives?

- Identifies the most significant principal and emerging risks with potential to impact the Group
- One-to-one meetings are held with all GEC members, Group functional and assurance heads, external advisors and NEDs
- Functional, Global Business Unit and corporate risk assessments feed into this process
- Identifies sources of risk, key drivers and areas of impact
- Completed annually in advance of the Global Business Unit strategic planning process

Control strategy

What are we doing to manage the risk?

- Control strategy is reviewed to establish if it is appropriate and operating as intended
- Where we identify control gaps, what more do we need to do?

Assessment of net risk and prioritisation

How comfortable are we with the level of risk?

- Considering the controls we have in place to manage each risk:
  - What is the probability that the risk will materialise?
  - If it did, what would the likely impact be?
  - How comfortable are we with how the risk is being managed?
  - Is the risk within an acceptable level of appetite?
- Assessment identifies those risks and controls where management should focus its effort
- The decision to act will be based on which risks are no longer acceptable

Management action

What more do we need to do?

- Having identified areas of highest risk that require attention, action plans are developed by management to:
  - address any control gaps identified
  - improve the effectiveness of existing controls, thereby reducing the probability and impact to an acceptable level
- GEC owners assigned, with principal and emerging risks circulated to the Board for final review, sign-off and ongoing monitoring
- Principal and emerging risks are disclosed in the Annual Report

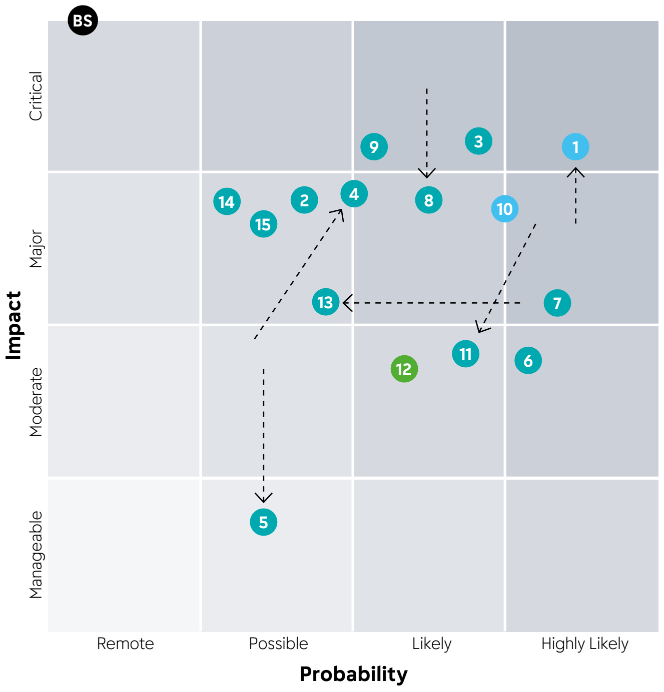
Our principal and emerging risks, as at 31 December 2020

Key to principal risks

Category	ID	Risk title	Risk statement
Operational	1	**COVID-19**[1]	COVID-19 causes significant disruption to core business processes in key markets, impacting our ability to meet customer and consumer demand and protect our employees.
	2	**Product Safety**	Robust process, systems and culture for the development and assessment of product safety are not in place or operating effectively, leading to safety risk to consumers.
	3	**Supply Disruption**[1]	Disruption to the continuity of supply as a result of inability to procure critical ingredients and/or reliance on single factories that supply key markets without actively qualified contingencies in place.
	4	**Cyber Security**	As a complex global organisation, there is a risk that Reckitt falls victim to increasingly sophisticated cyber-attacks aimed at causing disruption to our information assets by destruction, circumventing confidentiality, integrity or availability controls.
	5	**Employee Health & Safety**	Work accidents leading to death, injury or illness of Reckitt employees wherever they are working and other workers on Reckitt premises or premises under Reckitt supervision, in case of outsourced operations.
	6	**Sustainability**[1]	Failure to address existing and emerging environmental and social risks and opportunities, and changing societal expectations of businesses in addressing these, creates underlying risk to business resilience and growth, risking stranded assets or missed growth opportunities.
	7	**Adherence to Product Quality Standards**[1]	Non-compliance with applicable quality regulations, guidelines and internal/external standards across the product lifecycle governing how we produce and supply product.
Strategic	8	**Innovation**[1]	The current innovation pipeline does not meet the changing needs of our consumers and new go-to-market channels, and is not sufficient to achieve organic growth ambitions and drive gross margin accretion.
	9	**Disruption**[1]	Inability to respond, adapt and evolve both our products and processes to disruptive market forces including e-commerce, digital and new formats, impacting our ability to effectively service our customers and consumers with the required agility.
	10	**China**[1]	Risk of economic uncertainty in China, changing regulations and changes in current or new partners impacting growth and business performance.
People	11	**People**[1]	Failure to achieve strategic objectives as a result of significant management churn and inability to attract and retain top talent.
Financial	12	**Tax Disputes**	Significant unprovisioned cash outflows as a result of tax authority challenge to filed tax positions in territories.
Compliance	13	**Product Regulations**	Non-compliance with product classification regulations, guidelines, internal standards and/or registrations across the supply chain and throughout the product lifecycle.
	14	**Legal & Compliance**	We are not fully compliant with relevant laws and regulations, including anti-corruption laws, data privacy laws and global competition laws.
	15	**South Korea**	Financial and reputational risk as a result of the health issues caused by consumers inhaling a humidifier sanitiser previously sold by Oxy, which Reckitt acquired in 2001.
Other	BS	**Black Swan Event**	Multiple brands and territories impacted by an unforeseen probably reputational incident.

1. See Viability Statement on page 93

Principal risks



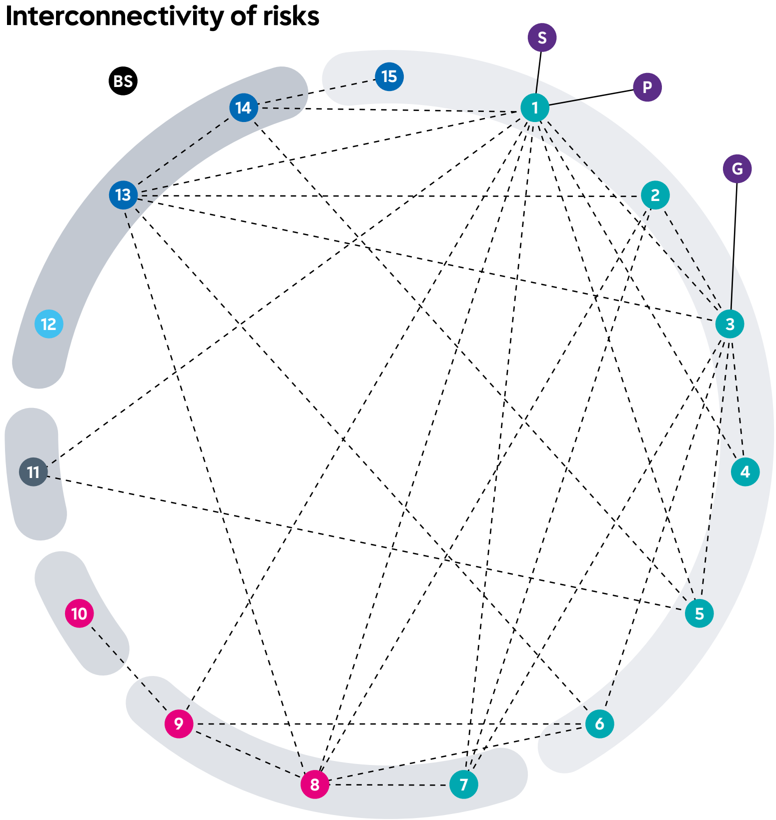
Mitigation activity
Colour indicates extent of activity outstanding to mitigate in line with risk appetite.

- All significant mitigating actions are in place and operating effectively
- Some significant actions remain in progress
- Significant and urgent actions remain under way

Risk movement
Arrows indicate movement from prior year position.

- - - - -> Direction and distance of movement.

Interconnectivity of risks



Action planning to mitigate principal risks is complicated by the interconnectivity between them, requiring robust oversight by leadership teams to prioritise time and resources as appropriate.

- Strategic
- Financial
- Operational
- Compliance
- People
- Emerging

S Sustained/deepening economic recession

P Pandemic-related litigation and regulation

G Geopolitical

1. COVID-19

Risk movement:
New risk

Oversight accountability
Executive ownership resides directly with the Group Executive Committee, with each Global Business Unit responsible for their respective deliverables. Board oversight is provided by the main Board.

The risk: COVID-19 causes significant disruption to core business processes in key markets, impacting our ability to meet customer and consumer demand and protect our employees.

Potential impact
The impacts of this risk are broad reflecting the wide-ranging disruption caused by the pandemic. Chief among these has been the impact on our workforce, both protecting those working at Reckitt sites and supporting the remainder through a prolonged period of remote working; and the supply chain disruption that has impacted our ability to produce and ship our products.

Mitigation progress in 2020
In response to the pandemic, a Group-wide cross-functional COVID-19 Decision Making Forum was established to oversee the Group's response to the evolving crisis. The Forum was supported by Global Business Unit crisis teams tracking local developments, including infection rates.

Essential business functions, roles and critical processes were identified and subject to contingency planning.

Site-specific protocols and remote working safeguards were introduced where required. A programme of global and local wellbeing initiatives was established to support employee health and wellbeing.

Across the Supply organisation, continuity responses were activated which included engagement of new suppliers for critical materials, daily reviews of manufacturing capacity across our network of factories and manufacturing partners, and partnership with logistics providers ensuring we could move products across closed borders.

Current control strategy
As the pandemic continues into 2021, return to work protocols have been established to ensure both compliance with local government requirements as well as respect for each individual's personal situation. Additional safety measures have been introduced across our sites and are supported with a set of global procedures. We continue to support our employees through regular updates and dedicated resources online.

Activity impact for 2021
Our Group-wide and local COVID-19 response procedures are continually reviewed to ensure they are appropriate and reflect any further developments. It is anticipated that, while some disruption will continue into 2021, this will reduce as our new ways of working become further embedded. Target rating from current Red to Green by the end of 2021.

2. PRODUCT SAFETY

Risk movement:
No change

Oversight accountability
Executive ownership resides with the Chief R&D Officer, who drives activity through each of the Global Business Unit executive leadership teams. Board oversight is provided by the CRSEC Committee.

The risk: Robust process, systems and culture for the development and assessment of product safety are not in place or operating effectively, leading to safety risk to consumers.

Potential impact
Product safety issues lead to reputational damage with consumers, customers or regulators. Significant financial losses could arise from supply disruption, product recalls, delayed launches, penalties and a loss of consumer trust, as well as possible criminal liability for senior management.

Any gaps in the completion of our safety assessments and a lack of anticipation of new safety concerns could exacerbate any potential impact.

Mitigation progress in 2020
Several product safety related programmes have been completed or remain on plan for completion. PLM (Product Lifecycle Management) implementation is ongoing and includes the digital integration of cross-functional systems (Safety, Regulatory, Pharmacovigilance, Quality, Supply and Procurement) to provide greater control, compliance and reduce manual intervention across the product lifecycle.

A Chief Safety Officer has been appointed with additional medical safety personnel now in role. Product safety training has been rolled out to all employees, as well as specific training for relevant employees to understand their role in ensuring SQRC (safety, quality and regulatory compliance) for Reckitt products.

We have made investment into consumer relations to improve consumer data insights and awareness of social media to identify emerging trends, themes and safety concerns.

Current control strategy
As part of the evolution of our product safety and regulatory processes, the SQRC function has now been integrated into the Supply and R&D functions. This restructure will help to further embed product safety into each of the Global Business Units by driving proximity to markets whilst also providing centralised oversight and assurance services.

A robust quality management system is underpinned with clear policies and supporting systems, which are subjected to comprehensive and independent regular audit review. Consumer safety and vigilance teams within the Global Safety Assurance function conduct pre-market safety reviews and monitor and report on adverse events.

Our Global Safety Assurance function reports through R&D and is accountable to the Risk, Sustainability & Compliance Committee (RSCC) and thereafter to the Corporate Responsibility, Sustainability, Ethics & Compliance (CRSEC) Committee.

Activity impact for 2021
2021 will see the continued roll-out of the upgraded PLM system to better enable compliance management throughout the lifecycle. The Product Integrity Review (PIR), ensuring all Reckitt products have a refreshed compliance review, and change management programmes will be completed in the first half of 2021. Innovation and business processes continue to be adapted to ensure safety diligence requirements are fully implemented. Target rating to remain Amber at the end of 2021. This is a multi-year deliverable to replace current systems.

3. SUPPLY DISRUPTION

Risk movement: **No change**

Oversight accountability
Executive ownership resides directly with the Chief Supply Officer. Board oversight is provided by the main Board.

The risk: Disruption to the continuity of supply as a result of inability to procure critical ingredients and/or reliance on single factories that supply key markets without actively qualified contingencies in place.

Potential impact
Such disruption could result in supply shortages and importation barrier issues, leading to loss of sales and market share. Also, potential loss of competitiveness and profitability from service level deterioration arising from factory capacity constraints, warehouse or transport set-up charges or insufficient change capability in factory and/or supply services, including forecasting accuracy and capabilities.

COVID-19 has further heightened this risk, through global shortages of critical materials required for COVID-19 essential products, the impact of the virus on labour availability, capacity constraints and disruption to logistics as a result of closed borders and other factors.

Mitigation progress in 2020
In response to the COVID-19 pandemic, emergency business continuity projects were activated to ensure continuity in servicing our customers. These included increasing safety stock levels, shifting volumes across the network and to external manufacturing partners, and activating alternative suppliers of key materials.

An end-to-end planning reset is under way to drive proactivity and better balance supply and demand. This will help to strengthen the resilience of our supply chain through investments in upstream supply resilience; alternative sites of manufacture; adequate manufacturing capacity; robust products; manufacturing processes and holistic packaging design.

Current control strategy
Procurement, manufacturing and supply services have defined manufacturing and quality control processes to ensure products are safe and meet all regulatory and legal requirements.

Continued investment to reduce monosourcing risk across raw and packaging materials through dedicated programmes focusing on priority materials in Hygiene, Health and Nutrition.

Increased investment in manufacturing facilities to enhance reliability and continuity of supply. Factories have been assessed and those considered key or strategic have received investment to attain Highly Protected Risk (HPR) status by our insurers. Review of business interruption insurance policies to ensure adequate cover is in place.

Activity impact for 2021
A Group-wide business continuity programme has recently commenced to strengthen existing business continuity arrangements for products, sites and functions, including ongoing delivery of ingredient planning across specific brands and markets alongside qualification of secondary manufacturing sites. This will allow us to increase the resilience of our supply chain and provide more robust business continuity processes throughout the portfolio. Target rating to remain Amber at the end of 2021.

4. CYBER

Risk movement: **Increasing**

Oversight accountability
Executive ownership resides directly with the Group Chief Information & Digitisation Officer. Board oversight is provided by the main Board.

The risk: As a complex global organisation, there is a risk that Reckitt falls victim to increasingly sophisticated cyber-attacks aimed at causing disruption to our information assets by destruction, circumventing confidentiality, integrity or availability controls.

Potential impact
Significant business disruption, data destruction or theft, regulatory non-compliance, reputational damage, financial loss and constraints in delivering global business strategy.

This risk is heightened by the increasing volume and types of sensitive personal data held, a strengthened regulatory environment including significant financial penalties for non-compliance and the growing number and complexity of connected digital systems. These include third parties, cloud and digital service providers.

Mitigation progress in 2020
Phase 1 of the Cyber Transformation Programme was successfully completed in early 2020 and included removal of legacy platforms; increased IT security team headcount; new cyber response playbooks and processes; advanced threat protection; and continued improvements to system recovery speed and capability. It also covered areas such as improving baseline identity and access management for some financial systems as well as multi-factor authentication to protect Reckitt system identities.

We have launched the next phase of our multi-year cyber security strategy which will further reduce cyber risk through investment in our cyber security baseline, agility and innovation to stay as close as possible to emerging cyber threats.

Current control strategy
Our strategy places continued focus on reducing cyber risk whilst improving the maturity of our security posture, upgrading our capabilities and supporting business agility, innovation and the strategic growth agenda. We apply industry standards and methodologies to establish the control framework including ISO and National Institute of Standards and Technology (NIST) guidelines.

Through increasing engagement with the business and partners, advancement of our cyber capabilities and renewed focus on risk ownership and accountability, the Group Cyber Transformation Programme will continue to evolve the cyber security strategy and framework, and implement the correct controls to mitigate cyber risk.

Activity impact for 2021
Phase 2 of the Cyber Transformation Programme begins in 2021 and over the next three to four years will continue to invest in and embed cyber security processes across the Group.

This includes enhancements to operational technology in critical factories, identity and access management for critical business applications, digital security, building stronger cyber defence detection and response capabilities to cover our multi-cloud strategy as well as uplifting Reckitt colleague cyber awareness and education. This risk is dynamic and constantly evolving, and as such target rating to remain Amber at the end of 2021.

5. EMPLOYEE HEALTH & SAFETY

Risk movement:
Decreasing

Oversight accountability
Executive ownership resides directly with the President of each Global Business Unit. Board oversight is provided by the CRSEC Committee.

The risk: Work accidents leading to death, injury or illness of Reckitt employees wherever they are working and other workers on Reckitt premises or premises under Reckitt supervision, in case of outsourced operations.

Potential impact
Impacts are wide ranging and variable in materiality; they may include loss of life, debilitating injury, ongoing damage to brand/employer reputation, reduced operational efficiency from factory closure or significant supply disruption, impaired financial performance from lost sales, fines or remediation cost and possible criminal liability for senior management.

Mitigation progress in 2020
COVID-19 health and safety policies, standards and return to work protocols have been published and adopted across our sites, with key messages cascaded through the GBU and Supply leadership teams. Local audits were completed where required by regulators to comply with COVID-19 regulations.

We have launched an extensive programme to embed a heightened Employee Health & Safety (EH&S) culture across the enlarged Group through rigorous auditing, culture days, surveys and training initiatives. A Driver Safety Standard programme has been deployed. Engineering standards are in place and a Global Engineering Compliance team for structural auditing has been established. Group ISO 45001 or OHSAS 18001 certification is complete across all Reckitt in-scope sites and our Group EHS Standards continue to be enhanced to meet scope.

Current control strategy
Policy and enhanced EH&S standards are in place and reinforced through an audit compliance programme (including self-assessment, site visits, assurance of improvement actions, KPI tracking and culture surveys) by a second line of defence compliance team within Supply, and ongoing EH&S training across all sites including commercial offices. During COVID-19 related travel restrictions, technology aided inspections and site coaching calls. Oversight from the Supply leadership team as well as the Group Risk, Sustainability & Compliance Committee (RSCC).

Activity impact for 2021
We will continue to roll out the programme of culture surveys and safety days to increase awareness and continue with the rigour of auditing and supporting the business through supply, commercial and R&D site visits Target rating to remain Amber at the end of 2021.

6. SUSTAINABILITY

Risk movement:
No change

Oversight accountability
Executive ownership resides directly with the CEO and the Head of Corporate Affairs & Chief Sustainability Officer. Each Global Business Unit is responsible for their respective deliverables. Board oversight is provided by the CRSEC Committee.

The risk: Failure to address existing and emerging environmental and social risks and opportunities, and changing societal expectations of businesses in addressing these, creates underlying risk to business resilience and growth, risking stranded assets or missed growth opportunities.

Potential impact
Failure to increase the sustainability of our environmental and social footprint may lead to increased scrutiny from consumers, customers, NGOs and ESG related investors. The impacts of this are broad in range and include reputational damage; adverse public perception; resource inefficiency; loss of market share as consumers shift towards 'greener' products; omission from established sustainability indices impacting future investment; and potential regulatory penalties.

Climate change has the potential to significantly disrupt Reckitt's operations through an increased number of extreme weather events, water crises and ecosystem loss.

Mitigation progress in 2020
We continue to focus on strengthening our processes, programmes and controls alongside our external stakeholder relationships, through partnerships with NGOs, academia, and critical opinion formers. Our 2030 Sustainability Strategy has been launched and appropriately resourced to progressively deliver performance targets.

A holistic packaging strategy is in development, supporting both e-commerce and traditional retail channels with levels of packaging use. The expansion of our Human Rights programme beyond our supply chain, using the Societal Impact Framework to assess and address human rights impacts along the full value chain, is on track.

Our sustainability and governance capability has been enhanced through the establishment of the Risk, Sustainability & Compliance Committee (RSCC).

Current control strategy
We are progressively embedding plans and resources to deliver an environmental strategy in the supply chain in support of climate change and water efficiency, with capex plans, environment project identification, local and global capabilities and capacity to support environmental performance improvement.

At a Global Business Unit and brand level, we are driving sustainability through customer-facing programmes, delivery of ingredients, packaging and sourcing programmes. We continue to embed sustainability into the product development process by evaluating all new innovation against a set of sustainability criteria.

Activity impact for 2021
Internal and external initiatives, along with greater transparency on non-financial sustainability indicators, will help to drive increased awareness of our sustainability agenda across our global network. Target rating to remain Amber at the end of 2021. This is a multi-year deliverable to build and embed the significant actions required.

7. ADHERENCE TO PRODUCT QUALITY STANDARDS

Risk movement: **No change**

Oversight accountability
Executive ownership resides directly with the Chief Supply Officer, who drives activity through each of the Global Business Unit executive leadership teams. Board oversight is provided by the CRSEC Committee.

The risk: Non-compliance with applicable quality regulations, guidelines and internal/external standards across the product lifecycle governing how we produce and supply product.

Potential impact
Impacts are wide ranging and may include a consumer safety incident, regulatory failures, loss of sales (including product recall) and adverse reputational impact, a supply disruption or factory closure, or potential civil/criminal actions against individuals. The risk is heightened by the increasing scrutiny, complexity, frequency and stringent audit requirements enforced on our factories by regulators.

Mitigation progress in 2020
We have made significant investment in ensuring the upmost quality of our products and compliance with all applicable regulations and standards. These measures include assurance programmes covering predictive quality, culture of quality, technology enabled fail-safe controls, quality audit programmes across manufacturing sites and supplier facilities, and transformation of our consumer relations function.

Quality KPIs and metrics are routinely presented and discussed at each Global Business Unit, Risk Sustainability & Compliance Committee (RSCC) and the Corporate Responsibility, Sustainability, Ethics & Compliance (CRSEC) Committee meeting.

Current control strategy
Reckitt's Quality standards have been defined, communicated and embedded within our standard operating procedures. A quality audit programme to assess compliance with Reckitt's Quality standards across manufacturing sites has been established and is being delivered against. In 2020, the audit schedule was reprioritised and adapted to respond to COVID-19 travel restrictions.

Continued investment in key Quality transformation programmes including implementation of a systematised product safety and compliance programme through the Product Lifecycle Management (PLM) project, and an end-to-end quality review of the product portfolio through the Product Integrity Review (PIR). COVID-19 impact assessments have been performed to identify risks to programme delivery and agreed timescales.

Activity impact for 2021
We continue to look for opportunities to optimise our quality assurance processes and the use of quality data to drive continuous improvement across the product lifecycle. Target rating to remain Amber at the end of 2021.

8. INNOVATION

Risk movement: **Decreasing**

Oversight accountability
Executive ownership resides directly with the President of each Global Business Unit. Board oversight is provided by the main Board.

The risk: The current innovation pipeline does not meet the changing needs of our consumers and new go-to-market channels, and is not sufficient to achieve organic growth ambitions and drive gross margin accretion.

Potential impact
Failure to understand and effectively respond to changing consumer wants, needs and behaviours (including COVID-19) may lead to loss of market share to small entrepreneurial companies leveraging new channels and digital media.

Inability to execute innovation may result in failure to achieve the necessary innovation rate hurdles (in terms of growth contribution and GM accretion), impacting organic top-line growth.

Mitigation progress in 2020
Continued investment in science to better scale, leverage and accelerate our innovation pipeline. Our Chief Research & Development (R&D) Officer is now in role and is leading the elevation of our science capability and platforms, and driving external partnerships to co-create innovations.

The R&D organisation is structured with dedicated teams focused on delivering innovation for global brands and operational teams focused on local brands. Frontline resources have been deployed in-market to drive proximity to consumers.

Our Centre for Scientific Excellence is now operating in Hull, as a world-leading R&D facility for the healthcare portfolio.

Current control strategy
Base business innovation is driven through a three-year pipeline and resource allocation process. We continue to invest in building capability in core technical areas and establishing cross-functional teams that participate in and assess new growth platforms and white space. Dedicated resourcing has been deployed to deliver on e-commerce first focused innovations.

Our consumer data and insights capability has been strengthened with a dedicated team focused on insight generation and idea validation through new digital tools for faster and more accurate innovation modelling.

Activity impact for 2021
A Category Development Organisation (CDO) is being established within the Nutrition GBU and will be focused on delivering successful innovation to market. Historically this global CDO organisation was part of the wider Health CDO team.

Innovation models will continue to evolve during 2021 and will broaden as additional drivers of innovation growth are identified. It is expected that further enhancement of our innovation pipeline monitoring and reporting will focus on identifying root causes of execution slippage. Target rating to remain Amber at the end of 2021. This is a multi-year deliverable to build and embed the significant actions required.

9. DISRUPTION

Risk movement:
No change

Oversight accountability
Executive ownership resides with the President of each Global Business Unit. Board oversight is provided by the main Board.

The risk: Inability to respond, adapt and evolve both our products and processes to disruptive market forces including e-commerce, digital and new formats, impacting our ability to effectively service our customers and consumers with the required agility.

Potential impact
2020 has seen dramatic changes to the ecosystem and competitive landscape in which we operate, many of these changes arising from COVID-19 and its impact around the globe.

Failure to respond to these disruptions may result in share loss to insurgent brands that are more consumer-centric and reduce our ability to identify and exploit rapidly growing channels, impacting top-line growth.

Mitigation progress in 2020
eRB has now been launched as a dedicated organisation to drive and support each Global Business Unit with digital business development, build capability through technology and infrastructure, and incubate new brands and partnerships.

Four capability centres have been established to share excellence across Global Business Units in the areas of Marketing Excellence, Sales Outperformance, Medical and e-commerce. These centres will develop functional capabilities, drive economies of scale and scope, and provide tools and technology enabling best practice sharing.

Chief Customer and Chief Information & Digitisation Officers have been appointed to strengthen customer relationships and drive new business models for our increasingly digital consumers.

Global Business Solutions launched in 2020 to support businesses with the expertise, knowledge and products they need to make their workplaces and outlets hygienically safe for both consumers and employees.

Current control strategy
Continued investment in capability and technology, enabling us to harness the power of all channels, all platforms, all brands, in all markets. Pursuit of external partnership opportunities to identify, incubate and launch new brands and ventures, driving future growth. Entering new growth spaces will also allow us to reach and acquire more consumers.

Activity impact for 2021
The Digital Factory will be established in 2021, in collaboration with Marketing Excellence and consumer relations, focused on harnessing and building e-commerce expertise across GBUs and markets.

Internal and external initiatives will continue to increase capability and drive incremental growth across priority channels and segments. Target rating to remain Amber at the end of 2021. This is a multi-year deliverable to build and embed the significant actions required.

10. CHINA

Risk movement:
New risk

Oversight accountability
Executive ownership resides directly with the President Nutrition, eRB & Greater China business. Board oversight is provided by the main Board.

The risk: Risk of economic uncertainty in China, changing regulations and changes in current or new partners impacting growth and business performance.

Potential impact
China is a critical market increasingly characterised by economic and regulatory uncertainty. The behaviours of Chinese consumers are also changing which, alongside other economic factors, have the potential to impact our operations and performance in this market.

Mitigation progress in 2020
Reflecting China's importance, we have launched an integrated cross-GBU organisation in China. eRB & Greater China is an innovative, agile and digital business that will deliver innovation, capability and growth to Reckitt globally. This new organisation will allow us to better leverage our scale across the Greater China area while maintaining agility, boosting partnerships to support our growth ambitions and driving China-centric innovation through bespoke design and innovation hubs.

Current control strategy
We maintain a strong network in China to understand both international and domestic economic developments that may impact our footprint. This includes active engagement with industry associations and regulators, external affairs capability and collaborative partnerships with government agencies.

China-based regulatory intelligence teams provide insight on any changes in regulation that may impact us, and we partner closely with local industry to ensure we are working within government-set parameters.

Activity impact for 2021
Execution of the Greater China operating model, strategic review of the infant formula business, alongside continued delivery of China-centric innovation, consumer centricity and close monitoring of global and regional economic developments will help to maintain operating focus in China. Target rating from current Red to realistically reduce to Amber by the end of 2021, though further disruptions can be anticipated which could extend this level of higher exposure.

11. PEOPLE

Risk movement: **Decreasing**

Oversight accountability
Executive ownership resides directly with the Chief Human Resources Officer, who drives activity through each of the Global Business Unit executive leadership teams. Board oversight is provided by the main Board.

The risk: Failure to achieve strategic objectives as a result of significant management churn and inability to attract and retain top talent.

Potential impact
Disruption to business performance attributed to churn across senior management positions and the risk of fatigue arising from a period of sustained business change.

Mitigation progress in 2020
Following the launch of the Rejuvenating Sustainable Growth strategy, a new leadership team is now in place and churn across senior management has stabilised. An SVP HR has been appointed to each Global Business Unit and the corporate centre.

We launched a Leadership Development and Talent Centre of Excellence to deliver greater value to the business by identifying, developing and scaling best practice HR processes that directly contribute to the attraction, retention and development of our talent.

Current control strategy
Talent identification, mapping and calibration have been undertaken for critical senior management positions, helping to optimise both talent management and succession planning processes. Succession plans for key management positions are in place and retention risk analysis is undertaken regularly, including reviews of turnover rates. The Group's total compensation programmes and Employee Value Proposition (EVP) are also subject to annual review.

A number of initiatives are under way to promote Reckitt as an employer of choice. These include social impact and diversity and inclusion (D&I) programmes, and employee wellbeing. We offer a suite of tools to help Reckitt employees get the most out of their careers at Reckitt, from learning and development, the annual performance review process and Leadership Development programmes that focus on how managers can inspire, empower and engage their teams.

Strategic workforce planning is in progress to understand the shape of the workforce and how it will change over the next three years to facilitate proactive intervention.

Activity impact for 2021
We will continue to focus on unleashing the potential of our people, performance and purpose by attracting the best talent, developing our people and enabling culture change, to shape and drive the future workplace to deliver sustainable outperformance. Target rating to remain Amber by the end of 2021.

12. TAX DISPUTES

Risk movement: **No change**

Oversight accountability
Executive ownership resides at corporate directly with the Chief Financial Officer. Board oversight is provided by the Audit Committee.

The risk: Significant unprovisioned cash outflows as a result of tax authority challenge to filed tax positions in territories.

Potential impact
If our filing positions around transfer pricing are not considered in any country to be compliant or our operating model is not sufficiently communicated, implemented and embedded, both internally and externally, tax authorities may successfully challenge our tax return filings with a potentially significant financial impact on the Group.

Mitigation progress in 2020
Ongoing timely and robust responses to progress outstanding disputes and continual monitoring of progression in relation to Advanced Pricing Agreements (APAs) and subsequent operating model tax audits. Detailed and thorough advice and technical support from advisors take place.

Provisions made at CHQ for anticipated exposures. The business will continue to review the provisioning strategy over the next five years in light of any expected changes.

Current control strategy
Ongoing review by Reckitt Tax, country FDs and external advisors with central provisioning for anticipated exposures. Continuous monitoring of information on EC State Aid investigations and possible application to Reckitt. We monitor the impact of the Base Erosion and Profit Sharing (BEPS) initiative and other law changes to identify possible adverse impacts and put in place remedial strategies.

Activity impact for 2021
Timely and robust responses to progress outstanding disputes, continual monitoring of progression in relation to APAs and subsequent operating model tax audits, and increased prioritisation of projects and senior management overview are expected to maintain this risk as Green for 2021. Target rating to remain Green at the end of 2021.

13. PRODUCT REGULATIONS

Risk movement:
Decreasing

Oversight accountability
Executive ownership resides directly with the Chief R&D Officer, who drives activity through the Global Business Unit executive leadership teams. Board oversight is provided by the CRSEC Committee.

The risk: Non-compliance with product classification regulations, guidelines, internal standards and/or registrations across the supply chain and throughout the product lifecycle.

Potential impact

Non-compliance with a product related regulation may result in supply disruption, increased regulatory scrutiny, financial impact (including product recall), damage to company reputation and potential civil/criminal liability.

Regulations impacting our products across the portfolio are continually evolving. If we do not anticipate these changes and are not ready to use them to drive innovation and competitive advantage, we may see an increase in costs and a loss of market share to competitors.

This risk is enhanced by the extensive range of product regulatory classifications across the portfolio, emerging regulations in key markets and fragmented IT systems lacking end-to-end integration.

Mitigation progress in 2020

A detailed review of the portfolio is ongoing with expected completion in 2021. The programme reviews critical compliance elements of the portfolio and covers all Global Business Units. The schedule follows a risk-based approach.

Current control strategy

Multiple control programmes are in place to manage regulatory compliance risks, including the Product Integrity Review (reviewing product compliance with registration and/or regulatory requirements), REACh compliance programme and updates to our company Core Datasheets.

Regulatory Intelligence processes and systems have been strengthened and we have evolved how our regulatory KPIs are established, monitored and reported.

The Risk, Sustainability & Compliance Committee (RSCC) structure ensures KPIs are reported from the top to all levels in the organisation. There is an appropriately resourced single system for consumer complaints in place and specialist audit teams providing independent assurance.

Activity impact for 2021

The Product Lifecycle Management (PLM) programme will systematise our product safety and compliance processes, aligning with the standards set within the Product Integrity Review (PIR) and Product Safety Evaluation Report (PSER) projects. PLM is due for completion in 2022. Review of the end-to-end artwork and label approval process is also under way and is a focus area for 2021.

Our Regulatory teams partner with external regulators to credibly engage in regulation development and to assess the impact and opportunities of future regulations to drive readiness, innovation and competitive advantage. Target rating to remain Amber at the end of 2021. This is a multi-year deliverable to replace current systems.

14. LEGAL & COMPLIANCE

Risk movement:
No change

Oversight accountability
Executive ownership resides with the General Counsel & Company Secretary together with the Chief Ethics & Compliance Officer, with each Global Business Unit responsible for their respective deliverables. Board oversight is provided by a combination of the CRSEC and Audit Committees to ensure full and appropriate coverage of the Compliance programme.

The risk: We are not fully compliant with relevant laws and regulations, including anti-corruption laws, data privacy laws and global competition laws.

Potential impact

Non-compliance with relevant laws and regulations may damage Reckitt's reputation, lead to significant potential fines and possible criminal liability for Reckitt companies and/or senior management.

Stricter data privacy regulations in key markets, together with adoption of new technology and our growing e-commerce business, have impacted data handling practices across the Group. The COVID-19 pandemic has seen an increase in competition law and anti-trust compliance risk as we respond to a significant increase in demand for COVID-19 essential products. The Nutrition business, combined with changes in the way we interact with healthcare entities (HCEs) and healthcare professionals (HCPs) due to COVID-19, has also increased exposure to anti-corruption laws.

Mitigation progress in 2020

The global Ethics & Compliance programme has been strengthened through the implementation of extensive controls across key compliance risk areas. For data privacy, this includes the establishment of a dedicated e-commerce privacy function, completion of Privacy Impact Assessments and adoption of stringent data protection safeguards across direct-to-consumer channels.

Competition law risk and control assessments were completed in key markets, with supporting mitigation plans agreed and implemented. Our third-party bribery, Interaction with HCEs and HCPs, and Grants, Donations & Charitable Contributions processes have evolved through the introduction of an enhanced operating model supported by more robust systems and procedures.

Current control strategy

SVP Legal now appointed into each Global Business Unit, with dedicated Ethics & Compliance resources working alongside the Global Business Units to roll out the Compliance programme across all key markets. The programme of global compliance risk assessments will continue in 2021, alongside implementation of new policies and procedures, allowing us to effectively respond to any changes in the risk profile.

All employees are required to complete online Global Compliance training modules, with refresher training deployed each year. Core modules include Code of Conduct, anti-bribery, antitrust, data privacy and separately product safety.

The Group-wide Speak Up hotline is operational, widely communicated and reinforced through a robust, independent investigation process and follow-up.

Activity impact for 2021

Continued advancement of the Ethics & Compliance programme through targeted risk assessments, enhanced analytics and expansion of the training programme will help to drive greater awareness of relevant laws and regulations. Target rating to remain Amber at the end of 2021. This is an ongoing and dynamic programme.

15. SOUTH KOREA HUMIDIFIER SANITISER (HS)

Risk movement:
No change

Oversight accountability
Executive ownership of the risk at a Group level resides directly with the General Counsel & Company Secretary. Board oversight is provided by the main Board.

The South Korea Humidifier Sanitiser (HS) issue was a tragic event. The Group continues to make both public and personal apologies to victims.

The risk: Financial and reputational risk as a result of the health issues caused by consumers inhaling a humidifier sanitiser previously sold by Oxy, which Reckitt acquired in 2001.

Potential impact
While a provision was made in 2016 to cover the initial government classification rounds and certain other costs, the risk of additional exposure remains. An amendment made to the HS Special Law in 2020 may lead to an increased volume of civil claims against Reckitt Benckiser Korea (RBK). The South Korean Government has now recognised asthma, toxic hepatitis and children's interstitial lung disease as HS injuries and there is potential further expansion of liability as the new amendment to the law reduces the burden of proof to establish that injury or illness is caused by HS exposure. Further, under the law amendment, RBK may be required to make additional contributions to the Industry Relief Fund (IRF).

Mitigation progress in 2020
RBK has continued to work with the government, victims and other businesses to progress settlement with claimants via its Compensation Plan, and address legal claims, as well as to restore trust among consumers in South Korea. RBK also made comments on the issues with the HS law amendment during the legislative process and has made clear to the Korean Government that it is dependent on the Reckitt Group as its shareholder for all funding.

Current control strategy
Full public apology formally and repeatedly made by RBK to affected parties. Regular review meetings continue with the Group, to monitor issues as they arise. The Group provides liquidity to RBK on a tightly managed basis. It has encouraged RBK to seek a broader resolution involving all responsible parties on a basis that provides fair compensation to legitimate victims, with each responsible party contributing its fair share. The Group is considering a number of options for the future in light of the amended law.

Activity impact for 2021
The Group will continue to encourage RBK to seek a broader resolution and will continue to evaluate options to do the right thing while limiting liability to fund compensation payments which are not anchored in proper standards of legal and scientific proof. Target rating likely to remain Amber until the South Korea Government closes the matter.

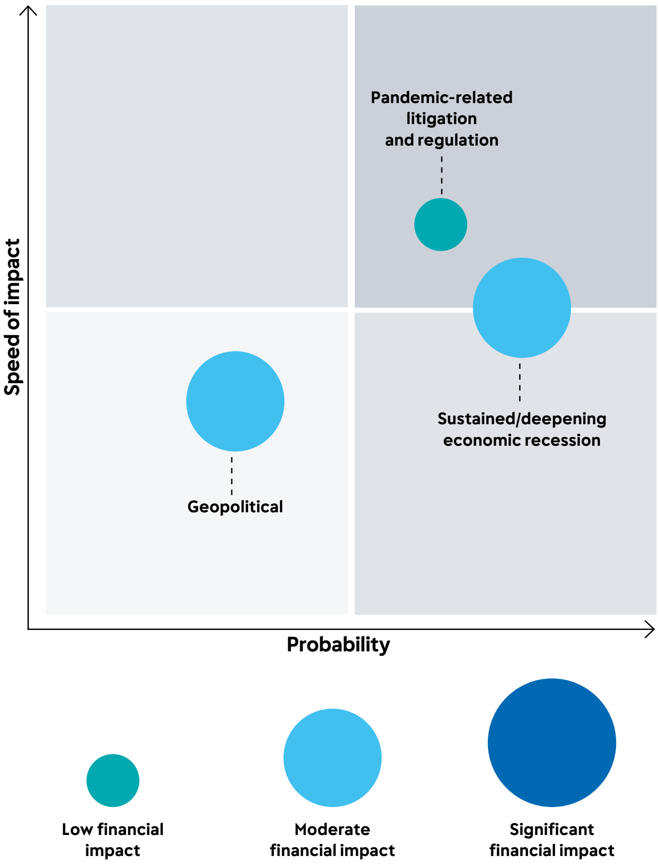
Emerging risks

The implementation of an effective risk management framework within an organisation remains a cornerstone of the corporate governance expectations contained within the 2018 revisions to the UK Corporate Governance Code.

We have defined an emerging risk as an event that has the potential to significantly impact Reckitt's financial position, competitiveness and reputation, specifically;

- When the nature and value of the impact is not yet fully known or understood, giving the emerging nature of the risk; and/or
- With an increasing impact and probability over a longer time horizon (i.e. five+ years)

Category	ID	Risk title	Risk statement
Strategic	1	**Geopolitical**	Increasing geopolitical volatility with the potential to destabilise key markets and in some cases disrupt our operations. This includes domestic political developments, regional tensions, the impact of Brexit, fluctuations in oil prices and changes to local regulations impacting imports and exports.
Strategic	2	**Sustained/deepening economic recession**	Risk of sustained/deepening recession or financial crisis as a result of the slowdown in many global economies caused by the COVID-19 pandemic.
Operational	3	**Pandemic-related litigation and regulation**	As a result of the COVID-19 pandemic, applicable laws and regulations will be enacted, or existing ones changed, in a way that may significantly impact Reckitt's business and at a speed that makes it difficult to comply, thereby potentially exposing Reckitt to new litigation e.g. related to supply and product liability issues.



1. Geopolitical

The risk: Increasing geopolitical volatility with the potential to destabilise key markets and in some cases disrupt our operations. This includes domestic political developments, regional tensions, the impact of Brexit, fluctuations in oil prices and changes to local regulations impacting imports and exports.

Potential impact
The potential impacts of any geopolitical volatility are wide ranging and include decreasing sales and revenue, fluctuations in corporate finance and treasury, and fewer opportunities for strategic growth. As we operate across a large global network, geopolitical instability can also impact our supply chain operations, workforce management practices and the safeguarding of our data and intellectual property.

Mitigation
We continue to closely monitor the global geopolitical climate to ensure we understand any developments and how they have the potential to impact our business. Key measures include monitoring and analysis of any political or regulatory uncertainty through our External Affairs network, engagement of advisors in critical markets and identification of security threats facing the business through the Corporate Security programme.

2. Sustained/deepening economic recession

The risk: Risk of sustained/deepening recession or financial crisis as a result of the slowdown in many global economies caused by the COVID-19 pandemic.

Potential impact
The commercial teams closely monitor the economic trends and plan commercial strategies to optimise our business appropriately. Whilst we cannot fully protect our business from recessionary pressures, we take appropriate measures to maximise and protect our business during economic downturns.

Mitigation
Key mitigations include portfolio rightsizing and review of pricing guidelines, adapting our channel strategy with disruptive value offerings and the acceleration of the e-commerce portfolio, ensuring we carefully balance price and volume-led growth through targeted costing programmes, maintaining prudent financial risk management through clear ROI metrics for large investments and accurate forecasting and cash flow management.

3. Pandemic-related litigation and regulation

The risk: As a result of the COVID-19 pandemic, applicable laws and regulations will be enacted, or existing ones changed, in a way that may significantly impact Reckitt's business and at a speed that makes it difficult to comply, thereby potentially exposing Reckitt to new litigation e.g. related to supply and product liability issues.

Potential impact
The materialisation of the risk could result in damage to Reckitt's reputation, interference in Reckitt's operations, fines and financial liability to third parties.

Mitigation
Our Legal function participates in GBU, regional and market level COVID-19 related meetings. Processes have been implemented to review and manage ongoing major litigation, including input from regional legal teams into the Group litigation report. The implementation of our compliance programme is ongoing, and the Group's COVID-19 risk assessment process provides visibility and reporting of COVID-19 related risks across the business.

VIABILITY STATEMENT

The assessment process and key assumptions

The Board's Viability Review is based on the Group's strategy, its long term financial plan and its principal risks. A financial forecast covering a five-year period was prepared (the "base case"). This period was selected as it is the period covered in the Group's long-term forecasting process, based on the 2021 budget and projections for the following years, and covers the introduction to market of the current new product pipeline.

The financial forecast is based on a number of key assumptions aligned to the Group's growth strategy, planned capital spending and capital allocation policy. The assessment of viability takes into account the Group's cash flow, its currently available banking facilities and interest cover ratios in relevant financial covenants, and does not assume the raising of additional new debt or equity finance. If Reckitt performs in line with the base case forecasts, it would have sufficient funds to trade, settle its liabilities as they fall due, and remain compliant with financial covenants.

Assessment of principal risks and viability

To further test the robustness of the base case forecast, further analyses were prepared to consider the viability of the business in the event of adverse unexpected circumstances. Such adverse circumstances were modelled primarily upon the crystallisation of the Group's principal risks (see pages 84 to 91, including mitigation and control strategies).

Principal risks have the potential to create adverse circumstances for the Group and can occur individually or in combination with each other. The assessment of viability considered the implications of crystallisation of each principal risk, assigning each an estimated annual monetary value and estimating the impact on interest cover ratios and headroom over available borrowing facilities.

These principal risks were aggregated to create two scenarios which model plausible downside scenarios of increasing severity based on: (i) crystallisation of principal risks deemed to have the most relevant potential impact on viability (see risks marked '1' on page 82); and (ii) crystallisation of all principal risks and the impact of adverse movements in foreign exchange and interest rates. The analysis indicated that even with unexpected events occurring immediately and in combination, Reckitt would still have sufficient funds to trade, settle its liabilities as they fall due, and remain compliant with financial covenants.

The Board has further considered the occurrence of a Black Swan event: an event of greater adversity than those modelled above, with sufficient potential impact to risk the future of Reckitt as a strong and independent business operating in its chosen markets. The occurrence of a major issue could result in significant reputational impact, a substantial share price fall, significant loss of consumer confidence, and the inability to retain and recruit quality people. Such an event could have an impact on the viability of the business. On the basis of a comprehensive set of mitigating controls in place across the business, considering the unknown nature of a Black Swan event and that its occurrence is considered highly unlikely, it has not been included in the Viability Review.

Viability Statement

The Board believes that the Group is well-positioned to manage its principal risks successfully. The Board's belief is based on consideration of the historic resilience of Reckitt and has taken account of its current position and prospects, the actions taken to manage the Group's debt profile, risk appetite and the principal risks facing the business in unexpected and adverse circumstances.

As a result of the Viability Review, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period covered in the Viability Review.

The Strategic Report, as set out on pages 1 to 93, has been approved by the Board.

On behalf of the Board

Rupert Bondy
Company Secretary
Reckitt Benckiser Group plc
15 March 2021

The Board consists of a balance of Executive and Non-Executive Directors who together have collective accountability to Reckitt's shareholders and stakeholders.

Chris Sinclair
Chairman of the Board

Laxman Narasimhan
Chief Executive Officer

Jeff Carr
Chief Financial Officer

Andrew Bonfield
Non-Executive Director

Olivier Bohuon
Non-Executive Director

Nicandro Durante
Senior Independent Director

Margherita Della Valle
Non-Executive Director

Mary Harris
Non-Executive Director

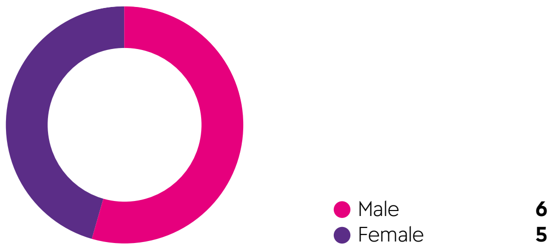
Mehmood Khan
Non-Executive Director

Pam Kirby
Non-Executive Director

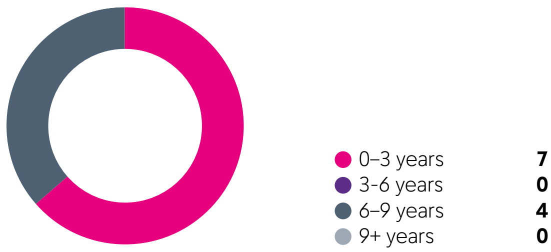
Sara Mathew
Non-Executive Director

Elane Stock
Non-Executive Director

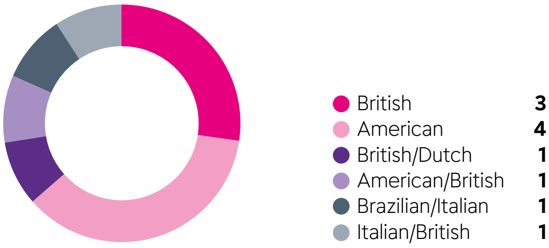
Directors as at 31 December 2020



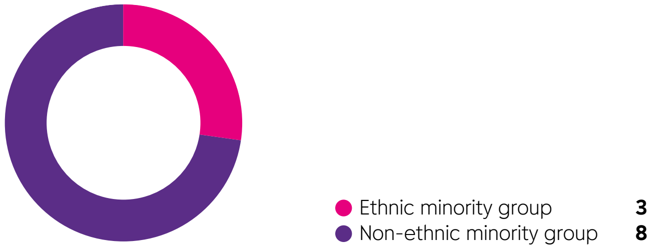
Length of tenure as at 31 December 2020



Nationality as at 31 December 2020



Ethnic diversity as at 31 December 2020



Chris Sinclair

N R C

Chairman of the Board

Nationality
American

Board tenure
6 years, 2 months

Appointment
Appointed as a Non-Executive Director in February 2015 and as Chairman of the Board in May 2018.

Career
Chris is the former Chair and CEO of Mattel, Inc. Previously, he served as CEO for various private-equity backed companies, including Caribiner International and Quality Food Centers (now part of the Kroger Co.). Earlier in his career, Chris held a number of senior positions at PepsiCo, including Chair and CEO of Pepsi-Cola Co. (worldwide beverages), and CEO of PepsiCo Foods and Beverages International. He was also a Director of Foot Locker, Inc. and Perdue Farms, Inc.

Chris graduated with a degree in Marketing from the University of Kansas and received an MBA from the Tuck School of Business at Dartmouth College.

Skills and experience
Chris brings strong leadership skills and valuable strategic insight to the Board, through his experience as CEO and Chair of other large companies. He also has a strong understanding of international consumer-focused businesses.

Current external appointments
None

Key

- Chair
- R Remuneration
- N Nomination
- A Audit
- C Corporate Responsibility, Sustainability, Ethics and Compliance

Laxman Narasimhan

N

Chief Executive Officer

Nationality
American

Board tenure
1 year, 9 months

Appointment
Appointed as CEO-Designate in July 2019 and as CEO on 1 September 2019.

Career
Prior to joining Reckitt, Laxman held various senior roles at PepsiCo from 2012 to 2019, including Global Chief Commercial Officer, Chief Executive Officer of Latin America, Europe and Sub-Saharan Africa operations – where he ran PepsiCo's food and beverage businesses across the regions – and Chief Executive Officer of Latin America. Prior to PepsiCo, Laxman served as a Director of McKinsey & Company and held various roles from 1993 to 2012. He was also an Advisory Board member of the Jay H. Baker Retailing Center at The Wharton School of The University of Pennsylvania.

Laxman holds a degree in Mechanical Engineering from the College of Engineering, University of Pune, India. He has a Masters degree in German and International Studies from The Lauder Institute at The University of Pennsylvania and an MBA in Finance from The Wharton School of The University of Pennsylvania.

Skills and experience
Laxman is an outstanding leader who brings wide experience across the consumer goods sector, both operationally and at scale. Laxman has exceptional strategic capabilities and consumer insight with a proven track record of developing purpose-led brands and driving consumer-centric and digital innovation. He has previously advised global organisations, led complex operational businesses and inspired teams across developed and emerging markets to achieve market-leading performance. This, combined with his excellent people engagement and leadership skills, makes him well qualified for the role.

Current external appointments
Trustee of Brookings Institution

Member of the Council on Foreign Relations

Jeff Carr
Chief Financial Officer

Nationality
British

Board tenure
1 year

Appointment
Appointed as Chief Financial Officer on 9 April 2020.

Career
Prior to joining Reckitt, Jeff was Chief Financial Officer and Management Board member at Ahold Delhaize, the Dutch retailer operating across Europe and the USA. Before joining Ahold Delhaize Jeff held the role of Chief Financial Officer at First Group plc and easyJet plc and held senior finance roles at Associated British Foods plc and Reckitt. Jeff started his career as a graduate trainee at Unilever plc.

Jeff holds a degree in Chemical Engineering from the University of Exeter and is a Chartered Management Accountant.

Skills and experience
Jeff brings extensive experience across consumer and retail companies and is also an alumnus of Reckitt. Jeff has a record of transformational strategic and operational leadership, consistent performance delivery, strong capital allocation discipline and building strong teams; all of which lead to longer-term shareholder value creation.

Current external appointments
Chairman of the Audit Committee and Non-Executive Director of Kingfisher plc

Olivier Bohuon
R

Non-Executive Director

Nationality
French

Board tenure
3 months

Appointment
Appointed as a Non-Executive Director in January 2021.

Career
Olivier was CEO of FTSE 100 medical devices company Smith & Nephew plc from 2011 to 2018. Prior to that, he served as CEO of healthcare, cosmetology and pharmaceutical company Laboratoires Pierre Fabre from 2010 to 2011, and from 2003 to 2010 he worked at Abbott Laboratories, rising to Corporate Executive Vice President and President of the pharmaceutical products division. Earlier in his career, Olivier worked at GlaxoSmithKline plc in positions of increasing seniority. He also served on the Board of Smiths Group plc from July 2018 to November 2020. Olivier became a Knight of the Legion of Honour in 2007. Olivier has a doctorate in Pharmacy from the University of Paris-Sud and an MBA from HEC business school in Paris.

Skills and competencies
Olivier is a successful leader, with many years' experience as CEO of a large, global company. Olivier has a wealth of experience in healthcare products and markets and brings great insight to the Board.

Current external appointments
Chairman of LEO Pharma

External Director of Takeda Pharmaceutical Company Limited

External Director of Virbac SA

Co-Founder and Board member of AlgoTherapeutix SAS

Andrew Bonfield
A N

Non-Executive Director
Chair of Audit Committee

Nationality
British

Board tenure
2 years, 9 months

Appointment
Appointed as a Non-Executive Director in July 2018 and as Chair of the Audit Committee in January 2019.

Career
Andrew has been Chief Financial Officer of Caterpillar Inc. since September 2018. He was previously Group CFO of National Grid plc from 2010 to 2018. Prior to this, he held the position of Chief Financial Officer at Cadbury plc and also served as Executive Vice President & Chief Financial Officer at Bristol-Myers Squibb. Andrew is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of KwaZulu-Natal in Durban, South Africa.

Skills and competencies
Andrew brings more than three decades of financial expertise to the Board. He is a strong leader, with experience gained in large, complex organisations and has a history of driving strong financial performance in the UK and globally. These skills are valuable to the Board and to his role as Chair of the Audit Committee.

Current external appointments
Chief Financial Officer of Caterpillar Inc.

Margherita Della Valle
A

Non-Executive Director

Nationality
Italian/British

Board tenure
9 months

Appointment
Appointed as a Non-Executive Director in July 2020.

Career
Margherita has been Chief Financial Officer of Vodafone Group Plc since July 2018. She also runs Vodafone Shared Services, which was established in 2011 to optimise quality and efficiency across Vodafone's customer, technology, finance and HR operations. Prior to her current role, Margherita was Deputy Chief Financial Officer of Vodafone, between 2015 and 2018, having held a number of senior positions in finance beforehand, including Group Financial Controller and Chief Financial Officer of Vodafone's Europe region. Earlier in her career, she joined Omnitel Pronto Italia, which became Vodafone Italy in 1994, and held various consumer marketing positions in data analytics and consumer base management. From 2004 to 2007, she was Chief Financial Officer of Vodafone Italy.

Margherita holds a Masters degree in Economics from Bocconi University in Italy.

Skills and competencies
Margherita has extensive experience of financial markets and digital technologies. She is deeply experienced in business in both developed and developing markets, bringing great insight to the Board. These skills, together with her strong leadership background, are valuable to the Board and her membership of the Audit Committee.

Current external appointments
Chief Financial Officer of Vodafone Group Plc

Nicandro Durante

N R C

Senior Independent Director

Nationality
Brazilian/Italian

Board tenure
7 years, 4 months

Appointment
Appointed as a Non-Executive Director in December 2013 and as Senior Independent Director in January 2019.

Career
Nicandro started his career working in finance in Brazil and joined British American Tobacco plc (BAT) in 1981. Whilst at BAT, Nicandro worked in the UK, Hong Kong and Brazil and held a number of senior positions including Regional Director for Africa and the Middle East, Chief Operating Officer and, from 2011 to 2019, as Chief Executive Officer.

Nicandro holds a degree in Business Administration from the Pontifical Catholic University of São Paulo, Brazil, and has obtained postgraduate qualifications in Finance and Economics.

Skills and competencies
Nicandro has strong leadership skills, developed in various senior positions held throughout his career. He has a strong background in the consumer goods industry and has strong international business experience, bringing a global perspective to his role.

Current external appointments
Chairman of TIM Participações S.A. and Chair of the ESG Committee

Mary Harris

R N

Non-Executive Director
Designated Non-Executive Director for engagement with the company's workforce
Chair of Remuneration Committee

Nationality
British/Dutch

Board tenure
6 years, 2 months

Appointment
Appointed as a Non-Executive Director in February 2015, as Chair of the Remuneration Committee in November 2017 and as Designated Non-Executive Director for engagement with the company's workforce in July 2019.

Career
Mary is currently a Non-Executive Director of ITV plc, where she is also a member of the Audit and Risk Committee, the Nominations Committee and Chair of the Remuneration Committee. She is also a member of the Remuneration Committee of St. Hilda's College, Oxford and a Supervisory Director of HAL Holding N.V. Mary was previously a Partner at McKinsey & Company. She also held the position of Member of the Supervisory Board of TNT NV, Scotch and Soda NV and TNT Express NV and was Vice-Chair of the Supervisory Board and Chair of the Remuneration Committee of Unibail-Rodamco-Westfield S.E. She was formerly a Non-Executive Director and Chair of the Remuneration Committee of J Sainsbury plc.

Mary graduated from the University of Oxford with a Masters degree in Politics, Philosophy and Economics and completed her MBA at Harvard Business School.

Skills and competencies
Mary has substantial experience in consumer and retail businesses across China, Southeast Asia and Europe. She brings to the Board a top-level strategic outlook, with international and consumer focus. Her previous experience in other Non-Executive Director roles, and as Chair of other Remuneration Committees, is invaluable in allowing her to effectively Chair the Remuneration Committee.

Current external appointments
Non-Executive Director of ITV plc

Member of the Remuneration Committee of St. Hilda's College, Oxford University

Member of the Supervisory Board of HAL Holding N.V.

Mehmood Khan

C

Non-Executive Director

Nationality
American/British

Board tenure
2 years, 9 months

Appointment
Appointed as a Non-Executive Director in July 2018.

Career
Mehmood has been Chief Executive Officer of Life Biosciences Inc. since April 2019. He was previously Vice Chairman and Chief Scientific Officer, Global Research and Development, at PepsiCo Inc. Mehmood previously held the position of President, Global Research & Development Centre at Takeda Pharmaceutical Company Limited. He was a faculty member at the Mayo Clinic and Mayo Medical School in Rochester, Minnesota, serving as Consultant Endocrinologist and Director of the Diabetes, Endocrine and Nutritional Trials Unit in the endocrinology division.

Mehmood has a Medical degree from the University of Liverpool, is a Fellow of the Royal College of Physicians, London and of the American College of Endocrinology and holds two Honorary PhDs in Humanities and International Law.

Skills and competencies
Mehmood is a highly skilled medical practitioner and researcher. He brings to the Board extensive experience in both developing and developed markets, adding value to the CRSEC Committee through his knowledge of creating sustainable initiatives and past experiences of leading research and development efforts to create breakthrough innovations.

Current external appointments
CEO of Life Biosciences Inc.

Pam Kirby

C N A

Non-Executive Director
Chair of CRSEC Committee

Nationality
British

Board tenure
6 years, 2 months

Appointment
Appointed as a Non-Executive Director in February 2015 and as Chair of the CRSEC Committee in July 2016.

Career
Pam served as Chairman of SCYNEXIS, Inc. until June 2015. She was formerly CEO of Quintiles Transnational Corporation and held senior positions in the international healthcare industry at AstraZeneca plc and Hoffman-La Roche. Pam holds a first-class BSc honours degree and a PhD in Clinical Pharmacology from the University of London.

Skills and competencies
Pam brings to the Board extensive knowledge of the healthcare sector and a wealth of international business and pharmaceutical experience. These skills are highly valuable to her role as Chair of the CRSEC Committee.

Current external appointments
Non-Executive Director of DCC plc

Non-Executive Director of Hikma Pharmaceuticals plc

Member of the Supervisory Board of AkzoNobel N.V.

Honorary Professor King's College London and Member of the Board of King's Health Partners

Sara Mathew

Non-Executive Director

A

Nationality
American

Board tenure
1 year, 9 months

Appointment
Appointed as a Non-Executive Director in July 2019.

Career
Sara was previously Chair and Chief Executive Officer of Dun & Bradstreet. In this role, she led the transformation of the company into an innovative digital enterprise. Prior to her role as Chair and Chief Executive Officer, she also served as President and Chief Operating Officer, and Chief Financial Officer where she initiated and managed the redesign of the company's accounting processes and controls. Prior to her career at Dun & Bradstreet, Sara spent 18 years at Procter & Gamble serving as CFO of the Baby Care and Pamper Products businesses and Vice President of Finance in Asia. Previously, she served on the boards of Shire Pharmaceuticals Limited, Campbell Soup company and Avon.

Sara received her undergraduate degree from the University of Madras in Chennai, India and holds an MBA in Marketing and Finance from Xavier University in Cincinnati, Ohio.

Skills and competencies
Sara has extensive Board experience across a number of industries including healthcare, consumer products and financial services. She has experience with consumer goods products and digital technologies and has led strategic and digital transformations. She has a proven track record of adding significant strategic value and brings great insight to the Board through her previous positions and demonstrates valuable leadership qualities.

Current external appointments
Chair of Freddie Mac

Director of State Street Corporation

Director of NextGen Acquisition Corporation

Elane Stock

Non-Executive Director

R

Nationality
American

Board tenure
2 year, 7 months

Appointment
Appointed as a Non-Executive Director in September 2018.

Career
Elane has been Chief Executive Officer of ServiceMaster Brands since October 2020. Elane was previously Group President at Kimberly-Clark International where she was responsible for business operations in EMEA, Asia Pacific and Latin America. Prior to this, Elane was Global President at Kimberly-Clark Professional with responsibility for the division selling workplace hygiene and safety products. She has also held the position of Director at Equifax Inc. In her earlier career, Elane was a Partner at McKinsey & Company in the US and Ireland.

Elane holds a BA in Political Science from the University of Illinois and an MBA in Finance from The Wharton School of The University of Pennsylvania.

Skills and competencies
Elane brings great sector-relevant experience and insight of consumer goods products to the Board, particularly in personal care and wellness. She also brings vast knowledge of emerging markets and the changing channels of trade and consumer preferences.

Current external appointments
Chief Executive Officer of ServiceMaster Brands

Director of Yum! Brands, Inc.

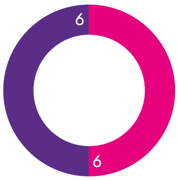
Other Directors who served during the year

Adrian Hennah
Adrian joined Reckitt as Chief Financial Officer in February 2013. Adrian retired as Chief Financial Officer on 9 April 2020.

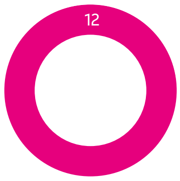
Warren Tucker
Warren joined Reckitt as a Non-Executive Director in February 2010. Warren stepped down from the Board and Audit Committee on 12 May 2020.

Board members skills overview

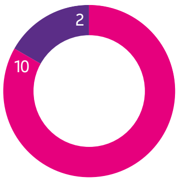
Financial expertise



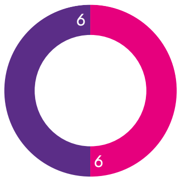
Strategy



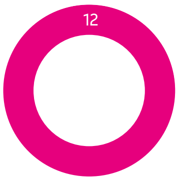
Consumer goods & retail



Healthcare & pharmaceuticals



Leadership



● With skill
● Without skill

GROUP EXECUTIVE COMMITTEE

Laxman Narasimhan 01
Chief Executive Officer

Jeff Carr 02
Chief Financial Officer

Kris Licht 03
President Health & Chief Customer Officer

Harold van den Broek 04
President Hygiene

Aditya Sehgal 05
President Nutrition, eRB & Greater China

Ranjay Radhakrishnan 06
Chief Human Resources Officer

Miguel Veiga-Pestana 07
Head of Corporate Affairs & Chief Sustainability Officer

Sami Naffakh 08
Chief Supply Officer

Volker Kuhn 09
Chief Transformation Officer

Angela Naef 10
Chief R&D Officer

Rupert Bondy 11
General Counsel & Company Secretary

Filippo Catalano 12
Chief Information & Digitisation Officer

Laxman Narasimhan 01
Chief Executive Officer

Nationality	Company tenure
American	1 year, 9 months

Experience
Laxman joined Reckitt as CEO-Designate in July 2019 and was appointed as CEO on 1 September 2019. Prior to joining Reckitt, Laxman held various senior roles at PepsiCo from 2012 to 2019, including, Global Chief Commercial Officer, Chief Executive Officer of Latin America, Europe and Sub-Saharan Africa operations – where he ran the company's food and beverage businesses across the regions – and Chief Executive Officer of Latin America. Prior to PepsiCo, Laxman served as a Director of McKinsey & Company and held various roles from 1993 to 2012. He was also an Advisory Board member of the Jay H. Baker Retailing Center at The Wharton School of The University of Pennsylvania.

Laxman holds a degree in Mechanical Engineering from the College of Engineering, University of Pune, India. He has a Masters degree in German and International Studies from The Lauder Institute at The University of Pennsylvania and an MBA in Finance from The Wharton School of The University of Pennsylvania. Laxman is an outstanding leader who brings wide experience across the consumer goods sector. He has previously led complex operational businesses and inspired teams across developed and emerging markets to achieve market-leading performance. He has exceptional strategic capabilities and consumer insight with a proven track record of developing purpose-led brands and driving consumer-centric digital innovation.

Jeff Carr 02
Chief Financial Officer

Nationality	Company tenure
British	1 year

Experience
Jeff joined Reckitt as Chief Financial Officer on 9 April 2020. Prior to joining Reckitt, Jeff was Chief Financial Officer and Management Board member at Ahold Delhaize, the Dutch retailer operating across Europe and the USA. Before joining Ahold Delhaize, Jeff held the role of Chief Financial Officer at First Group plc and easyJet plc and held senior finance roles at Associated British Foods plc and Reckitt. Jeff started his career as a graduate trainee at Unilever plc. Jeff is currently Chairman of the Audit Committee and Non-Executive Director of Kingfisher plc. Jeff holds a degree in Chemical Engineering from the University of Exeter and is a Chartered Management Accountant.

Jeff brings extensive experience across consumer and retail companies. He has a strong track record of transformational strategic and operational leadership, consistent performance delivery, strong capital allocation discipline and building strong teams.

Kris Licht 03
President Health & Chief Customer Officer

Nationality	Company tenure
American	1 year, 5 months

Experience
Kris joined Reckitt in November 2019 as Chief Transformation Officer. On 1 July 2020, Kris became President Health & Chief Customer Officer. Prior to joining Reckitt, Kris held a number of senior strategic and operational positions at PepsiCo. Previously, he served as Division President in PepsiCo's North American Beverage Business. Prior to this, Kris was a Partner at McKinsey & Company working for over 12 years in the firm's consumer, health and retail practices. Kris brings strong operational and strategic experience to the Committee.

Harold van den Broek **04**
President Hygiene

Nationality	Company tenure
Dutch	7 years

Experience
Harold joined Reckitt in 2014. He was appointed Chief Operating Officer for the Hygiene Home business unit in December 2019, with responsibility for the overall management of the business unit. On 1 July 2020, Harold became President Hygiene. Before his current role, Harold was the CFO of the Hygiene Home business unit, a position he had held since the formation of the business unit in January 2018. Prior to joining Reckitt, Harold worked at Unilever, where he started his career. During his tenure there, he held many senior financial positions spanning categories in developed and emerging markets and corporate roles. Harold is an impressive leader, known for inspiring teams to deliver growth, with operational rigour. Harold will leave Reckitt on 31 May 2021.

Aditya Sehgal **05**
President Nutrition, eRB & Greater China

Nationality	Company tenure
Indian	26 years

Experience
Aditya joined Reckitt in 1994. After holding various roles in sales, marketing and general management, he was appointed SVP North Asia in 2012 and in 2015 he was promoted to Global Category Officer Health. In 2017, Aditya became EVP Infant & Child Nutrition (IFCN) with responsibility for leading the onboarding of Mead Johnson into Reckitt and the integration of the IFCN division into Health. In January 2018, he was appointed EVP Health for Developing Markets and e-commerce. Aditya became Chief Operating Officer, Health in January 2019, with responsibility for the global operations of the Health and Nutrition business unit. On 1 July 2020, he became President Nutrition, eRB & Greater China. In this role, he leads the Nutrition Global Business Unit. He also leads Reckitt's eRB business (global e-commerce, digital marketing/CRM and venture/partnerships) and the China business across all three Global Business Units. Aditya is a highly skilled leader, known for delivering superior results; he has played a fundamental role in the growth of the Reckitt business in China, whilst driving transformation and operational excellence in the field of e-commerce.

Ranjay Radhakrishnan **06**
Chief Human Resources Officer

Nationality	Company tenure
Indian	1 year, 1 month

Experience
Ranjay Radhakrishnan joined Reckitt as Chief Human Resources Officer on 1 March 2020. Ranjay has 28 years' experience in the human resources function across different geographies and industries. Prior to joining Reckitt, Ranjay was the Chief Human Resources Officer at InterContinental Hotels Group plc, one of the world's leading hotel companies. Previously, Ranjay spent over two decades at Unilever, in a range of senior leadership roles at global, regional and country levels. His last role at Unilever was Executive Vice President Global HR, where he led HR for Unilever's eight regions and four global product categories, under a unified global HR leadership role.

Ranjay has worked in a number of specialist areas of HR such as talent, learning, reward, change and organisational effectiveness, complementing large generalist roles in both mature and developing markets. Ranjay has worked and lived in several countries, including the UK, The Netherlands, Singapore, the UAE and India. He graduated from Mumbai University in Commerce and Accounting and has a Master's degree in Personnel Management and Industrial Relations from the Tata Institute of Social Sciences in Mumbai, India.

Miguel Veiga-Pestana **07**
Head of Corporate Affairs & Chief Sustainability Officer

Nationality	Company tenure
British	4 years

Experience
Miguel joined Reckitt as the Head of Corporate Affairs in 2017, responsible for all aspects of strategic communications, brand and reputation management. He was subsequently appointed as Chief Sustainability Officer in 2018 responsible for overseeing the development and integration of Reckitt's sustainability and purpose-led agenda. He became Head of Corporate Affairs & Chief Sustainability Officer and a member of the Group Executive Committee in April 2020.

Prior to joining Reckitt, Miguel was Chief Communications Officer at the Bill & Melinda Gates Foundation, based in Seattle. Previously, Miguel spent over a decade at Unilever and held several regional and global communications roles, notably as the Vice-President for Global Sustainability Strategy and Advocacy. Miguel has more than 30 years' external affairs, communications and sustainability experience, having held positions in the UK, US and Brussels. He was born on the island of Madeira and is of Portuguese descent.

Sami Naffakh **08**
Chief Supply Officer

Nationality	Company tenure
French	9 months

Experience
Sami joined Reckitt as Chief Supply Officer on 1 July 2020 and is responsible for Reckitt's global supply chain operations, and since January 2021 he has also been responsible for Reckitt's Quality and Environmental Health & Safety (EHS)/Quality Compliance teams.

Sami brings to Reckitt over 25 years of broad international leadership experience in fast-moving consumer goods companies such as Unilever, Danone and Estée Lauder – as well as Reckitt, where he previously held several leadership positions from 2003 to 2009. Most recently, Sami was Executive Vice President at Arla Foods, the Danish farmer-owned dairy cooperative, where he headed up supply chain operations globally. Sami is skilled in leading major transformations of supply chain operations, increasing competitiveness, agility and sustainability to quickly adapt to evolving consumer trends and customer requirements.

Volker Kuhn **09**
Chief Transformation Officer

Nationality	Company tenure
German	8 months

Experience
Volker joined Reckitt as Chief Transformation Officer on 1 August 2020 and is responsible for driving productivity, new business solutions, strategy and further growth opportunities.

Volker joined from Procter & Gamble (P&G) where he was VP Fabric Care, Europe and Global Platform lead for single-dose detergents. He spent 26 years at P&G in a range of international finance, brand marketing, business development and general management roles. Volker has a strong track record of leading successful business turnarounds, growth initiatives and transformations including the carve-out and divestiture of the Duracell company from P&G to Berkshire Hathaway. He started his career at Deutsche Bank and subsequently worked for a small consulting firm before joining P&G. Volker currently serves as Chairman and a Non-Executive Board member of FRoSTA AG, a leading European frozen food company.

Volker will become President, Hygiene on 1 May 2021.

Angela Naef 10

Chief R&D Officer

Nationality
American

Company tenure
7 months

Experience

Angela joined Reckitt as Chief R&D Officer on 14 September 2020. Angela is responsible for elevating Reckitt's science capability and platforms as well as for driving external partnerships, including amplifying the Reckitt Global Hygiene Institute. Since January 2021, she had also taken responsibility for Global Regulatory and Global Safety Assurance and SQRC (safety, quality and regulatory compliance) Operational Excellence teams.

Angela brings to Reckitt over 20 years of diverse senior leadership experience in product and business development roles. Most recently, Angela spent 10 years at DuPont, in various technical and commercial leadership roles, where she led the Nutrition & Biosciences Global Technology and Innovation organisation. Angela has a strong track record of accelerating innovation in the areas of food and nutrition sciences, materials, health and clinical sciences, regulatory and biotechnology. She is a passionate advocate for diversity and inclusion and actively works on STEM education to inspire the next generation of new engineers and scientists. Angela is a graduate of the University of California, Davis with a PhD in Physical Chemistry and is a Lean Six Sigma Black Belt.

Rupert Bondy 11

General Counsel & Company Secretary

Nationality
British

Company tenure
4 years, 4 months

Experience

Rupert joined Reckitt as General Counsel & Company Secretary in January 2017 and is responsible for legal matters across the Group. He began his career as a lawyer in private practice. In 1989 he joined US law firm Morrison & Foerster, working in San Francisco and London, and from 1994 he worked for Lovells in London. In 1995 he joined SmithKline Beecham as Senior Counsel for mergers and acquisitions and other corporate matters. When SmithKline Beecham and Glaxo Wellcome merged to form GlaxoSmithKline plc, Rupert was appointed Senior Vice President and General Counsel. In 2008, Rupert became Group General Counsel of BP plc, holding that position until he joined Reckitt. Rupert is a seasoned general counsel with extensive experience across a number of sectors, including consumer healthcare.

Filippo Catalano 12

Chief Information & Digitisation Officer

Nationality
Italian

Company tenure
less than a month

Experience

Filippo will join Reckitt as Chief Information & Digitisation Officer and a Group Executive Committee member on 1 April 2021. Filippo is currently SVP, Global Chief Information Officer at Nestlé. In his role, he has led the modernisation of the technology platforms, data, processes and tech skills for Nestlé, with growth and efficiency enablers such as MarTech, omni-channel, machine intelligence, automation, advanced analytics and IoT implemented at scale across the Group. He also introduced new and disruptive solutions such as voice, blockchain, chatbots and augmented reality. Prior to Nestlé, Filippo worked at Procter and Gamble (P&G) across geographies, categories and IT disciplines, leading the digital transformation in key brands and corporate initiatives. Filippo brings extensive leadership experience in defining and shaping IT, digital portfolios and technology-enabled new business models across leading consumer goods organisations.

Other Group Executive Committee members who served in the year

Zephanie Jordan
Chief SQRC Officer, joined Reckitt in 2015 and stepped down from the Group Executive Committee on 1 January 2021. Zephanie will leave Reckitt in April 2021.

Adrian Hennah
Chief Financial Officer, joined Reckitt in January 2013 and stepped down from the Board on 9 April 2020. Adrian retired from the business on 21 October 2020.

Gurveen Singh
Chief Human Resources Officer, joined Reckitt in 1993 and retired in June 2020.

Rob de Groot
President, Hygiene Home, retired from Reckitt in February 2020.

Mike Duijser
Chief Supply Officer, joined Reckitt in November 2018 and left in January 2020.

CHAIRMAN'S STATEMENT

“

We remain committed to promoting the long-term sustainable success of the company and engaging with and understanding the needs of our shareholders and all stakeholders.

Chris Sinclair
Chairman

On behalf of the Board, I am pleased to present the company's Corporate Governance Report for the financial year ended 31 December 2020.

The Board's governance and way of working adapted and evolved to meet the challenges of COVID-19 in 2020. In January and February 2020 the Board met in person to review and endorse the new strategy laid out by new CEO Laxman Narasimhan in February 2020, and to review our response to the evolving COVID-19 pandemic which at that time was primarily affecting China. Since February, all of the Board's meetings have been virtual and the pandemic has become a significant global problem in which Reckitt's products play an important role in terms of sanitation and disinfection. In 2020, the Board and its Committees spent considerable time to understand the impact of the pandemic on our business and on our workforce, many of whom continued to work in our factories around the world but many of whom have also been working from home for many months. The Board spent considerable time on how we managed the various risks relating to COVID-19 and ensured business continuity and the continued availability of key products, as well as potential opportunities and implications of the pandemic for the future.

Following reports from the Audit Committee, around the time of publication of last year's Annual Report in April 2020, and throughout the financial year under review, the Board considered and monitored the financial impact of COVID-19 on the business and reviewed scenario planning, assessed the Group's liquidity and ability to continue as a going concern and considered COVID-19 specific risks. We determined that the Group remained in a strong financial position. The Audit Committee Report commencing on page 119 sets out further details.

The impact of COVID-19 has reinforced the importance of a number of the UK Corporate Governance Code 2018 (the Code) principles and provisions – the importance of effective leadership, of the Group having a strong and clear purpose and values, and these being cohesive with the Group's desired culture.

In February 2020, we announced our Rejuvenating Sustainable Growth strategy, including our new purpose, fight and compass, which went live on 1 July 2020. We announced under our new strategy that our business would be split into three Global Business Units: Health, Hygiene and Nutrition. The COVID-19 pandemic has validated key elements of our new strategy. For example, Hygiene is a foundation of Health; our new purpose, fight and compass have been timely and are relevant; we see digital as a key area of growth; and our transformation programmes will help to position us to meet our business objectives. Our strategic priorities include driving business performance, engaging with our workforce and other stakeholders and managing potential risks, including those arising from numerous workstreams running concurrently under our transformation programmes. More details on our new strategy can be found in the Strategic Report on pages 18 to 23.

Stakeholder engagement

Under section 172 of the Companies Act 2006, Directors must act in good faith and in a way that would be likely to promote the success of the company for the benefit of its shareholders. In its decision-making, the Board considers wider stakeholder interests. The Group's key stakeholders include its employees, shareholders, customers, partners, suppliers and the communities in which we operate. Templates for Board papers were prepared to ensure the impact on stakeholders was factored into any strategic decisions that required its approval.

Full details of stakeholder engagement activities undertaken during the year can be found in our section 172 statement on pages 58 to 61.

Long-term focus
The Board continues to pursue policies and reinvest resources so as to safeguard the long-term health of Reckitt. It believes that this is best achieved through a holistic approach that pursues sustainable rewards for shareholders, while also addressing social needs and meeting environmental obligations. A number of workstreams are under way as part of our multi-year transformation programme to rejuvenate Reckitt by establishing consistent performance, building revenue momentum and achieving sustained outperformance.

The Board is responsible for good stewardship of the company to protect shareholders' long-term interests and ensure its social and environmental obligations are fulfilled. In part, through the Corporate Responsibility, Sustainability, Ethics and Compliance (CRSEC) Committee, it is working to integrate sound governance principles in business decision-making as it moves from a narrower risk and safety-led approach to a broader one that aligns environment and sustainability issues with performance and purpose. Further details can be found in the CRSEC Committee Report commencing on page 128.

Culture and values
Our culture and values define the way that Reckitt does business. Our Code of Conduct reinforces our principles of business conduct and is communicated to all employees each year with mandatory training. Our values underpin our Code of Conduct and were further enhanced in early 2020 with our renewed purpose, fight and compass, as described on pages 10 and 11. We also launched our refreshed Global Code of Conduct during the year, translated into 25 languages, which provides clear guidance on Reckitt's procedures and practices. Our Global Code of Conduct sets out the level of conduct expected from all Reckitt employees, contractors, outsourced personnel and joint ventures and the Board of Directors, as accountable, ethical and compliant owners of our Health, Hygiene and Nutrition Global Business Units. Further detail on our culture and values can be found in our section 172 statement on pages 58 to 61.

Board and succession planning
As we announced last year, Adrian Hennah, previously Chief Financial Officer (CFO), retired from the Board and his role as CFO on 9 April 2020. On the same date, his successor, Jeff Carr – a Reckitt alumnus – was appointed to the Board and to the role of CFO. To ensure a seamless transition and handover to Jeff, Adrian remained with the company until his retirement date of 21 October 2020. Upon joining Reckitt, Jeff also became a member of our Group Executive Committee. We were delighted to welcome Jeff to the Board and back to Reckitt. The Board is confident that Jeff is making a positive contribution to the business in his role as CFO and he is playing a key role in Reckitt's strategic transformation.

After 10 years with Reckitt, Warren Tucker retired from the Board and Audit Committee at the conclusion of the company's AGM on 12 May 2020. On behalf of the Board, I would like to thank Warren for his valued service and strong commitment to Reckitt, and wish him well for the future.

As part of the ongoing refreshment of the Board, and following an extensive search and thorough recruitment process, we appointed Margherita Della Valle on 1 July 2020 as a new Non-Executive Director and as a member of the Audit Committee. Margherita's appointment brings valuable insight, relevant financial and sectoral expertise and challenge to the Board and to the Audit Committee. I am pleased to welcome Margherita to the Board.

In December 2020, we announced that Olivier Bohuon would join Reckitt as a Non-Executive Director and member of the Remuneration Committee, in January 2021. He is a successful leader, with many years of experience as CEO of a large global company. Olivier has deep experience in healthcare products and markets and we are confident that he will bring great insight to the Board.

Further details on the Board and Group Executive Committee's succession plans, including the recruitment process and selection criteria, can be found in the Nomination Committee Report, commencing on page 113. Biographies of the members of our Board and Group Executive Committee can be found on pages 94 to 101.

The Board undertakes an annual review of its own and its Committees' performance and effectiveness. This year, we engaged Lintstock Ltd to facilitate an external evaluation of our performance and I am pleased to report that the evaluation concluded that the Board, its Committees and individual Directors were performing effectively. Further details on the Board evaluation outcomes and actions can be found on page 110.

Code compliance and other reporting requirements
The Board considers compliance with the Code of utmost importance. Any instances of non-compliance are only allowed through the authority of the Board if it can be shown that the spirit of the Code and good corporate governance within the company generally continues.

The Corporate Governance Report outlines the company's governance processes and the application of the principles and provisions under the Code and is on pages 102 to 112. The company has complied with the Code throughout the year ended 31 December 2020.

The Board also gives due consideration to future legislative or regulatory changes and takes a proactive approach to ensuring preparedness for any changes required to practices, policies or procedures. As an example, potential legislative changes expected following the Kingman and Brydon reviews into the audit industry and the anticipated Department for Business, Energy & Industrial Strategy (BEIS) consultation, which will likely impact internal controls and financial reporting, are already being given consideration by the Audit Committee. Further information can be found in the Audit Committee Report, starting on page 119.

Whilst our Annual General Meetings (AGM) are normally held as physical meetings with shareholders encouraged to attend, owing to COVID-19, for our 2020 AGM we recommended that shareholders refrained from attending the AGM in person, in line with instructions from the UK government. Our 2020 AGM was held as a closed meeting, with a virtual webcast which shareholders were able to view live online. At the time of publication, we anticipate this year's AGM will follow the same format as last year's AGM. Shareholders and their proxies should vote by proxy in advance of the meeting. Questions can be submitted in advance of the AGM or by using the online facility during the meeting, and shareholders can view the AGM via a live virtual webcast. At this year's AGM, we will be proposing an additional special resolution to adopt amended Articles of Association of the company, allowing us to hold a hybrid AGM going forward. Further details are set out in the Notice of AGM.

I am extremely proud of the Board and all our Reckitt colleagues for their continued commitment to creating value for our shareholders and for contributing to the good governance and stewardship of our business, on behalf of all our stakeholders.

Chris Sinclair
Chairman
Reckitt Benckiser Group plc
15 March 2021

UK Corporate Governance Code 2018

The company is premium listed on the London Stock Exchange (LSE) and this Statement is prepared with reference to the Financial Reporting Council's (FRC) UK Corporate Governance Code 2018 (the Code) in effect for the financial periods beginning on or after 1 January 2019, which can be found on the FRC's website at www.frc.org.uk, and the Disclosure Guidance and Transparency Rules requirements to provide a corporate governance statement. The Code sets out the framework of governance for premium listed companies within the UK, emphasising the value of good corporate governance to long-term sustainable success. It sets out governance practices in relation to Board leadership, purpose and culture; division of responsibilities on the Board; Board composition and effectiveness; procedures for audit, risk and internal control; and remuneration practices and policies.

We are pleased to report that we have complied with the provisions of the Code. This Report sets out how the company has applied the Principles of the Code throughout the year ended 31 December 2020 and as at the date of this Report.

Board leadership and company purpose

Key areas of Board focus in 2020

Board meetings are structured in an open atmosphere conducive to challenge and debate. Agendas are tailored to the requirements of the business and agreed in advance by the Chairman and CEO with the support of the General Counsel & Company Secretary. Five regularly scheduled meetings are held each year; four of these meetings this year were held via videoconference, as permitted by the company's Articles of Association, owing to the restrictions imposed by the COVID-19 pandemic. The formal meetings in September each year are strategy sessions which are normally held overseas, to allow the Board to immerse itself in the Group's operations, to visit local sites and meet the local workforce. Owing to COVID-19, the September 2020 strategy sessions were held via videoconference. Additional meetings, which are normally held either in person, by phone or consist of written resolutions, are held throughout the year to consider topics that may arise outside the formal standing agenda.

The Board receives operating and financial reports from the CEO and CFO on strategic and business developments as well as financial performance and forecasts at each meeting. Detailed presentations are also made by non-Board members on material matters to the Group.

In addition, the Chairs of the Audit, Remuneration, CRSEC and Nomination Committees update the Board on the proceedings of those meetings, including key topics and areas of concern.

At the conclusion of every scheduled Board meeting, the Chairman holds a session with the other Non-Executive Directors, without the Executive Directors present, providing further opportunity for the Non-Executive Directors to assess the performance of the Executive Directors and help drive future agenda items. Details of each Director's attendance at Board meetings can be found on page 106.

The Board uses its meetings as a way of discharging its responsibilities set out in section 172 of the Companies Act 2006 and considers the various stakeholder groups when making decisions to promote the success of the company as a whole.

The following areas formed substantial areas of focus for the Board in the year:

Strategy and planning	Key stakeholder groups considered
Group budgets, forecasts and key performance targets, including assumptions, scenarios and projections	Shareholders, Consumers, Customers, Government and industry associations
Potential mergers and acquisitions	Shareholders, Consumers, Customers, Partners
Group debt and funding arrangements, including issuance of bonds	Shareholders, Employees, Partners, Government and industry associations
Reckitt strategic reviews, including COVID-19 impact at Group and Global Business Unit level, functional reviews of certain business areas and status updates on transformation programmes	Shareholders, Employees, Customers, Consumers, Partners, Communities
Approval of interim and final dividend payments	Shareholders, Employees
Review of performance of Global Business Units	Shareholders, Employees, Customers, Consumers, Partners, Communities, Government and industry associations
Review of Reckitt's sustainability strategy in light of the new Group strategy	Shareholders, Employees, Customers, Consumers, Partners, Communities, Government and industry associations

Risk management and internal control	
Review of Reckitt's principal risks and internal controls, emerging risks and the Group's risk register	Shareholders, Employees, Customers, Consumers, Partners, Communities, Government and industry associations
Consideration and approval of the Viability Statement	Shareholders, Employees, Customers, Consumers, Partners, Communities, Government and industry associations
Updates on the company's response to and the impact of COVID-19 on the business, including focus on supply and consumer demand, the workforce and risk management	Shareholders, Employees, Customers, Consumers, Partners, Communities, Government and industry associations
Review and approval of the Group's Treasury Policy	Employees, Government and industry associations

Results and Financial Statements	
Annual Report and Financial Statements including compliance with reporting requirements	Shareholders, Employees, Customers, Consumers, Communities, Government and industry associations
Review of going concern and liquidity considerations arising from the COVID-19 pandemic	Shareholders, Employees, Customers, Consumers, Partners, Communities, Government and industry associations
Results and presentations to analysts	Shareholders, Customers

Leadership and governance	
Board and Committee evaluation and effectiveness	Shareholders, Employees
Director and senior management succession planning, including the appointment of a new CFO and Non-Executive Directors	Shareholders, Employees, Customers, Consumers, Partners, Communities, Government and industry associations
Relations with shareholders and stakeholders, including Board and employee engagement sessions	Shareholders, Employees, Customers, Consumers, Partners, Communities, Government and industry associations
Review (and approval, where appropriate) of governance matters, such as the Board Matters Reserved, Committee Terms of Reference, Directors' conflicts of interest and compliance with the UK Corporate Governance Code 2018 and best practice	Shareholders, Employees

Other	
Confirmation of arrangements for the company's AGM, given the restrictions arising from COVID-19	Shareholders, Employees, Customers, Consumers, Communities, Government and industry associations
Approval of Modern Slavery Act statement	Shareholders, Employees, Customers, Consumers, Partners, Communities, Government and industry associations
Pensions	Employees

→ **Colour key**

Communities · Customers · Shareholders · Government and industry associations · Consumers · Employees · Partners

Board attendance at scheduled meetings

In 2020, there were five scheduled Board meetings, plus eight additional Board meetings relating to various matters, including ongoing reviews of the company's strategy and holistic reviews of the impact of COVID-19 on the Group and its business including supply, finance (including reporting and going concern), the workforce, risk management and strategy. Following the conclusion of each scheduled Board meeting, the Chairman holds a session with the other Non-Executive Directors, without the Executive Directors present. There were four scheduled and two additional Audit Committee meetings, four scheduled and two additional Remuneration Committee meetings, four scheduled and three additional Nomination Committee meetings and four scheduled meetings of the CRSEC Committee.

The table sets out the attendance by individual Directors at the scheduled Board and individual Committee meetings which each Director was eligible to attend. Directors who were not members of individual Board Committees were also invited to attend one or more meetings of those Committees during the year. Where a Director is unavoidably absent from a Board or Board Committee meeting, they still receive and review the papers for the meeting and typically provide verbal or written input ahead of the meeting, usually through the Chairman of the Board or the Chair of the relevant Board Committee, so that their views are considered at the meeting. Given the nature of the business to be conducted, some of the additional Board meetings are convened at short notice, which can make it difficult for some Directors to attend due to prior commitments and their home locations.

Board attendance at scheduled meetings

	Board	Audit Committee	Remuneration Committee	CRSEC Committee	Nomination Committee
Andrew Bonfield	5 of 5	4 of 4	–	–	3 of 3
Jeff Carr[1]	4 of 4	–	–	–	–
Margherita Della Valle[2]	2 of 3	0 of 2	–	–	–
Nicandro Durante	5 of 5	–	4 of 4	4 of 4	3 of 3
Mary Harris	5 of 5	–	4 of 4	–	3 of 3
Adrian Hennah[3]	1 of 1	–	–	–	–
Mehmood Khan	5 of 5	–	–	4 of 4	–
Pam Kirby	5 of 5	4 of 4	–	4 of 4	3 of 3
Sara Mathew	5 of 5	4 of 4	–	–	–
Laxman Narasimhan	5 of 5	–	–	–	3 of 3
Chris Sinclair	5 of 5	–	4 of 4	4 of 4	3 of 3
Elane Stock	5 of 5	–	4 of 4	–	–
Warren Tucker[4]	2 of 2	2 of 2	–	–	–

1. Appointed to the Board on 9 April 2020
2. Appointed to the Board and Audit Committee on 1 July 2020. Margherita was unable to attend one Board meeting and two Audit Committee meetings owing to prior commitments entered into before joining the Reckitt Board
3. Retired from the Board on 9 April 2020
4. Retired from the Board and Audit Committee on 12 May 2020

Division of responsibilities

Board roles and responsibilities

To ensure the Board performs effectively, there is a clear division of responsibilities, set out in writing and agreed by the Board, between the leadership of the Board and executive leadership of the business. The key roles have been defined in greater detail below.

The Chairman

- Leading the Board and taking responsibility for the Board's overall effectiveness in directing the company.
- Upholding the highest standards of integrity and ethical leadership, leading by example and promoting a culture of openness and debate, based on mutual respect, both in and outside the Boardroom and in line with our purpose, values, strategy and culture.
- Chairing Board, Nomination Committee and shareholder meetings and setting Board agendas.
- Encouraging constructive challenge and facilitating effective communication between the Board, management, shareholders and wider stakeholders, whilst promoting a culture of openness and constructive debate.
- Ensuring an appropriate balance is maintained between the interests of shareholders and other stakeholders.
- Leading the annual performance evaluation process for the Board and its Committees and addressing any subsequent actions.
- Promoting the highest standards of corporate governance.
- Ensuring Directors receive accurate, timely and clear information.
- Ensuring there are appropriate induction and development programmes for all Board members.
- Ensuring the long-term sustainability of the company.

The Chief Executive Officer

- Principally responsible for the day-to-day management of Reckitt, in line with the strategic, financial and operational objectives set by the Board.
- Chair of the Group Executive Committee, consisting of the CEO, the CFO and senior management executives, who together are responsible for execution of the company's strategy and achieving its commercial aims.
- Effective development and implementation of strategy and commercial objectives as agreed by the Board.
- Managing Reckitt's risk profile and establishing effective internal controls.
- Ensuring there are effective communication flows to the Board and the Chairman, and that they are regularly updated on key matters, including progress on delivering strategic objectives.
- Regularly reviewing the organisation structure, developing an executive team and planning for succession.
- Providing clear leadership to promote the desired culture, values and behaviours to inspire and support the company's workforce.
- Ensuring the long-term sustainability of the business.

The Senior Independent Director

- Acting as a sounding board for the Chairman on Board-related matters.
- Acting as an intermediary for other Directors as necessary.
- Evaluating the Chairman's performance on an annual basis.
- Chairing meetings in the absence of the Chairman.
- Being available to shareholders and stakeholders to address any of their concerns, which they have been unable to resolve through normal channels.
- Leading the search and appointment process for a new Chairman, if necessary.

The Chief Financial Officer

- Supporting the CEO in developing and implementing the company's strategy.
- Leading the global finance function, developing key talent and planning for succession.
- Responsible for establishing and maintaining adequate internal controls over financial reporting and for the preparation and integrity of financial reporting.
- Ensuring the Board receives accurate, timely and clear information in respect of the Group's financial performance and position.
- Developing and recommending the long-term strategic and financial plan.

The Non-Executive Directors

- Providing independent input into Board decisions through constructive challenge and debate, strategic guidance and specialist advice.
- Setting/approving the company's long-term strategic, financial and operational goals.
- Examining the day-to-day management of the business against the performance targets and objectives set, ensuring that management is held to account.
- Reviewing financial information and ensuring it is complete, accurate and transparent.
- Ensuring there are effective systems of internal control and risk management and that these are continually monitored and reviewed.
- Setting appropriate levels of remuneration for Executive Directors and ensuring performance targets are closely aligned with shareholder interests.
- Development of succession planning and the appointment and removal of senior management.

The Company Secretary

- Providing advice and support to the Chairman and all Directors.
- Advising and keeping the Board up to date on all relevant legal and governance requirements and ensuring the company is compliant.
- Ensuring the Board receives high-quality, timely information in advance of Board meetings to ensure effective discussion.
- Facilitating the induction programme for all Board members.
- Ensuring there are policies and processes in place to help the Board function efficiently and effectively.

A full description of the roles and responsibilities of the Chairman, Chief Executive Officer and Senior Independent Director can be found in the Corporate Governance section of our website: **www.reckitt.com**

Our governance framework

The Board has established four Board Committees to assist in the execution of its responsibilities. These are the Nomination Committee, Audit Committee, Remuneration Committee and CRSEC Committee. Each Committee operates under terms of reference approved by the Board. The terms of reference are reviewed regularly, the last review taking place in November 2020, and can be found on the company's website, www.reckitt.com. The current Committee membership of each Director is shown on pages 95 to 98. There are also two supporting management committees: the Disclosure Committee and the Group Executive Committee.

Board

The Board is responsible for the overall leadership of the Group and for promoting its long-term success whilst focusing on its governance with the highest regard to the principles of the Code.

Nomination Committee

Chaired by Chris Sinclair

The Nomination Committee's key objective is to make recommendations to the Board on suitable candidates for appointment to the Board, its Committees and senior management and regularly review and refresh their composition to ensure that they comprise individuals with the necessary skills, knowledge and experience to effectively discharge their responsibilities, whilst keeping in mind the importance of diversity.

More details are set out in the **Nomination Committee Report** on pages 113 to 118

Audit Committee

Chaired by Andrew Bonfield

The Audit Committee is responsible for monitoring the integrity of Reckitt's Financial Statements and is responsible for ensuring effective functioning of internal audit, internal financial control and risk management. It is also responsible for managing the company's relationship with the External Auditor.

More details are set out in the **Audit Committee Report** on pages 119 to 127

Remuneration Committee

Chaired by Mary Harris

The Remuneration Committee assists the Board in fulfilling its oversight responsibility by ensuring that Remuneration Policy and practices reward fairly and responsibly; are linked to corporate and individual performance; and take account of the generally accepted principles of good governance. The Committee is responsible for determining the remuneration for the Chairman, Executive Directors and senior management.

More details are set out in the **Remuneration Committee Report** on pages 134 to 157

CRSEC Committee

Chaired by Pam Kirby

The CRSEC Committee was established in July 2016 to support the Board in reviewing, monitoring and assessing the company's approach to responsible, sustainable, ethical and compliant corporate conduct and to assist the Board in upholding its values of honesty and respect.

More details are set out in the **CRSEC Committee Report** on pages 128 to 133

Disclosure Committee

Chaired by Laxman Narasimhan

The Disclosure Committee's key objective is to ensure accuracy and timeliness of disclosure of financial and other public announcements.

Group Executive Committee

Chaired by Laxman Narasimhan

The Group Executive Committee is responsible for overseeing Reckitt's management and recommending and implementing the strategy and budget as approved by the Board. It ensures liaison between functions, reviews major investments and approves business development plans.

Board responsibilities

The Board is responsible for the effective leadership of the Group and for promoting its long-term sustainable success, generating value for shareholders and contributing to wider society, whilst focusing on governance with the highest regard to the principles of the Code. The Board provides leadership by setting the company's purpose, strategy and values, monitoring our culture and ensuring alignment with purpose, strategy and values, and overseeing implementation by management. All Directors must act with integrity, lead by example and promote the company's culture and values. The Board also ensures there are appropriate processes in place to manage risk, including the company's risk appetite and monitors the company's financial and operational performance against objectives.

The Board consists of a balance of Executive and Non-Executive Directors who together have collective accountability to Reckitt's shareholders and stakeholders as well as responsibility for the overriding strategic, financial and operational objectives and direction of Reckitt. It is the Board's responsibility to ensure there are effective engagement methods in place with its stakeholders. Further information on the Board's engagement activities can be found in the section 172 statement set out on pages 58 to 61.

The Board manages the overall leadership of the Group with reference to its formal Schedule of Matters Reserved for the Board. This schedule is reviewed annually, with the last review undertaken in November 2020, and broadly covers:

- matters which are legally required to be considered or decided by the Board, such as approval of Reckitt's Annual Report and Financial Statements, declaration of dividends and appointment of new Directors;
- matters recommended by the Code to be considered by the Board, such as terms of reference for the Board and its Committees, review of internal controls and risk management;
- compliance with regulations governing UK publicly listed companies, such as the UK Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Regulation Rules; and
- matters relating to developments in, or changes to, the Group's strategic direction, material corporate or financial transactions.

The full Schedule of Matters Reserved for the Board is available at www.reckitt.com/investors/corporate-governance.

The principal activities undertaken by the Board are set out over the following pages. A summary overview is set out in the table on Board focus areas in 2020 on page 105.

Managing conflicts of interest

Directors have a duty under the Companies Act 2006 (CA 2006) to avoid interests, direct or indirect, which might conflict with the interests of the Group. Under the terms of the company's Articles of Association, such conflicts can be authorised by the Board. Procedures are in place to manage and, where appropriate, approve such conflicts. Any authorisations granted by the Board are recorded by the Company Secretary in a Register of Conflicts, together with the date on which the conflict was authorised. Any conflicts authorised during the year are reviewed annually by the Board. In addition, each Director certifies on an annual basis that the information contained in the Register of Conflicts is correct.

The company indemnifies the Directors and Officers of the company and any Group subsidiary to the extent permitted by CA 2006 and the Listing Rules in respect of the legal defence costs for claims against them and third-party liabilities. The indemnity would not provide cover for a Director or Officer if that individual was found to have acted fraudulently or dishonestly. Additionally, Directors' and Officers' liability insurance cover was maintained throughout the year at the company's expense.

Managing time commitment and 'overboarding'

On appointment, Non-Executive Directors are made aware and are required to confirm that they will allocate sufficient time to their role to discharge their responsibilities effectively. They are also required to seek agreement from the Chairman before taking on additional commitments, and to declare any actual or potential conflicts of interest. Non-Executive Directors are engaged under the terms of a letter of appointment. Initial terms of appointment are for three years with one month's notice, with all Directors standing for election or re-election at every AGM. The Board has examined the length of service of each Director and considers that the Chairman and each Non-Executive Director standing for re-election or election at this year's AGM is independent. The Board considers all Non-Executive Directors who served during the year to be independent.

The Nomination Committee has principal responsibility delegated to it for making recommendations to the Board on new appointments and the composition of the Board and its Committees. The Board and each Director is confident that each Director individually has the expertise and relevant experience required to perform the role of a Director of a listed company and to contribute effectively to the Board and Committees to which they are appointed. The company recognises the developmental advantages of an external non-executive role on a non-competitor board and Executive Directors are permitted to seek such a role, provided that they do not take on more than one non-executive directorship in, or become the Chairman of, a FTSE 100 company.

Jeff Carr is currently a Non-Executive Director of Kingfisher plc.

We acknowledge that Sara Mathew sits on three external Boards, one of which being a chair position for a listed US company. The Nomination Committee has assessed and is satisfied that Sara is able to dedicate sufficient time to her role and will continue to monitor her time devoted to the position to ensure this remains appropriate.

The 2020 evaluation of the Board's performance during the year concluded that the Chairman and all Non-Executive Directors continue to devote sufficient time to carrying out their duties to the company. Each Director standing for election or re-election has individually provided assurances that they remain committed to their roles and can dedicate sufficient time to perform their duties. Accordingly, the Board recommends that shareholders vote in favour of the resolutions to re-elect or elect the Directors put forward for re-election or election at the 2021 AGM.

Board support

The Company Secretary is responsible for organising Board meetings, as well as collating any papers for the Board to review and consider. Board and Committee papers are accessible to all Directors through a secure and confidential electronic document storage facility. This facility is maintained by Reckitt's Secretariat function and additionally holds other information which the Chairman, the CEO or the Company Secretary may deem useful to the Directors, such as press releases and pertinent company information.

All of the Directors have individual access to advice from the Company Secretary and a procedure exists for Directors to take independent professional advice at the company's expense in furtherance of their duties.

Composition, succession and evaluation

Board composition and succession planning

The Board regularly reviews its composition to determine whether it has the right mix of skills, experience, diversity and background, to effectively perform its duties. The Board also reviews senior management positions to ensure a proper breadth of talent is developed. Appointments are subject to a formal, rigorous and transparent procedure and are based on merit and objective criteria, promoting diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. Details of our commitment to inclusion and diversity at Board and senior management level can be found on page 118 of the Nomination Committee Report. The Board has appointed Directors from a wide variety of business backgrounds to provide it with a strong balance of skills and experience relevant to the company's sector. The Board is comprised of the Chairman and a majority of Non-Executive Directors who, together with the Executive Directors, help maintain a solid, collective understanding of the company and its day-to-day business.

In accordance with the Code, every Director submits him or herself for election or re-election (as appropriate) at every AGM.

More details about the current Board members can be found on pages 94 to 98. An overview of succession planning activities during the year can be found in the Nomination Committee Report on pages 113 to 118.

Evaluation of the Board

The Board undertakes an annual review of its own and its Committees' performance and effectiveness, with a formal externally facilitated evaluation of the Board conducted at least every three years. An externally facilitated evaluation took place in 2019, conducted by MWM Consulting Limited, as reported in last year's Annual Report. This year, we engaged Lintstock Ltd (Lintstock) to facilitate a 3-year Board Development Programme, starting with a survey-driven review in 2020. The process consisted of an online questionnaire sent to all Directors, covering the performance of the Board, its Committees and the Chairman. The review also addressed issues such as Director performance, and the perception of the Board by management, the recent changes in the management team and the Board and wider organisation's response to the challenges presented by COVID-19. Lintstock is independent of and has no other links with the company or its Directors in connection with the evaluation.

The key topics featured in the questionnaire included: Board composition and diversity; stakeholder oversight; Board dynamics and support; management and focus of meetings; COVID-19 case study; strategic oversight; risk management and internal control; succession planning and HR management; and priorities for change.

A report, with action points and recommendations for the Board to consider, was distributed to Directors and the results of the evaluation were subsequently discussed by the Board at its November meeting.

In addition, the Chairman's performance was considered by the Senior Independent Director with input from his fellow Non-Executive Directors and discussed following the November Board meeting without the Chairman present. The discussion concluded that the Chairman continued to devote sufficient time to his role, and continued to lead the Board constructively, demonstrating objective judgement, and encouraging a culture of openness and debate.

Principal outcomes of the Board evaluation

Board composition and diversity • Board composition was rated highly by respondents but room for improvement was noted. Board composition, including diversity, is being addressed through the Nomination Committee. Identifying skills and experience gaps and focusing succession planning on key Board roles would be key.	**Succession planning and HR management** • The value of increased Board engagement with the new leadership team was emphasised. Increased Board oversight of talent management was identified as an area of opportunity.
Stakeholder oversight • Stakeholder oversight was rated highly overall and significant improvement noted. The Board is keen to broaden its understanding of and involvement with consumers and customers. This is partly being addressed through the Board engagement work Mary Harris is leading in her role as Designated Non-Executive Director for engagement with the company's workforce and also through focused reporting to the Board on consumers and customers. The importance of maintaining visibility of culture was emphasised.	**Strategic oversight** • Clarity of the current strategy, testing and development of strategy scored highly, as did the Board's understanding of key Reckitt markets. Technological developments and opportunities, understanding competitor performance and focusing on IFCN, China and people and talent were identified as a key focus areas for the Board in the next 3-5 years.
Board dynamics and support • Non-Executive Directors' engagement with management scored positively. Ensuring the Board's oversight remains sufficiently strategic is important. • The Board continues to work towards crisper materials and shorter presentations, leaving more time for discussion at meetings. • Training should receive greater focus, including regular governance training.	**Management and focus of meetings** • The management of meetings was rated highly, including remote meetings which had been used for most of 2020. It was important to ensure time spent at meetings was balanced between topics, and a greater external focus could be valuable.
Risk management and internal controls • Although rated as a strength, the Board's oversight of risk appetite and mitigation could receive deeper review. The Board, supported by the Audit Committee, is reviewing a number of risk management processes.	**COVID-19** • The Board's effectiveness in adjusting its prioritisation and focus in response to COVID-19 was rated highly, as was the quality of Reckitt's communications during the pandemic.

The 2020 review of the Board's performance and that of its Committees concluded that the Board, its Committees and individual Directors were performing effectively. The Board was observed to have a good mix of skills, sector-relevant experience, knowledge and diversity and the length of tenure of the Board as a whole was deemed appropriate. Board members worked well together to achieve objectives, with a sufficient degree of support and challenge provided by Directors. As part of the strategy we launched in February 2020, we believe that by valuing and embracing our differences – at all levels of the business and also as individual members of society – we are 'stronger together'. This drives our compass. We can only truly live our purpose and win our fight if the differences of all of our people are celebrated, as diversity and inclusion is a business need as much as it is a social need.

All individual Directors were considered to be contributing effectively. The value of Non-Executive Director only and Executive only sessions was highlighted. The key priorities for the Board over the coming year will be talent and succession planning, engagement with management, risk management and strategy. The Board has reviewed the recommendations of the evaluation and is taking steps to address these. The principal outcomes of the review will be reviewed and reassessed as part of the Board's 2021 evaluation.

Audit, risk and internal control

Risk management

The Audit Committee supports the Board in fulfilling its oversight responsibilities in ensuring the integrity of the Group's financial reporting (including the Annual Report and Financial Statements), internal controls and overall risk management process and the relationship with the External Auditor. The Audit Committee makes recommendations to the Board in relation to approval of the Annual Report and Financial Statements. More information on the role of the Audit Committee can be found in the Audit Committee Report, from pages 119 to 127.

The Board has ultimate responsibility for preparing the Annual Report and Financial Statements. Reckitt has implemented robust internal controls to safeguard the integrity of both the Group and its subsidiary Financial Statements and ensures that adequate verification processes are in place to enable it to confirm that the Group's Financial Statements present a fair, balanced and understandable assessment of Reckitt's position and prospects, in line with the Code's requirements. The Board considers that the Annual Report and Financial Statements taken as a whole are fair, balanced and understandable and provide sufficient information for shareholders to be able to assess the company's position, performance, business model and strategy.

Reckitt's finance function, headed by the CFO, has implemented a number of policies, processes and controls to enable the company to review and fully comply with changes in accounting standards, financial regulations and recognised practices. These processes are kept under review on an ongoing basis. Multiple teams including consolidation and financial accounting, together with technical support, ensure both internal and external developments are reviewed and responded to. The Group also maintains a Finance Manual setting out the required standards of financial reporting and approvals across the Group and its operating units, including a structured process for the appraisal and authorisation of any material capital projects.

The basis for the preparation of the Group Financial Statements is set out on page 179 under Accounting Policies.

The company's External Auditor's Report, setting out its work and reporting responsibilities, can be found on pages 162 to 173. The terms, areas of responsibility and scope of the External Auditor's work are agreed by the Audit Committee and set out in the External Auditor's engagement letter.

More information on the Group's principal and emerging risks and strategy for growth and achieving targeted goals is detailed in the Strategic Report, which can be found on pages 80 to 92.

The Viability Statement can be found on page 93.

The Statement of Directors' Responsibilities on page 161 details the going concern statement as required by the Listing Rules and the Code and the Directors' responsibility for the Financial Statements, for disclosing relevant audit information to the External Auditor and for ensuring that the Annual Report is fair, balanced and understandable.

Risk appetite

The Board has overall responsibility for compliance with the Code and the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. It oversees the internal controls established, and monitors their effectiveness, in managing and mitigating significant risks. The sectors and environment within which Reckitt operates are dynamic and fast moving, and in some areas highly regulated, and the controls are continually kept under review to minimise the potential exposure to risk. The system is designed to assess and manage, rather than eliminate, risks to Reckitt's business objectives, and the Board relies on these controls insofar as they are able to provide reasonable, but not absolute, assurance against material misstatement or loss. The Group's principal and emerging risks and mitigating factors are detailed on pages 80 to 92.

As part of its risk control, Reckitt regularly evaluates its risks to achieving objectives, and the likelihood of such risks materialising and determining the ability of the Group to cope with the circumstances should they occur. In doing so, we are inherently considering our risk appetite through the actions that can be taken, controls that can be implemented and processes that can be followed to reduce the chances of risk events taking place, mitigating the potential impact and ensuring that the cost of doing so is proportionate to the benefit gained.

Internal control

Internal control processes are implemented through clearly defined roles and responsibilities, supported by clear policies and procedures, delegated to the executive team and senior management.

Reckitt operates three strands in monitoring internal control systems and managing risk:

- Management ensures that the controls, policies and procedures are followed in dealing with risks in day-to-day business. Such risks are mitigated at source with controls embedded into the relevant systems and processes. Supervisory controls either at management level or through delegation ensure appropriate checks and verifications take place, with any failures dealt with promptly and awareness raised in order to review gaps in existing controls. Throughout Reckitt, a key responsibility for any line manager is to ensure the achievement of business objectives with appropriate risk management and internal control systems.
- Each function and Global Business Unit has its own management which acts as a second line of oversight and verification. This level sets the local level policies and procedures, specific to its own business environment, subject to Group policy and authorisation. They further act in a supervisory capacity over the lower level management implementation of controls. The financial performance of each function and Global Business Unit is monitored against pre-approved budgets and set against forecasts, developed higher up the management chain, and ultimately overseen by the executive management and the Board.
- The third strand is provided through independent review by the Internal Audit team, who challenge the information and assurances provided by the first two strands. This review ultimately gets reported back to the Board, via the Audit Committee, with action taken to address matters identified. More details on the Audit Committee and its activities can be found on pages 119 to 127. The Group's compliance controls further include operating an independent and anonymous 'Speak Up' whistleblowing hotline, annual management reviews and providing training specific to individual needs within the business. The Board is also provided with reports on the effectiveness of these controls to ensure full oversight of the business.

Reckitt is committed to maintaining strong internal controls and further enhancing these. Further information on internal control activities during the year can be found on page 124 of the Audit Committee Report. Functional and operational management meet to discuss performance measured against strategic aims and goals, with risks and risk controls incorporated into the discussions. During the year, the Directors undertook a robust assessment of the principal and emerging risks facing the company, including those that could threaten Reckitt's business model, future performance, solvency and liquidity. Each principal and emerging risk is overseen by the Board, or a designated Committee of the Board, and is subject to formal deep dive reviews as appropriate at Board, Group Executive Committee and Global Business Unit meetings.

More detail on the Group's principal strategic risks and uncertainties can be found in the Strategic Report on pages 01 to 93.

The CRSEC Committee focuses on the company's corporate social responsibilities, environmental and sustainability issues and overall ethical conduct and regulatory compliance. Further details of the work of the Committee can be found in the report of the CRSEC Committee Chair from page 128.

The Audit Committee focuses on maintaining the integrity of financial reporting, reviewing and challenging management on the robustness of internal controls and risk management systems, and providing oversight and reassurance to the Board on risk management processes and control procedures, with support from the External Auditor. Further details of the work of the Committee can be found in the Audit Committee Report from page 119.

The Board confirms that reviews and monitoring of the appropriateness and effectiveness of the system of internal control and risk management throughout the financial year and up to the date of approval of the Annual Report and Financial Statements have been satisfactorily completed with no significant failings or weaknesses identified.

Governance

Annual General Meeting and shareholder voting

The Board views the AGM as a valuable opportunity to meet with its private shareholders, giving them an opportunity to put questions to the Chairman, the Chairs of the Committees and the Board. Whilst our AGMs are normally held as physical meetings with shareholders encouraged to attend, owing to COVID-19, for our AGM in 2020 we recommended that shareholders refrained from attending the AGM in person, in line with instructions from the UK government. Our 2020 AGM was held as a closed meeting, with a virtual webcast which shareholders were able to view live online.

All shareholders can vote on the resolutions put to the meeting. In line with good governance, voting is by way of poll, providing one vote for each share held. Results of the poll are released to the LSE and published on the Group's website shortly after conclusion of the AGM.

The Investment Association (IA) has launched a public register of FTSE All-Share companies which have received votes of 20% or more against any shareholder resolution, or which withdrew a resolution prior to a shareholder vote, along with company statements of actions taken following the vote. At our AGM in May 2020, all resolutions were passed and no resolution had a vote of 20% or more against it.

At the time of publication, we anticipate this year's AGM will follow the same format as last year's AGM. Shareholders and their proxies should vote by proxy in advance of the meeting. Questions can be submitted in advance of the AGM or by using the online facility during the meeting, and shareholders can view the AGM via a live virtual webcast. At this year's AGM, we will be proposing an additional special resolution to adopt amended Articles of Association of the company, allowing us to hold a hybrid AGM going forward. Further details are set out in the Notice of Annual General Meeting.

Website

The Investor Relations section of the Reckitt website provides the Board with an additional method of communicating to shareholders. As well as the latest regulatory disclosures, copies of the latest and previous years' Annual Reports, latest share price information and copies of previous investor presentations and key calendar dates are available. The page can be found at www.reckitt.com/investors

Shareholders can also access information on all our sustainability activities, our Modern Slavery Statement, our Gender Pay Gap Report and associated policies on the Reckitt website at www.reckitt.com/sustainability

NOMINATION COMMITTEE REPORT

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We were pleased with the successful onboarding of our new Chief Financial Officer during the year, together with the refreshment of our Group Executive Committee which saw the creation of new leadership roles and appointments, further enhancing our leadership and strategic capabilities.

Chris Sinclair
Chair of the Nomination Committee

On behalf of the Board, I am pleased to present the Nomination Committee Report for the financial year ended 31 December 2020.

The Committee plays an important role to ensure that the composition of the Board is appropriate for the company to achieve its strategic goals. During the year, the Committee's primary focus was to ensure that the Board and Group Executive Committee had the appropriate balance of skills, experience and composition to successfully implement our Rejuvenating Sustainable Growth strategy. This year, we have considerably improved gender diversity at Board level, whilst at Group Executive Committee level we recognise there is more work to be done to improve female representation within senior management roles.

There were changes to the membership of the Board and our Group Executive Committee during the year. A critical achievement of the CEO during 2020, with the support and oversight of the Committee, was the refreshment of our Group Executive Committee, which saw the creation of new leadership roles and appointment of new members. Notable highlights at Board level included the onboarding of our new Chief Financial Officer, Jeff Carr; and the appointment and induction of two new Non-Executive Directors, Margherita Della Valle and Olivier Bohuon. This year meetings of the Committee took place virtually due to the COVID-19 pandemic. During a challenging year, I am pleased with the continued progress by the Committee and I am grateful to my fellow Directors for their support and dedication.

Board changes during the year

As we announced last year, Adrian Hennah, previously Chief Financial Officer (CFO), retired from the Board and his role as CFO on 9 April 2020. On the same date, his successor, Jeff Carr – a Reckitt alumnus – was appointed to the Board and to the role of CFO. To ensure a seamless transition and handover to Jeff, Adrian remained with the company until his retirement date of 21 October 2020. Upon his appointment, Jeff also became a member of our Group Executive Committee. The Committee are delighted to welcome Jeff to the Board and back to Reckitt. We are confident Jeff is making a positive contribution to the business in his role as CFO and is playing a key role in Reckitt's strategic transformation.

Further Director changes were also announced during the year. At the conclusion of the 2020 AGM, Warren Tucker stood down from the Board and as a member of the Audit Committee after ten years of service as a Non-Executive Director. On behalf of the Board, I would like to extend our gratitude to Warren for his excellent service and wish him well in his future endeavours.

On 1 July 2020, as part of the ongoing refreshment of the Board, we were pleased to announce the appointment of Margherita Della Valle to the Board as a Non-Executive Director and member of the Audit Committee. Margherita is currently Chief Financial Officer and Executive Director of Vodafone Group Plc, a role she has held since 2018. Margherita brings to the Board extensive experience of financial markets and digital technologies, of doing business in both developed and developing markets, combined with deep financial experience. I am pleased to welcome Margherita to the Board.

In December 2020, following an extensive search and thorough recruitment process, we announced that Olivier Bohuon would join Reckitt as a Non-Executive Director and member of the Remuneration Committee, in January 2021. Olivier is a successful leader, with many years of experience as CEO of a large global company. Olivier has deep experience in healthcare products and markets, bringing great insight to the Board.

Refreshment of our Group Executive Committee (GEC)

Our GEC has seen several changes during the year to support our strategic priorities, improve top-level leadership and add valuable skills and experience to the Committee. The launch of Reckitt's new strategy in 2020 saw the business organised into three focused Global Business Units – Health, Hygiene and Nutrition – to enable greater category focus and growth. At the time of the strategy launch it was recognised that China and e-commerce present major opportunities for Reckitt and its focus has been enhanced across the three Global Business Units. The new structure was supported by the creation of new leadership roles for Harold van den Broek, Kris Licht and Aditya Sehgal, as Presidents of Hygiene, Health and Nutrition. Kris Licht was also appointed as Chief Customer Officer for the Group, and Aditya Sehgal as lead for eRB & Greater China.

During the year there were a number of membership changes to our GEC. As previously announced last year, Gurveen Singh, Chief Human Resources Officer, stepped down as a GEC member in March 2020 and retired from Reckitt in June 2020. We express our gratitude and thanks to Gurveen for her commitment to Reckitt. In March 2020, Ranjay Radhakrishnan joined Reckitt, taking on the role as Chief Human Resources Officer and a GEC member. Ranjay is an experienced HR leader having spent his career in a range of senior leadership roles in the UK and globally. Ranjay has already added great value to the HR function during a challenging year and we are pleased to welcome him to the GEC.

In addition, we welcomed Jeff Carr, Chief Financial Officer, as a member of the GEC in April 2020. We were also delighted to announce in April 2020 the promotions of Zephanie Jordan, SQRC Officer and Miguel Veiga-Pestana, Head of Corporate Affairs & Chief Sustainability Officer as members of the GEC, adding valuable insight, leadership and representation at GEC level in the fields of regulatory compliance, communications, external affairs and sustainability. At the end of the year, regretfully, Zephanie Jordan, indicated her intention to leave Reckitt in 2021 to move back to her home country, Australia. Zephanie stepped down as a GEC member on 1 January 2021. On behalf of the Committee and the Board I would like to express our gratitude to Zephanie, for her dedication and commitment to Reckitt.

We were pleased to make further new appointments to the GEC during the year. In July 2020, Sami Naffakh, a Reckitt alumnus, joined Reckitt as Chief Supply Officer and a member of the GEC. In August 2020, Volker Kuhn joined Reckitt as Chief Transformation Officer and a member of the GEC, taking over the role from Kris Licht, with responsibility for driving productivity, new business solutions, strategy and further growth opportunities. In September 2020, we further advanced our commitment towards Reckitt's R&D function by welcoming Angela Naef to Reckitt as Chief R&D Officer and as a member of the GEC. Angela's role is essential in elevating our Research & Development Strategy and capabilities, our continued investment in science and further enhancing science partnerships, all of which are core drivers of our Reckitt transformation. The Committee is delighted to have these new GEC members with us and are confident they will make a great contribution to Reckitt.

In October 2020 we announced that Filippo Catalano would join Reckitt as a GEC member in a newly created role as Chief Information & Digitisation Officer, effective 1 April 2021. We are confident that the role and representation of this seat on the GEC will strengthen the direction, vision and leadership of our IT and Digital Function and contribute to the growth of Reckitt. We look forward to welcoming Filippo to Reckitt.

In March 2021 we announced that Harold van den Broek would be leaving Reckitt on 31 May 2021. We would like to thank Harold for his outstanding contribution to the business and wish him well in his future endeavours. At the same time, we announced that Volker Kuhn, Chief Transformation Officer would assume the role of President Hygiene on 1 May 2021, following a smooth transition of responsibilities from Harold.

Committee priorities for 2021

- Succession planning for Board members, GEC and senior management positions.
- To further progress female representation and diversity generally at GEC level and within senior management roles.
- To continue to keep under review diversity, culture & inclusion across Reckitt.
- Ongoing renewal of the Non-Executive Directors of the Board.

I would like to thank my fellow Committee members for their exceptional support during another busy year for the Committee.

Chris Sinclair
Chair of the Nomination Committee
Reckitt Benckiser Group plc
15 March 2021

Composition

The members of the Committee during the year were:

Composition	Tenure during the year
Chris Sinclair (Chair)	Chair and member of the Committee for the whole year
Andrew Bonfield	Member for the whole year
Nicandro Durante	Member for the whole year
Pam Kirby	Member for the whole year
Mary Harris	Member for the whole year
Laxman Narasimhan	Member for the whole year

Members of the Committee are appointed by the Board. Membership is set out in the Committee's terms of reference and comprises the Chairman, CEO, Senior Independent Director and Chair of each of the Board's Committees. In accordance with the principles of the UK Corporate Governance Code 2018 (the Code), the Committee is made up of a majority of independent Non-Executive Directors. The Company Secretary acted as Secretary to the Committee during the year.

The membership of the Committee is reviewed annually by the Chairman, as part of the annual performance evaluation of the Committee. All Directors are required to seek election or re-election each year at the AGM. Biographical details of the Directors, explaining their skills and expertise, can be found on pages 94 to 98.

Meetings

Meetings of the Committee are held as needed but are required to take place at least once a year. In 2020 the Committee held four meetings, all of which were held virtually due to COVID-19. Meetings usually take place ahead of Board meetings and the Chair of the Committee reports formally to the Board on its proceedings. Attendance at Committee meetings is set out in the Board attendance schedule on page 106 of the Corporate Governance Report.

During the year, Committee members held meetings with candidates shortlisted for the position of Non-Executive Director, reported their feedback at Committee meetings and made recommendations to the Board. Further details on the Non-Executive Director search and recruitment process are discussed on the following pages.

Role and responsibilities of the Nomination Committee

The role of the Committee is to ensure there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, to lead the process for Board appointments and make recommendations to the Board. The Committee also assists the Board in succession planning for top senior management. The role of the Committee includes, but is not limited to, the following matters:

- Regularly reviewing the composition (including skills, experience, independence, knowledge and diversity) of the Board and making recommendations to the Board with regard to any changes deemed necessary, taking into account the length of service of the Board as a whole and the need to regularly refresh membership.
- Reviewing the composition of each of the Board Committees and evaluating the performance and effectiveness of each Director.
- Keeping under review the leadership capabilities of the company, covering both Executive, Non-Executive and senior management positions, ensuring plans are in place for orderly succession, with a view to ensuring the continued ability of the company to compete effectively in the markets in which it operates.
- Ensuring that all newly appointed Directors undertake an appropriate induction programme to ensure that they are fully informed about the strategic and commercial issues affecting the company and the markets in which it operates, as well as their duties and responsibilities as a Director of the Board and member of Board Committee(s).
- Keeping under annual review and continually monitoring potential conflicts of interest, and, if appropriate, authorising situational conflicts of interest, whilst ensuring the risk of unacceptable influence resulting from any conflict of interest is minimised.

A further description of the Committee's roles and responsibilities is set out in its terms of reference which can be found on our website: **www.reckitt.com**

Executive Director succession planning

Chief Financial Officer appointment and induction

During the year, Adrian Hennah retired as Chief Financial Officer and Jeff Carr took over the role of Chief Financial Officer on 9 April 2020. We instructed Egon Zehnder International Ltd to carry out the search for a new Chief Financial Officer. Both internal and external candidates had been considered and a shortlist drawn up, which was followed by meetings with the Chairman and the Chair of the Audit Committee. Jeff was considered the most suitable candidate and best fit, given his wealth of experience in global consumer goods and retail companies and strong track record, coupled with his previous experience at Reckitt and understanding of the business and our culture.

Egon Zehnder International Ltd is an independent executive search firm which undertakes a number of executive (as well as non-executive) searches for the Group and is a signatory of the Voluntary Code of Conduct for Executive Search Firms in the UK to address diversity and best practice relating to Board appointments. They do not have any connection to or provide any other services to the company or its individual Directors.

Jeff Carr embarked on an intensive handover process under the leadership of Laxman Narasimhan, Chief Executive Officer and the guidance of our former Chief Financial Officer, Adrian Hennah. Adrian stayed with Reckitt until 21 October 2020 to ensure a successful handover and for Jeff to benefit from his knowledge and insight of how the business operates. Due to travel restrictions imposed by COVID-19, Jeff was unable to travel to our key Reckitt sites during 2020 and instead his induction meetings took place virtually.

As part of Jeff's tailored induction programme, he met virtually and had discussions with the Chairman, CEO and General Counsel & Company Secretary. During Jeff's induction programme he was also introduced to key members of the GEC, including the Presidents of the three Global Business Units (GBU); the Head of Corporate Affairs & Chief Sustainability Officer; Chief Human Resources Officer; and former Chief SQRC Officer. To gain even greater insight into the business, Jeff had meetings with members of Reckitt's senior management team, to provide an understanding of Reckitt's operations in the areas of Research & Development; Manufacturing; Supply; and Sales. Jeff also had the opportunity to speak with members of senior management within the business especially within the Corporate Group Functions, which included; IT; Tax; Treasury; HR; Finance; Audit; Investor Relations and Reward.

Jeff's induction also included detailed discussions, led by the General Counsel & Company Secretary on compliance matters, covering, Directors' Duties and Liabilities, disclosure of Conflicts of Interest and Persons Closely Associated, the EU Market Abuse Regulation (MAR), Reckitt's Share Dealing Code and closed period dates. Jeff received copies of the Board and Committee Terms of Reference; Reckitt Benckiser Group plc Articles of Association; past Board and Committee Effectiveness Review summaries; the latest Annual Report and Sustainability Report; and company announcements on Interim Results and Strategy presentations.

During Jeff's first months at Reckitt he immersed himself within the business, through attending employee town halls, results presentations and investor roadshows. Jeff brings extensive experience across consumer and retail companies and has a strong record of transformational strategic and operational leadership, consistent performance delivery, strong capital allocation discipline and building strong teams; all of which lead to longer-term shareholder value creation. Jeff has made a great contribution to Reckitt already and we look forward to his future success in the role.

Non-Executive Director succession planning

During the year the Committee conducted a search for new Non-Executive Directors to diversify the skills and expertise of the Board. The Committee identified specific desirable skills in the search for new Non-Executive Directors, including, the need for individuals with financial expertise and experience as UK-based operating leaders within public limited companies.

We instructed Egon Zehnder International Ltd to carry out the search for new Non-Executive Directors. Upon their recommendation we reviewed a list of candidate profiles and I had exploratory meetings with potential candidates who were considered a good fit for Reckitt, in terms of international experience, skills, culture and diversity ahead of recommending for further consideration. After shortlisting potential candidates, this was followed up by individual meetings with each of the Committee members, the CEO (who is a Committee member) and the CFO.

On 23 June 2020, Margherita Della Valle was appointed as a Non-Executive Director on recommendation of the Committee. Margherita brings recent and relevant financial experience within the consumer goods sector to the Board, having held the position of Chief Financial Officer at a large international public limited company. It was decided, based on Margherita's expertise, that she would join as a member of the Audit Committee on her appointment to the Board.

On 17 December 2020, we announced that Olivier Bohuon would be appointed as a Non-Executive Director with effect from 1 January 2021. The Committee agreed that Olivier would be a good fit for Reckitt in terms of international experience and pharmaceutical expertise. Olivier is a successful leader, with many years of experience as CEO of a large global company. He brings to the role deep experience in healthcare products and markets, which will add great insight to the Board. On appointment it was announced that Olivier would join the Remuneration Committee.

During the recruitment process, the Committee followed a formal, rigorous and transparent assessment with due regard to diversity, skills, knowledge and level of experience. All potential candidates are considered with regard to potential conflicts of interest and consideration of the level of time required for other appointments, in making recommendations to the Board. As a Committee we will continue to regularly review and refresh the Board where appropriate.

Director induction, training and development

Reckitt has a comprehensive induction programme for new Directors. The programme covers Reckitt's business, legal and regulatory requirements of Directors and includes one-to-one presentations from senior executives across the Group covering topics such as strategy, investor relations, taxation, Internal Audit, CRSEC Committee matters, supply and the company's three Global Business Units – Health, Hygiene and Nutrition and eRB/Greater China. The induction programme has several aims and serves multiple purposes. It provides new Directors with an understanding of Reckitt, its businesses and the markets and regulatory environments in which it operates, provides an overview of the responsibilities for Non-Executive Directors of Reckitt and builds links to Reckitt's people and stakeholders. Incoming Board members will also have legal due diligence meetings and an open offer to meet with the Group's External Auditor.

Margherita Della Valle received a tailored induction following her appointment to the Board. She attended virtual meetings with the CEO, CFO and General Counsel & Company Secretary. Margherita also had meetings with the Presidents of the three GBUs, to provide her with greater insight of the business and how it operates. Margherita is a member of the Audit Committee and had meetings with key individuals in Reckitt's, Finance, HR, Investor Relations and Corporate Communications and SQRC teams, in addition to receiving presentations on topics covered in all Director inductions, such as tax, Internal Audit and strategy. Margherita also met with KPMG's Lead Audit Partner.

Olivier Bohuon received a tailored induction following his appointment to the Board. He attended virtual meetings, where he had the opportunity to meet with the CEO, CFO and General Counsel & Company Secretary. He also met with each of the Presidents of the three GBUs. His induction further included meetings with members of the GEC, including the Chief Transformation Officer, Chief Supply Officer, Chief Human Resources Officer, Chief R&D Officer and Head of Corporate Affairs & Chief Sustainability Officer. Olivier is a member of the Remuneration Committee and had discussions with Mary Harris, Chair of the Remuneration Committee and the Group Head of Reward.

Both Non-Executive Director inductions covered legal compliance matters, including, a discussion on Directors' Duties and Liabilities, disclosure of Conflicts of Interest and Persons Closely Associated, MAR and Reckitt's Share Dealing Code. The Directors received copies of the Board and Committee Terms of Reference; Reckitt Benckiser Group plc Articles of Association; past Board and Committee Effectiveness Review summaries; the latest Annual Report and Sustainability Report; and Reckitt's company policies.

In previous years, ad hoc site visits for newly appointed Directors have been arranged to the Group's operations to gain an insight into the business, and usually form part of the annual Board meeting cycle. We aim to have one Board strategy meeting held at an off-site business location each year. The 2021 off-site meeting will be considered with due regard to COVID-19 travel restrictions and the safety of our Board.

The Chairman has overall responsibility for ensuring that the Directors receive suitable training to enable them to carry out their duties. As part of their role, Directors are also expected to personally identify any additional training requirements they feel would benefit them in performing their duties to the company. Ongoing training arranged by the company covers a wide variety of sector-specific and business issues, as well as legal and financial regulatory developments relevant to the company and the Directors. Training is also provided by way of briefing papers or presentations at each scheduled Board meeting, as well as meetings with senior executives or other external sources.

Renewal of existing Board members

Non-Executive Director appointments are generally made for three-year terms. During the year, the Committee considered the renewal of existing Non-Executive Directors. Details of the specific reasons each Director contributes to and continues to be important to Reckitt's long-term success are set out in the Notice of Annual General Meeting (AGM), available at www.reckitt.com

The Committee recommends that all existing Board members have their appointments renewed, and as such, resolutions to this effect will be proposed to Shareholders for approval at the forthcoming AGM.

Group Executive Committee (GEC) changes

A number of new appointments were made throughout the year to strengthen the GEC and the representation of key Reckitt functions at GEC level; we are pleased with the progress that has been made. At the beginning of the year, following the departure of Gurveen Singh, the Committee was pleased to welcome Ranjay Radhakrishnan as Chief Human Resources Officer (and GEC member). Throughout the year Ranjay has made significant contributions to Reckitt, leading the HR function and our employees through the challenges presented as a result of COVID-19. Ranjay has ensured that all employees are supported by the HR function and have access to important advice and guidance.

To further ensure the correct balance of skills and experience at GEC level, we also announced the promotions of Zephanie Jordan, Chief SQRC Officer, and Miguel Veiga-Pestana, Head of Corporate Affairs & Chief Sustainability Officer, as members of the GEC. Miguel joined Reckitt in 2017 and has made significant contributions to the company; he has played a fundamental role in the creation of our new fight and purpose, and the launch of our new strategy in February 2020. We are delighted that Miguel will represent the importance of our Corporate Communications and Sustainability function as a member of the GEC.

As mentioned previously, regretfully Zephanie has now left the Committee. Zephanie played an important role as a member of the GEC throughout the year; she championed our product safety, compliance, health and safety, quality, regulatory, remediation and operations agenda as a cornerstone of our transformational and sustainable growth journey. Zephanie has created a talented, capable and high-performing team. The Committee is extremely grateful for her contribution. Since January 2021, the Regulatory, Global Safety Assurance and SQRC Operational Excellence team has moved to R&D under Angela Naef's leadership and the Quality Compliance team has moved to Supply Chain under Sami Naffakh's leadership.

Following the announcement last year that Mike Duijser, former Chief Supply Officer, had left Reckitt, we announced that Sami Naffakh had joined Reckitt as Chief Supply Officer (and GEC member). Sami is a skilled and experienced supply leader and was previously Executive Vice President at Arla Foods, the Danish farmer-owned dairy cooperative. Sami has experience in fast-moving consumer goods companies such as Unilever, Danone and Estee Lauder, as well as Reckitt, where he held several leaderships positions from 2003 to 2009. Throughout this year the COVID-19 pandemic has highlighted more than ever the importance of our supply chains in ensuring we are able to provide our products to those who need them. We are delighted that this critical function will be led by Sami and are positive he will contribute greatly to this role.

To further create a strong and dynamic GEC, we announced in August 2020, that Volker Kuhn had joined Reckitt and as a member of the GEC as Chief Transformation Officer. Volker has a strong track record of leading successful business turnarounds, growth initiatives and transformations. He was previously VP Fabric Care, Europe and Global Platform lead for single dose detergents at P&G. Volker's experience in the role has been fundamental to the transformation of Reckitt. In March 2021 we announced that Volker would assume the role of President Hygiene on 1 May 2021, with Harold van den Broek leaving the business on 31 May 2021. Volker has a wealth of experience across the fast-moving consumer goods industry which makes him ideally suited for this important leadership role. The Committee thanks Harold for his outstanding contribution to Reckitt over the last seven years, and wishes him much success for the future. Later in the year, we also announced that Angela Naef had joined Reckitt as Chief R&D Officer and as a member of the GEC. Angela's appointment is critical towards our commitment to invest in science to better scale, leverage and accelerate our innovation pipeline, which is also essential to unlocking our strategy of 'Rejuvenating Sustainable Growth'. Angela is a highly skilled leader and has a strong track record of accelerating innovation in the areas of food, nutrition science and biotechnology. Angela joins Reckitt from DuPont where she spent 10 years in various technical and commercial leadership roles. We are pleased to have Angela and Volker as members of the GEC and look forward to their success. On 1 April 2021 Filippo Catalano will join Reckitt and the GEC as Chief Information & Digitisation Officer. Building and maintaining competitive, leading-edge IT and digital capabilities are key for Reckitt to be successful and agile. Developing our IT and Digital Function will be the backbone and engine of growth of Reckitt. Filippo has extensive leadership experience in IT, digital portfolios and technology. We are confident that Filippo will add great value to the role and develop an effective and successful function.

More information about our current GEC membership can be found on pages 99 to 101.

Review of potential conflicts of interest

During the year the Committee reviewed Board members' potential conflicts of interest. The Committee reviewed a schedule of external appointments and other potential situational conflicts as disclosed by each Director. Having reviewed the schedule, the Committee concluded that the appointments did not affect any Director's ability to perform his/her duties and recommended that the Board authorises each Director to continue in each of his/her external commitments.

We acknowledge that Sara Mathew sits on three external Boards, one of which being a chair position for a listed US company. The Committee has assessed and is satisfied that Sara is able to dedicate sufficient time to her role and will continue to monitor her time devoted to the position to ensure this remains appropriate. Each Director standing for election or re-election at the forthcoming AGM of the company has individually provided assurances that they remain committed to their roles and can dedicate sufficient time to perform their duties.

Governance

Committee evaluation

This year, the Committee participated in the main Board internal evaluation, conducted by Lintstock Ltd, appointed to facilitate a three-year Board Development Programme. Respondents in the Committee questionnaire scored the Committee highly in key areas, specifically noting the composition of the Board was effective. The main area of focus relevant to the Committee, identified as a result of the evaluation, is to continue to identify additional skills required for the Board in areas that may be lacking and to ensure succession planning remains a high priority for key Board roles over a longer-term horizon. The Board evaluation is discussed in further detail on page 110. Lintstock is independent of and has no other links with the company or its Directors in connection with the evaluation.

Review of Committee terms of reference

At the Committee's November meeting, we reviewed our terms of reference and proposed minor changes in line with best practice guidance and the model terms of reference for Nomination Committees issued by the Institute of Chartered Secretaries and Administrators. The revised terms of reference were approved by the Board in November 2020 and can be found on our website at www.reckitt.com. We review our terms of reference annually.

Designated Non-Executive Director

Mary Harris is Reckitt's Designated Non-Executive Director, for engagement with the company's workforce in line with the provisions of the Code. Mary oversees the Board's engagement with the company's workforce in partnership with Laxman, HR and the Communications team to understand more about engagement and the culture of the company.

During the year, Mary has been involved in key conversations with the workforce. As part of the September 2020 Board meeting schedule, individual Directors and the change to General Counsel & Company Secretary paired up to hold virtual roundtable sessions with small groups of Reckitt employees to listen to their views of working at Reckitt and its culture, purpose and mission and to listen to employees' ideas as to what could be improved. The Reckitt employees selected to participate in the sessions reflected a diverse range of organisational levels, tenures at Reckitt, nationalities and styles. Following these meetings, each pairing provided feedback to Mary on what had been discussed during their roundtable session, who in turn fed this back to the Board. Further details on Mary's work during the year as Designated Non-Executive Director for engagement with the company's workforce can be found on page 59.

Inclusion and diversity

The Board and Committee fully recognise the importance of diversity, including gender and ethnicity, at Board and senior management level in compliance with the Code. Inclusion is core to Reckitt's purpose of 'Protect, Heal and Nurture in the relentless pursuit of a cleaner and healthier world' and to our employee value proposition of Freedom to Succeed – there is no freedom without inclusion and no success without diversity. We recognise that it is critical for us to have a diverse employee population and also a Board and senior management team that is reflective of the markets we operate in and the consumers we serve.

We do not have a written Board diversity policy, but the Committee and the Board are committed to recruit members of the Board on the strict criteria of merit, skill, experience and cultural fit of any potential candidates, and to seek diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. This commitment is demonstrated by the composition of the Board, which comprises five nationalities, and five women, two of whom are Committee Chairs. I am pleased to report that as at 31 December 2020 45% of our Board members are women, which exceeds the original 25% target set by the Davies Report and we have achieved the 33% target by 2020, set out by Lord Davies, and subsequently outlined in the Hampton-Alexander Review. Following the appointment of Olivier Bohuon on 1 January, female representation on the Board is 41%, still exceeding the Davies Report target. We also meet the requirements of the Parker Review published in October 2017. Our Board consists of three members from ethnic minorities, which exceeds the Parker Review target to have at least one person from an ethnic minority on the Board.

Our GEC, comprising of the most senior management level in the business, represents eight different nationalities from across the globe, embodying our corporate inclusion and diversity policy. Our GEC also consists of three members from ethnic minority backgrounds. The company's wider global leadership community holds over 17 nationalities between them, representing a broad background of collective skills, cultures and experience. This widens our understanding of our consumers, who themselves come from the broadest possible backgrounds, allowing us to be best placed in serving their needs.

Following the recent GEC changes, at 31 December 2020, female representation within the GEC (and their direct reports) was 32%. Whilst progress has been made, we are cognisant of the gap in performance towards the 33% target for female leadership within the GEC and their direct reports as detailed in the Hampton-Alexander Review (and in provision 23 of the Code), and we are working to improve gender balance amongst our senior management. We recognise that female representation at GEC level and within senior management roles needs improvement and the Committee continues to make a commitment to increase female representation at this level. We also recognise the importance of developing talent internally for senior management positions, and note that during the year promotions to the GEC were made from our internal pool of talent, with the appointments of Miguel Veiga-Pestana and Zephanie Jordan to the roles of Head of Corporate Affairs & Chief Sustainability Officer and Chief SQRC Officer respectively. As previously stated, Zephanie Jordan is leaving the company in 2021 for personal reasons. Across wider global leadership roles, we promoted 8 employees internally.

Our Group diversity policy can be found at www.reckitt.com/responsibility/people-and-culture/diversity-and-inclusion/. We are committed to equality of opportunity in all areas of employment and business, regardless of personal characteristics. We always recruit the best and most suited candidates for any role, and we strive for a well-balanced representation of backgrounds, nationalities, cultures, skills and experiences, at all levels across the Group. Ultimate responsibility and sponsorship for this policy rests with the GEC. Senior management is accountable, and all Reckitt employees are responsible, for ensuring that our diversity policies and programmes are actively implemented and followed.

We continue to put inclusion and diversity at the core of everything we do. Further details can be found in our stakeholder engagement section from page 58.

AUDIT COMMITTEE REPORT

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Continuing our focus on internal controls, the risk management framework and monitoring the progress of key transformational programmes to mitigate risks to the Group.

Andrew Bonfield
Chair of the Audit Committee

On behalf of the Board, I am pleased to present the Audit Committee Report for the financial year ended 31 December 2020.

This report details how the Committee has discharged its role, duties and performance during the year under review in relation to internal control, financial and other reporting, risk management, the internal audit function and our relationship and interaction with the External Auditor.

2020 was a year where Reckitt made progress towards sustainable growth. Whilst the COVID-19 pandemic contributed to the Group's strong financial performance during the year, challenges and disruption arose from the uncertainty caused by COVID-19. For example, ensuring supply continuity, workforce management and keeping our people safe, at the same time as facing increased demand for our products. The effect of these challenges and disruption was also reflected in the Committee's activities during the year, for example, in relation to reviewing the valuation and resultant impairment of goodwill and indefinite life intangible assets relating to IFCN and increased trade spend accruals due to high volumes.

Reckitt's global Finance teams were able to overcome the challenges of social distancing restrictions and working remotely, with no major impacts to systems, financial reporting or internal controls. Changes were required to the Internal Audit annual work plan from March onwards, with the Internal Audit team adapting and developing their remote working practices, owing to their inability to travel to conduct on-site audits. To ensure adequate assurance, on-the-ground resource was co-sourced from local PwC LLP offices to follow up on any internal audit findings. The Internal Audit and Corporate Control teams worked closely to ensure continuity in the provision of assurance to the Committee and Board on the effectiveness and resilience of internal controls in light of the changing operational, financial and economic climate.

In February 2020, the Financial Reporting Council (FRC) issued guidance to listed companies regarding COVID-19 disclosures. A joint statement by the FRC, Financial Conduct Authority (FCA) and Prudential Regulation Authority was issued in March 2020 (Joint Statement) recommending corporate reporting changes, including a two-month extension to listed company annual report publication. The Committee considered the recommendations of the Joint Statement, and in doing so, took into account its work in reviewing COVID-19 risks on business operations, going concern and viability statement assessments and discussions with our External Auditor. Further guidance was published by the FRC on 4 December 2020, emphasising that the recommendations of the Joint Statement remain. The December 2020 guidance also provides recommendations regarding risk management and internal control, dividends, the strategic report, viability statement and financial statements. We continue to monitor the COVID-19 impact on the Group's financial position and reporting and to consider the regulatory perspective and any further guidance issued by the FRC.

The effect of COVID-19 has introduced a new risk to the Group and, as a result, a specific COVID-19 risk assessment with risk mitigations was produced. Additionally, given remote working as a result of COVID-19, the Corporate Control team took action to ensure appropriate internal controls were maintained and, where appropriate, controls were enhanced or additional monitoring controls were implemented. Non-essential activities and projects were reviewed and paused where appropriate, to prioritise business continuity.

The Committee had a detailed annual standing agenda of matters to be considered and reviewed based on its terms of reference. In addition to the work arising from the pandemic, during 2020, these included focused reviews in the following areas: risk assurance mapping; delivery of transformation programmes; IT controls; legal and compliance risk, including whistleblowing activity; and taxation matters.

The Committee also considered many other matters outside its annual standing agenda, such as: the status and governance of transformation programmes; the impact of COVID-19 on going concern, liquidity, risk and internal controls; renewal of Group insurance; and the maturity of the Group's internal controls framework. Further detail on our activity during the year can be found on page 123.

During the year, a number of transformation programmes were either implemented or progressing well, in areas such as productivity, product lifecycle management and IT systems. To help oversee and prioritise major strategic investments resulting from savings generated from our productivity programme, an investment board was created, which meets monthly, reporting into the Group Executive Committee. A transformation portfolio review board has also been established, to oversee the delivery of several key transformation programmes and the management of priorities and constraints. We received regular reports from the Transformation team regarding transformation programme progress, highlighting any new risks identified and providing assurance that the programmes were on track.

We carried out our annual 'deep dive' of the company's major risk assessment process, which identifies and prioritises the principal and emerging strategic risks and uncertainties which may affect the Group, how they can be mitigated and whether they have increased, diminished or remained the same, compared to the previous year. Looking at the major risk assessment process is a key element of our review of the effectiveness of Reckitt's risk management and control systems and identified risks are clearly and transparently reflected in our communications to shareholders in the Annual Report. Details are set out on pages 80 to 92.

The impact of Brexit was considered at our meeting in November 2020 as part of our annual tax update. A number of steps were taken to plan for and mitigate any increased costs to the business or potential disruption caused by a 'no deal' Brexit. Reckitt is taking all necessary steps to comply with the Trade and Cooperation Agreement signed by the UK and the EU; nearly all products traded between the UK and the EU will qualify for the preferential tariff (0% import duty) so the additional duty charge is not expected to be significant. Further information on this risk can be found on page 92.

The Committee is responsible for the External Auditor's effectiveness and independence. KPMG LLP (KPMG) has been the company's External Auditor since shareholders passed a resolution to appoint KPMG at the company's AGM in 2018. A resolution to reappoint KPMG as External Auditor for the 2021 financial year will be proposed at the AGM on 28 May 2021. Further details on our interaction with the External Auditor can be found on pages 125 to 126.

Committee priorities for 2021

- Maintaining oversight and reassurance to the Board on Reckitt's risk management and internal control procedures, including monitoring key areas in the context of risk and control, such as IT, tax and legal and compliance.
- Sustaining a strong culture of risk management across the Group.
- Receiving continued assurance from the Internal Audit function on the impact of COVID-19 and any associated risks to the Group.
- Taking a proactive approach in anticipating and preparing for legislative or regulatory changes which may be required to internal controls and reporting, arising from reviews such as Kingman and Brydon and the anticipated Department for Business, Energy & Industrial Strategy (BEIS) consultation.
- Continuing to holistically monitor legislative and regulatory changes which may affect the work of the Committee.

As I mentioned in my report last year, Warren Tucker retired as a Director and member of the Committee at the company's AGM on 12 May 2020, when he did not stand for re-election. I would like to extend my thanks to Warren for his service to the Committee during his tenure.

During the year, we strengthened the membership of the Committee with the appointment of Margherita Della Valle on 1 July 2020. Margherita holds a Masters degree in Economics from Bocconi University in Italy and has extensive experience of financial markets and digital technologies. Margherita is currently Chief Financial Officer of Vodafone Group Plc and has held a number of senior finance roles at Vodafone since 1994, including Group Financial Controller and Chief Financial Officer of Vodafone's European region. The Board and Committee believe that Margherita's appointment brings valuable insight, relevant financial and sectoral expertise and challenge to the Committee.

I would like to acknowledge and thank my fellow Committee members, Pam Kirby, Sara Mathew and Margherita Della Valle, for their diligence and service throughout the year.

Andrew Bonfield
Chair of the Audit Committee
Reckitt Benckiser Group plc
15 March 2021

Committee membership

	Member from	Meetings attended	Recent and relevant financial experience	Sectoral experience relevant to Reckitt's operations
Andrew Bonfield (Chair)	July 2018	6/6	• Financial expert • Chartered Accountant • Currently CFO of a global US Fortune 100 company • Has held numerous CFO roles at other large companies, including those in the consumer goods sector	• Consumer goods • Pharmaceuticals/healthcare
Pam Kirby	March 2016	6/6	• Sits on another FTSE 100 company's Audit Committee	• Pharmaceuticals/healthcare • Technology
Warren Tucker[1]	February 2010 to May 2020	4/4	• Financial expert • Chartered Accountant • Has held senior finance roles at other large companies • Sits on a FTSE 250 company's Audit Committee	• Manufacturing
Sara Mathew	July 2019	6/6	• Financial expert • Holds Master's degrees in Finance and Accounting • Has held senior finance roles and CFO roles at other large companies	• Consumer goods • Pharmaceuticals/healthcare
Margherita Della Valle[2]	1 July 2020	0/2	• Financial expert • Acts as CFO for another FTSE 100 company • Holds a Master's degree in Economics • Has held senior finance roles and CFO roles at other large companies	• Consumer goods • Technology

There were four scheduled Committee meetings (three of which were held by videoconference owing to COVID-19) and two additional meetings (held by telephone) during the year.

1. As reported last year, Warren retired from the Board and Committee at the company's AGM on 12 May 2020, where he did not stand for re-election. Warren was eligible to attend two of the scheduled meetings and two of the additional meetings during the year
2. Margherita was eligible to attend two of the scheduled meetings during the year, having been appointed on 1 July 2020. Margherita was unable to attend both meetings owing to prior commitments with Vodafone

The Chair of the Committee is a Chartered Accountant with recent and relevant financial experience. He is currently Chief Financial Officer of Caterpillar Inc. and has previously held CFO roles for other large companies.

All Committee members are independent Non-Executive Directors who have financial, economics and/or business management expertise in large companies. As Chair of the CRSEC Committee Pam Kirby's membership of the Audit Committee ensures that relevant issues, such as risk, whistleblowing and compliance are shared and coordinated between the two Committees. Committee members are expected in particular to have an understanding of:

- the Group's operations, policies and internal control environment;
- the principles of, and recent developments in, financial reporting;
- relevant legislation, regulatory requirements and ethical codes of practice; and
- the role of internal and external auditing and risk management.

The Board is satisfied that, in compliance with the UK Corporate Governance Code 2018 (the Code), Committee members as a whole have competence relevant to the company's sector (consumer goods). The relevant financial and sectoral experience of each Committee member is summarised in the table above.

Committee appointments are generally made for a three-year period. Members of the Committee are appointed by the Board on the recommendation of the Nomination Committee, which reviews membership in terms of skills, experience, knowledge and diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. On joining the Committee and during their tenure, members receive additional training tailored to their individual requirements. Such training includes meetings with management covering internal audit, risk management, legal, tax, treasury and financial matters as well as meetings with the External Auditor.

All members of the Committee receive regular briefings from management on matters covering governance and legislative developments, accounting policies and practices and tax and treasury.

During the year, the Assistant Company Secretary acted as Secretary to the Committee. With effect from 31 December 2020, the Head of Group Secretariat was appointed as Secretary to the Committee.

Meetings

During 2020, the Committee held four scheduled meetings at times aligned to the company's reporting cycle and two additional meetings. Of the six meetings held during the year, five were held via either telephone or videoconference, as permitted by the company's Articles of Association and the Committee's Terms of Reference, owing to COVID-19-related restrictions. Committee meetings usually take place ahead of Board meetings and the Committee Chair provides an update to the Board on the key issues discussed at each meeting. Committee papers are provided to all Directors in advance of each meeting, including a copy of the minutes of the previous meeting(s).

Meetings are attended by senior representatives of the External Auditor, the Group Head of Internal Audit, Chief Financial Officer (CFO) and SVP Corporate Controller. The Chairman of the Board and the Chief Executive Officer are also invited to attend. Other management attend when deemed appropriate by the Committee. Time is allocated at the end of each meeting for private discussion with the Internal and External Auditors without other invitees being present, as well as a private session of the Committee members. Committee member meeting attendance during the year is set out in the table on page 106.

Role and responsibilities

The Committee is part of the Group's governance framework and supports the Board in fulfilling its oversight responsibilities in ensuring the integrity of the Group's financial reporting, internal controls and overall risk management process and relationship with the company's External Auditor. There were no significant changes to the Committee's role and responsibilities during the year. The Committee's role and responsibilities are set out in its terms of reference, which are available on our website at www.reckitt.com

Committee meetings cover matters set out in its terms of reference related to the reporting and audit cycle, including: half- and full-year results; Internal and External Audit work plans and reports; and regular updates from financial management and the External Auditor.

The Committee's responsibilities include, but are not limited to, the following matters.

Financial and other reporting matters

- Monitoring the integrity of the Group Financial Statements including annual and half-yearly reports, interim management statements, preliminary announcements and any other formal announcements relating to the company's financial performance.
- Reviewing and challenging, where necessary, the actions and judgements of management before submission to the full Board, paying particular attention to: the clarity and completeness of financial reporting disclosures; the application and appropriateness of significant accounting policies; methods used to account for significant or unusual transactions; whether judgements and estimates are appropriate; the assumptions in support of the going concern statement; and significant adjustments resulting from the External Audit.
- As requested by the Board, reviewing the content of the Annual Report and Financial Statements and advising the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy and whether they inform the Board's statement in the Annual Report on these matters that is required under provision 25 of the Code.
- Reviewing all material non-financial information presented in the Annual Report and Financial Statements, such as the Strategic Report and the Corporate Governance Statements, insofar as it relates to activities or functions within the Committee's remit.
- Reviewing and approving the statements to be included in the Annual Report concerning internal control, risk management, going concern and the Viability Statement.
- Receiving updates on accounting matters, including consideration of relevant accounting standards, underlying assumptions and the impact of changing or adopting new accounting standards.
- Considering significant legal claims and regulatory issues.

Risk management and internal controls

- On behalf of the Board, overseeing and ensuring that the assessment process for the Group's principal and emerging risks is robust and of a high quality, that procedures are in place to identify emerging risks and considering the company's response to identified risks.
- Advising the Board on the Group's current risk exposure and future risk strategy.
- Reviewing and monitoring, on behalf of the Board, the Group's internal financial controls and systems and, at least annually, carrying out a review of its effectiveness and reviewing and approving the statement to be included in the Annual Report concerning internal risk management.
- Ensuring that appropriate procedures are in place for the detection of fraud, prevention of bribery and secure whistleblowing arrangements by which the workforce may raise concerns including possible wrongdoings in matters of financial reporting and financial controls.

Internal Audit

- Monitoring and assessing the effectiveness of the Internal Audit function, including its role and mandate, assessing the effectiveness of its work and satisfying itself that the function has the requisite skills, expertise and standing within the Group.
- Reviewing Internal Audit activities, significant recommendations and findings and related management actions.
- Assessing and approving Internal Audit's annual work plan to ensure it is aligned to the key risks of the Group and receiving reports on progress.
- Ensuring that the Internal Audit function has unrestricted scope, the necessary resources and appropriate access to information to enable it to perform effectively.

External Audit

- Overseeing the relationship with the External Auditor, negotiating and agreeing their terms of engagement and their remuneration to ensure that the level of fees is appropriate to enable an effective and high-quality audit to be undertaken.
- Annually reviewing and assessing the External Auditor's processes for maintaining its independence, objectivity and effectiveness, taking into account relevant UK law, the Ethical Standard and other professional and regulatory requirements.
- Evaluating annually the performance of the External Auditor and making recommendations to the Board to put to shareholders for their approval at the AGM regarding the appointment, reappointment or removal of the External Auditor.
- Discussing with the External Auditor factors that could affect audit quality.
- Receiving the annual audit plan and receiving the External Auditor's findings and reports on the annual audit and interim review.
- Meeting with the External Auditor following each formal Committee meeting without management being present, to review and discuss the External Auditor's remit and the findings of the audit including (but not limited to) any major resolved or unresolved issues arising from the audit, the External Auditor's explanation of how risks to audit quality were addressed, key accounting and audit judgements, the External Auditor's view of their interactions with management and levels of errors identified during the audit.
- Considering communications from the External Auditor on audit planning and findings on material weaknesses in accounting and internal control systems that come to the External Auditor's attention, including a review of material items of correspondence between the company and the External Auditor.
- Developing, implementing and keeping under review the policy on non-audit services provided by the External Auditor, considering relevant ethical guidance and the impact this may have on independence.
- Agreeing with the Board the Group's policy for the employment of former employees of the External Auditor, taking into account the FRC Ethical Standard and legal requirements and monitoring the application of this policy.
- At the end of the audit cycle, assessing the effectiveness of the External Audit process.
- Monitoring the rotation of the External Audit lead partner and managing the competitive tendering process of the External Audit services contract, ensuring a competitive tender is conducted at least once every ten years.

Activity during the year

Standing agenda items reviewed by the Committee throughout the year

- Received reports from the SVP Corporate Controller, Internal Auditor and External Auditor.
- Considered tax and treasury matters, including provisioning and compliance with statutory reporting obligations.
- Considered legal matters, including provisioning and compliance risk.
- Kept abreast of changes in financial reporting and governance matters by way of technical updates throughout the year.
- Received focused risk and control reviews concerning the delivery of transformation programmes (in particular, in the areas of: deployment of IT systems; shared services; legal entity restructuring; product lifecycle management; and productivity in relation to procurement, manufacturing and marketing); risk assurance mapping; IT risk; legal and compliance risk; and tax risk.
- Monitored the Group's risk assessment processes.

Other items considered by the Committee at meetings during the year

Meeting	Key items considered	
February 2020	• Results of annual impairment testing • 2019 preliminary results, draft unaudited Financial Statements and related announcement and recommendation for approval by the Board • Going concern and Viability Statement • KPMG's 2019 audit findings report and draft management representation letter • KPMG's final non-audit fees for 2019 • KPMG's assessment of its objectivity and independence	• Work undertaken in respect of the 2019 Internal Audit plan and approval of revisions to 2020 half-year Internal Audit plan • Annual review of risk management and internal controls, including developments undertaken in 2019 and in-depth review of risks across each of the Group functions and associated controls • Integrated Risk Management Framework
February 2020 (additional)	• Draft 2019 preliminary results announcement and recommendation for approval of the draft unaudited Financial Statements by the Board	• KPMG's updated 2019 audit findings report
March 2020 (additional)	• KPMG's observations of Reckitt's internal controls for the 2019 financial year, including their report on the 2019 Annual Report and Financial Statements • Whether the Committee could recommend that the Board approve Reckitt's 2019 Annual Report and Financial Statements	• KPMG's audit opinion • Going concern and Viability Statement considerations arising from COVID-19
May 2020	• COVID-19 impact on liquidity, risk and control • 2020 half-year Internal Audit plan revisions • Update on Integrated Risk Management Framework status • KPMG's 2020 audit strategy and plan • KPMG's draft engagement letter and proposed 2020 audit fees	• Changes required to operating segments (IFRS 8) reporting as a result of the Group reorganisation on 1 July 2020 • Review and approval of revised Risk Management policy • 'Speak Up' whistleblowing facility
July 2020	• Half-year results announcement, including the going concern basis of preparation, and recommendation for approval by the Board • KPMG's half-year review report findings to 30 June 2020 and draft management representation letter • Approval of KPMG's 2020 audit fees	• 2020 full-year Internal Audit plan revisions • Annual review of IT general controls, cyber security and IT operations • Group insurance renewal proposal
November 2020	• The Committee's 2021 standing agenda • The Committee's terms of reference and recommendation to the Board for approval • Results of effectiveness reviews of the Committee and the Internal Audit function • Annual Tax function 'deep dive' • Annual review of Group Treasury Policies	• KPMG's interim IT control findings relating to the 2020 audit cycle and audit strategy update • 2021 Internal Audit plan covering the first half of 2021 • Internal controls, maturity assessment and roadmap

Significant and key financial reporting matters

The key matters reviewed and evaluated by the Audit Committee during the year were as follows.

Accounting and financial reporting

The Audit Committee is responsible for reviewing and approving the appropriateness of the interim and annual Financial Statements and related announcements, including:

- recommending that, in the Committee's view, the Financial Statements are fair, balanced and understandable. In addition to the detailed preparation and verification procedures in place for the 2020 Annual Report and Financial Statements, management continued its focus on narrative reporting and clear written and visual messaging to communicate the Group's strategy; and
- reviewing the appropriateness of the accounting policies, judgements and estimates used as set out on page 179 and concluding that the judgements and assumptions used are reasonable.

Areas of significant financial judgement

The significant financial judgements and complex areas in relation to the 2020 Group Financial Statements considered by the Committee, together with a summary of the actions taken, were as follows:

Impairment assessments
Under International Financial Reporting Standards (IFRS), goodwill and indefinite life assets must be tested for impairment on at least an annual basis.

As in prior years, management performed this testing over the course of late 2020 and early 2021. The testing utilised cash flow projections included within one-year budgets and three- to five-year strategic plans. Cash flows beyond the five-year period were projected using steady or progressively decreasing growth rates, followed by terminal growth rates.

Impairment testing is inherently judgemental and requires management to make multiple estimates, for example around future price and volume growth, future margins, terminal growth rates and discount rates.

As a result of the 2020 testing, management recorded a £1bn impairment charge in relation to IFCN goodwill.

In February 2021, the Audit Committee reviewed the detailed results of the 2020 testing in relation to IFCN, and challenged the key assumptions which underpinned the IFCN recoverable amount at 31 December 2020, including: Net Revenue growth assumptions; productivity savings expected in future periods; the effect and duration of the COVID-19 pandemic, the resultant recession and the impact on birth rates; the duration of cross-border trade restrictions between Hong Kong and mainland China; and new product launches, including adult nutrition, and the expansion of specialty nutrition. The Committee also reviewed the discount rate used by management to calculate the value in use of IFCN, in particular the 60bps increase in the discount rate in 2020 to reflect the volatility relating to COVID-19 and the uncertainty this creates. The Committee confirmed the key judgements and estimates made by management (see Note 9 for further details) and reviewed the sensitivity of impairment models to reasonable changes to key assumptions.

Following the £1bn impairment of IFCN goodwill, no headroom remained between the IFCN recoverable amount and net book value. As required under IFRS, management has included disclosures in the Financial Statements in relation to its impairment assessment, including key estimates underpinning the IFCN recoverable amount and the sensitivity of the recoverable amount to reasonable changes in key assumptions. The Committee has reviewed these disclosures, included within Note 9, and considers them appropriate.

Trade spend accruals
Trade spend remains a significant cost for the Group, and the main judgements relate to trade accruals, specifically the timing of recognition of accruals for trade spend and the increased uncertainty and judgement, which was required in the estimation of these trade spend accruals, as the COVID-19 pandemic progressed. The Committee reviewed the trade spend accruals in light of the global COVID-19 situation which has caused significant variability in demand for certain of the Group products and has led to changes in the timing and extent of promotional activities during the year. The Committee focused on the level of trade spend accruals at the year end to ensure they are sufficient and appropriate.

Tax provisioning
From time to time, the Group may be involved in disputes in relation to ongoing tax matters in a number of jurisdictions around the world where the approach of the local authorities is particularly difficult to predict. The level of provisioning for these investigations is an area where management and tax judgement are important. The Committee debated the key judgements made with management, including relevant professional advice that may have been received in each case, and considers the level of tax provisions recognised and the associated disclosures to be appropriate.

Legal liability provisioning
At 31 December 2020, a provision of £232m (2019: £151m) was held on the Group's Balance Sheet in relation to regulatory, civil and/or criminal investigations as well as litigation proceedings including a provision in respect of the South Korea Humidifier Sanitizer (HS) and the US Department of Justice (DoJ) issues. The Board has reviewed with the change to General Counsel & Company Secretary the status of potential legal and constructive liabilities during the year and at the year end in relation to the HS issue, including the recent changes in HS legislation in South Korea. The Committee challenged management on legal judgements made in determining the level of provisions recognised and was satisfied with the level of provisioning and associated disclosure.

Going concern and Viability Statement
A viability review was undertaken by management, encompassing its going concern review. The Committee reviewed and challenged the key assumptions used by management in its viability review and going concern assessment, as well as the scenarios applied and risks considered, including the risks associated with COVID-19. Based on its review, the Committee considers that the application of the going concern basis for the preparation of the Financial Statements was appropriate and confirmed the suitability of the Viability Statement covering a five-year period, as set out on page 93. The use of a five-year period for the viability review was approved by the Board in 2020 as it is the period of the Group's long-term forecasting process and covers the various business cycles.

Risk management and internal control
In monitoring the adequacy and effectiveness of the system of risk management and internal controls, the Committee reviewed compliance procedures and Reckitt's overall risk framework (including the Group's whistleblowing arrangements) and considered financial, operational risk and internal control processes at Group, Global Business Unit, corporate and functional levels. There were no significant failings or weaknesses during the year meriting disclosure in this report. The Committee reported to the Board in February 2021 that it considers the internal control framework to be functioning appropriately, to enable the Board to meet its obligations under section 4 of the Code, to maintain sound risk management and internal control systems and to report to shareholders on these in the Annual Report (see pages 111 to 112). The Committee also reviewed the three lines of defence framework and the Group's principal and emerging risks.

Internal controls
In conjunction with the Internal Audit team, the Corporate Control team identifies financial risks and mitigates these with appropriate internal controls, as well as establishing the minimum expected financial control requirements, applicable across the whole of Reckitt.

The global financial controls framework is reviewed annually. Reckitt's internal control frameworks provide assurance that business objectives are achieved, that business is conducted in an orderly manner and in compliance with local laws, that records are accurate, reliable and free from material misstatement, and that risks to Reckitt's assets are minimised.

The Corporate Control team is accountable for managing global control policies and frameworks and for monitoring the effectiveness of the Group's internal control environment. Local markets conduct an annual controls self-assessment, comprised of over 150 system-agnostic controls across key financial processes. Corporate Control is responsible for implementation of controls reporting and monitoring at local, Global Business Unit and global levels, working with markets to improve risk and controls capability and to support the development of remediation plans and corrective actions for control weaknesses. The Committee receives a report at each meeting summarising any controls activity since the previous meeting.

Controls are monitored through, for example, regular Balance Sheet reviews with countries/markets and analytics, global financial controls framework submissions and monthly calls to review the status of controls.

Corporate Control commenced a number of projects during the year, such as the automation of a number of manual controls by leveraging available technology and building controls capability; undertaking a readiness assessment and preparation of a proposal for compliance in anticipation of new legislation being implemented following the Kingman and Brydon reviews; and, with the Internal Audit team, the creation of a COVID-19-specific risk assessment to mitigate risks surrounding COVID-19.

Internal Audit

The Committee is responsible for reviewing and monitoring the effectiveness of the Internal Audit function. The Group Head of Internal Audit reports to the Chair of the Committee and to the CFO for administrative matters and updates the Committee at each meeting. The Internal Audit function is responsible for impartially assessing the key risks of the organisation and appraising and reporting on the adequacy and effectiveness of Reckitt's risk management and internal controls in financial, information systems and other business and operational areas to develop and improve the effectiveness of the Group's risk management control and governance processes and strategies. The independence of the Group Head of Internal Audit and the Internal Audit function is considered as part of the annual Internal Audit effectiveness review. Further details can be found on page 126.

The Internal Audit plan is prepared on a half-yearly basis under an agreed cover and scope policy and reflects a risk-based approach within the cover policy. Designated audit locations are determined at the start of each year following a risk and control assessment of each commercial and supply unit. Information systems, change programmes and head office locations also fall within Internal Audit's remit and are subject to audit. Following each audit, findings are reviewed and reported to management and to the Committee, together with recommendations and updates. Resulting management actions and progress are tracked until a report is satisfactorily closed.

Owing to the COVID-19 pandemic, it was necessary to adapt the Internal Audit approach and plan for the second half of 2020 using a different delivery model – through a series of operational resilience reviews, focusing on priority areas of the business. This model will be extended for the Internal Audit plan covering the first half of 2021. PwC LLP will continue to provide on-the-ground support in locations where it would not be possible for the Internal Audit team to support in the current pandemic.

In 2020, routine Internal Audit work delivered audits which covered 57% (by Net Revenue) of Reckitt's global commercial business and 30% (by industrial sales) of global manufacturing facilities. The failure rate for 2020 audits was broadly consistent with previous years; failed audits normally receive a follow-up audit within six to 18 months as appropriate.

External Auditor

The Committee is responsible for maintaining the relationship with the External Auditor on behalf of the Board. The company's External Auditor is KPMG. Following a competitive tender undertaken in 2017, KPMG was formally appointed as the Group's External Auditor by shareholders in 2018. There are no current plans to commence an External Audit tender. The company will be required to conduct its next External Audit tender no later than 2027. For the year ended 31 December 2020, the company has complied with the Competition & Markets Authority Order: The Statutory Services for Large Companies Market Investigation (Mandatory use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

The Committee considers and makes a recommendation to the Board in relation to the appointment, reappointment and removal of the External Auditor, taking into account independence, effectiveness, lead audit partner rotation and any other relevant factors, and oversees the tendering of the External Audit contract. The Committee approves the External Auditor's terms of engagement and remuneration and reviews the strategy and scope of the audit and the work plan. The Committee also monitors the rotation of the lead audit partner every five years in accordance with the FRC Ethical Standard. The current lead audit partner, Richard Broadbelt, has just completed the third year of his five-year term. A new lead audit partner will be required for the year ending 31 December 2023.

During the year, KPMG's reports to the Committee included the following matters:

- audit strategy, materiality and scope (and regular updates);
- audit findings and half-year review findings (and any updates) including identification of any significant risks to the audit and other key accounting and reporting matters;
- mandatory communications (additional report relating to public interest entities (PIEs), confirmation of objectivity and independence and audit quality framework);
- report on outcome of annual impairment assessments;
- COVID-19 review of going concern and the Viability Statement;
- draft audit opinion;
- draft management representation letters;
- draft engagement letter;
- review of KPMG's 2020 Audit Quality Inspection Report issued by the FRC;
- analysis of non-audit services provided; and
- IT and other control findings.

Besides the annual evaluation of the External Auditor, the Committee continually reviews the External Auditor's effectiveness through means such as the monitoring its progress against the agreed audit plan and scope.

The Committee reviewed the results of the FRC's Audit Quality Inspection of KPMG at its meeting in July 2020. KPMG reports to the Committee at every meeting with an audit quality scorecard, providing a holistic view of, and their investment in, audit quality and how they measure their audit quality progress.

The Committee reviews the nature and level of non-audit services undertaken by the External Auditor during the year to satisfy itself that there is no impact on its independence and is required to approve all non-audit services. The Board recognises that in certain circumstances the nature of the service required may make it more timely and cost-effective to appoint an auditor that already has a good understanding of Reckitt. The total fees paid to KPMG for the year ended 31 December 2020 were £12.7m, of which £0.8m related to non-audit and audit-related work (to which KPMG was appointed principally for the above reasons). The Group's internal policy on non-audit fees (effective 1 January 2017) states that, on an annual basis, non-audit fees should not exceed 50% of the Group's external audit and audit-related fees for the year. The Board confirms that, for the year ended 31 December 2020, non-audit and audit-related fees were 6.3% of the audit fees. Details of services provided by the External Auditor are set out in Note 4 on page 186.

Reckitt has a formal policy in place to safeguard the External Auditor's independence. In addition, as part of its audit strategy presentation to the Committee in May 2020, KPMG identified its own safeguards in place to protect its independence and confirmed its independence in February 2021 to the Committee.

The Group has a policy that restricts the recruitment or secondment of individuals employed by the External Auditor into positions that provide financial reporting oversight where they could exercise influence over the financial or regulatory statements of the Group or the level of audit and non-audit fees.

The External Auditor is a key stakeholder in helping the Committee fulfil its oversight role for the Board. In the opinion of the Committee, the relationship with the External Auditor works well; the Committee remains satisfied with the External Auditor's independence and effectiveness and believes KPMG is best placed to conduct the company's audit for the 2021 financial year. KPMG has expressed a willingness to continue as External Auditor of the company. Following a recommendation by the Committee, the Board concluded, on the Committee's recommendation, that it was in the best interests of shareholders to appoint KPMG as the company's External Auditor for the financial year ending 31 December 2021. In accordance with section 489 of the Companies Act 2006, resolutions to propose the reappointment of KPMG as the company's External Auditor and to authorise the Committee to fix its remuneration will be put to shareholders at the AGM on 28 May 2021.

During the financial year under review, the company had no interaction with the FRC's Corporate Reporting Review Team or its Audit Quality Review Team.

KPMG had no connection with any Directors during the financial year, other than it had provided use of its client hub, Number 20, to a number of Directors until 31 January 2020, when this usage was withdrawn. Use of Number 20, by invitation from senior management of KPMG audit/non-audit clients, provided individuals with access to a business lounge, bar and restaurant and meeting room bookings. All food, drink and meeting room bookings were chargeable at normal commercial rates.

Fair, balanced and understandable

The Committee reviewed the 2020 Annual Report and Financial Statements to ensure that they are fair, balanced and understandable and provide sufficient information to enable shareholders to assess the Group's position, performance, business model and strategy.

The Annual Report project team was primarily comprised of individuals in Reckitt's Company Secretarial, Finance, Investor Relations, Internal Audit, Reward, Corporate Communications and Sustainability teams. Individuals from those teams with sufficient knowledge and experience undertook the drafting of sections of this Annual Report. The overall governance and coordination of the Annual Report was managed by an Annual Report Project Manager, in conjunction with the Corporate Communications team. The project team held regular meetings via telephone and/or videoconference and accountability was ensured by obtaining internal sign-off from key stakeholders in the project team for the section(s) they were responsible for. Each section was drafted in accordance with an agreed standard operating procedure, ensuring that facts, figures and statements contained within the Annual Report were verified internally and by our External Auditor as required. The preparation and verification processes were determined to be robust.

The Directors, individually and collectively, were provided with drafts of the Annual Report at set stages. The Disclosure Committee met three times to ensure sufficient oversight of the preparation and verification processes and to review drafts ahead of these being reviewed by the Board.

The Committee reviewed the form, content and consistency of narrative within the 2020 Annual Report and Financial Statements, the disclosures contained in the Financial Statements and the underlying processes and controls, which were confirmed as appropriate. The Committee also reviewed KPMG's audit findings report, draft audit opinion and draft management representation letter. Following the Committee's review, the Committee was satisfied that the 2020 Annual Report and Financial Statements, taken as a whole, met its objectives and accordingly we recommended to the Board that the 2020 Annual Report and Financial Statements be approved and we supported the Board in making its statement on page 161.

Governance

Terms of reference

We review our terms of reference annually. During the year, the Committee's terms of reference were reviewed and minor amendments proposed, in line with best practice. Following a recommendation from the Committee to approve its updated terms of reference, the Board approved the changes in November 2020. The updated terms of reference can be found at www.reckitt.com

Committee evaluation

This year, a performance evaluation of the Committee was conducted as part of the Board's external performance evaluation, conducted by Lintstock Ltd. Lintstock Ltd is independent of and has no connections to the company.

The evaluation of the Committee utilised a bespoke questionnaire, sent to Committee members. Matters evaluated by Committee members included time management and composition; Committee processes and support; and the work of the Committee and its priorities for change. All areas received overall 'good' or 'excellent' scores, with particularly positive feedback given on the Committee's composition; the management of Committee meetings; Committee processes and support; the Committee's assessment of the work of the internal audit function and the External Auditor; and its relationships with the Group Head of Internal Audit, the CFO and the External Audit partner. Room for improvement was acknowledged in the assessment of internal controls; monitoring the management of risk; and the Committee having more opportunities to meet with finance management. The Board, having had sight of the results of the Committee's evaluation, considers the Committee to be operating effectively.

Internal Audit evaluation

The annual Internal Audit effectiveness review was conducted in two parts. An internal audit and risk management survey was circulated to internal stakeholders including Committee members, the Group Executive Committee and Global Business Unit, functional and regional leadership teams. The Internal Audit team also performed a peer review for audits completed during the year to request feedback.

The evaluation of the Internal Audit function covered the following areas: risk management – objectives, skills and experience, process and key opportunities; and internal audit – skills and experience, quality, audit scope, audit cost, audit communication, independence, change catalyst and key opportunities. The results of the effectiveness review demonstrated strong, positive feedback which reconfirmed the quality and status of the function within the business. Key highlights and opportunities identified included: the broad range of skills and expertise of the Internal Audit team, with opportunities to continue to deepen business understanding and awareness; clear, concise and consistent audits with opportunities to share learnings and good practices across the business; and recognition that the integrated risk management framework is driving improved understanding of risk, with opportunities such as improved integration between Risk Management and Internal Audit and simplification of risk reporting processes.

The independence of the Group Head of Internal Audit and the Internal Audit function was confirmed.

The Committee considered the effectiveness review and the work carried out by the Internal Audit function as reported at every Committee meeting and concluded that it is an effective operation and the Committee remains satisfied that the resourcing, quality, experience and expertise of the function is appropriate for the company.

External Audit evaluation

Formal evaluation of the External Auditor is normally conducted annually at the Committee's November meeting, reviewing the results of a questionnaire circulated to the Board, Committee, Group Executive Committee, Global Business Units, Finance and other functional leadership and local finance management. The questionnaire normally follows the competency areas outlined in the FRC's Guidance on Audit Quality Practice (published in December 2019): mindset and culture; skills, character and knowledge; quality control; and judgement.

During the year it was agreed that, to provide more useful and relevant analysis, the External Auditor's evaluation should be aligned to completion of their annual audit cycle, in May each year. As a result, there was no formal External Auditor evaluation conducted during 2020, though the Committee regularly reviews KPMG's performance through, for example, its reports to the Committee, its audit findings and half-year review, feedback from management, progress against the audit plan and scope and by KPMG's assessment of its objectivity and independence. As in the prior year, the Audit Committee Chair, CFO and SVP Corporate Controller met in May 2020 with a senior partner of KPMG, independent of the audit team and without the lead External Audit partner present, to feed back on audit quality and service, as part of KPMG's own quality programme.

A formal evaluation of the External Auditor's performance for the 2020 financial year will be conducted by the Committee at its meeting in May 2021 and the outcome reported in the company's Annual Report next year.

The Committee is satisfied with the effectiveness, expertise, quality, review, and in particular, professional scepticism and challenge from the External Auditor and believes that KPMG remains best placed to conduct a high-quality audit of the Group for the 2021 financial year.

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We are committed to upholding the company's purpose, compass, culture and values, acting responsibly in a sustainable, ethical, and compliant way.

Pam Kirby
Chair of the Corporate Responsibility, Sustainability, Ethics and Compliance Committee

On behalf of the Board, I am pleased to present the Corporate Responsibility, Sustainability, Ethics and Compliance (CRSEC) Committee Report for the financial year ended 31 December 2020.

The CRSEC Committee supports the Board in reviewing, monitoring and assessing the company's approach to responsible, sustainable, ethical, and compliant corporate conduct and assists the Board in upholding the company's purpose, compass, culture and values. The following report details the work undertaken by the Committee during 2020 and our role in ensuring that our approach to CRSEC is aligned to the Group's purpose-led strategy and societal responsibility. This year the Committee, together with the Reckitt management team, have adapted and evolved our governance and ways of working to meet the challenges of COVID-19. We have continued to ensure that momentum is maintained to deliver planned safety, quality, compliance, and sustainability objectives within and across each of our three Global Business Units (GBUs).

I am pleased to report on our progress over the last year. In addition to reviewing matters at our CRSEC Committee meetings, I have held regular meetings with our CEO, Chief Safety, Quality, Regulatory and Compliance (SQRC) Officer, Head of Corporate Affairs & Chief Sustainability Officer, and the Chief Ethics and Compliance Officer, to review progress against the strategy and to represent the Board in supporting the efforts in these critical areas. Owing to the ongoing restrictions due to COVID-19, since February, all meetings have been held virtually, including all Committee meetings. As a result, no physical site visits took place in the year. However, in December, the Sustainability team held a listening session for the Committee, CEO and senior executives to hear directly from external stakeholders and to update them on the impact of climate change and especially water scarcity on our business, value chains and people living in the communities where we work. The session provided an excellent review of the issues facing business and communities, and the perspectives of the different stakeholders on climate change and water scarcity.

During 2020, the Committee approved an updated Code of Conduct, which was launched in June 2020. The Code of Conduct was updated to provide simplified guidance on Reckitt's rules and principles, helping us to make good decisions and navigate complex situations where the answer might not always be clear. It sets out on how we conduct ourselves as accountable, ethical, and compliant owners of our Health, Hygiene and Nutrition business. It is applicable to all Reckitt employees, our Board of Directors, contractors, outsourced personnel, and other representatives, including joint ventures.

As a manufacturer, we are ever mindful of the emerging risks relating to the sustainability of our products and packaging using plastics. In addition, we are taking steps to reduce our environmental footprint, including reduced emissions. We have monitored and supported the varying requirements arising from such issues to ensure Reckitt is equipped to manage its obligations and remains a responsible global citizen, on behalf of all its stakeholders. More details on our sustainability ambitions, activities and progress can be read from page 12 and online at www.reckitt.com/sustainability.

We have continued to further our human rights strategy, working with the Danish Institute for Human Rights on our total value supply chain, embedding human rights into our overall business activity. Reckitt has also mapped areas with migrant labour of high potential risk, for example in Bahrain and Malaysia, and is also addressing the repayment debt potentially accrued by those migrant workers during their international recruitment process.

We were delighted in October 2020 when Reckitt secured continued accreditation for 2021 with the FTSE4Good Index; an illustration of our ongoing corporate commitment to good environmental, social and governance (ESG) practices. This is the 17th year of recognition in the index and also recognition of meeting the 20 additional mandatory Breast Milk Substitute (BMS) marketing criteria in December 2018.

In 2020, the COVID-19 pandemic meant we had to act with urgency to skew our focus initially to addressing the stress faced by our consumers and communities where we operate, to help stem the spread of the virus and break the chain of infection. Reckitt's Fight for Access Fund was established to work with partner organisations, help frontline health workers, promote behavioural change and help the communities in which we live and work. We mobilised over £52m to address our fight against the spread of COVID-19, across 66 countries including donating Reckitt products to the NHS, partnering with Meals on Wheels Australia to support and protect the elderly and partnering with UNAIDS to help protect people living with HIV across Africa. More information on the Fight for Access Fund can be found on our website at www.reckitt.com/sustainability or on page 49.

Finally, although not mentioned specifically in the following report, the Committee continued to oversee and review the efforts to mitigate the impact and alleviate the suffering caused by the tragic South Korea Humidifier Sanitizer (HS) issue. This includes carrying out root cause analysis on the HS issue and presenting this to the Korean Social Disasters Commission. Further details on the event and our remediation efforts can be found at www.reckitt.com/sustainability/sustainable-business/humidifier-sanitizer/.

Committee priorities for 2021

- Oversee and make recommendations to the executives and the Board for actions to be taken in respect of the Group's corporate responsibility and sustainability, ethics and compliance strategies, policies, programmes, and activities.
- Take a proactive approach in anticipating and preparing for legislative or regulatory changes and reviewing processes to ensure compliance.
- Review our sustainability objectives and chart progress against our targets, including overseeing the Group's conduct with regard to its corporate and societal obligations as a responsible global citizen on behalf of all its stakeholders.
- Monitor and review the processes for risk assessment as regards corporate responsibility (including human rights and product safety), sustainability and compliance matters (including regulatory and quality risk assurance and restrictive trade practices) and ethical conduct, including the impact of COVID-19 and any associated risks to the Group.
- Ensure there is no loss in momentum and focus on delivering the safety, quality, and compliance agenda that management has committed to. We will monitor the progress of a number of Group-wide initiatives, as well as the establishment of proper governance and oversight.

I would like to thank my fellow Committee members, Chris Sinclair, Nicandro Durante and Mehmood Khan, for their diligence and service to the Committee, and all my fellow Board colleagues for their strong support and focus on our work throughout the year. I also thank the Reckitt management team for the timeliness, quality, and rigour of their reporting. In particular, I would like to express my personal thanks to Zephanie Jordan, who is leaving the company in April 2021. During her time at Reckitt, Zephanie has shown outstanding leadership, bringing substantial improvements in areas of safety, quality, regulatory and compliance. We wish her well for the future.

Pam Kirby
Chair of the Corporate Responsibility, Sustainability, Ethics and Compliance Committee
Reckitt Benckiser Group plc
15 March 2021

Activities

Some of the key achievements in the reporting period follow.

Reckitt Code of Conduct

The arrival of Laxman Narasimhan as CEO and the publication of our new compass prompted an opportunity to refresh Reckitt's Code of Conduct. The updated Code of Conduct sends a clear message on the behaviours that – as individuals, as teams, and as a company – we need to follow in order to rejuvenate sustainable growth and continue to protect, heal and nurture the generations to come.

The content of the Code of Conduct has been summarised, adopting shorter and sharper messages which resonate more closely with Reckitt's population of millennials. Seeking to ensure that every employee has a clear understanding of the principles and values which we want to uphold, the Code also incorporates practical examples on ethical decision-making and illustrates what leading with integrity means. New sections have been added such as guidance to managers facing difficult decisions and how managers are expected to handle concerns raised by their team members. There are also new sections on Fair Competition, Trade Sanctions, Bribery & Corruption, Health & Safety and Speak Up (amongst others).

The new Code of Conduct will assist us in continuing to evolve our company's culture and embed our compass into our day-to-day operations.

Honest reflections on ethics training

To continuously enable cultural transformation and support the organisation in embedding the principles set out in our compass and Code of Conduct, we partnered with psychology-based transformation consultants to develop our Honest Reflections on Ethics training. Prompting employees to reflect on situations that could lead to bad decisions, the training aims to equip employees with a better understanding of the trade-offs involved in taking risks and "getting the job done", as opposed to making ethical business decisions and "Doing the Right Thing. Always".

To date, the Ethics and Compliance teams have deployed the Honest Reflections on Ethics campaign to thousands of employees worldwide and – in particular – to those operating in high-risk countries and covering positions with significant decision-making influence, such as General Management and Commercial functions.

Mandatory compliance training

Seeking to expand the reach and maximise the impact of our training programme, we developed bite-sized mandatory compliance training modules on a broad range of topics: the Code of Conduct, business integrity, anti-bribery and corruption, compliance with competition laws, data privacy, cyber security and product safety. The training is expected to be completed by 100% of employees and contractors worldwide by 31 March 2021.

Additionally, we developed in-depth training courses to raise employees' awareness of key risks affecting our organisation and of the processes and procedures we have in place to mitigate these risks.

Enhancements of ethics and compliance resources and infrastructure

2020 also saw us enhancing our compliance infrastructure and investing in the deployment of improved technical capabilities, such as:

- a new Speak Up case management platform to orchestrate the investigation of whistleblowing reports end to end (from escalation and triaging, through to resolution);
- a new platform to report potential conflicts of interest which allows us to manage disclosures from receipt through to resolution; overall, we have received 1,878 conflict of interest reports throughout 2020 – 687 cases have been resolved, while all others are in the process of being investigated;
- a new system for registering gifts and entertainment which allows us to track which gifts or hospitality offers have been received and from whom; it also allows us to guide the recipient through the next steps they need to take in order to reduce potential risks of bribery and corruption; in 2020, 286 gifts or hospitality offers have been reported;
- a new system to assess the Fair Market Value of Reckitt's interactions with healthcare professionals (HCP), which helps us log our business needs for engaging HCP and provides quotations to ensure that any HCP compensation is justified and in accordance with local market rates.

Data Privacy Compliance Programme

Throughout 2020, we continued to monitor and react to changes in the regulatory framework. We recognise that, after the promulgation of the European General Data Protection Regulation, the privacy regulatory landscape has become increasingly more stringent. New laws such as the California Consumer Protection Act and Brazil's new General Data Protection Law came into force in 2020, significantly affecting our data handling practices.

Seeking to bring our operations into compliance with the spirit of this more stringent regulatory framework, we completed large programmes of work, hired additional permanent data protection resources, and developed a network of over 150 Privacy Champions worldwide. We also conducted in excess of 2,500 Privacy Impact Assessments, responded timely to 448 Data Subjects' Requests and delivered extensive face-to-face training to the employee base.

We also initiated new privacy programmes in markets where privacy legislations are currently changing such as China, India, and South Africa. Work in these markets is still ongoing and is due to complete by the end of 2021.

Speak Up service

2020 was an opportunity to continue raising awareness of the confidential Speak Up service, available for all employees and third parties to ask questions and raise concerns on potential violations of regulations, internal policies or any misconduct observed at Reckitt.

A Speak Up campaign was launched globally and led to a significant increase in reported cases. To ensure the increase in cases were managed and investigated in a timely manner, in-depth Speak Up Investigation training was delivered to individuals responsible for leading investigations, from Ethics and Compliance or other relevant functions. We received a total of 439 Speak Up cases during 2020. Most cases were investigated and closed, and some are still under investigation. A total of 101 reports have been considered to be substantiated or partially substantiated during 2020. The complete report can be viewed online at www.reckitt.com/sustainability/sustainable-business/business-ethics/.

Environment

From the perspective of environmental impact, the increasing recognition of the connection between human health and planetary health during the pandemic reaffirmed the need for Reckitt's approach to combat climate change. Our commitment in the summer of 2020 to accelerate our delivery of the Paris Climate Agreement by 2030 for our operations embraced a science-based targets approach and provided the foundation for our ambition to achieve carbon neutrality for both operations and products by 2040. We are pleased to be working alongside a key customer, Amazon, to deliver that shared ambition, and know that collaboration will be essential to deliver on the planetary imperative. We have made good progress since then, reducing greenhouse gas and increasing our use of renewable electricity with the US, Europe and India amongst other markets now buying 100% renewable electricity alongside increasing on-site renewable generation through solar power. This is alongside our continued drive for energy efficiency. While we have made reasonable progress since 2012, we are slightly under our 2020 target and will strengthen our approach in 2021 as part of our greenhouse gas reduction activity.

Water efficiency has continued to improve, again surpassing our 2020 target by achieving a 39% overall improvement. To further understand the issues of water stress that exist in some Reckitt markets, the Committee hosted a stakeholder engagement session with members of the UK and Indian state governments, civil society, customers, and the investor community. This supports ongoing oversight of Reckitt activity which has increased development of water catchment area management in water-stressed locations such as in Hosur, India.

Environmental performance improvement has also been extended into suppliers through a cloud-based approach that supports key suppliers and co-packers. Moving beyond regulatory compliance, this will progressively reduce Reckitt's overall environmental footprint.

There has been improvement in product sustainability, with 30% of Net Revenue from more sustainable products in 2020. While not quite achieving our 33% goal, this is a strong increase on 2019 during a year when our agenda was dominated by maintaining supply of established products to combat the pandemic. There is significantly more work to do to reduce our product carbon and water footprints in the coming decade. The 2020 target was missed due to a focus on manufacturing footprint until the past two years. We have now increased our focus on product footprints with further evolution of our Sustainable Innovation Calculator (SIC) which is now present in all new product development cycles to enable an ambition that, in some way, all new products are more sustainable than their predecessors. This will support our climate change agenda where we have recently partnered with the Judge Business School at Cambridge University to further assess, understand, and mitigate the impacts of climate change within our global value chains. This partnership will further strengthen our response and support for climate change risk reporting mechanisms.

Responsible marketing practices – Infant and Child Nutrition (IFCN)

In the three and a half years since entering the field of infant and child nutrition, Reckitt has taken significant steps in strengthening policies, processes, procedures, demonstrating accountability and transparency, both internally and externally. Our progress has been captured in the 2017 to 2020 Progress Report, found at www.reckitt.com/media/7126/-reckitt-and-bms-progress-2017-2020.pdf.

As part of our governance mandate and also our commitment to monitoring the proper implementation of, and compliance with our BMS Marketing Policy, we undertake independent external verifications on our IFCN marketing practices. The Brazilian and Indonesian 2020 audit reports and Reckitt's response and corrective action plan are publicly available at www.reckitt.com/sustainability/sustainable-business/infant-and-child-nutrition/policies-and-progress-reports/.

We are also committed to collating and reporting on all alleged non-compliances as well as implementing corrective actions where required. The report for fiscal year 2019 is available at www.reckitt.com/media/6046/bms-progress-report-2019.pdf and we will be publishing a similar report for 2020 later this year.

As a result of Reckitt's continued accreditation in the FTSE4Good Index, FTSE undertakes independent verifications of Reckitt's BMS marketing practices. In late 2019, the first step was completed – a review of our corporate centre, and in March and December 2020, independent verifications were conducted in the Philippines and Mexico. In addition, the Access to Nutrition Initiative (ATNI) also independently reviewed Reckitt's BMS Marketing Policy, systems and the external marketplace in the Philippines and Mexico. The public reporting of the findings and results of both the FTSE verifications and ATNI review are expected by June 2021.

In June 2020, Reckitt was one of the 21 global BMS manufacturers that were invited to respond to a multi-stakeholder Call to Action, aimed at increasing marketing restrictions for products from birth up to 36 months. We do not support implementing further restrictions but remain committed to the dialogue and in advancing industry-wide progress on improving transparency and accountability.

The CRSEC Committee has final oversight of all IFCN-related reporting, and all policies and reports can be found at www.reckitt.com/sustainability/sustainable-business/infant-and-child-nutrition/.

Nutrition and responsibility, the first step

Our first nutrition commitment focused on sugar, which is a carbohydrate essential to providing energy to the body. While there are many types of sugar, lactose is our preferred carbohydrate source as it naturally occurs in human breast milk. In September 2020, we outlined our specific commitments on sugar for our infant and child nutrition portfolio, to be implemented by March 2024, found at www.reckitt.com/media/7195/ifcn-sugar-commitment_1-october-2020.pdf. We look forward to building on our leadership in nutritional science and extending our support of the nutritional needs of consumers through every stage in life and across all geographies.

Ingredients

Reckitt has continued to strengthen governance and delivery of product safety positions, with additional resources for the safety function. The product stewardship team continued their focus on restricted substances, enforcing our Restricted Substances List agenda and strengthening coordination of regulatory, safety, R&D, and sustainability functions through our Ingredients Steering Groups. This also builds resilience and is progressively targeting further reductions in our chemical footprint alongside greater transparency for consumers.

We are building more sustainable products for the future, both through the increase in Net Revenue from more sustainable products and SIC. The development of R&D science platforms is identifying new science and applications for the future will support product innovation. These include both increased efficacy for consumers and new materials, such as work on polymers, that will enhance products and packaging while aligning with sustainability principles of green chemistry.

The continued delivery of our pledge on plastics in packaging has increased the amount of recycled material that we use and the recyclability of packaging in general and has reduced overall plastic use. The latter is an important platform for the future, while also supporting cost management. Our approach involves partnerships with packaging material producers to enable future innovation and supply.

Human rights and societal impact

Reckitt's human rights programmes have continued to embed labour standards and human rights within our supplier network. Supplier monitoring continued despite the challenges of travel during the pandemic, and we continued to see improvements in supplier performance as described in our Modern Slavery Act report published in May. The Statement can be found at: www.reckitt.com/newsroom/latest-news/news/2020/may/reckitt-releases-2019-modern-slavery-act-statement/. Our partnership with the Danish Institute for Human Rights continued and involved a human rights impact assessment of our value chain in Thailand. The assessment can be found at www.reckitt.com/sustainability/people-and-communities/human-rights/. The resulting action plan strengthens support for human rights throughout that value chain, from the small farmers providing us with latex to the communities around our sites, and the consumers we serve. The new partnership with Fair Rubber will not only strengthen those farmers' livelihoods but will strengthen supply of this important natural raw material.

Given the potential risks of modern slavery, we were pleased to extend work on migrant labour in a number of markets, especially the Middle East. This involved repayment of recruitment fees for workers in key sites, alongside our ongoing supplier programme to protect migrant workers.

Reckitt Global Hygiene Institute (RGHI)

Inaugurated in July 2020 with funding of $25m over five years, the RGHI is a global, independent, scientific research and innovation hub that bridges epidemiology, public health policy, and behaviour insights. Created in response to the surge in interest in good hygiene during the COVID-19 pandemic, the RGHI exists to champion hygiene as the foundation of health and promote behaviour change. In October 2020, the RGHI appointed and convened its global leading panel of experts and published its first article, the RGHI's first ever opinion piece on the need to maintain hygiene standards, which was published in November 2020 in the Daily Telegraph. The Committee continues to monitor the activity of the RGHI, and looking ahead into 2021, the RGHI will continue to discuss and formalise the next steps for fellowship and grant programmes.

Corporate security

In 2020, we implemented a new Corporate Security Policy setting out the minimum-security measures to be adopted across all Reckitt sites to protect our people, assets, products, and reputation.

On the topic of "keeping our people safe", in January 2020 our Corporate Security team rolled out a new Emergency Notification System aimed at providing accurate, punctual information on workforce safety – the system proved to be critical throughout the numerous instances of civil unrests and anti-government protests taking place in 2020.

From January 2020 onwards, our Corporate Security team also played a crucial role in keeping our workforce safe throughout the COVID-19 pandemic. On a daily basis, the team monitored the number of reported COVID-19 cases per country, national restrictions and – as of recently – vaccination rates. Their updates proved vital to keep our leadership teams up to date on the latest COVID-19 developments and to enable business readiness and resilience.

Safety, Quality and Regulatory Compliance (SQRC) programmes

The Committee has continued its oversight of the SQRC remediation and infrastructure programmes. Following the successful deployment of the product lifecycle management programme in our Bangpakong manufacturing facility, the system was further developed as a global template and deployment has commenced, first to our Derby facility, and it is on track to be deployed across the business units with a planned completion date of 2023.

The Product Integrity Review programme continued to be impacted by COVID-19 travel restrictions, which caused some delays. However, the programme is still on track for completion in mid-2021.

At the outset of the pandemic, our quality operations were refocused on sustaining quality performance, product release and qualifying additional sites for manufacture of critical products.

We have continued to monitor quality and employee health and safety leading and lagging indicators which have driven real-time improvement actions and which are demonstrating improved performance in audits, product-related issues and safety incidence. This was despite the impact on audits as a result of COVID-19 travel restrictions and most employees working from home. Virtual governance reviews were introduced with each supply site to review specific employee health and safety topics, including COVID-19 responsiveness.

In October, an updated Reckitt Global Product Safety Policy was published. It applies to all employees of Reckitt companies and Reckitt contractors globally when acting on behalf of Reckitt while undertaking tasks that impact the safety of Reckitt products at any time throughout the product lifecycle. It can be found at www.reckitt.com/media/694/sustainability-product-safety-policy.pdf.

To enable readiness for Brexit, a Group-wide effort has been under way since 2018 to adapt product licences, adjust artwork and transfer quality release laboratories to EU sites in time for the transition on 31 December 2020.

The Committee continued to monitor regulatory issues in many jurisdictions and the business readiness to adapt. The regulation of infant nutrition products in China continues to evolve, requiring ongoing effort to adapt and comply.

Performance review

Following the key outcomes of the 2019 performance review, the Committee reviewed its manner of Committee meeting preparation so that more concise, focused pre-reads were submitted to the Committee before meetings, and meetings themselves focused on interactive discussion.

This year, a performance evaluation of the Committee was conducted as part of the Board's external performance evaluation, conducted by Lintstock Ltd. Lintstock Ltd is independent of and has no connections to the company.

The evaluation of the Committee utilised a bespoke questionnaire, sent to Committee members. The 2020 performance review focused on the Committee's time management and composition, processes and support and work carried out. Positive feedback was received in all areas. It was noted that progress has been made in terms of the information provided to the Committee, being more succinct with cover memos and attachments. Meetings were managed well, with a focus on key issues, leaving more time for queries and discussion. The composition of the Committee was also rated highly, with members having a good balance of knowledge and appropriate capabilities. It was noted that the Committee played an important role in monitoring Reckitt's conduct with regard to its corporate and societal obligations and compliance with laws, regulations, codes of conduct and internal policies and procedures. The Board, having had sight of the results of the Committee's evaluation, considers the Committee to be operating effectively.

To continually improve performance in 2021, the Committee and management undertook to focus on the following areas:

- continued refinement of discussion materials and presentations, ensuring there is continual improvement in the brevity and prioritisation of pre-read materials; and
- focus on delivering improvements and processes currently in development, in order to guarantee that changes needed are embedded into the organisation.

Composition

The members of the Committee during the year were:

Composition	Tenure during the year
Pam Kirby (Chair)	Chair and member of the Committee for the whole year
Nicandro Durante	Member for the whole year
Mehmood Khan	Member for the whole year
Chris Sinclair	Member for the whole year

The Head of Group Secretariat was Secretary to the Committee for the full year.

Members of the Committee are appointed by the Board on the recommendation of the Nomination Committee, which reviews membership in terms of skills, knowledge, diversity, and experience. The Board is satisfied that each member of the Committee is independent and that Committee members as a whole have competence relevant to the company's sector and industries in which it operates. On joining the Committee and during their tenure, members receive additional training tailored to their individual requirements. Such training includes meetings with internal management covering CRSEC matters. All members of the Committee receive regular briefings from senior executives on matters covering governance, regulatory and legislative developments, product safety and corporate responsibility, sustainability and ethics-related matters, and Reckitt practices and policies in these areas.

Responsibilities

The Committee is part of the Group's governance framework and supports the Board in fulfilling its oversight responsibilities in ensuring the integrity of the Group's corporate responsibility and sustainability, ethics and compliance strategies, policies, programmes and activities. Its role and responsibilities are set out in its terms of reference, which can be found at www.reckitt.com. In November 2020, the Board approved the Committee's proposed changes to its terms of reference, to take account of recommended best practice. We review our terms of reference annually.

The Audit Committee has a monitoring function in respect of risk management and internal control systems, especially financial controls, but which also includes the assurance framework established by management to identify and monitor risks identified by the CRSEC Committee. The Committee liaises with the Audit Committee as appropriate.

The Committee is expected to meet at least three times per year. In 2020 the Committee held four meetings, three of which were held virtually due to COVID-19. Meetings usually take place ahead of Board meetings and the Chair of the Committee reports formally to the Board on its proceedings. Attendance at Committee meetings is set out in the Board attendance schedule on page 106 of the Corporate Governance Report. The CEO, CFO, Chief SQRC Officer, Group Head of Audit, change to General Counsel & Company Secretary, Chief R&D Officer, Chief Supply Officer, Head of Group Compliance, Head of Corporate Affairs & Chief Sustainability Officer, Head of External Communications and Affairs, and Global Director of Sustainability, Environment and Human Rights regularly attend meetings. Other Board members are invited to attend all meetings. Other senior management attend when deemed appropriate by the Committee. Time is allocated at each meeting for private discussion with the Chief SQRC Officer, Head of Group Compliance, Head of Corporate Affairs & Chief Sustainability Officer and Group Head of Audit without other invitees being present, as well as a private meeting of the Committee members. Copies of Committee papers are provided to all Board Directors in advance of each meeting and minutes of each Committee meeting are provided to the Board.

Agenda items

The Committee has a number of standing agenda items which it considers in line with its terms of reference:

- Reviewing the constitution, terms of reference and performance of the Committee.
- Assessment, benchmarking and recommendations on policies, processes and procedures for corporate responsibility, sustainability and compliance and ethical conduct.
- Overseeing the Group's conduct with regard to its corporate and societal obligations as a responsible global citizen on behalf of all its stakeholders, including reviewing the company's statement on Modern Slavery and Trafficking.
- Reviewing and monitoring implementation and compliance with the company's Speak Up policy and review of reports.
- In conjunction with the Audit Committee, reviewing the company's whistleblowing, fraud and compliance arrangements, including the adequacy and security for the workforce to raise concerns, procedures for detecting fraud, systems and controls for the prevention of bribery and modern slavery and the effectiveness of anti-money laundering systems and controls.
- Monitoring and reviewing processes for risk assessment for corporate responsibility, sustainability, and compliance and ethical conduct.
- Agreeing targets and KPIs for corporate responsibility, sustainability and compliance and ethical conduct. Reviewing internal and external reports on progress towards set targets and KPIs.
- Reports from management committees in respect of corporate responsibility, sustainability, ethics, and compliance and investigating and taking action in relation to issues raised or reported to it.

Specific matters which were considered by the Committee at its meetings during the year are shown below:

Meeting	Topic	
February 2020	• Product safety evaluation, product integrity review and product lifecycle management • Quality performance • Quality review of Nijmegen facility in The Netherlands • Regulatory matters review	• 2020 compliance and ethics priorities • Reckitt's new Code of Conduct • Anti-trust risk assessments • Compliance training • GDPR compliance • Danish Institute for Human Rights update
May 2020	• COVID-19 impact and related matters • Product safety evaluation, product integrity review and product lifecycle management plan • Regulatory matters review	• GDPR compliance • Health compliance maturity assessment • Fight for Access Fund • IFCN progress, including position on sugars
July 2020	• Review product safety and quality • Remediation programmes • Review of Nijmegen facility in The Netherlands • Brexit impact • Regulatory matters review • Monitoring compliance passport training	• GDPR and global data privacy compliance • Governance review of risk and compliance • Reckitt Global Hygiene Institute • IFCN update – breast milk substitute call to action • Environmental audits and management systems • Investment programmes
November 2020	• Review of the Committee's terms of reference and recommendation to the Board for approval • Review of the Committee's performance evaluation carried out in 2020 • 2021 Audit schedule endorsement	• GDPR update • Breast Milk Substitute pledge • Fight for Access Fund • Korea: root cause analysis

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Central to our remuneration philosophy are the principles of pay for performance and shareholder and strategic alignment.

Mary Harris
Chair of the Remuneration Committee

This Directors' Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Report meets the requirements of the FCA Listing Authority's Listing Rules and the Disclosure Guidance and Transparency Rules. In this report we describe how the principles of good governance relating to Directors' remuneration, as set out in the UK Corporate Governance Code (July 2018) (the Code), are applied in practice. The Remuneration Committee confirms that throughout the financial year the company has complied with these governance rules and best practice provisions.

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2020.

I have met and corresponded with the majority of our major shareholders in the last two years as we made significant changes to the Remuneration Policy at Reckitt which was approved with a vote of 87% at the 2019 AGM and is summarised in the table on page 139. The Committee is of the view that the current remuneration framework remains fit for purpose and therefore we are not proposing to make any major changes to the operation of the Policy for 2021. In line with the three-year lifecycle, a new Policy will be put forward to a binding shareholder vote at the 2022 AGM. The Committee, alongside management, will be working on the design of this new Policy during the course of 2021 and we will consult with shareholders to gather feedback on the proposals later on this year.

Context for executive remuneration at Reckitt

Reckitt strives for leading global performance. Our management team is multinational, and we compete for talent against a peer group of global companies. Central to our remuneration philosophy are the principles of pay for performance and shareholder, as well as strategic, alignment. Combined with Reckitt's compass and business model, they define how decisions are made, how people act and how we assess and reward them.

It has been one year since our CEO, Laxman Narasimhan, announced the findings of his strategic review. Reckitt now operates through three Global Business Units of Hygiene, Health and Nutrition, as we fulfil our purpose to protect, heal and nurture in the relentless pursuit of a cleaner, healthier world. We are inspired by the fight to make access to the highest quality hygiene, wellness and nourishment a right, not a privilege. Our fight and purpose are driven by our compass, and we know if we stick to these principles, we will achieve our long-term ambition to rejuvenate sustainable growth. This purpose has had even more meaning during the global pandemic.

The strategy of the company is intended to rejuvenate sustainable growth and deliver shareholder value. The Group's key strategic priorities in the mid-term are restoring organic mid single digits growth to the top line, focusing on achieving sustainable earnings growth and maintaining disciplined capital allocation.

COVID-19

2020 has been an unprecedented year for Reckitt and the world around us. The global health crisis has created a challenging environment for our people, customers and consumers, as well as trusted suppliers, partners and other stakeholders. We continue to focus our efforts on meeting the needs of our customers and consumers, whilst ensuring our people and partners have a safe working and living environment for themselves and their families. I am incredibly proud of the efforts of our people, who have worked tirelessly to deliver essential products to help combat the pandemic, whilst staying safe, with focus and dedication in an environment that has been changing daily.

The company did not 'furlough' any employees, or use any government programmes for its own benefit. Indeed the company went further than this with a range of support provided by Reckitt for employees impacted by the pandemic, including ensuring safety of our frontline employees particularly in manufacturing and supply; providing recognition and financial support to frontline employees including the provision of monetary bonuses; ensuring that all employees have access to an Employee Assistance Programme; and providing financial support for employees working from home to purchase essential equipment to enable a productive and safe home working environment. These necessary actions resulted in COVID-19 related costs for the year of around £120 million (c.80bps). We enhanced our focus on employee wellbeing by sharing guidance on remote working including podcasts featuring tips from Reckitt leaders on how to take care of themselves, their loved ones and colleagues. We paused global operations on two occasions so colleagues could rest and recover and have also provided employees with free essential Reckitt products including antiseptic and disinfectants. The company also maintained its commitments to aid programmes, making significant donations to a number of causes, particularly through the Reckitt Fight for Access Fund, supporting our consumers and the communities in which we operate, as outlined in other parts of this Annual Report and Accounts.

Our trusted disinfectant brands including Dettol and Lysol have experienced strong demand, as have self-care and preventative products including Airborne supplements and brands like Finish as people have been nesting at home. The team have stepped up in an extraordinary way, not only to ensure the supply for unprecedented demand, but also to pursue our strategic goals of growing the business into new places and spaces, as well as investing in growth enablers like supply chain management, customer service and R&D. The unprecedented situation has created new growth opportunities for Reckitt as detailed elsewhere in this report; strong demand for Dettol and Lysol, amongst others, looks set to remain at higher than pre-COVID-19 levels, driven by greater health awareness. In addition, other Reckitt brands have seen strong growth during the year and the development of e-commerce has step-changed under the new management team, with record levels of activity through new and existing channels.

Annual bonus in respect of 2020 performance

Reckitt operates an annual bonus plan that is strongly aligned to performance, measured against targets set by the Committee at the start of the year for Net Revenue growth and adjusted profit before income tax. The performance targets were based on the business plan at the time and took into account our strategic transformation goals for the year, as announced by Laxman in February 2020. The Committee considers that these targets were set at stretching levels in this context and were ahead of consensus expectations at the time.

As it does every year, the Committee evaluated the performance of both the company and the Executive Directors in the round and with regard to broader circumstances to assess whether the level of annual bonus payout is appropriate and justified, as described below.

From a financial point of view, 2020 was an excellent year for Reckitt under its new leadership, with very strong Like-for-Like Net Revenue growth of +11.8% primarily driven by strong volume growth and an increase in price/mix. There has been strong growth in e-commerce of 56% and it now makes up approximately 12% of total Group revenue. The adjusted operating margin was 23.6% and adjusted profit before income tax was £3.1 billion at a constant exchange basis, significantly outperforming both internal and external expectations. We achieved record free cash flow generation of £3 billion representing a 42.3% growth on last year.

As set out in more detail on pages 144-145 these results reflect performance above the maximum level of the performance ranges set for the 2020 annual bonus. As a result, the formulaic outcome of the 2020 annual bonus for the Executive Directors is 100% of maximum, which is in line with all other employees on the same Group-wide measures.

As it does every year, the Committee also evaluated the performance of both the company and the Executive Directors in the round to assess whether the level of annual bonus payout is appropriate. In addition to the financial operating performance summarised above, this year's assessment included, amongst others, the following areas:

- **Strategic delivery:** In respect of strategic commitments, progress in the year has been very strong, with a new management team and organisational structure introduced. A record £745 million in major investments in the enablers of growth is well under way and an enhanced productivity programme delivering ahead of target for the year. 2020 also saw the establishment of Global Business Solutions, our professional channel, which has been set up to amplify the footprint of Dettol and Lysol and is already growing fast.
- **Competitive performance:** The Committee reviewed financial and market share performance against competitors. In both cases Reckitt has performed strongly. There has been substantial market share growth by our market-leading products during 2020 with around 70% of our top category market units by revenue either gaining or holding market share; Reckitt's Like-for-Like revenue growth of +11.8% at a constant exchange rate basis is at the top of our peers and materially above the peer group average of +4%.
- **Delivery of shareholder value:** Over 2020, Reckitt created nearly £4.5 billion of shareholder value, including £1.2 billion in dividends, delivering a shareholder return of 10% in the 12 months to 31 December 2020, outperforming our peer group (5% return) and the FTSE 100 index (-10% return). During this year the company has reduced net debt by over £1.7 billion through improved cash generation and maintaining a strong fiscal discipline funding of our investment programme through enhanced productivity and outperformance. The company's full year dividend remains unchanged at 174.6p.
- **Purpose, people, culture and sustainability:** During the year there was the successful introduction of the new corporate purpose, fight and compass as well as new leadership behaviours to support the cultural evolution of the business. We have launched a number of initiatives to embed diversity and inclusion in our culture and have enhanced the focus on employee safety and wellbeing. The Committee noted the new environmental ambitions, with the

company's pledge to accelerate delivery of the Paris Climate Change Agreement to keep global warming to below 1.5°C as well as the good progress against the 2020 ESG goals as set out on pages 26-27. A new ESG strategy has also been developed, with new sustainability ambitions which will be launched later in 2021.

- **Response to COVID-19:** In assessing the broader circumstances, the Committee also considered the impact of the COVID-19 global pandemic on our people, customers and consumers and other stakeholders and on the company's trading conditions, the operational disruption that it faced and how the company responded. The Committee believes that both the company and the Executive Directors responded in line with our purpose and compass, putting employee safety and our responsibility to our consumers, customers and communities first, whilst acting decisively and effectively during the pandemic, with detail set out above. As set out on page 41, employee feedback on the company's response was very favourable and showed a highly motivated workforce, strongly committed to our purpose and fight. This enabled Reckitt to trade and perform successfully during 2020, including the delivery of significant increases in production that aided supply of critical antiseptic and disinfectant products.
- **Challenges:** The Committee also reviewed operational challenges faced during the year and how the leadership responded to them. This included the adverse impact of ongoing restrictions on cross-border trade activity between Hong Kong and mainland China, impacting IFCN. In mainland China itself, we continue to compete well against our multinational peers and grow share in the high-premium and super-high-premium markets. The Committee reviewed the goodwill impairment in respect of IFCN, which reflected the volatility and uncertainties relating to COVID-19 and also considered performance in Latin America after the overhaul of a key spray-dryer facility in Mexico. The Committee considered the decisive actions taken on Reckitt's portfolio, including the launch of a strategic review of IFCN in China.

Taking all of the above into account, the combination of the robust leadership on purpose, people, culture and sustainability coupled with the very strong strategic progress, financial and operational performance, outperformance of peers, strong shareholder returns during the year and response to the COVID-19 pandemic has led the Remuneration Committee to conclude that the formulaic outcome is justified and no discretion has been applied for the 2020 bonus awards.

In line with the Remuneration Policy for Executive Directors, one-third of the annual bonus will be deferred into an award over Reckitt shares for three years, with the balance paid in cash.

Vesting of the 2018-2020 LTIP

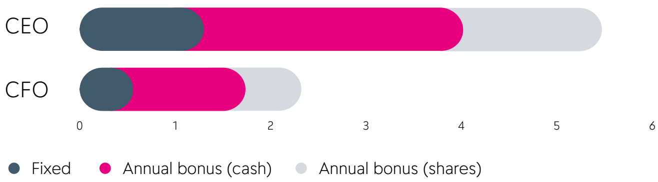
None of our current Executive Directors were with the Group at the time these awards were granted and this award lapsed in full for other employees.

As disclosed in detail in last year's Annual Report, Laxman received a buyout in respect of long-term incentive awards he forfeited on leaving PepsiCo. To replace his forfeited awards on a Like-for-Like basis in terms of form of award, time horizons and actual payout levels, he was awarded Reckitt shares and a long-term cash award which will vest in 2021 based on PepsiCo performance to 2020. As the PepsiCo performance is not known at the date of this report, we have estimated the vesting of this award assuming the same level of vesting as his previous buyout award which vested last year and we will restate the actual vesting level in next year's report.

2020 single figure

The result of the decisions summarised above is a total single figure of £5.4 million for Laxman (excluding the buyout of legacy arrangements from his previous employer) and £2.3 million for Jeff Carr, CFO. The chart below illustrates the breakdown of the single figure.

Singe figure illustration (£m)



Board changes

Jeff joined the company and the Board as Chief Financial Officer on 9 April 2020, succeeding Adrian Hennah who has retired. Adrian stepped down as CFO and from the Board when Jeff joined the Group, remaining with the company until his retirement date of 21 October 2020 to ensure a seamless transition. Details of Jeff's joining arrangements and Adrian's leaving arrangements were disclosed in the 2019 Directors' Remuneration Report.

2021 remuneration

The Committee reviewed base salary levels for both the CEO and CFO and determined that it was appropriate to award a 3% increase in line with the average salary increase for our UK employee base and taking into account company and individual performance. Salaries for 2021 are £979,000 and £700,000 for the CEO and CFO respectively.

There are no changes to the bonus opportunity for the CEO and CFO, remaining at 120% and 100% of salary at target respectively. Performance measures and weightings for the 2021 annual bonus will be the same as for 2020. In line with prior years, the Committee has set the performance targets at a stretching level taking into account the internal business plan and external expectations on performance. As in prior years, the Committee will carry out a thorough assessment of performance in the round taking into account a wide range of factors before determining bonus payouts.

There are also no changes proposed to LTIP award levels for 2021, which have been reviewed in light of share price performance, company performance and individual performance. Laxman's 2021 LTIP award will consist of 150,000 performance share options and 75,000 performance shares and Jeff's award will be 80,000 performance share options and 40,000 performance shares. These awards are expected to be made in May 2021.

As it does every year, the Committee reviewed the performance measures used in the LTIP and concluded that the combination of the existing range of measures (and weightings) are most appropriate for the company, in light of the strategic priorities announced by Laxman in 2020.

Sustainability is a key priority for the company and the Committee is aware of the current focus on ESG more broadly, including that a number of firms are incorporating ESG measures into incentive schemes. Whilst the Committee understands the importance of ESG, at Reckitt the wider strategy on ESG is currently being developed and investors will be updated on this during 2021. As such, whilst the Committee determined that it was not appropriate to include ESG measures in incentives in the current Policy, we will keep this position under review and may look to incorporate ESG measures into incentive schemes when it is appropriate to do so; the intention is to review this as the Policy is developed for approval by shareholders at our 2022 AGM.

Due to the continued uncertainty in the external environment related to the COVID-19 pandemic and the portfolio changes outlined in our 2020 results announcement, the Committee currently intends to set the LTIP targets and announce them at the time the awards are made in May 2021. They will also be set out in full in the 2021 Remuneration Report. In addition as the goodwill impairment in respect of IFCN reduces the capital employed it has the potential to increase the calculation of ROCE for LTIP purposes. The Committee will ensure that the impairment does not lead to an increase in vesting in respect of the proportion of the LTIP related to ROCE in future years.

During the year the Chairman and NED fees have been reviewed taking into account the increasing time commitment required to meet the scope and responsibilities of the roles, the increases given to the wider workforce and market practice. The fee for the Chairman has been increased by 3.6% to £570,000 which was broadly in line with increases to the broader UK workforce, effective from 1 January 2021. 25% of the fee continues to be paid in shares. This fee level remains below the lower quartile for the Chair of FTSE 30 companies. It is the Committee's intention to further review the Chairman's fee during 2021 with any potential increase to align the fee with market, and to ensure it is competitive, to be effective in 2022.

The basic NED fee is being increased by 3.3% to £95,000, with effect from 1 January 2021, with the proportion paid in shares being increased to 25% of the basic fee (£23,750). Going forward the amount of the fees paid in shares will remain at 25% of the basic fee. There are no changes to the additional fees for the SID, Committee Chair, Committee Member, or Designated Non-Executive Director for engagement with the Company's workforce.

Context for remuneration in the wider workforce

The Remuneration Committee has considered the remuneration of Reckitt's wider workforce during the year and has been provided with a comprehensive overview of workforce remuneration and related policies, as well as the alignment of incentives and rewards with culture. It reviewed information on salary structures, bonus design and targets, the long-term incentive plan, share ownership, International Transfer Policy, approach to employee benefits and the all-employee Share Plans. The Committee is pleased to note from this review that the company's remuneration policies continue to be aligned with those of the Executive Directors, with a cascade throughout the organisation. The Committee also took wider workforce salary increases into account when determining base salary increases for the CEO and CFO as discussed above.

The Committee was additionally closely involved with a review of the reward strategy for employees below Board level, which was undertaken following the CEO's strategic review, to ensure continued alignment of the overall reward framework with the new business strategy.

In the UK, Reckitt has been voluntarily paying the living wage for a number of years and last year we formally joined nearly 6,000 Living Wage Employers who are recognised as paying a living wage to employees and contractors. This is our commitment to employees and staff that they will receive a wage that exceeds not just the minimum wage but recognises the actual cost of living in the UK.

Reckitt operates an award-winning all-employee share plan to foster the culture of ownership amongst employees. This gives employees the opportunity to save over a three-year period to purchase Reckitt shares at a 20% discount to the share price at the start of the period. In offering these plans, we make a conscious effort to ensure that they are all inclusive and accessible to all colleagues. To facilitate this, we utilise a global network of around 130 local coordinators and provide communications in 27 languages in various formats, including letters to employees without an email address and kiosks in factories to assist with online enrolments. As a result, over half of Reckitt employees globally are currently participating in one of the three share plans on offer.

As mentioned previously, I am pleased to say that none of our employees were furloughed during this unprecedented year and the company offered a range of support for employees impacted by the pandemic, details of which I have summarised earlier in this letter. We are also conscious that our people have worked extremely hard and their safety and wellbeing is a priority. In 2020, we paused global operations on two occasions so colleagues could rest and recover and have recently launched a comprehensive employee wellbeing programme with external partners, involving significant investment over three years. As discussed in the Strategic Report we are reviewing all of our policies to ensure that they are inclusive by design and have also launched several initiatives such as the Stronger Together conversation series, a five year commitment focusing on diversity and inclusion (D&I) and belonging topics that matter most to our people, as well as the establishment of a D&I board comprised of senior leaders and chaired by the CEO, to lead the D&I strategic agenda across Reckitt.

Finally, since 26 July 2019, I have been the designated NED for engagement with the company's workforce. In this role I have had the same access to internal communications materials, channels and events as Reckitt employees and have been involved in key conversations with the workforce allowing me to feed back employees' views to the Remuneration Committee as well as the Board. As set out in the Strategic Report, each year the company holds several round-table discussions with employees and organises site visits during which town hall meetings and smaller group discussions with our people take place.

During the year we also communicated to the wider workforce details of how executive pay is set, its alignment with the company's approach to the wider company pay policy and how decisions are made by the Committee and giving employees the opportunity to ask any questions on these topics.

Further information on wider workforce remuneration, and how this compares to the remuneration of our Executive Directors, is set out on pages 149 to 151.

Remuneration Policy and implementation

Our Remuneration Policy strives to ensure that the management team is rewarded appropriately for delivering against Reckitt's strategic priorities, reflect the global nature of our business and deliver significant benefits for shareholders.

We have renewed our Remuneration Policy in line with its three-year lifecycle in 2016 and 2019 and have made changes to our remuneration structure and its implementation over the years in order to effectively respond to shareholder feedback; improve alignment of executive and shareholder interests; focus on our pay for performance philosophy; and ensure compliance with market best practice. Notable features of our Policy as a result of changes over recent years are as follows:

Notable best practice features of Reckitt's Executive Director Remuneration Policy

Reinforcing shareholder alignment	Supporting business strategy	Rewarding fairly and responsibly
• Bonus deferral; with one-third of any bonus paid being deferred into awards over Reckitt shares for three years. • Two-year holding period for LTIP awards • Shareholding requirements for Executive Directors of over 1400% and 1000% of salary[1] for CEO and CFO respectively, which are the most demanding in the UK market. • Two year post-employment shareholding requirement of 50% of the shareholding requirement (or actual shareholding on leaving if lower). Formal mechanism to enforce this through our share plan administrators.	• Annual bonus drives the achievement of both Net Revenue growth and adjusted profit before income tax. • Multiplicative approach ensures that outperformance on both top line and bottom line is required for maximum payouts, whilst underperformance in one of the performance metrics will reduce the overall bonus payout despite outperformance of the other. • Replaced Earnings per share (EPS) as sole performance measure for shares and options to a more balanced approach, aligned with the business strategy. The weighting for LTIP awards is Net Revenue growth at 50% of the award, Return on capital employed (ROCE) 25% and EPS 25%.	• Reduced new CEO and new CFO pension contribution to 10% of salary, in line with our wider UK workforce. • Reduced the CEO LTIP award level by more than 60% from 2017 levels and implemented a mechanism to annually review the numbers of shares and options granted. • Robust and thorough assessment of performance in the round before determining annual bonus payouts and LTIP vesting. • Malus and clawback provisions apply to bonus and LTIP, expanded to include corporate failure, in line with best practice shareholder guidelines.

1. Based on the average closing price in Q4 2020 of £68.45

Conclusion

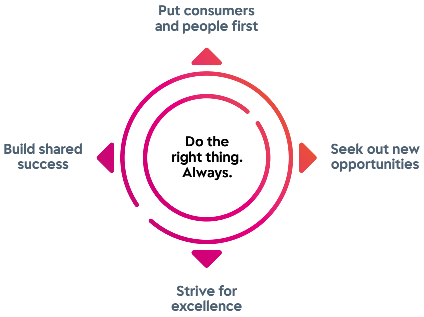
I trust that you will find this report a clear account of the way in which the Committee has implemented the Remuneration Policy during 2020 and that I can count on your support as we put the Annual Report on Remuneration to a vote of shareholders at the upcoming AGM. As I have noted above, we will be developing a new Remuneration Policy during 2021 for approval by shareholders at the 2022 AGM and we will consult with shareholders as part of this process.

I would also like to acknowledge and thank my fellow Committee members for their diligence and service during the year.

Mary Harris
Chair of the Remuneration Committee
Reckitt Benckiser Group plc
15 March 2021

Remuneration at a glance

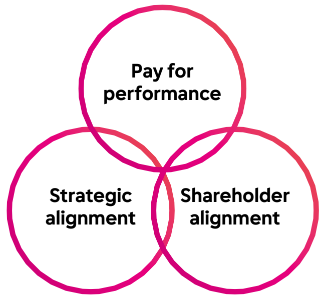
Reckitt's compass



Reckitt's strategic priorities

- Rejuvenate Reckitt to deliver shareholder value
- Restore organic top line growth
- Achieve sustainable increased medium-term earnings growth
- Maintain disciplined capital allocation

Reckitt's remuneration philosophy



Combining Reckitt's compass, strategy and remuneration philosophy drives Reckitt's remuneration principles

1. High proportion of variable pay
- Drive outperformance and shareholder value
- Stretching performance targets

2. Attract and retain the best global talent
- Engage highly performance-driven individuals
- Reflect global competitive practice across our industry peer group

3. Market-leading Share Ownership Policy
- Align the interests of management and shareholders
- A culture of ownership

4. Ensure alignment with strategy across the business
- Alignment of performance metrics with strategic priorities
- Alignment across the business of metrics and ownership

Element	Key features of Policy	How we implemented for 2020	Link to strategy	2021	2022	2023	2024	2025	2026
Salary, benefits and pension	• Salary increases and pension contribution set in context of wider workforce • Salaries and benefits set competitively against peers	• 3% salary increase, in line with wider workforce • Pension contribution of 10% of salary in line with the wider workforce in the UK	• To enable the total package to support recruitment and retention						
Annual bonus (APP)	• Target bonus of 120% of salary for CEO and 100% for CFO • One-third deferred into awards over Reckitt shares for three years • Malus and clawback provisions apply	• Targets set for Net Revenue growth and adjusted profit before income tax • Threshold performance results in zero payout, with maximum of 3.57x target for truly exceptional performance on both metrics • Assessment of performance in the round	• To drive strong performance with significant reward for overachievement of annual targets linked to Reckitt's strategic priorities • Use of deferral for longer-term shareholder alignment		Cash APP paid			Deferred APP vests	
LTIP **Performance shares**	• Three-year performance period and two-year holding period • Malus and clawback provisions apply until two years after vesting • Options have seven years to exercise post-vesting	• Targets set for Net Revenue growth (50%), Return on capital employed (25%) and Earnings per share (25% equally split over actual and constant FX) • Performance conditions are applied to both performance shares and options • Assessment of performance in the round	• To incentivise and reward long-term performance and align the interests of Executive Directors with those of shareholders • Two-year holding period for longer-term shareholder alignment	Award granted			Award vests		Holding period ends
Performance options				Award granted			Award vests		Holding period ends
Shareholding requirements	• CEO: 200,000 shares • CFO: 100,000 shares	• Period of eight years from appointment to achieve • Two-year shareholding requirement post-departure	• Promotes long-term alignment with shareholders • Promotes focus on management of corporate risks						

Remuneration at a glance:
Pay outcomes for current Executive Directors in the year

2020 fixed remuneration

Base salary

CEO	CFO[1]
£950,000	**£494,545**

Pension

CEO	CFO
10% of salary	**10% of salary**

1. Salary is pro-rated as Jeff Carr joined the Board and was appointed as CFO on 9 April 2020

2020 variable remuneration

Annual performance plan

The performance outcomes for the annual bonus were 100% of maximum in light of achievement against both metrics, which is in line with all other employees on the same Group-wide measures. A third is deferred, by way of an award over Reckitt shares.

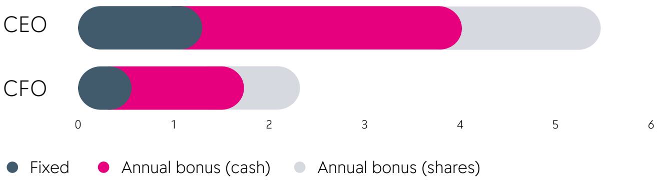
	Base salary	Target	Multiplier	Delivery: Cash	Delivery: Shares
CEO	£950,000	120%	3.57	2/3	1/3
CFO	£494,545	100%	3.57	2/3	1/3

Long-term incentive plan

Earnings per share growth, as measured for LTIP purposes, over the three-year period was -0.3% per annum. As this is below the threshold required of 6% per annum the LTIP will not vest for the period 2018-2020. None of our current Executive Directors were with the Group at the time these awards were granted.

2020 single figure

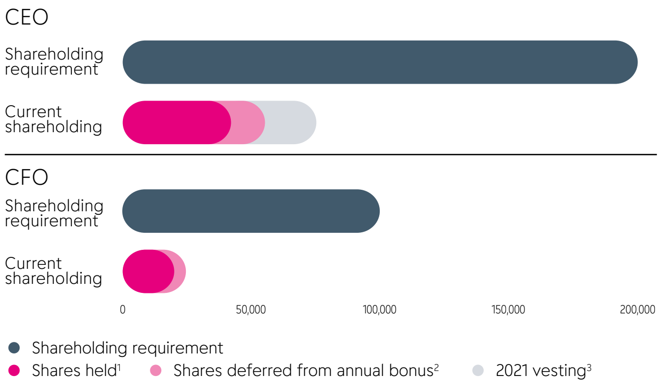
The single figure for 2020 is therefore comprised of the elements in the graph below.



In addition, Laxman Narasimhan received a buyout in respect of legacy arrangements from his previous employer, as detailed on page 146.

Executive Director shareholding

Reckitt operates a market-leading shareholding requirement with an eight-year timeframe for achievement and a two year post-employment holding period after leaving. The chart below illustrates the progress towards this of the Executive Directors.



1. Includes shares owned outright and shares subject to post-vesting holding restrictions
2. This is the estimated number of shares awarded, after tax under the Deferred Bonus Plan including those to be deferred from the 2020 annual bonus
3 For Laxman Narasimhan this is an estimated number of shares vesting in March 2021 under his buyout award, after tax

Remuneration Committee governance

Who's on the Committee	The Remuneration Committee is made up entirely of Non-Executive Directors who are appointed by the Board on the recommendation of the Nomination Committee. Membership of the Remuneration Committee during the year was as follows: Mary Harris (Chair) Chris Sinclair Nicandro Durante Elane Stock In addition, Olivier Bohuon who joined the Board as a Non-Executive Director on 1 January 2021, has also been appointed onto the Remuneration Committee with effect from the same date.
Our role	The Committee's purpose is to assist the Board of Directors in fulfilling its oversight responsibility by ensuring that the Remuneration Policy and practices reward fairly and responsibly; are linked to corporate and individual performance; and take account of the generally accepted principles of good governance. On behalf of, and subject to approval by, the Board of Directors, the Committee primarily: • sets and regularly reviews the company's overall remuneration strategy; • determines the general Remuneration Policy for senior executives; and • in respect of the Chairman, the Executive Directors and members of the Group Executive Committee, sets, reviews and approves: – remuneration policies, including annual bonuses and long-term incentives; – individual remuneration and compensation arrangements; – individual benefits including pension and superannuation arrangements; – terms and conditions of employment including the Executive Directors' service agreements; – participation in any of the company's bonuses and LTIPs; and – the targets for any of the company's performance-related bonuses and LTIPs. • reviews wider workforce remuneration and related policies and the alignment of incentives and reward with culture. The Executive Directors and the company Chairman are responsible for evaluating and making recommendations to the Board of Directors on the remuneration of the Non-Executive Directors.
Meetings	During the year the Committee held four scheduled meetings and two additional meetings. The attendance of members at meetings is set out in the table on page 106. In addition, during the year the Committee considered ad-hoc topics between meetings. The Chief Human Resources Officer was Secretary to the Committee throughout the year. Meetings were also attended by the CEO, CFO, General Counsel & Company Secretary and the Group Head of Reward by invitation. Deloitte was the appointed advisor to the Committee throughout the year. Members of the Remuneration Committee and any person attending its meetings do not participate in any discussion or decision on their own remuneration.
Peer group	The Remuneration Committee has determined a peer group of international companies, which is referred to within the report. This peer group is used for benchmarking remuneration packages and as a reference point in ensuring that performance targets are appropriately stretching and when reviewing the company's relative performance. This peer group is the same group used to benchmark remuneration of senior managers across the company. The companies included are: Abbott Laboratories, Bayer, Campbell Soup[1], Church and Dwight, Clorox, Coca-Cola[1], Colgate, Danone, GSK, Henkel, Johnson & Johnson, Kellogg[1], Kimberly-Clark[1], Kraft Heinz, Nestlé, Novartis, PepsiCo[1], Pfizer, Procter & Gamble, Sanofi, Unilever 1. Companies used for remuneration benchmarking only and not for performance comparison

The table below summarises the key activities at the Committee's meetings in 2020:

Meeting	Topic
February 2020	• Reviewed performance to 2019 in respect of bonus outcomes and LTIP vesting • Carried out assessment of wider performance of the company and Executive Directors • Final approval of 2019 bonus and 2017-19 LTIP vesting • Agreed 2020 LTIP performance measures and weighting • Approved amendments to Deferred Bonus Plan rules • Reviewed Directors' Remuneration Report
March 2020	• Finalised 2020 APP targets • Approved 2020 LTIP measures, definitions and targets, subject to shareholder consultation (subsequently finalised in April) • Agreed approach to shareholder consultation
July 2020	• Reviewed 2020 AGM voting • Review of wider workforce remuneration, including a deep dive on employee benefits • Assessment of performance to date compared to 2020 bonus targets
September 2020	• Carried out review of the all-employee reward strategy and agreed roadmap for further review and implementation • Agreed 2021 LTIP performance measures and weightings • Reviewed and discussed approach to shareholder engagement • Approved awards under all-employee share plans
November 2020	• Determined 2021 remuneration packages for Executive Directors • Determined 2021 remuneration packages for Group Executive Committee members • Agreed principles for 2021 bonus targets • Reviewed updates to corporate governance and shareholder guidelines • Reviewed shareholding for senior employees with share ownership requirements • Agreed timeline and approach for review of Directors' Remuneration Policy • Reviewed data on remuneration packages for senior management below the Group Executive Committee • Approved awards under all-employee share plans • Approved revised Remuneration Committee terms of reference • Considered the code of conduct of the Remuneration Consultants Group and the performance of advisor to the Committee • Review of Remuneration Committee effectiveness
November 2020 (second meeting)	• Determined 2021 fees for the Chairman • Approved 2021 bonus targets

In addition, throughout the year the Remuneration Committee considers ad-hoc topics between meetings, such as the approval of remuneration packages for new hires to the Group Executive Committee and final approval of LTIP targets and weightings following the shareholder consultation.

Reckitt's Remuneration Policy

Reckitt's Remuneration Policy reflects the philosophy of pay for performance, shareholder alignment and strategic alignment over the short, medium and long-term. The full Policy was approved by shareholders at the AGM on 9 May 2019, and can be found in the 2018 Directors' Remuneration Report, including notes, on pages 98 to 106. It is also available on our website in the Corporate Governance section.

When determining the Policy, provision 40 of the Corporate Governance Code was taken into account as follows:

- **Clarity** – arrangements are transparent, reflect shareholder alignment and Reckitt's strategic priorities, thereby effectively engaging with the wider workforce and shareholders. The Committee consulted with shareholders as part of the design phase of the policy and communicated to the wider workforce details of how executive pay is set, its alignment with the company's approach to the wider pay policy and how decisions are made by the Committee and giving employees the opportunity to ask any questions on these topics.
- **Simplicity** – the Policy is simple and clear, comprised of fixed pay, such as salary and benefits, pension schemes that are offered to most of the workforce, plus variable pay which incorporates the annual bonus, LTIP (performance share options and performance share awards), and a clear Share Ownership Policy for senior members of the business. Variable pay is set against financial targets to incentivise short- and long-term financial performance and alignment with shareholders.
- **Risk** – the malus and clawback provisions which apply to annual bonus and LTIP awards encourage the right behaviours which lead to long-term shareholder alignment and sustained value creation. The Committee has discretion to adjust the formulaic bonus outcomes both upwards and downwards.
- **Predictability** – the total of fixed pay, variable pay (target and maximum) illustrated in the scenarios of total remuneration in our Policy provide an estimate of the potential future remuneration of the Executive Directors, including the total remuneration if a 50% share price growth is achieved.
- **Proportionality** – there is a clear link between pay for performance and link to business strategy, with stretching financial targets applied to annual bonus payouts and LTIP vesting.
- **Alignment to culture** – financial targets apply to the Annual Bonus and LTIP awards across the wider workforce to drive business performance. These targets are reviewed on an annual basis. Malus and clawback provisions apply to annual bonus and LTIP, and together with deferred annual bonus, holding periods and share ownership for the Executive Directors (and any other relevant senior employees), drive the right behaviours expected within Reckitt. The remuneration arrangements of the wider workforce reinforce employee engagement.

The Committee is of the view that the current remuneration framework remains fit for purpose and therefore we are not proposing to make any major changes to the Policy for 2021. In line with the three-year lifecycle, a new Remuneration Policy will be put forward to a binding shareholder vote at the 2022 AGM. The Committee, alongside management, will be working on the design of this new Policy during the course of 2021 and we will consult with shareholders to gather feedback on the proposals later on this year.

Annual Report on Remuneration

The rest of this report sets out how we have implemented the shareholder-approved Remuneration Policy in 2020, as well as how we intend to implement it in 2021.

2020 performance and remuneration outcomes

Base salary

Base salaries are reviewed taking into account the salary increases for the wider workforce and individual performance.

For additional context, the Remuneration Committee also reviews market practice for similar roles in the company's remuneration peer group, comprising 21 international companies and listed on page 141.

As set out in last year's report the Executive Directors received zero salary increase with effect from 1 January 2020, with the salary for the CEO remaining £950,000 and the salary for CFO £680,000.

During 2020, the Remuneration Committee reviewed salaries and determined that there would be a 3% salary increase for the CEO and CFO in 2021, taking into account company and individual performance, in line with the average UK all-employee salary increase.

The table below sets out annual base salaries with effect from 1 January 2021:

Executive Director	Annual base salary 2020	**Annual base salary from 1 January 2021**	Percentage increase
Laxman Narasimhan	£950,000	**£979,000**	3%
Jeff Carr (from 9 April)	£680,000	**£700,000**	3%

The average salary increase for our UK employees was 3%, effective 1 January 2021.

Annual bonus in respect of 2020 performance

Executive Director 2020 bonus opportunity

In line with the Remuneration Policy, the CEO and the CFO had target bonus opportunities of 120% of salary and 100% of salary respectively. Actual payments can range from zero to 3.57x target depending on performance against the stretching performance ranges as follows:

- For each performance measure a range is set.
- A performance multiplier is calculated for each measure, calculated by the extent to which the performance for that measure is achieved. These multipliers can be up to 1.89 for outperformance of the stretching range set by the Committee.
- The two individual multipliers are then multiplied together to provide the total performance multiplier.

Net Revenue growth multiplier (up to 1.89x) **x** Adjusted profit before tax multiplier (up to 1.89x) **=** Performance multiplier

(Threshold = 0x Target = 1.0x Max = 3.57x)

- The performance multiplier can range from zero for performance at threshold or below, to 3.57 for truly exceptional performance on both metrics (i.e. 1.89 x 1.89).
- This total performance multiplier is then applied to the target bonus opportunity to calculate the overall bonus outcome.

Performance multiplier **x** Target bonus **=** Final bonus outcome

- The effect of the multiplicative approach means that a high-performance multiplier can only be achieved for outperformance on both top line and bottom line performance.
- Similarly, underperformance in one of the performance metrics will reduce the overall bonus payout including to zero, despite outperformance of the other.
- For example, if we grow Net Revenue above the stretching requirement for maximum performance but fail to meet the profit threshold, the bonus payout will be zero (i.e. 1.89 x 0).
- One-third of any APP is deferred into an award over Reckitt shares, to strengthen alignment with shareholders.

2020 performance targets

The Remuneration Committee set targets for the Executive Directors at the beginning of the 2020 financial year. As set out in last year's report, these were based on Net Revenue growth and adjusted profit before income tax targets, both measured in GBP at a constant exchange rate. They were primarily based on the business plan at the time, in light of the CEO's strategic review and with reference also being made to external expectations of performance and market practice of companies in a similar stage of the business cycle to Reckitt and the change in business strategy. At the time the Committee finalised the targets, consensus expectations were approximately 2.2% for Like-for-Like Net Revenue growth and adjusted profit before income tax of £2.7 billion. In setting targets, the Committee also had regard to competitor performance with average three- and five-year Like-for-Like growth in Net Revenue amongst our peers being 2.7% and 2.8%, respectively.

As set out last year, following the CEO's strategic review of the business, 2020 was anticipated to be a transitional year where we worked to rejuvenate Reckitt to accelerate growth and create long-term shareholder value. We were targeting a higher level Like-for-Like Net Revenue growth than we achieved in 2019. We also considered that Reckitt's rejuvenation would be funded by a temporary margin reduction and enhanced multi-year productivity programme requiring investment and changes to the organisation, the latter of which was largely undertaken in 2020.

The Committee considers that these targets (as set out overleaf) were set at stretching levels in this context. The targets have not been adjusted during the year. At the beginning of the pandemic the Committee decided to retain the original targets set pre-COVID-19 given uncertainty around what the full impact of the pandemic was going to be, and to assess final outcomes against a robust performance in the round framework as described overleaf and in the letter from the Remuneration Committee Chair.

2020 financial performance against APP targets

As stated earlier in the Annual Report, 2020 marked a year of strong execution for Reckitt under its new leadership team, driving record performance which underpinned progress towards sustainable growth. Total Group Net Revenue grew to £13,993 million representing Like-for-Like revenue growth of +11.8%, driven by strong volume growth (+9.6%) and an increase in price/mix (+2.2%). In particular, this was underpinned by very strong growth in Hygiene +19.5% and Health +12.1%, with Nutrition being unchanged from last year. This improved execution and the investments in capability and growth will enable us to achieve our revenue growth target a year earlier than expected, and with greater confidence.

For 2020, adjusted profit before income tax was £3.1 billion at a constant exchange basis marking significant outperformance of both internal and external forecasts which took into account anticipated headwinds, investment costs to rejuvenate commercial capabilities, and finite-life transformation costs of £126 million. The Board made the decision to take these fully into account in determining the adjusted operating profit used in APP bonus calculations.

In addition, other key highlights of 2020 performance include the delivery of adjusted operating margin of 23.6%, outperforming the upper quartile of competitors and an increase in free cash flow of 42.3% to £3,052 million.

The chart below illustrates this performance compared to the targets set at the start of the year.

Performance measure	Threshold (zero bonus)	Maximum (3.57 x target)	Actual
Net Revenue growth	0%	5%	11.8%
Adjusted profit before income tax	£2.6bn	£2.8bn	£3.1bn

As illustrated above, 2020 Net Revenue growth and Adjusted profit before income tax both significantly exceeded the maximum performance targets set – resulting in a bonus multiplier of 3.57x target (100% of maximum).

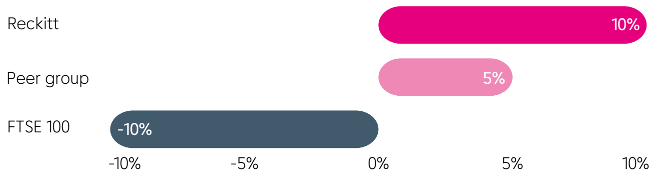
Overall company performance taken into consideration

As it does every year, the Committee thoroughly evaluated the performance of both the company and the Executive Directors in the round to assess whether the level of annual bonus payout is both appropriate and justified.

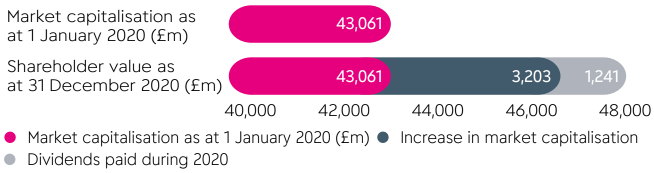
In addition to the operational highlights set out above, over 2020 Reckitt has created nearly £4.5 billion of shareholder value, including £1.2 billion in dividends, delivering a shareholder return of 10% in the 12 months to 31 December 2020, outperforming our peer group (5% return) and the FTSE 100 index (-10% return). During the year the company has reduced net debt by over £1.7 billion through improved cash generation and maintaining a strong fiscal discipline around funding of our investment programme through enhanced productivity and outperformance. As a result, Reckitt's net debt leverage metric has improved with Net Debt / Adjusted EBITDA falling from 2.9x at the end of 2019 to 2.4x. The company's full year dividend remains unchanged at 174.6p.

Delivery of shareholder value

One year TSR

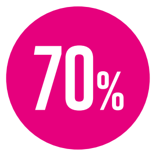


£4,444m of shareholder value generated



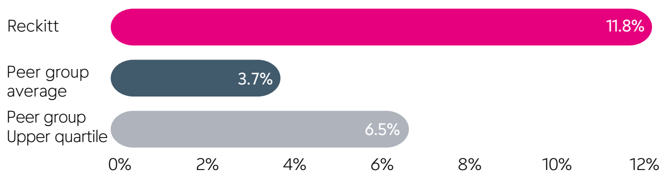
Competitive performance

Market share performance

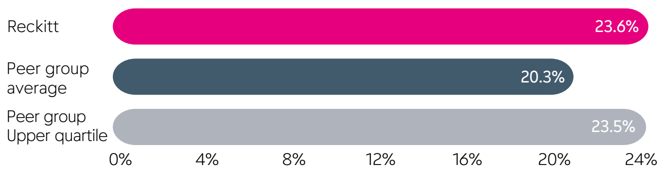


Around 70% of top CMUs by Net Revenue gained or held market share in FY 2020

Like for Like NR growth significantly above peer group upper quartile



Adjusted Operating Margin at peer group upper quartile



The Remuneration Committee also reviewed the progress on delivery of the new strategy and the wider purpose, people, culture and sustainability. In particular this year, the Committee also considered the response to the impact of the COVID-19 pandemic on our people, customers and consumers and other stakeholders, the company's trading conditions and the operational disruption that it faced.

Significant strategic delivery	Purpose, people, culture and sustainability	Response to COVID-19
• **Reorganised structure as of 1 July:** Moved to three category-focused Global Business Units of Hygiene, Health and Nutrition, with our China, eRB and Global Functions teams integrated across each of these. • **Improved customer service capabilities:** Establishing centres of excellence for sales, marketing, e-commerce and medical sales and global customer relationship team; significant improvement in third-party Advantage survey of retailers – advancing nine places, moving from the lowest tier to top ten of FMCG peers. • **Invested in core capabilities:** During 2020 we have invested a record £745 million in enablers of growth including the rebuilding of the long-term capabilities necessary to improve customer service, R&D, innovation, supply chain, sustainability and transforming the company's organisation, culture and direction. This investment is significantly ahead of plan, funded by P&L charge and £407 million of productivity savings. • **Drove new business and channels:** Launched Global Business Solutions – our professional business which is growing strongly. Expanded Dettol and Lysol footprints into 41 markets during the year and e-commerce sales increased by 56% in 2020. • **Grew share and entered new markets:** Overall, around 70% of our top category market units by revenue either gained or held market share. Substantial market growth including Dettol, Lysol, Finish, Airborne, Gaviscon and Durex.	• **Launched the company's new purpose, fight and compass:** This included our new leadership behaviours to support the cultural evolution of the business and strengthen our environmental and societal commitments. • **Embedded D&I:** Introduced a number of initiatives in 2020, including: – Set up a D&I Board comprised of some of our most passionate and senior business leaders and chaired by the CEO, to lead the D&I strategic agenda across Reckitt; – Engaged EY to conduct an independent review of our D&I practices; – Established the Stronger Together conversation series, a five-year commitment aimed at focusing on the diversity and inclusion topics that matter most to our people; – Continued focus on gender diversity at the manager and senior manager level. • **Launched the Freedom Forum:** This is a crowdsourcing platform for employees to input into how we do things as part of looking into the future of work, including the implications of working digitally from a practical, wellbeing and cultural standpoint. The theme for the first forum, Workplace of the Future, attracted more than 600 ideas and over 10,000 votes. • **Further progressed sustainability agenda:** Launched climate pledge in June 2020 for net zero carbon emissions by 2040. Improved Sustainalytics rating of 20.9 (from 23.5) over the past two years and maintained our 'A' MSCI rating. Achieved our target of 40% reduction in Greenhouse Gas emissions per product since 2012, delivering 53% by 2020. Achieved our target of 35% reduction in water use per product since 2012, delivering 39% by 2020.	• **Prioritised safety and wellbeing:** Deepened the range of support provided to employees impacted by the pandemic: – Provided recognition and support to frontline employees including monetary bonuses, gift vouchers, free meals, care packages and additional days of annual leave; – Developed 'Navigating the new normal' playbook which was shared externally and also internally so that employees are clear on how we are responding to the pandemic and what it means for them; – Furnished employees with free essential Reckitt products including antiseptic and disinfectants; – Implemented a global policy of providing financial support to enable employees working at home to do so safely; – Ensured that all employees have access to an Employee Assistance Programme; – Recently launched a comprehensive employee wellbeing programme with external partners, involving significant three-year investment. Enhanced our focus on employee wellbeing and mental health by sharing guidance, including podcasts featuring tips from Reckitt leaders on how to take care of themselves, their loved ones and colleagues, as well as providing guidelines and training on remote working; – Paused global operations for two days so colleagues could rest and recover. Employee feedback during the year on the company's response was very favourable and showed a highly motivated workforce, strongly committed to our purpose and fight. • **Improved supply chain performance and capacity:** Under exceptional circumstances, sustained efforts by Reckitt's teams delivered increased capacity and sought to maintain customer service to help meet exceptional levels of demand due to COVID-19. • **Increased our commitments to aid programmes:** This included making significant donations to a number of causes, particularly through the Reckitt Fight for Access Fund and supplemented with additional resources from savings during the year, which boosted our COVID-19-related funding to £52 million.

Notably in achieving all of the above, the company did not furlough any employees or use any government programmes for its benefit, other than support that was mandated by governments where we had no choice or where customs processes were relaxed to allow easier imports of products that were used to combat the virus.

Decision on 2020 bonus outcomes

The Committee believes that both the company and the Executive Directors followed our compass and responded both decisively and effectively during the pandemic, enabling Reckitt to trade and perform successfully during 2020. The company also contributed to wider society during this period as set out above. This, in addition to Reckitt's overall excellent financial performance over 2020, the company's payment of sustained dividends to shareholders, the strategic progress, looking after our employees and also taking into account the exceptional work that has been undertaken by executives to develop and instil the firm's evolving culture and values, the Committee concluded that the formulaic outcome is justified and no discretion would be applied.

Under the Remuneration Policy, one-third of the annual bonus will be delivered by way of an award over Reckitt shares and deferred for a three-year period. The bonuses are as follows:

	Base salary	x	Target bonus	x	Performance multiplier	=	Total bonus	=	Cash	Deferred into shares
Laxman Narasimhan	£950,000	x	120%	x	3.57	=	£4,069,800	=	£2,713,200	£1,356,600
Jeff Carr	£494,545	x	100%	x	3.57	=	£1,765,526	=	£1,177,017	£588,509
Adrian Hennah[1]	£185,455	x	100%	x	3.57	=	£662,074	=	£441,383	£220,691

1. Served as Board Director from 1 January 2020 to 8 April 2020

Vesting of the 2018 LTIP – performance versus targets

The Reckitt LTIP is designed to align participants with shareholders through making awards with stretching performance conditions denominated in both performance share options and performance share awards.

Vesting of awards under the 2018 LTIP, granted in December 2017, was dependent on adjusted diluted EPS growth over the three-year period 2018-2020. Threshold vesting of 20% required stretching EPS growth of 6% per annum, with full vesting requiring EPS growth of 10% per annum, i.e. equivalent to 33% growth over the period. At the time that the awards were made, the peer group average EPS growth was 3% per annum with an upper quartile of 7% per annum.

As disclosed in previous years, the 2018 EPS growth for LTIP purposes was calculated to exclude any one-off benefit from MJN and related transactions. The EPS performance for LTIP purposes for the period 2018-2020 was a compound average annual growth of -0.3% per annum. This EPS performance results in zero vesting being achieved when measured against the vesting schedule approved by shareholders. Based on this performance assessment the 2018 LTIP awards to the former CEO and former CFO will lapse.

Vesting of buyout arrangements

Upon joining Reckitt, Laxman Narasimhan received awards to compensate for remuneration arrangements forfeited on leaving PepsiCo, his previous employer. These awards relate to legacy arrangements implemented by his previous employer, remain subject to PepsiCo performance conditions and mirror the form and the time horizons of forfeited awards. Full details of the buyout awards can be found on page 125 of the 2019 Annual Report.

As the PepsiCo performance is not known at the date of this report, we have estimated the vesting of this award with reference to the vesting of the buyout awards in 2020, as set out in the table below. The estimated value of these awards is included in the 2020 single total figure of remuneration for Laxman. These awards will vest in March 2021 and will be disclosed externally at that time with the actual vesting level being restated in next year's report.

CEO awards	Target	Vesting % of target[1,2]	Interests vesting	Share price[3]	Value
Long-term cash	£1,252,751	102%	n/a	n/a	£1,277,806
Share awards[4]	48,410 shares	75.6%	37,880	£68.45	£2,592,886

1. Estimated vesting based on previous buyout award that vested on 23 March 2020 as disclosed on page 127 of the 2019 Annual Report
2. The maximum level of vesting is 200% and 175% of target for the cash and share awards respectively
3. The estimated share price reflects the average closing price in Q4 2020 of £68.45
4. These awards will accrue dividend equivalents of Reckitt shares during the vesting period. An estimate of 1,282 Reckitt shares have been included in the shares vesting shown above

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2020, based on the information set out in the previous sections. This is compared to the prior year figure:

	Current Executive Directors				Former Executive Director	
	Laxman Narasimhan		Jeff Carr[1]		Adrian Hennah[2]	
	2020 £	2019 £	**2020 £**	2019 £	**2020 £**	2019 £
Base salary	**950,000**	437,138	**494,545**		**185,455**	680,000
Taxable benefits[3]	**251,689**	328,732	**12,201**		**17,736**	99,201
Pension benefit[4]	**95,000**	43,714	**49,455**		**45,818**	168,000
Annual bonus[5]	**4,069,800**	220,318	**1,765,526**		**662,074**	285,600
LTIP[6]	**n/a**	n/a	**n/a**		**0**	0
Buyout arrangements[7]	**3,870,692**	3,568,713				
Total (including buyout arrangements)	**9,237,181**	4,598,615	**2,321,727**		**911,083**	1,232,801
– Fixed Remuneration	**1,296,689**	809,584	**556,201**		**249,009**	947,201
– Reckitt Variable Remuneration (excl. buyouts)	**4,069,800**	220,318	**1,765,526**		**662,074**	285,600
Total (excluding buyout arrangements)	**5,366,489**	1,029,902	**2,321,727**		**911,083**	1,232,801

1. Joined the Board and was appointed as CFO on 9 April 2020
2. Stepped down from the Board on 9 April 2020. Shows the single figure for the period from 1 January 2020 to 8 April 2020
3. Benefits for Laxman Narasimhan include values for one-off relocation expenses and for ongoing annual benefits. The relocation expenses include family relocation expenses such as shipping of household goods, flights to the UK and temporary accommodation. The ongoing annual benefits include a car and healthcare. For Adrian Hennah and Jeff Carr the benefits include car/car allowance and healthcare. Where relevant the costs above include a gross up for tax
4. The company paid the Executive Directors a cash allowance in respect of pension provision to the value shown in the table above. These payments reflect the full pension provision outlined in the Policy Table. Directors are only entitled to prospective pension on defined contribution basis, with no defined benefit accrual
5. Annual bonus reflects financial performance above the maximum level of the performance ranges set for the 2020 annual bonus; the Committee's assessment of performance of both the company and the Executive Directors in the round; and its determination that the level of annual bonus payout at maximum in line with the formulaic outcome is appropriate, as set out on pages 143 to 146. One-third of this is deferred into share awards for three years
6. The LTIP vesting in 2020 is zero and therefore there is no share price appreciation included in this value
7. The buyout includes awards made to Laxman Narasimhan, related to legacy arrangements implemented by his previous employer, as detailed on page 125 of the 2019 Annual Report. The calculation of the estimated value of the buyout awards due to vest in March 2021, which is included in the 2020 column above, is set out in the table on page 146 of this report. This is based on the average closing Reckitt share price in Q4 2020 of £68.45 and assumes vesting in line with that in March 2020, including estimated accumulated dividends. The actual value of vesting for this award, based on the share price on the date it is released, will be shown in the 2021 report. Based on the estimated calculation 12.3% of the value of the share award included in the buyout vesting in March 2021 is attributable to share price growth over the vesting period

Executive Directors' shareholding requirements (audited)

Executive Directors are expected to acquire significant numbers of shares over eight years and retain these until retirement from the Board.

We also have post-employment shareholding requirements for a further two years. This post-employment shareholding requirement is enforced through a restriction on Executive Directors' vested shares, held by our external share plan administrator, which requires company permission before these shares can be sold. This restriction excludes shares awarded to the CEO as buyout for legacy awards in his previous employer and shares purchased by the Executive Directors.

The table below shows the shareholding of each Executive Director against their respective shareholding requirement as of 31 December 2020:

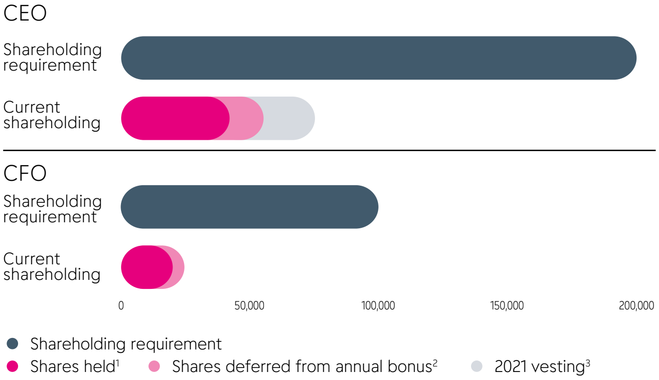
				Performance shares		Options held		
	Shareholding requirement (number of shares)	Total beneficial interests (number of shares)[1]	Shares awarded under the Deferred Bonus Plan[2]	To vest in 2021[3]	Unvested, subject to performance	Vested but not exercised	To vest in 2021	Unvested, subject to performance
Laxman Narasimhan	200,000	42,104	13,196	20,076	150,000	0	n/a	300,000
Jeff Carr	100,000	20,000	4,556	n/a	40,000	0	n/a	80,000
Adrian Hennah[4]	200,000	147,900	2,573	0	59,902	59,204	0	119,803

1. 'Total beneficial interests' includes shares owned outright and shares subject to post-vesting holding restrictions
2. 'Shares awarded under the Deferred Bonus Plan' shows the estimated number of shares awarded under the Deferred Bonus Plan, after tax, including an estimate of those to be deferred from the 2020 annual bonus
3. This is an estimate of the shares vesting to Laxman Narasimhan in March 2021 under his buyout award, in respect of legacy arrangements implemented by his previous employer, after tax as detailed on page 146
4. Adrian Hennah stepped down from the Board on 9 April 2020. Total number of shares owned has been shown at this date

The Executive Directors are also eligible to participate in the all-employee Sharesave Scheme. Details of options held under this plan are set out on page 157.

Shareholding of Executive Directors vs requirement

The bar chart below illustrates the Executive Directors' shareholding versus the company's shareholding requirements. Executives have a period of eight years from appointment to achieve the requirements of 200,000 shares for the CEO and 100,000 for the CFO and both Executive Directors are showing good progress towards meeting these requirements as reflected below.



1. Includes shares owned outright and shares subject to post-vesting holding restrictions
2. This is the estimated number of shares under the Deferred Bonus Plan, after tax, including those to be deferred from the 2020 annual bonus
3. For Laxman Narasimhan this is an estimated number of shares vesting in March 2021 under his buyout award, in respect of legacy arrangements implemented by his previous employer, after tax

2020 LTIP awards (audited)

The table below sets out the LTIP awards which were made to Laxman Narasimhan and Jeff Carr on 1 May 2020. These awards do not accrue dividends during the performance period. Vesting of these awards in full requires achievement of stretching performance conditions over the three-year period. Adrian Hennah was not granted a 2020 LTIP award.

	Date of grant	Shares over which awards granted	Market price at date of award[1]	Exercise price[2]	Face value[3]	Performance period	Exercise/vesting period	Holding period
Performance shares								
Laxman Narasimhan	1 May 2020	75,000	£65.70	n/a	£4,927,500	1 Jan 2020-31 Dec 2022	May 2023	1 January 2025
Jeff Carr	1 May 2020	40,000	£65.70	n/a	£2,628,000	1 Jan 2020-31 Dec 2022	May 2023	1 January 2025
Performance share options								
Laxman Narasimhan	1 May 2020	150,000	£65.70	£65.20	£75,000	1 Jan 2020-31 Dec 2022	May 2023-May 2030	1 January 2025
Jeff Carr	1 May 2020	80,000	£65.70	£65.20	£40,000	1 Jan 2020-31 Dec 2022	May 2023-May 2030	1 January 2025

1. The market price on the date of award is the closing share price on the date of grant
2. The exercise price is based on the average closing share price over the five business days prior to the date of grant
3. For performance shares based on the market price at the date of award and assumes the performance criteria are met in order to achieve full vesting. For performance-based share options based on the face value of the potential gain at award assuming full vesting, calculated as the difference between market price and exercise price. The face value of shares under option is £9,855,000 for Laxman Narasimhan and £5,256,000 for Jeff Carr if calculated as the number of shares multiplied by the market price at date of award

Following the announcement of the CEO's strategic review in February 2020, the Remuneration Committee determined the appropriate performance measures and targets, aligned with the updated strategic priorities, and carried out a comprehensive consultation with shareholders on the proposals. The Committee duly considered the feedback from shareholders before finalising the performance conditions.

In line with Reckitt's Directors' Remuneration Policy, vesting of the LTIP awards is dependent on the achievement of targets relating to growth in Net Revenue, ROCE and EPS, aligned with the company's strategic priorities. Net Revenue is measured as Like-for-Like growth over three years. ROCE is measured based on the final year of the performance period and is a measure of how efficient the Group is at converting its capital into earnings. As stated in our 2018 Annual Report the definition of ROCE used for the purposes of the LTIP differs from that disclosed in the Annual Report as it is measured on a constant currency basis. In addition the targets set for 2020-2022 LTIP include the impairment made at the end of 2019, to ensure that there was no benefit to LTIP participants from this impairment. The Remuneration Committee will also ensure that the recent goodwill impairment in respect of IFCN does not lead to an increase in vesting in future years. EPS is measured on a total adjusted diluted basis, as shown in the Group's Financial Statements, as this provides an independently verifiable measure of performance. It is measured using both constant and actual foreign exchange bases (with an equal weighting on each) and is based on the final year of the performance period.

Awards granted in 2020 will vest on the following schedule, which requires significant outperformance of targets. The four targets are weighted as per the table below, and each element is considered independently.

	Threshold (20% vesting)	Maximum (100% vesting)
Like-for-Like Net Revenue growth (3-year CAGR) (50% weighting)	2%	5%
ROCE (final year) (25% weighting)	11.8%	13.1%
EPS (final year) on a constant foreign exchange basis (12.5% weighting)	323 pence	360 pence
EPS (final year) on an actual foreign exchange basis (12.5% weighting)	302 pence	337 pence

In setting these targets the primary factors that the Remuneration Committee took into account were the updated strategic outlook and priorities, the financial plan and external guidance to shareholders. In addition the Committee took into account a number of other reference points including analyst consensus following the announcement of the new strategy and market practice in similar business situations to here at Reckitt (i.e. where there has been a temporary margin reduction).

In deciding on these, the Committee set very stretching targets for the three-year performance period 2020-2022, which were also established at a level to ensure that LTIP participants are motivated and incentivised to deliver on commitments to shareholders, without encouraging excessive risk-taking. In line with its usual practice, the Committee will conduct a performance assessment in the round before determining final vesting outcomes.

Wider workforce pay arrangements

Reckitt cascades our reward policy fairly and consistently throughout the organisation and the Remuneration Committee takes into account the arrangements for the wider workforce when setting Executive Director remuneration. During the year, the Committee considered workforce remuneration and related policies on several occasions, as well as the alignment of incentives and rewards with culture. Information provided to the Remuneration Committee includes salary structures, bonus design and targets, the long-term incentive plan, share ownership, our International Transfer Policy, provision of benefits and Reckitt's all-employee share plans. We also communicated to the wider workforce details of how executive pay is set, its alignment with the company's approach to the wider company pay policy and how decisions are made by the Committee and gave employees the opportunity to ask any questions on these topics.

The Committee was also closely involved in the review of the reward strategy for employees below Board level, which was undertaken following the CEO's strategic review, to ensure continued alignment of the overall reward framework with the new business strategy. Following this review changes were made effective 1 January 2021 to our approach to conducting salary reviews, the design of our annual performance plan and the allocation of awards under our LTIP.

As mentioned in the Chair's letter, we are pleased to report that none of our employees were furloughed during this unprecedented year and the company offered a range of support for employees impacted by the pandemic, including ensuring all employees have access to an Employee Assistance Programme, providing recognition (including financial) and support to frontline employees (particularly in supply, factories and sales), providing financial support for employees working from home to support with purchase of essential equipment to enable a productive and safe home working environment and providing free essential Reckitt products including antiseptic and disinfectants. We are also conscious that people have worked extremely hard, so safety and wellbeing is a priority. In 2020, we paused global operations on two occasions so colleagues could rest and recover and have recently launched a comprehensive employee wellbeing programme with external partners, involving a significant three-year investment.

As discussed in the Strategic Report it is incumbent on us to work together to express our diversity and build equity and inclusion into everything we do. We are reviewing our policies to ensure that they are inclusive by design and have launched several initiatives during 2020 to further embed diversity and inclusion in our culture, including the establishment of a D&I Board chaired by our CEO and the commissioning of the specialist D&I consultancy at EY to get an external perspective on where we are and where we could be.

As set out earlier in the Annual Report, our focus is on maintaining an open, transparent culture by promoting continuing dialogue across the company. During 2020 Mary Harris' activity as the Designated Non-Executive Director for engagement with the company's workforce has allowed her to feed back the views of the workforce to the Remuneration Committee as well as the wider Board. Each year the company holds several roundtable discussions with employees and organises site visits during which town hall meetings and smaller group discussions with our people take place. Details of this engagement are set out in the s172 Statement, which can be found on pages 58 to 61.

The table below summarises the remuneration structure for the wider workforce:

Element	Implementation below the Board	Comparison with Executive Director remuneration
Salary	Salary increases are determined by line managers based on factors such as individual performance ratings, talent ratings and local market practice. Country-specific conditions such as inflation are also taken into account. The average total pay during 2020 to all employees across the Group is £46,446 and we review pay ratios of the Chief Executive Officer's total remuneration to the remuneration of UK employees as set out on page 152 of this report. In the UK, Reckitt has been voluntarily paying the living wage for a number of years and last year we formally joined nearly 6,000 Living Wage Employers who are recognised as paying a living wage to employees and contractors. This is our commitment to employees and staff that they will receive a wage that exceeds not just the minimum wage but recognises the actual cost of living in the UK.	Salary increases are normally aligned with those of the wider workforce, which take into account performance. Salaries are also set competitively against peers in support of the recruitment and retention of Executive Directors.
Annual bonus	Our Annual Performance Plan ('APP') is operated consistently across the organisation and has more than 15,000 employees participating. As employees progress and are promoted their target bonus and maximum multiplier typically increase. In common with the Executive Directors, bonus payouts are based on Reckitt's financial performance, with all employees being incentivised on Net Revenue and a profit measure, which varies based on role. In addition some roles have a third measure related to market share, Net Working Capital or innovation. We also operate local bonus plans, for example for employees in sales and factories.	Annual bonuses for Executive Directors are directly related to Reckitt's financial performance measured by Net Revenue growth and adjusted profit before income tax targets. These measures also apply to other Group employees who participate in the APP. The bonus for all participants in the APP operates on a multiplicative basis, the same way as for the Executive Directors. One-third of annual bonus payments for Executive Directors are subject to a three-year deferral into awards over Reckitt shares.
Long-term incentive	Reckitt grants LTIP awards to members of the Group Executive Committee, Group Leadership Team and senior management team to support the remuneration philosophy of incentivising superior long-term business results and shareholder value creation. Awards are also made to selected high-potential employees below these levels. The 2021 awards will use the same performance measures and three-year performance period as for the Executive Directors. Awards are made as a fixed number of shares and share options with grants applied consistently depending on an employee's level in the organisation. Adjustments can be made to the award level based on performance and managers can also recommend additional awards to key employees.	Executive Directors' LTIP grants are comprised of performance share options and performance share awards (based on a fixed number), which vest subject to the achievement of Net Revenue, ROCE and EPS performance targets. In addition to the LTIP's three-year performance period, Executive Directors are subject to an additional two-year holding period commencing following the end of the performance period.
All-employee share plans	We operate an award winning global all-employee share plan to foster our culture of ownership amongst employees. This gives employees the opportunity to save over a three-year period to purchase Reckitt shares at a discount to the share price. Around 55% of Reckitt employees have signed up to one of our three share plans. In order to encourage take-up and ensure that the plans are inclusive and accessible to all employees, we utilise 130 local coordinators and provide communications in 27 languages in various formats, including letters to employees without an email address and kiosks in factories. Over the last three-year period, 2018-2020, just over 9,250 employees saved a total of £48 million[1] to purchase Reckitt shares, making a gain of around 16% over the period[1].	Executive Directors are eligible to participate in the all-employee Sharesave Scheme on the same basis as all employees.

Element	Implementation below the Board	Comparison with Executive Director remuneration
Share ownership	Reckitt is proud of our ownership culture. In addition to the market-leading participation rates in our all employee share plans, members of the Group Executive Committee and Group Leadership Team have shareholding requirements in order to further align interests of management and shareholders. These requirements are amongst the most demanding in the market and we expect participants to meet them within eight years of appointment. There is an annual review of progress by the Remuneration Committee. Amongst the Group Executive Committee the total shareholding requirement is around £54 million[1] and the aggregate actual holding is currently £21 million[1] which reflects good progress towards the requirement given the changes to the Group Executive Committee over the past year. Overall the total shareholding requirement for all employees with requirements is £127 million[1], with the current actual holding being £75 million[1]. This also reflects good progress towards the requirement given the number of new appointments made in light of the company's strategic transformation goals and reorganisation of structure.	The Executive Directors have shareholding requirements of 200,000 shares for the CEO and 100,000 for the CFO, the most demanding requirements in the FTSE 100. These are equivalent to over 1400% and 1000% of salary[1] respectively. Executive Directors are additionally subject to a post-employment shareholding requirement which is enforced through restrictions put in place by our share plan administrator. The table on page 147 sets out the progress of the Executive Directors towards their shareholding requirements.
Pension	A pension/gratuity scheme is offered to more than 70% of our global employees. Exceptions to this are countries where pension provision is not prevalent in the local market and/or is provided by the state. In the UK all Reckitt employees are eligible to receive a company pension contribution of 10% of pensionable salary irrespective of any personal contribution made.	Our Executive Directors receive a company pension contribution of 10% of salary, in line with the wider workforce in the UK. They are eligible to take this as a cash alternative.
Benefits	Reckitt regularly reviews the core benefits provided in each country to ensure they remain appropriate and in line with our philosophy of providing market competitive benefits. In addition to aligning with the local market Reckitt ensures that there is a core level of benefits provided to all employees. These include: • Life insurance for all of our global employee population. The vast majority of employees are insured for at least two times base salary. Where the insurance is lower than this minimum we are currently working to improve it; • Global parental leave policy which provides for at least 26 weeks paid and 26 weeks unpaid maternity leave and four weeks paid and four weeks unpaid paternity leave, for all employees. The policy recognises that today's families come in all shapes and sizes, so the same principles apply to all LGBTQ+ employees, as well as including adopting and surrogacy families; • An Employee Assistance Programme is provided in every country, providing valuable assistance to our employees during the pandemic and beyond; • Reckitt also provides health insurance, where it is not provided for by the state, for most of our global employee population. In the UK and US our healthcare insurer provides access to a video GP. This allows our employees to speak to a doctor whenever they want. Reckitt's unique International Transfer Policy is key to ensuring global mobility, which is a critical part of Reckitt's career development and our culture. Employees transfer consistently on a local terms basis, to remove inequities of home/host practices, with benefits such as international healthcare, international pension, school fees, tax return support and home leave provided to foster ongoing mobility.	Executive Directors receive benefits which consist primarily of the provision of a company car/allowance and healthcare. The CEO also received relocation benefits. In addition, Executive Directors are eligible for the benefits available to the wider workforce, described in this table.

1. Based on the average closing price in Q4 2020 of £68.45

Gender pay gap

The Board also reviews the company's gender pay gap and publishes an annual gender pay report that can be found on our website within the people and communities part of our Sustainability section. To increase transparency on this issue Reckitt voluntarily discloses the gender pay gap for our ten largest markets, which including the UK, together makes up around 70% of our global permanent workforce.

As disclosed in our gender pay gap report Reckitt has set targets to increase the number of women in senior leadership positions and has a number of initiatives to increase this representation.

A summary of the gender pay statistics is also included below:

- The median gender pay gap in the UK for the year to April 2020 is -6.1% at median and 5.1% at mean.
- This compares to the year to April 2019 when the gender pay gap was -3.8% at median and 6.8% at mean.

The table below sets out our additional voluntary disclosure for our other largest markets:

	Gender pay gap[1]	
	Mean difference	Median difference
Brazil	-7.0%	-22.7%
China	11.6%	11.7%
India[2]	-167.8%	-148.5%
Indonesia	20.5%	10.7%
Mexico	-0.8%	-41.6%
Poland	9.1%	0.4%
Russia	18.6%	5.2%
Thailand	30.2%	18.6%
US	0.7%	-11.4%

1. A negative number represents a gender pay gap in favour of women
2. In India, 99% of our employees in manufacturing are male. The impact of these demographics has resulted in a significant median pay gap in favour of females

Further data and information on the initiatives Reckitt is taking on diversity and inclusion are set out in our gender pay gap report.

CEO pay ratio

The table below provides pay ratios of the Chief Executive Officer's total remuneration to the remuneration of UK employees at the lower quartile, median and upper quartile. This is in line with UK reporting requirements.

In line with the requirements, the total pay and benefits paid to both Laxman Narasimhan and Rakesh Kapoor whilst in the role of CEO have been combined to calculate the total CEO pay for 2019. It should be noted that for Laxman this included both the one-off relocation benefits and the buyout in respect of legacy arrangements provided by his previous employer.

For 2020, we have also set out in the table the pay ratio excluding the estimated value of the buyout awards to Laxman that are in respect of legacy arrangements from his previous employer and which are due to vest in March 2021. This is disclosed in the 2020 column of the single figure table on page 147 of this report. The disclosure will, over time, cover a ten-year rolling period.

CEO	Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Including buyout	2020	Option A	1:267	1:194	1:109
Excluding buyout	2020	Option A	1:155	1:113	1:64
	2019	Option A	1:158	1:115	1:70

The calculations reflect the application of Reckitt's reward policy across the organisation as set out in the section on wider workforce pay arrangements.

In particular, the Remuneration Committee believes the pay ratio is consistent with the company's wider policies on employee pay, reward and progression. Reckitt ensures that employees are paid fairly for their role, based on the location they work in and their performance in role. As such, the base salary, annual bonus and benefits are based on the same principles for the identified employees as they are for the CEO. The median pay ratio has increased from 2019 which reflects company performance as the CEO's remuneration is heavily performance linked.

In calculating the ratio we have used Option A, in line with shareholder guidelines. The employees used in the calculations were selected on 1 March 2021, following the end of the financial year.

For identifying the three employees at the lower quartile, median and upper quartile, the following methodology has been used:

- All UK employees' total remuneration as at 31 December 2020 has been considered, excluding leavers and employees who were absent for more than 20 days during the financial year, as these would distort the ratio.
- Full-time equivalent salary, variable pay, allowances and benefits (using the part-time values and converting this to a full-time equivalent values) have been calculated. In order to calculate the value of taxable benefits we have taken the P11D value, due to ease of accessing data. Actual pension contributions have been used, and, where appropriate, converted to full-time equivalents.

The table below summarises the identified employees in 2020:

	25th percentile	Median pay	75th percentile
Total employee pay and benefits	£34,553	£47,698	£84,433
Salary component	£21,546	£42,146	£52,909

In addition, Note 5 to the Financial Statements sets out the total employment costs and average number of employees globally, during 2020. Based on these, the average global pay during 2020 was £46,446 and therefore the subsequent ratio between the CEO and average global employee was 1:199 or 1:116 if the buyout in respect of legacy arrangements provided by the CEO's previous employer is excluded.

Implementation of Directors' Remuneration Policy for 2021

Salary

As set out earlier in this report, there will be a 3% increase in salaries for 2021 for the CEO and the CFO in line with the average increase for the UK workforce. The CEO's salary will be £979,000 and the CFO's will be £700,000.

Pension

The CEO and CFO are eligible to receive a pension contribution, or equivalent cash allowance, of 10% of salary which is equivalent to the company's level of contribution for all UK employees.

Annual bonus in respect of 2021 performance

For 2021, there will be no change to the annual bonus opportunity of the CEO and the CFO.

Bonuses for 2021 will be based on Reckitt's Net Revenue growth and adjusted profit before income tax targets, measured in GBP at a constant exchange rate, with the outcome under each of the measures combined multiplicatively to give a maximum bonus outcome of 3.57x the target bonus opportunity if both targets are met.

As previously noted in the Chair's letter, as it does every year the Committee will continue to evaluate the performance of both the company and the Executive Directors in the round and with regard to broader circumstances to assess whether the level of annual bonus payout is appropriate and justified, before determining the final bonus payout.

We have not disclosed the performance target ranges for 2021 as we consider them to be commercially sensitive. However, we commit to retrospectively disclosing the performance ranges in the Directors' Remuneration Report for the year ending 31 December 2021.

2021 LTIP awards

The Remuneration Policy sets out the operation of the LTIP.

Further to the CEO's strategic review of the company last year the performance measures which applied to the 2020 LTIP award to Executive Directors were 50% based on Net Revenue, 25% based on ROCE and 25% based on EPS (split equally between actual FX and constant FX). The Committee believes that the performance measures and weightings used for the 2020 LTIP award remain appropriate and aligned with strategy and are therefore proposing no changes for the 2021 LTIP awards.

As Laxman set out in our 2020 results announcement, the company is carrying out a strategic review of IFCN China and also announced portfolio changes with the sale of Scholl and the acquisition of Biofreeze. Due to the continued uncertainty in the external environment related to the COVID-19 pandemic and the portfolio changes outlined in our 2020 results announcement, the Committee currently intends to set the LTIP targets and announce them at the time the awards are made in May 2021. They will also be set out in full in the 2021 Remuneration Report. In addition as the goodwill impairment in respect of IFCN reduces the capital employed it has the potential to increase the calculation of ROCE for LTIP purposes. The Committee will ensure that the impairment does not lead to an increase in vesting in respect of the proportion of the LTIP related to ROCE in future years.

Other required disclosures

Percentage change in the remuneration of Directors

In light of recent amendments to UK reporting regulations, companies are required to publish the annual percentage change in remuneration (salary or fees, benefits and annual bonus) for each Director compared to the annual average percentage change in remuneration for the employees (excluding Directors) of the parent company. Since the CEO is the sole employee of Reckitt Benckiser Group plc, this statutory disclosure is not possible. In the table below we are therefore voluntarily disclosing the percentage change in remuneration for all UK employees in order to provide a representative comparison.

The company considers UK employees to be an appropriate comparator group as the Executive Directors' remuneration arrangements are similar in structure to the majority of these employees and it reflects the economic environment where the Executive Directors are employed. The analysis is based on a consistent set of employees, i.e. the same individuals or roles appear in the 2019 and 2020 populations.

	2019-2020		
	Salary/fee	Benefits	Bonus
All UK employees[1]	4.5%	1.5%[2]	505.4%
Andrew Bonfield	4.1%	n/a	n/a
Jeff Carr (CFO)[3]	n/a	n/a	n/a
Nicandro Durante	14.1%	n/a	n/a
Mary Harris	14.4%	n/a	n/a
Adrian Hennah (former CFO)[4]	-72.7%	-78.6%	131.8%
Mehmood Khan	4.7%	n/a	n/a
Pam Kirby	7.3%	n/a	n/a
Sara Mathew[5]	109.3%	n/a	n/a
Laxman Narasimhan (CEO)[6]	117.3%	-23.4%	1747.2%
Chris Sinclair (Chairman)	10.0%	n/a	n/a
Elane Stock	4.7%	n/a	n/a
Warren Tucker[4]	-61.9%	n/a	n/a
Margherita Della Valle[3]	n/a	n/a	n/a

1. The percentages for "All UK employees" reflect the average percentage change in full-time equivalent salary, taxable benefits and allowances, and bonus for colleagues based in the UK in 2019 and 2020
2. The percentage change in taxable benefits for all UK employees excludes international transfer benefits as this is volatile from year to year based on each individual's circumstances
3. The following Directors were appointed to the Board during the year: Jeff Carr (9 April 2020) and Margherita Della Valle (1 July 2020) and so no comparison to prior year is shown
4. The following Directors left the Board during the year: Adrian Hennah (9 April 2020) and Warren Tucker (12 May 2020) and so the comparison reflects remuneration delivered for service on the Board to the respective leave dates
5. Sara Mathew was appointed to the Board in July 2019 and the comparison reflects that the 2019 fee was only received for part of the year
6. Laxman Narasimhan received no increase to his annual salary during 2020. The percentage change shown above reflects actual salary received during 2019 for service from his appointment on 16 July to 31 December 2019

The change in annual bonus for all UK employees reflects the performance of the company in 2020 which resulted in higher bonuses in 2020 compared to 2019. For reference, as disclosed last year, the 2019 annual bonus for UK employees was 71% lower than that paid in 2018 due to performance of the company in 2019 compared to 2018. In addition to stronger company performance, the change in the annual bonus for Laxman reflects a full year's bonus for 2020 compared to a pro-rated bonus received for his service as a Director from 16 July to 31 December 2019.

Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends) and total employee pay expenditure for 2019 and 2020, along with the percentage change in both.

	2020 £m	2019 £m	% change 2019-2020
Total shareholder distribution[1]	1,241	1,227	1.1%
Total employee expenditure[2]	2,302	1,882	22.3%

1. Details of shareholder distribution are set out in Note 28 to the Financial Statements
2. Details of employee expenditure are set out in Note 5 to the Financial Statements

Exit payments made in the year (audited)

No exit payments were made to Executive Directors during the year.

Payments to past Directors (audited)

Adrian Hennah stepped down from the Board on 9 April 2020 and retired from the company on 21 October 2020. His remuneration arrangements were detailed on page 133 of last year's Annual Report.

As Adrian stepped down from the Board on 9 April 2020 the single figure table sets out the remuneration for the period to 1 January 2020 to 8 April 2020 and reflects that his 2018 LTIP award will lapse. He remained an employee of the company and received salary, benefits, pension contributions and an annual bonus payment in respect of the period to his retirement on 21 October 2020.

As disclosed in the 2019 Annual Report, the 2019 LTIP award will remain subject to performance against the original performance conditions, subject to a two-year holding period following the end of the three-year performance period and will be pro-rated for time up to the retirement date. He did not receive an LTIP award in 2020.

Other Directors

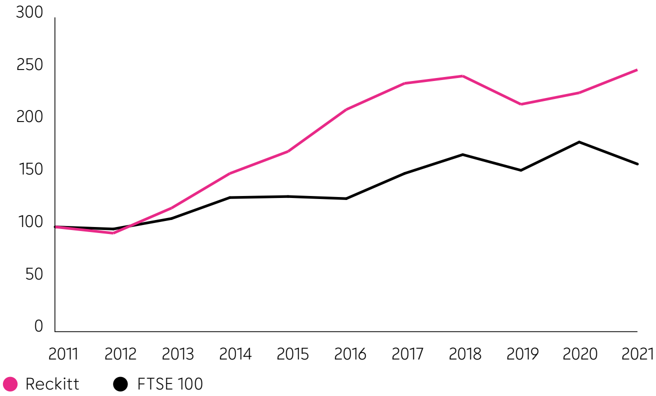
No benefits or payments were delivered to former Directors in the year in excess of the minimum threshold of a pre-tax value of £15,000 set by the Remuneration Committee for this purpose.

Performance graph

The graph below shows the TSR of the company and the UK FTSE 100 Index over the period since 1 January 2011. This shows the growth in the value of a hypothetical holding of £100 invested on 31 December 2010. The FTSE 100 Index was selected on the basis of companies of a comparable size in the absence of an appropriate industry peer group in the UK.

Total Shareholder Return since 1 January 2011

£ value of £100 invested at 1 January 2011



Source: Thompson Reuters - Datastream

The table below sets out the single figure of total remuneration for the role of CEO over the last ten years.

(£000)	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
CEO single figure of remuneration										
Laxman Narasimhan									£4,599[1]	**£9,237**[1]
Rakesh Kapoor	£4,497	£8,411	£6,840	£12,787	£25,527	£15,289	£8,999	£14,314	£938	
Bart Becht	£18,076									
Annual bonus (as a percentage of maximum)	31%	53%	100%	72%	100%	0%	0%	84%	12%[2]	**100%**
LTIP vesting	100%	100%	40%	40%	80%	50%	50%	65%	0%[3]	**n/a**[3]

1. Includes buyouts in respect of legacy arrangements from previous employer
2. Zero for Rakesh Kapoor
3. Laxman Narasimhan was not with the Group at the time these awards were granted

Single total figure of 2020 remuneration for Non-Executive Directors and implementation for 2021 (audited)
The following Non-Executive Director fee policy was in place for the year ended 31 December 2020. The table also sets out the fees that will apply from 1 January 2021.

	2020 fees		2021 fees	
Role	**Cash fee**	**Fee delivered in Reckitt shares**	Cash fee	Fee delivered in Reckitt shares
Base fees				
Chairman	**£412,500**	**£137,500**	£427,500	£142,500
Non-Executive Director	**£70,250**	**£21,750**	£71,250	£23,750
Additional fees				
Chair of Committee	**£35,000**	**–**	£35,000	–
Member of Committee	**£20,000**	**–**	£20,000	–
Designated Non-Executive Director for engagement with the company's workforce	**£20,000**	**–**	£20,000	–
Senior Independent Director	**£30,000**	**–**	£30,000	–

The fee for the Chairman has been increased to £570,000, an increase of 3.6%; broadly in line with salary increases for the broader workforce in the UK. 25% of the fee continues to be paid in shares. When considering this fee, the Committee considered performance in the role to date and increased time commitment. The fees remain below the lower quartile for the Chair of FTSE 30 companies. It is the Committee's intention to further review the Chairman's fee during 2021 with any potential increase to align the fee with market, and to ensure it is competitive, to be effective in 2022.

The base fee for NEDs has been increased to £95,000, an increase of 3.3%, broadly in line with the average salary increase across the UK workforce. The proportion delivered in Reckitt shares has been increased to 25% of the base fee (£23,750). Going forward the proportion paid in shares will be maintained as 25% of the base fee.

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 December 2020 and the prior year:

	2020 fees			2019 fees		
	Cash	**Shares**	**Total**	Cash	Shares	Total
Chris Sinclair	**£412,500**	**£137,500**	**£550,000**	£375,000	£125,000	£500,000
Andrew Bonfield	**£105,250**	**£21,750**	**£127,000**	£96,875	£25,125	£122,000
Nicandro Durante	**£140,250**	**£21,750**	**£162,000**	£125,250	£16,750	£142,000
Mary Harris	**£125,250**	**£21,750**	**£147,000**	£111,717	£16,750	£128,467
Mehmood Khan	**£90,250**	**£21,750**	**£112,000**	£81,875	£25,125	£107,000
Pam Kirby	**£125,250**	**£21,750**	**£147,000**	£120,250	£16,750	£137,000
Sara Mathew	**£90,250**	**£21,750**	**£112,000**	£45,125	£8,375	£53,500
Elane Stock	**£90,250**	**£21,750**	**£112,000**	£84,667	£22,333	£107,000
Warren Tucker[1]	**£32,948**	**£7,789**	**£40,737**	£90,250	£16,750	£107,000
Margherita Della Valle[2]	**£45,125**	**£10,875**	**£56,000**	–	–	–

1. Warren Tucker stepped down from the Board on 12 May 2020. Fees shown were paid to this date
2. Margherita Della Valle joined the Board on 1 July 2020. Fees shown are paid from this date

Travel and expenses for Non-Executive Directors are incurred in the normal course of business, for example, in relation to attendance at Board and Committee meetings. The costs associated with these are all met by the company.

Summary of shareholder voting at the 2020 AGM
The following table shows the results of the voting on the 2019 Directors' Remuneration Report at the 2020 AGM and 2019 Directors' Remuneration Policy at the 2019 AGM:

	Votes for	For %	Votes against	Against %	Total	Votes withheld
Approve the 2019 Directors' Remuneration Report	437,225,382	83%	90,262,684	17%	527,488,066	6,722,492
Approve the Directors' Remuneration Policy	461,396,628	87%	66,134,073	13%	527,530,701	1,370,761

The Remuneration Committee has had extensive discussions with shareholders with a view to obtaining shareholder support for our remuneration arrangements. In particular, in 2019, following a comprehensive consultation with our major shareholders, we made a number of changes to the Remuneration Policy, to further align Executive Directors' remuneration with shareholders' interests. This resulted in shareholders supporting the 2018 Directors' Remuneration Report and the Directors' Remuneration Policy, with a significantly increased margin of support compared to the previous vote on Policy in 2016.

The Chair of the Remuneration Committee continued to have ongoing dialogue with shareholders during 2020 on matters such as the overall structure of remuneration as well as the performance measures and targets used for LTIP awards.

Directors' service contracts

Non-Executive Directors have letters of engagement which set out their duties and time commitment expected. They are appointed for an initial three-year term, subject to election and annual re-election by shareholders. Appointments are renewable for subsequent three-year terms by mutual consent. Details are set out below:

		Length of service as at 31 December 2020	
Name	Date of appointment	Years	Months
Chris Sinclair	10 February 2015 (appointed Chairman from 3 May 2018)	5	11
Andrew Bonfield	1 July 2018	2	6
Nicandro Durante	1 December 2013	7	1
Mary Harris	10 February 2015	5	11
Mehmood Khan	1 July 2018	2	6
Pam Kirby	10 February 2015	5	11
Sara Mathew	1 July 2019	1	6
Elane Stock	1 September 2018	2	4
Margherita Della Valle	1 July 2020	0	6

Note: On 17 December 2020 the company announced the appointment of Non-Executive Director Olivier Bohuon to the Board effective 1 January 2021

Executive Directors' service contracts contain a 12-month notice period, as set out in the Directors' Remuneration Policy. Laxman Narasimhan was appointed to the Board as CEO-Designate on 16 July 2019 and became CEO on 1 September 2019. Jeff Carr was appointed to the Board as CFO on 9 April 2020. Directors' service contracts and letters of engagement are available for inspection at the registered office.

Advisors

Deloitte LLP (Deloitte) was appointed by the Remuneration Committee as independent advisor effective from 1 January 2014 following a review of the advisor in late 2013. The Committee undertakes due diligence periodically to ensure that Deloitte remains independent of the company and that the advice provided is impartial and objective. Deloitte is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. During 2020, Deloitte LLP also provided the Group with advice in numerous areas, including corporate and employment taxes, wider reward strategy, GPG assurance, global mobility and advisory and technology consulting. These services were provided under separate engagement terms and the Committee is satisfied that the provision of these services did not impair Deloitte's ability to advise the Committee independently. Deloitte's total fees for the provision of remuneration services were £316,400 on the basis of time and materials.

It should be noted that although we are required to only disclose the value of fees for services which materially assisted the Remuneration Committee, as with previous years, we have disclosed the full value of remuneration services from Deloitte which includes advice to management and to the Remuneration Committee.

Directors' interests in shares and options under the LTIP[1] (audited)

	Grant date	At 1.1.20	Granted during the year	Exercised/ vested during the year (including dividend shares)[2]	Lapsed during the year	At 31.12.20	Option price (£)	Market price at date of award (£)	Market price at date of exercise/ vesting (£)	Exercise/vesting period
Laxman Narasimhan										
Performance-based share options	05.08.19	150,000	0	–	–	150,000	63.72			May 22-Aug 29
	01.05.20	0	150,000	–	–	150,000	65.20			May 23-May 30
Performance-based share awards	05.08.19	75,000	0	–	–	75,000		59.72		May 22
	01.05.20	0	75,000	–	–	75,000		65.70		May 23
Buyout awards[2]	05.08.19	71,557	0	31,257	40,644	0		59.72	58.65	Mar 20
	05.08.19	84,717	0	–	–	84,717		59.72		Mar 21
Jeff Carr										
Performance-based share options	01.05.20		80,000	–	–	80,000	65.20			May 23-May 30
Performance-based share awards	01.05.20		40,000	–	–	40,000		65.70		May 23

1. Vesting of these awards is subject to performance conditions set by the Remuneration Committee
2. Buyout awards in respect of legacy awards from previous employer that vest subject to PepsiCo performance and include 344 dividends accrued on vested shares

Directors' interests in shares in the Deferred Bonus Plan[1] (audited)

	Grant date	At 1.1.20	Granted during the year	Exercised/ vested during the year	Lapsed during the year	At 31.12.20	Option price (£)	Market price at date of award (£)	Market price at date of vesting (£)	Vesting period
Laxman Narasimhan										
Deferred Bonus Plan	23.03.20	0	1,259	–	–	1,259		58.35	–	Mar 23
Deferred Bonus Plan[2]	23.03.20	0	3,832	–	–	3,832		58.35	–	Mar 23

1. One-third of the annual bonus is delivered in the form of conditional share awards which are deferred for three years
2. One-third of the payment made by Reckitt in respect of the PepsiCo bonus that was forfeited by joining Reckitt. The award was made on the same terms as the other aforementioned award under the Deferred Bonus Plan

Executive employees may also participate in the all-employee Sharesave Scheme on the same basis as all other employees. The table below details options held.

Sharesave Scheme	Grant date	At 1.1.20	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.20	Option price (£)	Market price at exercise (£)	Exercise period
Laxman Narasimhan	02.09.19	379	0	–	–	379	47.44	–	Feb 23-Jul 23

There have been no changes to the Directors' interests as set out in the above tables between 31 December 2020 and 15 March 2021.
Directors' interests in the share capital of the company (audited) The Directors in office at the end of the year and those in office at 15 March 2021 had the following beneficial interests in the ordinary shares of the company:

	15 March 2021	31 December 2020	31 December 2019
Olivier Bohuon[1]	-	-	-
Andrew Bonfield	403	403	226
Jeff Carr	20,000	20,000	–
Nicandro Durante	883	883	718
Mary Harris	2,554	2,554	2,323
Adrian Hennah[2]	–	147,900	147,900
Mehmood Khan	399	399	227
Pam Kirby	3,768	3,768	3,596
Sara Mathew[3]	244	244	75
Laxman Narasimhan	42,104	42,104	–
Chris Sinclair	9,906	9,906	5,138
Elane Stock	2,246	2,246	2,061
Warren Tucker[4]	–	3,614	3,614
Margherita Della Valle	74	74	–

1. Olivier Bohuon was appointed to the Board on 1 January 2021
2 Adrian Hennah stepped down from the Board on 9 April 2020. His interest in shares is shown up to this date
3. Sara Mathew held her shares in the form of 1,222 American Depository Receipts (ADR). Each ADR is equivalent to five ordinary shares at 10 pence each in the company
4. Warren Tucker stepped down from the Board on 12 May 2020. His interest in shares is shown up to this date
5. No person who was a Director (or a Director's connected person) on 31 December 2020 and at 15 March 2021 had any notifiable share interests in any subsidiary
6. The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe for shares

As approved and signed on behalf of the Board of Directors.

Mary Harris
Chair of the Remuneration Committee
Reckitt Benckiser Group plc
15 March 2021

Introduction

The Directors present their report, together with the Financial Statements of the Group for the year ended 31 December 2020, in accordance with s415 of the Companies Act 2006 (CA 2006).

In accordance with s414C (11) of CA 2006 certain matters required to be included in this Directors' Report are included in the Strategic Report on pages 01 to 93. The Strategic Report includes an indication of the likely future developments of the business, research and development activities of the Group and details of important events affecting the company. The Corporate Governance Report can be found on pages 102 to 112 and is deemed to be incorporated into this Directors' Report by reference.

Further disclosure requirements contained in CA 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Part 3 of the Companies (Miscellaneous Reporting) Regulations 2018, the Financial Conduct Authority's (FCA) Listing Rules and the Disclosure Guidance and Transparency Rules, which are deemed to form part of the management report can be found on the following pages of the Annual Report for the year ended 31 December 2020, and are incorporated into this Directors' Report by reference:

	Page
Acquisitions and disposals	218
Awards under employee share schemes and long-term incentive schemes	214-217
Corporate Governance Statement including internal control and risk management statements	102-112
Statement of Directors' Responsibilities, including disclosure of information to the Auditor	161
Disclosure of Greenhouse Gas (GHG) emissions	57
Employment policy and employee involvement	159-160
Engagement with employees, suppliers, customers and others	58-61
Environmental, social and governance (ESG) matters	48-57
Financial risk management and financial instruments	197-204
Future developments in the business	01-93
Post Balance Sheet events	218
Research and development activities	12-57
Shareholder information	237-239
Sustainability and corporate responsibility	12-57
Viability Statement	93
Charitable donations	238
Subsidiary undertakings (including overseas branches)	225-236

Information on the Board's stakeholder engagement and activities is set out in the s172 Statement, which can be found on pages 58 to 61.

There is no additional information requiring disclosure under Listing Rule 9.8.4R.

Results and dividends

The Consolidated Income Statement can be found on page 174. The consolidated income for the year attributable to equity shareholders of the company is £1,187m. The loss for the year attributable to equity shareholders of the company amounted to £79m.

The Directors resolved to pay an interim dividend of 73.0 pence per ordinary share (2019: 73.0 pence), which was paid to shareholders on 29 September 2020.

The Directors recommend a final dividend for the year of 101.6 pence per share (2019: 101.6 pence) which, together with the interim dividend, makes a total dividend for the year of 174.6 pence per share (2019: 174.6 pence). During the year no shareholders waived their right to receive dividend payments.

The final dividend, if approved by the shareholders at the forthcoming Annual General Meeting of the company, will be paid on 14 June 2021 to shareholders on the register at the close of business on 7 May 2021.

Directors

Details of the company's Directors who served during the financial year ended 31 December 2020 can be found on pages 94 to 98.

The rules governing the appointment and retirement of Directors are set out in the company's Articles of Association (the Articles) and all appointments are made in accordance with the UK Corporate Governance Code 2018 (the Code). Under the terms of reference of the Nomination Committee, all Director appointments must be recommended by the Nomination Committee for approval by the Board of Directors.

All Directors must submit themselves for re-election each year at the AGM. At the 2021 AGM all Directors will offer themselves for election or re-election in compliance with the Code. Details of the Directors standing for election or re-election can be found in the 2021 Notice of Annual General Meeting. Information on the service agreements of Executive Directors can be found in the Directors' Remuneration Report on pages 134 to 157. The letters of appointment of the Non-Executive Directors are available for inspection at the company's registered office.

Powers of Directors

The Board of Directors is responsible for the management of the business of the company and may exercise all powers of the company subject to the provisions of the company's Articles and CA 2006.

The Articles contain specific provisions and restrictions regarding the company's power to borrow money. Powers relating to the alteration of share capital are also included in the Articles and shareholders are asked to renew such authorities each year at the AGM. A copy of the Articles is available on the company's website at www.reckitt.com or can be obtained upon written request from the Company Secretary or the UK Registrar of Companies, Companies House.

Directors' insurance and indemnities

The company indemnifies the Directors and Officers of the company and any Group subsidiary to the extent permitted by s236 of CA 2006 in respect of the legal defence costs for claims against them and third-party liabilities. The indemnity would not provide cover for a Director or Officer if that individual was found to have acted fraudulently or dishonestly. The Directors' and Officers' liability insurance cover was maintained throughout the year ended 31 December 2020 at the company's expense.

Directors' interests

A statement of Directors' interests in the share capital of the company is shown on page 157 of the Directors' Remuneration Report. Details of Executive Directors' options to subscribe for shares in the company are included on page 156 in the audited part of the Directors' Remuneration Report.

During the year, none of the Directors had a material interest in any derivative or financial instrument relating to the company's shares. Details of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 134 to 157.

No Director has a material interest in any 'contract of significance' (as defined by the FCA) to which the company, or any of its subsidiary undertakings, is a party as at 31 December 2020.

Share capital

As at 31 December 2020, the company's issued share capital consisted of 736,535,179 ordinary shares of 10 pence each of which 712,735,087 were with voting rights and 23,800,092 ordinary shares were held in treasury. Each share carries the right to one vote at general meetings of the company. Details of changes to the ordinary shares issued and of options and awards granted during the year are set out in Notes 24 and 25 to the Financial Statements. The rights and obligations attached to the ordinary shares are contained in the company's Articles. There are no restrictions on the voting rights attached to the company's ordinary shares or the transfer of securities in the company except in the case of transfers of securities:

- that certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws); and
- pursuant to the Listing Rules of the United Kingdom Listing Authority whereby certain employees of the company require the approval of the company to deal in the company's ordinary shares.

No person holds securities in the company which carry special voting rights with regard to control of the company. The company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Allotment of shares

At the 2020 AGM, authority was granted to the Directors under s551 of CA 2006 to allot shares or grant rights to subscribe for, or convert any security into shares of the company. The authority granted to the Directors will expire at the conclusion of this year's AGM. At the 2021 AGM, a resolution will be proposed to the shareholders to renew the Directors' authority to allot equity shares representing approximately one-third of the company's issued share capital as at the latest practicable date prior to the publication of the Notice of AGM.

In accordance with the Investment Association Share Capital Management Guidelines, Directors will once again seek authority to allot further ordinary shares, in connection with a pre-emptive offer by way of a rights issue, up to a further one-third of the company's existing issued share capital on the same date. The authorities sought would, if granted, expire at the earlier of six months after the company's next accounting reference date, or at the conclusion of the AGM of the company held in 2022, whichever is the sooner.

Under s561 of CA 2006, shareholders have a right of first refusal in relation to certain issues of new shares. A special resolution will also be proposed to renew the Directors' power to make non-pre-emptive issues for cash up to a nominal amount representing less than 10% of the company's issued share capital as at the latest practicable date prior to the publication of the Notice of AGM. The resolution would also permit Directors, within the same aggregate limit, to sell for cash, shares that may be held by the company in treasury.

In accordance with the Pre-Emption Group's Statement of Principles, the Investment Association Share Capital Management Guidelines and the Pensions and Lifetime Savings Associations' Corporate Governance Policy and Voting Guidelines 2019, the Directors confirm their intention that, other than in relation to a rights issue, no more than 5% of the issued ordinary share capital of the company, exclusive of treasury shares, will be issued for cash on a non-pre-emptive basis and no more than 7.5% of the share capital of the company, exclusive of treasury shares, will be allotted for cash under a non-pre-emptive basis over a rolling three-year period without prior consultation with shareholders, in each case other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

This authority will maintain the company's flexibility in relation to future share issues, including issues required to finance business opportunities, should appropriate circumstances arise.

Authority to purchase own shares

Authority was granted to the Directors at the 2020 AGM for the purposes of s701 of CA 2006 to repurchase shares in the market and this authority remains valid until the conclusion of this year's AGM. There were no share repurchases during 2020.

At the 2021 AGM, the Directors will seek to renew the authority granted to them. Such authority, if approved, will be limited to a maximum of 71,300,000 million ordinary shares, representing less than 10% of the company's issued ordinary share capital (excluding treasury shares) calculated as at the latest practicable date prior to publication of the Notice of AGM, and sets the minimum and maximum prices which may be paid.

The company's present intention is to hold shares acquired under this authority in treasury to satisfy outstanding awards under employee share incentive plans.

Change of control and significant agreements

There are a number of agreements that take effect, alter or terminate upon a change of control of the company following a takeover, such as commercial contracts, bank agreements, property lease arrangements and employee share plans. The Shareholder agreement between the company and JAB Holdings B.V. (JAB) at the time of the merger in 1999 entitled JAB to nominate Board Directors. A holding in excess of 20% or 10% of the company's ordinary shares entitles JAB to nominate two Directors or one Director respectively. JAB's current holding is below this amount and there is currently no nominated Director on the Board. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole.

There are no significant agreements between the company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid, except that provisions of the company's share plans may cause options and awards granted under such plans to vest on a takeover, and if the employment of an Executive Director or other employee is terminated by the company following a takeover then there may be an entitlement to appropriate notice and/or compensation as provided in applicable contracts or terms of employment.

There is no information that the company is required to disclose about persons with whom it has contractual or other arrangements with, which are essential to the business of the company.

Employees

During 2020, the Group employed over 43,500 (2019: 42,400) employees worldwide, of whom 4,328 (2019: 4,025) were employed in the UK. The Group is committed to the principle of equal opportunity in employment: no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion, race, ethnicity or disability.

Employment applications are considered on the basis of a person's aptitude and ability, and fair consideration is given to all applications regardless of nationality, age, gender, religion, race, ethnicity or disability. Where an employee has an existing disability or becomes disabled during their employment, every practical effort is made to assist the employee in continuing their employment and arranging appropriate training. All employees, including those with a disability, are treated in a fair and inclusive way throughout their careers, whether that means accessing training, development opportunities or when seeking job progression.

It is essential to the continued improvement in efficiency and productivity throughout the Group that each employee understands the Group's strategies, policies and procedures. Open and regular communication with employees at all levels is an essential part of the management process. The Group operates multi-dimensional internal communications programmes which include the provision of a Group intranet and the publication of regular Group newsletters. Opinions of employees are sought on a variety of issues through mechanisms including global surveys, opinion polls, team meetings and feedback forums. Further information on the Group's employee engagement activities is included on pages 41 to 43.

A continuing programme of training and development reinforces the Group's commitment to employee development. The Group aims to provide all employees with equal opportunities and the Freedom to Succeed at work and recognises the importance of employee health and wellbeing. Reckitt's values create an inclusive environment for employees to act with integrity, responsibility and consistency in line with our renewed purpose, fight and compass set out on pages 10 to 11.

Employee matters, incentives and share ownership

Group incentive schemes reinforce financial and economic factors affecting the performance of the business. Employees typically have three to five performance objectives which are directly linked to their job and their specific contribution to the overall performance of the Group. In addition, presentations, videos and Q&A sessions are held for employees around the world on publication of the Group's financial results to provide employees with awareness of the financial and economic factors affecting the company's performance, and so that employee views are fed back to management and taken into account when decisions are made.

The company operates three all-employee share plans and through these schemes, the Board encourages employees to become shareholders and to participate in the Group's employee share ownership schemes, should they so wish. Savings-related share plans covering most of the world give employees the opportunity to acquire shares in the company by means of making regular savings. We currently have around 55% of eligible employees participating. Further details on our all-employee share plans and awards made under executive share plans can be found in Note 25 on page 214 of the Financial Statements.

Political donations

During the year, the company and its subsidiaries did not make any political donations or incur any expenditure, nor were any contemplated. In keeping with previous practice, at the forthcoming AGM shareholders will be asked in accordance with s366 and s376 of CA 2006 to approve, on a precautionary basis, for the company and its subsidiaries to make political donations and incur political expenditure for the period ending 31 December 2021.

Financial instruments and risk

The financial risk management objectives and policies of the Group are set out in Note 15, page 197 of the Financial Statements. The Note sets out information on the company's policy for hedging each major type of forecasted transactions for which hedge accounting is used, and our exposure to currency, price risk, credit risk, liquidity risk and cash flow risk in relation to the use of financial instruments.

Amendment to Articles of Association

The Articles of the company were adopted in 2012 and amended in 2015. Any amendments to the Articles may be made in accordance with the provisions of CA 2006 by special resolution of the shareholders.

Independent Auditor

The External Auditor, KPMG LLP (KPMG), has indicated its willingness to continue in office and a resolution proposing the reappointment of KPMG, and to authorise the Audit Committee to determine its remuneration for the financial year ending 31 December 2021, will be proposed at the forthcoming AGM. In accordance with s418(2) of CA 2006, each of the Directors holding office at the date of this report confirm that:

- so far as the Director is aware, there is no relevant audit information of which the company's Auditor is unaware; and
- he or she has taken all reasonable steps to ascertain any relevant audit information and to ensure that the company's Auditor is aware of that information.

Substantial shareholdings

As at 31 December 2020, pursuant to DTR 5 of the FCA's Disclosure Guidance and Transparency Rules and in accordance with s13(C) of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 the company had received the following notices of substantial interests (3% or more) in the total voting rights of the company:

Holder	Date of last TR-1 notification	Nature of interest	% of voting rights
Massachusetts Financial Services company	16 January 2013[1]	Indirect	5.00
Morgan Stanley Investment Management Limited	20 May 2020	Direct	5.04

1. Under a s.793 CA 2006 request, Massachusetts Financial Services company confirmed on 8 January 2021 that its aggregate holding had increased. The voting percentage was not disclosed

As at 15 March 2021, the company has not received any further notifications under DTR 5 of the Disclosure Guidance and Transparency Rules.

Application of the UK Corporate Governance Code 2018

We report against the requirements of the UK Corporate Governance Code 2018 (the Code) issued by the Financial Reporting Council. Details of how the company has applied the Code principles and provisions can be found in the Corporate Governance Report on pages 102 to 112.

Annual General Meeting (AGM)

The forthcoming AGM of Reckitt Benckiser Group plc will be held on 28 May 2021 at 3.00pm at 103-105 Bath Road, Slough, Berkshire, SL1 3UH.

A separate Notice of Meeting, setting out the resolutions to be proposed to shareholders, is available at www.reckitt.com. The Board considers that each of the resolutions is in the best interests of the company and the shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of all the resolutions as they intend to do so in respect of their own beneficial holdings.

By Order of the Board

Rupert Bondy
Company Secretary
Reckitt Benckiser Group plc
103-105 Bath Road
Slough, Berkshire SL1 3UH

Company registration number: 6270876
Legal Entity Identifier: 5493003JFSMOJG48V108
15 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK accounting standards, including FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. In addition, the Group Financial Statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group Financial Statements, state whether they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and due to a requirement of the US SEC, state they have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board (IASB);
- for the Parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board

Rupert Bondy
Company Secretary
Reckitt Benckiser Group plc
103-105 Bath Road
Slough, Berkshire SL1 3UH

15 March 2021

1 Our opinion is unmodified

We have audited the Financial Statements of Reckitt Benckiser Group plc ("the Company") for the year ended 31 December 2020 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Statement of Changes in Equity, Group Cash Flow Statement, and the related Notes, including the accounting policies in Note 1 to the Group Financial Statements, and the Parent Company Balance Sheet, Parent Company Statement of Changes in Equity and the related Notes, including the accounting policies in Note 1 to the Parent Company Financial Statements.

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company Financial Statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation to the extent applicable.

Additional opinion in relation to IFRS as issued by the IASB:
As explained in Note 1 to the Group Financial Statements, the group, in addition to complying with its legal obligation to apply international accounting standards in accordance with the Companies Act, has also applied IFRSs as issued by the International Accounting Standards Board ("IASB").

In our opinion the Group Financial Statements have been properly prepared in accordance with IFRS as issued by the IASB.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with our report to the Audit Committee.

We were first appointed as auditor by the Shareholders on 3 May 2018. The period of total uninterrupted engagement is for the three financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group Financial Statements as a whole	£150 million (2019: £150 million) 5.1% (2019: 4.8%) of Group profit before tax normalised to exclude exceptional adjusting items as disclosed on page 78 and defined on page 77	
Coverage	79% (2019: 81%) of Group Net Revenue 83% (2019: 87%) of total profits and losses that made up Group profit before tax 87% (2019: 86%) of Group total assets	
Key audit matters		**vs 2019**
Recurring risks	Recoverability of goodwill and indefinite life intangible assets relating to IFCN	▲
	Revenue recognition in relation to trade spend arrangements and associated accruals	▲
	Provision for uncertain tax positions (UTPs)	◀▶
	Recoverability of the Parent Company's investment in the subsidiary	◀▶
Event driven	**New:** Contingent liabilities arising from the amendment to the South Korea Humidifier Sanitiser (HS) law	

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the Financial Statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of goodwill and indefinite life intangible assets relating to IFCN IFCN goodwill and indefinite life intangible assets (£9,849 million; 2019: £10,913 million) Impairment charge (£985 million; 2019: £5,037 million) Refer to page 124 (Audit Committee Report), Note 1 on page 180 (accounting policy) and Note 9 on pages 190 to 193 (financial disclosures).	**Forecast-based valuation** The recoverability of goodwill and indefinite life intangible assets relating to the Infant and Child Nutrition ("IFCN") cash generating unit ("CGU") is assessed using forecast financial information within a discounted cash flow model ("the model"). In the current year the Group recognised an impairment charge to IFCN goodwill of £985m (2019: £5,037m), reflecting increased uncertainty around the achievability of cash flow forecasts as a result of the COVID-19 pandemic. The model is highly sensitive to changes in key assumptions, both in relation to forecast financial performance; in particular, Net Revenue growth and margin improvements; as well external factors such as future growth of the category as a whole, discount rates and terminal growth rates. These assumptions include, but are not limited to, the duration of the COVID-19 pandemic, the resultant recession and the impact on birth rates, the duration of disruption to cross border trade between Hong Kong and mainland China and the commercial success of new product launches, including adult nutrition, and the expansion of specialty nutrition. The recoverable amount of the IFCN CGU, and consequently the impairment charge, is therefore subject to a high degree of estimation uncertainty. When conducting an impairment assessment, there may be incentive for the Group to use assumptions that are overly optimistic and which could result in no impairment charge being recognised or the recognition of an impairment charge that is materially understated. Conversely, if assumptions are overly cautious, the impairment charge may be overstated. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of the IFCN CGU has a high degree of estimation uncertainty and there exists a reasonably possible set of changes in key assumptions that would result in a material change to the IFCN valuation and associated impairment charge well in excess of our materiality for the Group Financial Statements as a whole and possibly many times that amount. The Group Financial Statements (note 9) disclose the sensitivity estimated by the Group.	**Our procedures included:** **Sensitivity analysis:** We considered the sensitivity of the impairment charge to reasonable changes in assumptions, identified changes to these assumptions since previous forecasts, and focused our attention on those assumptions we considered to be most sensitive, judgemental or otherwise prone to management bias. We applied sensitivities to the key assumptions identified to assess the impact on the model. **Historical comparisons:** We compared the actual performance of IFCN since acquisition against previous budgets and forecasts to assess the Group's ability to forecast accurately and considered its impact on the Group's evaluation of forecast growth. We critically challenged the margin projections by reference to those achieved historically, forecast volume growth and forecast and realised savings from productivity initiatives. We challenged the Group on the forecast commercial success of new product launches, particularly in relation to adult nutrition, and its ability to deliver forecast Net Revenue growth by assessing the Group's past experience in bringing new or improved products to market. **Benchmarking assumptions:** We critically evaluated differences between Net Revenue growth assumptions within the model and external market data relating to projected growth for the product category as a whole. We critically challenged the Group on its assumptions relating to the potential duration of the COVID-19 pandemic, the resultant recession and the impact on birth rates and the duration of disruption to cross border trade between Hong Kong and mainland China by comparing it to external market data sources. We benchmarked margin assumptions against industry competitors, external market volume growth forecasts and our assessment of the group's ability to achieve productivity savings. We also benchmarked the terminal growth rate assumptions against long-term estimates of inflation.

2 Key audit matters: our assessment of risks of material misstatement continued

The risk	Our response
Recoverability of goodwill and indefinite life intangible assets relating to IFCN (continued)	**Personnel interviews:** We compared judgements made centrally to direct discussion with country General Managers and Finance Directors. We considered and challenged the Group's assumptions with reference to any alternative views provided in-country. In relation to the strategic review of IFCN China announced on 24 February 2021, we corroborated the consistency of key assumptions used within the model to papers presented to, and minutes taken at, meetings of the Board. **Our valuation expertise:** We independently derived a reasonable range of appropriate discount rates with the assistance of our valuation specialists, compared these to those calculated by the Group and challenged differences in assumptions between the calculations. We benchmarked the recoverable amount of the IFCN CGU using implied earnings multiples to comparative companies, historic transactions within the industry and stockbrokers' reports with the assistance of our valuation specialists. **Assessing transparency:** We considered the adequacy of the disclosures provided by Note 9 of the Group Financial Statements in relation to relevant accounting standards. We paid particular attention to transparency of disclosure of the events and circumstances that led to the recognition of the impairment charge, and assessed that the sensitivity disclosures appropriately reflect uncertainty inherent in the assessment of the recoverable amount as well as reasonably plausible changes in key assumptions. We performed the tests above rather than seeking to rely on any of the Group's controls because detailed testing is inherently the most effective means of obtaining audit evidence in this area. **Our results:** We found the carrying value of goodwill and indefinite life intangible assets relating to IFCN and the related impairment charge to be acceptable (2019 result: acceptable).

2 Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Revenue recognition in relation to trade spend arrangements and associated accruals Trade spend accruals (£1,275 million; 2019: £1,095 million) Refer to page 124 (Audit Committee Report), Note 1 on page 180 (accounting policy) and Note 21 on page 208 (financial disclosures).	**Subjective estimate** The Group regularly enters into complex arrangements providing pricing, placement and other promotional rebates and allowances to its customers. These trade spend arrangements can vary in complexity by market, product category and customer. Revenue is measured net of outflows arising from such arrangements which, for agreements or practices spanning a period end, requires an estimate of the extent and value of future activity. In certain instances, COVID-19 supply constraints have also impacted customer service levels, which may result in settlements through commercial negotiation. These estimates can be subjective and require the use of assumptions that are susceptible to management bias. The impact of COVID-19 on the Group has increased the risk of fraud and management bias. Higher than average revenue growth globally has meant that most markets have met or exceeded their targets and, therefore, this could create an incentive to defer revenues into the next financial year by overstating trade spend accruals. Whilst the risk of a material misstatement in an individual market is remote, there is a risk that unacceptably cautious judgements in multiple markets may, in aggregate, materially misstate the Group Financial Statements. The effect of these matters is that, as part of our risk assessment, we determined that trade spend accruals carry a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Group Financial Statements as a whole.	**Our procedures included:** **Accounting policies:** We critically assessed the appropriateness of the Group's accounting policies relating to trade spend. **Historical comparisons:** We evaluated the accuracy of the Group's more judgemental accruals by comparing those recognised in the prior year to the actual trade spend incurred. **Tests of detail:** We focused our testing on those trade spend accruals we considered to be more judgemental or potentially subject to management bias and fraud. For a sample of these trade spend accruals, we: • reperformed the calculation to assess whether it was mathematically accurate; • identified the key assumptions in the calculation of each accrual selected, such as forecast sales volumes, rebate structure and settlement mechanism; • agreed those key assumptions to relevant documentation, such as invoices received after the balance sheet date, customer agreements or third-party consumption data; and • assessed whether the key assumptions were consistent with external data points and the Group's historic experience of comparable trade spend arrangements. **Assessing transparency:** We assessed the adequacy of the Group's disclosures in relation to the degree of estimation involved in arriving at the trade spend accruals and the amount of trade spend recognised and deducted in determining Net Revenue. We performed the tests above rather than seeking to rely on any of the Group's controls because detailed testing is inherently the most effective means of obtaining audit evidence in this area. **Our results:** We found the trade spend accruals recognised to be acceptable (2019 result: acceptable).

2 Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Contingent liabilities arising from the amendment to the South Korea Humidifier Sanitiser (HS) law Refer to page 124 (Audit Committee Report), Note 1 on page 183 (accounting policy) and Note 20 on pages 207 to 208 (financial disclosures).	**Dispute outcome** The Group is involved in ongoing litigation relating to the HS issue in South Korea. On 25 September 2020, an amendment was enacted (the "HS law amendment") which significantly altered the legal framework under which HS claims were previously made and settled. As a result, and outside of those provisions relating to the Group's own compensation plan, provisions recognised under the HS law prior to the amendment are no longer recognised and judgement is needed to assess whether the recognition criteria for a provision have been met under the HS law amendment. The Group must assess the likelihood and extent of any future economic outflow arising from the HS law amendment. The amounts involved are potentially significant, and the application of accounting standards to determine the amount, if any, to be provided for, is inherently subjective. The effect of these matters is that, as part of our risk assessment, we determined that the contingent liabilities arising from the HS law amendment have a high degree of judgement, with a potential range of reasonable outcomes greater than our materiality for the Group Financial Statements as a whole.	**Our procedures included:** **Enquiry of lawyers:** We enquired of the Group's internal and external counsel to obtain an understanding of the facts in relation to the HS law amendment. We requested and received formal confirmations directly from the Group's external counsel that evaluated the current status of legal proceedings, the probability of economic outflow in relation to the law amendment, and the ability to reliably estimate such economic outflow. We also inquired of external legal counsel to evaluate their basis for conclusion in their respective confirmations. **Assessing transparency:** We assessed the adequacy of the Group's disclosures of contingent liabilities related to the HS law amendment, including disclosures about the nature and extent of the exposure. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the matter is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results:** We found the Group's treatment of contingent liabilities and related disclosures arising from the HS law amendment to be acceptable and appropriate.

2 Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Provision for uncertain tax positions (UTPs) (£950 million; 2019: £891 million) Refer to page 124 (Audit Committee Report), Note 1 on page 180 (accounting policy) and Note 22 on page 208 (financial disclosures).	**Subjective estimate** Due to the Group operating across a number of different tax jurisdictions, and the complexities of transfer pricing and other international tax legislation, it is subject to periodic challenge by local tax authorities on a range of tax matters arising in the normal course of business. These challenges by the local tax authorities include but are not limited to: • transfer pricing arrangements relating to the Group's operating model; • transfer pricing arrangements relating to the ownership of intellectual property rights that are used across the Group; • deductibility of interest on intra-Group borrowings; and • the European Commission's ongoing State Aid investigations into transfer pricing ruling practices of certain member states. Provision for uncertain tax positions requires the Directors to make judgements and estimates in relation to tax issues and exposures where the Group may be challenged by local tax authorities on its interpretation of tax legislation. Auditor judgement is required to assess whether the Directors' overall estimate, taking into account key assumptions such as the risk rating applied to a certain jurisdiction and the percentage applied to calculate the provision, falls within an acceptable range. The effect of these matters is that, as part of our risk assessment, we determined that the estimates of uncertain tax positions have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Group Financial Statements as a whole.	**Our procedures included:** **Our tax expertise:** We used our own international and local tax specialists to assist us to: • Inspect and assess the centrally prepared transfer pricing policies to determine whether they reflect the risks, activities and substance of each of the entities within the supply chain; and • Assess the Group's tax positions, its correspondence with the relevant tax authorities, and to analyse and challenge the assumptions used to determine provisions for tax uncertainties based on our knowledge and experiences of the application of the tax legislation. **Historical comparisons:** We assessed the historical accuracy of the provision level following any recent court judgements and results of relevant tax authority audits and considered the impact on the remaining provision. **Assessing transparency:** We assessed the adequacy of the Group's disclosures in respect of uncertain tax positions. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above. **Our results:** We found the level of uncertain tax provisioning to be acceptable (2019 result: acceptable).

2 Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Recoverability of the Parent Company's investment in the subsidiary (£14,975 million, 2019: £14,963 million) Refer to page 222 (accounting policy) and page 223 (financial disclosures).	**Low risk, high value** The carrying amount of the Parent Company's investment in the subsidiary represents 99.6% (2019: 99.7%) of the Parent Company's total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the Parent Company Financial Statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	**Our procedures included:** **Tests of detail:** We compared the carrying amount of the Company's only direct investment with its draft balance sheet to identify whether its net assets, being an approximation of its minimum recoverable amount, was in excess of its carrying amount and assessing whether this subsidiary has historically been profit-making. **Comparing valuations:** We performed a reconciliation of the carrying amount of the investment in subsidiary to the market capitalisation as this subsidiary owns the entire Group excluding its Parent. We performed the tests above rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described above. **Our results:** We found the Company's conclusion that there is no impairment of its investment in the subsidiary to be acceptable (2019 result: acceptable).

3 Our application of materiality and an overview of the scope of our audit

Materiality

Materiality for the Group Financial Statements as a whole was set at £150 million (2019: £150 million), determined with reference to a benchmark of Group profit before tax, normalised to exclude this year's exceptional adjusting items of £1,061 million as disclosed on page 78 and defined on page 77 (2019: Group loss before tax, normalised to exclude exceptional adjusting items of £5,240 million), of which it represents 5.1% (2019: 4.8%).

In determining the materiality benchmark, we had regard to institutional investor commentary on the Group, and the process followed by those current shareholders who also typically remove exceptional adjusting items as they seek to derive a Group profit before tax to use as the basis for investment appraisal.

Materiality for the Parent Company Financial Statements as a whole was set at £75 million (2019: £75 million) determined with reference to a benchmark of Parent Company total assets of £15,034 million (2019: £15,011 million) of which it represents 0.5% (2019: 0.5%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the Financial Statements as a whole. Performance materiality for the Group was set at 75% (2019: 75%) of materiality for the Group Financial Statements as a whole, which equates to £110 million (2019: £110 million). Performance materiality for the Parent was set at 75% (2019: 75%) of materiality for the Parent Company Financial Statements as a whole, which equates to £55 million (2019: £55 million). We applied these percentages in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed with the Audit Committee that we would report to the committee any corrected or uncorrected identified misstatements exceeding £7.0 million (2019: £7.5 million) in addition to other identified misstatements that warranted, in our view, reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that are identified when assessing the overall presentation of the Financial Statements.

Scope

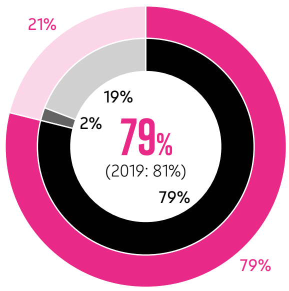
The Group operates in more than 60 countries across six continents with the largest markets being in the US and China. From 1 July 2020 the Group has been organised into three Global Business Units being Hygiene, Health and Nutrition (previously two – Health and Hygiene Home).

We scoped the audit by obtaining an understanding of the Group and its environment and assessing the risk of material misstatement at the Group and component level. We have considered components on the basis of their contribution to Group Net Revenue, total profits and losses that made up Group profit before tax and Group total assets. Of the Group's 429 (2019: 388) reporting components, as instructed by us, component teams in 21 countries (2019: 22 countries) subjected 53 (2019: 44) to full scope audits for Group purposes, none (2019: 10) to specified risk-focused audit procedures and 1 (2019: none) to an audit of account balance over inventory, cost of sales, property, plant and equipment, trade payables and cash. The component for which we performed work other than an audit for Group reporting purposes was not individually significant but was included in the scope of our Group reporting work in order to provide further coverage over the Group's results. The components within the scope of our work accounted for the percentages illustrated opposite.

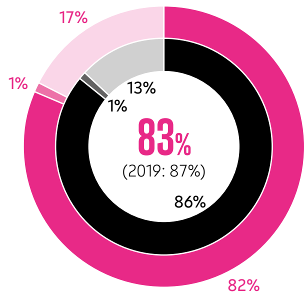
Group profit before tax normalised to exclude exceptional adjusting items

£2,934 million (2019: £3,133 million)

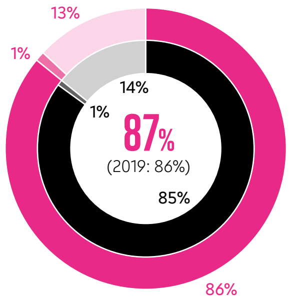
Group Net Revenue



Total profits and losses that made up Group profit before tax



Group total assets



Key:

- Full scope for Group audit purposes 2020
- Audit of account balances 2020
- Residual components 2020
- Full scope for Group audit purposes 2019
- Specified risk-focused procedures 2019
- Residual components 2019

3 Our application of materiality and an overview of the scope of our audit continued

The Group team performed procedures on the items excluded from normalised Group profit before tax, performed testing of IT systems and also work over the consolidation of financial information.

The remaining 21% (2019: 19%) of Group Net Revenue, 17% (2019: 13%) of total profits and losses that made up Group profit before tax and 13% (2019: 14%) of Group total assets is represented by a number of other reporting components, none of which individually represented more than 3% (2019: 2%) of any of Group Net Revenue, total profits and losses that made up Group profit before tax or Group total assets. For these residual 375 (2019: 334) components, we performed analysis at an aggregated Group level and performed unpredictable procedures to re-examine our assessment that no significant risks of material misstatement exist in those components.

Team Structure

The Group audit team is required to instruct the component teams about their responsibilities in relation to the consolidated Group audit and to understand the approach taken by component auditors to meet these responsibilities. The Group audit team is also required to understand the conclusions reached by component auditors and to review and challenge the work they have performed to reach these conclusions.

Due to the travel restrictions imposed as a result of COVID-19, the Group audit team did not visit any overseas components (2019: 50 components in 19 countries). A virtual communication and oversight strategy was implemented instead between the Group audit team and component auditors. This included:

- A virtual global planning conference led by the Group audit team to discuss key audit risks and obtain input from component auditors;
- Instructions issued by the Group audit team to component auditors setting out the significant areas to be covered, including the relevant key audit matters identified above and the information to be reported back to the Group audit team;
- Approval by the Group audit team of the component materiality for all components, which ranged from £8 million to £100 million (2019: £7.5 million to £50 million), having regard to the mix of size and risk profile of the Group across the components, including considering the benchmark for each component;
- Attendance by the Group audit team and relevant component auditors at management's balance sheet reviews for all in-scope component locations and by the Group audit team at 2 out-of-scope component locations, the latter to incorporate an element of unpredictability into our audit;
- Risk assessment and challenge sessions with each component audit team led by a senior member of the Group audit team;
- Attendance by the Group audit team and relevant component auditors at year end clearance meetings where the findings reported to the Group audit team were discussed in more detail and any further work required by the Group audit team was then performed by the component auditors; and
- Review of key working papers within component audit files (using remote technology capabilities) to understand and challenge the audit approach and audit findings of each component audit. As we were unable to visit 4 components in China, where remote access to audit documentation is prohibited, we instead extended our oversight of those component teams through extended video conference discussions to understand the conclusions reached and to review and challenge the work they have performed to reach conclusions.

The work on 52 of the 54 components (2019: 51 of the 54 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team.

4 We have nothing to report on going concern

The Directors have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the Financial Statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Parent Company's available financial resources and metrics relevant to debt covenants over this period were:

- In relation to the COVID-19 pandemic, disruption at a number of the Group's key production facilities, the viability of key suppliers and customers, and the impact of consumer demand for the Group's brands;
- A significant product safety issue leading to reputational damage with customers, consumers or regulators; and
- The impact of a significant business continuity issue, outside of those risks presented by the COVID-19 pandemic, affecting the Group's manufacturing facilities or those of its suppliers.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

Our procedures also included an assessment of whether the going concern disclosure in note 1 to the Financial Statements gives a complete and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the Financial Statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 161 is materially consistent with the Financial Statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiry of Directors, operational managers, the General Counsel, the Chief Ethics and Compliance Officer and members of the Internal Audit function as well as inspection of minutes of meetings of the Board, Audit Committee, Group Executive Committee and CRSEC Committee. Inspection of the Group's policies and procedures to prevent, detect and respond to the risks of fraud, Internal Audit reports issued during the year, reports to the Group's whistleblowing hotline and the response to those reports;
- Consideration of the Group's results against performance targets and the Group's remuneration policies, key drivers for remuneration and bonus levels;
- Consultation with our own forensic specialists to assist us in identifying fraud risks based on their experience of comparable businesses, similar sectors; as well as of the geographies in which the Group operates. The forensic specialists participated in the initial fraud risk assessment discussions and were consulted throughout the audit when further guidance was deemed necessary.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to component audit teams of relevant fraud risks identified at the Group level and request to all component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards, and after considering the impact of the Group's results against performance targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition. We assessed that there is an inherent risk that Group and component management may be in a position to make inappropriate accounting entries, and of risk of bias in accounting estimates and judgements. We determined that these risks would most likely manifest themselves in two key areas being:

- Trade spend accruals may be overstated in order to defer Net Revenue and profit into the 2021 financial year; and
- Management bias in the recoverability of goodwill and indefinite life intangible assets relating to IFCN arising from external pressure to demonstrate improved business performance and the potential impact on the strategic review of IFCN China.

Further detail in respect of both matters is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual journal entries associated with trade spend.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and inspection of the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations risks throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to all component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.

The potential effect of these laws and regulations on the Financial Statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the Financial Statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, and taxation legislation (direct and indirect). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related Financial Statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation or the loss of the Group's permission to operate in countries where the non-adherence to laws could prevent trading in such countries. We identified the following areas as those most likely to have such an effect:

- Employee health and safety, reflecting the nature of the Group's production and distribution process;
- Anti-bribery and corruption laws, reflecting that the Group operates in a number of countries where there is opportunity to engage in bribery given more limited regulation;
- Interaction with healthcare professionals, reflecting the nature of the Group's products in the Health and Nutrition Global Business Units;
- Global competition laws, reflecting the nature of the Group's business and certain market share positions;
- Consumer product law such as product safety, quality standards and product claims, reflecting the nature of the Group's diverse product base;
- Data privacy laws, reflecting the Group's growing amounts of personal data held; and
- Intellectual property legislation, reflecting the potential of the Group to infringe trademarks, copyright and patents.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Further detail in respect of consumer product law in South Korea is set out in the key audit matter disclosures in section 2 of this report. For the South Korea Humidifier Sanitiser matter discussed in note 20 we assessed disclosures against our understanding from enquiries of the Group's internal and external counsel and legal confirmations obtained from the Group's external counsel.

5 Fraud and breaches of laws and regulations – ability to detect continued

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge.

Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the Financial Statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the Financial Statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement page 93 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal and emerging risk disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 93, under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the Financial Statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our Financial Statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability. For example, the longer-term impact of COVID-19 in the key markets in which the Group operates, its customers, consumers and the wider economy is unclear.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures, the Financial Statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the Financial Statements and our audit knowledge:

- the Directors' statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the Financial Statements, and how these issues were addressed; and
- the section of the Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are also required to review the part of Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in this respect.

7 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 161, the directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Broadbelt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

15 March 2021

GROUP INCOME STATEMENT

For the year ended 31 December	Note	2020 £m	2019 £m
CONTINUING OPERATIONS			
Net Revenue	2	**13,993**	12,846
Cost of sales		**(5,558)**	(5,068)
Gross profit		**8,435**	7,778
Net operating expenses	3	**(5,290)**	(4,616)
Impairment of goodwill and other intangible assets	9	**(985)**	(5,116)
Operating profit/(loss)	2	**2,160**	(1,954)
Finance income	6	**77**	161
Finance expense	6	**(363)**	(314)
Net finance expense		**(286)**	(153)
Share of loss of equity-accounted investees, net of tax		**(1)**	–
Profit/(loss) before income tax		**1,873**	(2,107)
Income tax expense	7	**(720)**	(665)
Net income/(loss) from continuing operations		**1,153**	(2,772)
Net income /(loss) from discontinued operations	29	**50**	(898)
Net income/(loss)		**1,203**	(3,670)
Attributable to non-controlling interests		**16**	13
Attributable to owners of the parent company		**1,187**	(3,683)
Net income/(loss)		**1,203**	(3,670)
Basic earnings/(loss) per ordinary share			
From continuing operations (pence)	8	**160.0**	(393.0)
From discontinued operations (pence)	8	**7.0**	(126.7)
From total operations (pence)	8	**167.0**	(519.7)
Diluted earnings/(loss) per ordinary share			
From continuing operations (pence)	8	**159.3**	(393.0)
From discontinued operations (pence)	8	**7.0**	(126.7)
From total operations (pence)	8	**166.3**	(519.7)

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2020 £m	2019 £m
Net income/(loss)		**1,203**	(3,670)
Other comprehensive income/(expense)			
Items that may be reclassified to Income Statement in subsequent years			
Net exchange losses on foreign currency translation, net of tax	7	**(207)**	(579)
(Losses)/gains on net investment hedges, net of tax	7	**(75)**	70
Losses on cash flow hedges, net of tax	7	**(17)**	(9)
		(299)	(518)
Items that will not be reclassified to Income Statement in subsequent years			
Remeasurements of defined benefit pension plans, net of tax	7	**(60)**	14
Revaluation of equity instruments – FVOCI	7	**19**	(13)
		(41)	1
Other comprehensive (expense), net of tax		**(340)**	(517)
Total comprehensive income/(expense)		**863**	(4,187)
Attributable to non-controlling interests		**16**	12
Attributable to owners of the parent company		**847**	(4,199)
Total comprehensive income/(expense)		**863**	(4,187)
Total comprehensive income/(expense) attributable to owners of the parent company arising from:			
Continuing operations		**797**	(3,301)
Discontinued operations		**50**	(898)
		847	(4,199)

GROUP BALANCE SHEET

As at 31 December	Note	2020 £m	2019 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	9	**22,979**	24,261
Property, plant and equipment	10	**2,233**	2,140
Equity instruments	11,15	**136**	58
Deferred tax assets	12	**258**	224
Retirement benefit surplus	23	**226**	268
Other non-current receivables	14	**146**	155
Total non-current assets		**25,978**	27,106
Current assets			
Inventories	13	**1,592**	1,314
Trade and other receivables	14	**1,921**	2,079
Derivative financial instruments	15	**30**	30
Current tax recoverable		**125**	61
Cash and cash equivalents	16	**1,646**	1,549
Total current assets		**5,314**	5,033
Total assets		**31,292**	32,139
LIABILITIES			
Current liabilities			
Short-term borrowings	17	**(763)**	(3,650)
Provisions for liabilities and charges	18	**(243)**	(178)
Trade and other payables	21	**(5,742)**	(4,820)
Derivative financial instruments	15	**(118)**	(138)
Current tax liabilities	22	**(72)**	(145)
Total current liabilities		**(6,938)**	(8,931)
Non-current liabilities			
Long-term borrowings	17	**(9,794)**	(8,545)
Deferred tax liabilities	12	**(3,562)**	(3,513)
Retirement benefit obligations	23	**(372)**	(351)
Provisions for liabilities and charges	18	**(49)**	(56)
Non-current tax liabilities	22	**(1,021)**	(969)
Other non-current liabilities	21	**(397)**	(367)
Total non-current liabilities		**(15,195)**	(13,801)
Total liabilities		**(22,133)**	(22,732)
Net assets		**9,159**	9,407
EQUITY			
Capital and reserves			
Share capital	24	**74**	74
Share premium		**252**	245
Merger reserve		**(14,229)**	(14,229)
Other reserves	26	**(379)**	(80)
Retained earnings		**23,397**	23,353
Attributable to owners of the parent company		**9,115**	9,363
Attributable to non-controlling interests		**44**	44
Total equity		**9,159**	9,407

The Financial Statements on pages 174 to 218 were approved by the Board of Directors and signed on its behalf on 15 March 2021 by:

Christopher Sinclair
Director
Reckitt Benckiser Group plc

Laxman Narasimhan
Director
Reckitt Benckiser Group plc

GROUP STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital £m	Share premium £m	Merger reserves[1] £m	Other reserves[2] £m	Retained earnings £m	Total attributable to owners of the parent company £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2019		74	245	(14,229)	437	28,197	14,724	47	14,771
Comprehensive income									
Net (loss)/income		–	–	–	–	(3,683)	(3,683)	13	(3,670)
Other comprehensive (expense)/income		–	–	–	(517)	1	(516)	(1)	(517)
Total comprehensive (expense)/income		**–**	**–**	**–**	**(517)**	**(3,682)**	**(4,199)**	**12**	**(4,187)**
Transactions with owners									
Treasury shares reissued	24	–	–	–	–	61	61	–	61
Share-based payments	25	–	–	–	–	18	18	–	18
Current tax on share awards	7	–	–	–	–	4	4	–	4
Cash dividends	28	–	–	–	–	(1,227)	(1,227)	(15)	(1,242)
Transactions with non-controlling interests		–	–	–	–	(18)	(18)	–	(18)
Total transactions with owners		**–**	**–**	**–**	**–**	**(1,162)**	**(1,162)**	**(15)**	**(1,177)**
Balance at 31 December 2019		**74**	**245**	**(14,229)**	**(80)**	**23,353**	**9,363**	**44**	**9,407**
Comprehensive income									
Net income		–	–	–	–	1,187	1,187	16	1,203
Other comprehensive (expense)/income		–	–	–	(299)	(41)	(340)	–	(340)
Total comprehensive (expense)/income		**–**	**–**	**–**	**(299)**	**1,146**	**847**	**16**	**863**
Transactions with owners									
Treasury shares reissued	24	–	7	–	–	124	131	–	131
Share-based payments	25	–	–	–	–	15	15	–	15
Purchase of ordinary shares by employee share ownership trust		–	–	–	–	(4)	(4)	–	(4)
Tax on share awards	7	–	–	–	–	4	4	–	4
Cash dividends	28	–	–	–	–	(1,241)	(1,241)	(16)	(1,257)
Total transactions with owners		**–**	**7**	**–**	**–**	**(1,102)**	**(1,095)**	**(16)**	**(1,111)**
Balance at 31 December 2020		**74**	**252**	**(14,229)**	**(379)**	**23,397**	**9,115**	**44**	**9,159**

1. The merger reserve relates to the 1999 combination of Reckitt & Colman plc and Benckiser N.V. and a Group reconstruction in 2007 treated as a merger under Part 27 of the Companies Act 2006
2. Refer to Note 26 for an explanation of other reserves

GROUP CASH FLOW STATEMENT

For the year ended 31 December	Note	2020 £m	2019 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit/(loss) from continuing operations		**2,160**	(1,954)
Losses/(gains) on sale of property, plant and equipment and intangible assets		**3**	(4)
Depreciation, amortisation and impairment		**1,457**	5,554
Share-based payments		**15**	18
Increase in inventories		**(317)**	(87)
Decrease/(increase) in trade and other receivables		**94**	(150)
Increase in payables and provisions		**1,145**	31
Cash generated from continuing operations		**4,557**	3,408
Interest paid		**(323)**	(371)
Interest received		**56**	161
Tax paid		**(762)**	(647)
Net cash flows attributable to discontinued operations	29	**(10)**	(1,140)
Net cash generated from operating activities		**3,518**	1,411
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(394)**	(306)
Purchase of intangible assets		**(92)**	(137)
Proceeds from the sale of property, plant and equipment		**10**	37
Acquisition of businesses, net of cash acquired		**–**	(18)
Purchase of equity instruments and convertible notes		**(36)**	(18)
Net cash used in investing activities		**(512)**	(442)
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasury shares reissued	24	**131**	61
Purchase of ordinary shares by employee share ownership trust		**(4)**	–
Proceeds from borrowings	17	**2,903**	1,548
Repayment of borrowings	17	**(4,583)**	(1,122)
Dividends paid to owners of the parent company	28	**(1,241)**	(1,227)
Dividends paid to non-controlling interests		**(16)**	(15)
Other financing activities		**(47)**	(75)
Net cash used in financing activities		**(2,857)**	(830)
Net increase in cash and cash equivalents		**149**	139
Cash and cash equivalents at beginning of the year		**1,547**	1,477
Exchange losses		**(52)**	(69)
Cash and cash equivalents at end of the year		**1,644**	1,547
Cash and cash equivalents comprise:			
Cash and cash equivalents	16	**1,646**	1,549
Overdrafts	17	**(2)**	(2)
		1,644	1,547

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting Policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

Basis of Preparation

These Financial Statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The Financial Statements are in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss or other comprehensive income. A summary of the Group's accounting policies is set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The preparation of Financial Statements that conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the Balance Sheet date and revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge at the time, actual amounts may ultimately differ from those estimates.

New Standards, Amendments and Interpretations

The following amended standards and interpretations were adopted by the Group on 1 January 2020. These amended standards and interpretations have not had a significant impact on the Group Financial Statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

A number of new standards are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated Financial Statements.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

Going Concern

Having assessed the principal risks and other matters discussed in connection with the Viability Statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated Financial Statements. When reaching this conclusion, the Directors took into account the Group's overall financial position and exposure to principal risks, including the ongoing impact of COVID-19 and future business forecasts. At 31 December 2020, the Group had cash and cash equivalents of £1.6 billion. The Group also had access to committed borrowing facilities of £5.5 billion. These facilities were undrawn at period-end and are not subject to renewal until 2022 onwards. Further detail is contained in the Strategic Report on pages 1 to 93.

Basis of Consolidation

The consolidated Financial Statements include the results of Reckitt Benckiser Group plc, a company registered in the UK, and all its subsidiary undertakings made up to the same accounting date. Subsidiary undertakings are those entities controlled by Reckitt Benckiser Group plc. Control exists where the Group is exposed to, or has the rights to variable returns from its involvement with, the investee and has the ability to use its power over the investee to affect its returns.

Intercompany transactions, balances and unrealised gains on transactions between Group companies have been eliminated on consolidation. Unrealised losses have also been eliminated to the extent that they do not represent an impairment of a transferred asset. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with accounting policies adopted by the Group.

Foreign Currency Translation

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated Financial Statements are presented in Sterling, which is the Group's presentational currency.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of foreign currency denominated monetary assets and liabilities are recognised in the Income Statement, except where hedge accounting is applied.

The Financial Statements of subsidiary undertakings with a non-Sterling functional currency are translated into Sterling on the following basis:

- Assets and liabilities, at the rate of exchange ruling at the year-end date.
- Income Statement items, at the average rate of exchange for the year.

Exchange differences arising from the translation of the net investment in subsidiary undertakings with a non-Sterling functional currency, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in equity on consolidation.

Business Combinations

The acquisition method is used to account for the acquisition of subsidiaries and businesses. Identifiable net assets acquired (including intangible assets) in a business combination are measured initially at their fair values at the acquisition date.

Where the measurement of the fair value of identifiable net assets acquired is incomplete at the end of the reporting period in which the combination occurs, the Group will report provisional fair values. Final fair values are determined within a year of the acquisition date and retrospectively applied.

The excess of the consideration transferred and the amount of any non-controlling interest over the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities acquired is recorded as goodwill.

The consideration transferred is measured at the fair value of the assets given, equity instruments issued (if any), and liabilities assumed or incurred at the date of acquisition.

Acquisition-related costs are expensed as incurred.

1 Accounting Policies continued
The results of the subsidiaries and businesses acquired are included in the consolidated Financial Statements from the acquisition date.

Disposal of Subsidiaries
The financial performance of subsidiaries and businesses are included in the Group Financial Statements up to the point on which the Group ceases to have control over that subsidiary. Any amounts previously recognised in other comprehensive income in respect of that entity, including exchange gains or losses on foreign currency translation, are accounted for as if the Group had directly disposed of related assets and liabilities. This results in a reclassification of amounts previously recognised in other comprehensive income to the Income Statement.

Non-Controlling Interests
On an acquisition-by-acquisition basis the non-controlling interest is measured at either fair value or a proportionate share of the acquiree's net assets.

Purchases of non-controlling interests are accounted for as transactions with the owners and therefore no goodwill is recognised as a result of such transactions.

Revenue
Revenue from the sale of products is recognised in the Group Income Statement as and when performance obligations are satisfied by transferring control of the product or service to the customer.

Net Revenue is defined as the amount invoiced to external customers during the year and comprises, as required by IFRS 15, gross sales net of trade spend, customer allowances for credit notes, returns and consumer coupons. The methodology and assumptions used to estimate credit notes, returns and consumer coupons are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions.

Trade spend, which consists primarily of customer pricing allowances, placement/listing fees and promotional allowances, is governed by sales agreements with the Group's trade customers (retailers and distributors). Trade spend also includes reimbursement arrangements under the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), payable to the respective US State WIC agencies.

Accruals are recognised under the terms of these agreements to reflect the expected activity level and the Group's historical experience. These accruals are reported within trade and other payables.

Value-added tax and other sales taxes are excluded from Net Revenue.

Operating Segments
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee.

Research and Development
Research expenditure is expensed in the year in which it is incurred.

Development expenditure is expensed in the year in which it is incurred, unless it meets the requirements of IAS 38 to be capitalised and then amortised over the useful life of the developed product.

Income Tax
Income tax on the profit/(loss) for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted in each jurisdiction at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated Financial Statements. Deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss at that time. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the Balance Sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the investor is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities within the same tax jurisdiction are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where there is an intention to settle these balances on a net basis.

Goodwill and Other Intangible Assets
(i) Goodwill
Goodwill is allocated to the cash generating unit (CGU), or group of CGUs (GCGU), to which it relates and is tested annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

(ii) Brands
Separately acquired brands are shown at cost less accumulated amortisation and impairment. Brands acquired as part of a business combination are recognised at fair value at the acquisition date, where they are separately identifiable. Brands are amortised over their useful economic life (no more than ten years), except when their life is determined as being indefinite.

Applying indefinite lives to certain acquired brands is appropriate due to the stable long-term nature of the business and the enduring nature of the brands. A core element of the Group's strategy is to invest in building its brands through an ongoing programme of product innovation and increasing marketing investment. Within the Group, a brand typically comprises an assortment of base products and more innovative products. Both contribute to the enduring nature of the brand. The base products establish the long-term positioning of the brand while a succession of innovations attracts ongoing consumer interest and attention. Indefinite life brands are allocated to the CGUs or GCGUs to which they relate and are tested annually for impairment.

The Directors also review the useful economic life of brands annually, to ensure that these lives are still appropriate. If a brand is considered to have a finite life, its carrying value is amortised over that period.

1 Accounting Policies continued

(iii) Software
Expenditure relating to the acquisition of computer software licences and systems are capitalised at cost. The assets are amortised on a straight-line basis over a period of seven years for systems and five years or less for all other software licences.

(iv) Distribution Rights
Payments made in respect of product registration, acquired and reacquired distribution rights are capitalised where the rights comply with the above requirements for recognition of acquired brands. If the registration or distribution rights are for a defined time period, the intangible asset is amortised over that period. If no time period is defined, the intangible asset is treated in the same way as acquired brands.

(v) Customer Contracts
Acquired customer contracts are capitalised at cost. These costs are amortised on a straight-line basis over the period of the contract.

Amortisation of intangible assets in (ii) to (v) is charged to cost of goods sold or net operating expenses depending on the use of the asset.

Property, Plant and Equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment, with the exception of freehold land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. Except for freehold land and assets under construction, the cost of property, plant and equipment is depreciated on a straight-line basis over the period of the expected useful life of the asset. For this purpose, expected lives are determined within the following limits:

- Freehold buildings: not more than 50 years;
- Leasehold land and buildings: the lesser of 50 years or the life of the lease; and
- Owned plant and equipment: not more than 15 years (except for environmental assets and spray dryers which are not more than 20 years).

In general, production plant and equipment and office equipment are depreciated over ten years or less; motor vehicles and computer equipment over five years or less.

Assets' residual values and useful lives are reviewed, and adjusted if necessary, at each Balance Sheet date. Property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be appropriate. Freehold land is reviewed for impairment on an annual basis.

Gains and losses on the disposal of property, plant and equipment are determined by comparing the asset's carrying value with any sale proceeds, and are included in the Income Statement.

Leases
The Group has various lease arrangements for buildings (such as offices and warehouses), cars, and IT and other equipment. Lease terms are negotiated on an individual basis locally and subject to domestic rules and regulations. At the inception of a lease contract, the Group assesses whether the contract conveys the right to control the use of an identified asset for a certain period in exchange for consideration, in which case it is identified as a lease. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Right of Use Assets
At commencement date, right of use assets are measured at cost, which comprises the following:

- The initial measurement of the lease liability;
- Prepayments before commencement date of the lease;
- Initial direct costs; and
- Costs to restore.

Subsequent to initial recognition right of use assets are depreciated on a straight-line basis over the duration of the contract. Right of use assets are assessed for impairment where indicators of impairment are present.

Lease Liabilities
At commencement date, lease liabilities are measured at the present value of lease payments not yet paid including:

- Fixed payments excluding lease incentive receivables;
- Future contractually agreed fixed increases; and
- Payments related to renewals or early termination, when options to renew or for early termination are reasonably certain to be exercised.

Subsequent to initial recognition lease liabilities are increased by the interest costs on the lease liabilities and decreased by lease payments made. Lease liabilities held are remeasured to account for revised future payments.

Impairment of Assets
Assets that have indefinite lives, including goodwill and brands, are tested annually for impairment at the level where cash flows are considered to be largely independent. This testing is performed at either the CGU or GCGU level. All assets are tested for impairment if there is an event or circumstance that indicates that their carrying value may not be recoverable. If an asset's carrying value exceeds its recoverable amount an impairment loss is recognised in the Income Statement. The recoverable amount is the higher of the asset's value in use and its fair value less costs of disposal.

Value in use is calculated with reference to the future and terminal cash flows expected to be generated by an asset (or group of assets where cash flows are not identifiable to specific assets). The discount rates used in the asset impairment reviews are based on weighted-average cost of capital (WACC) specific to each CGU and GCGU, with the WACC converted to the implied pre-tax rates.

Fair value less costs of disposal is calculated using a discounted cash flow approach based on a market participant basis, with a post-tax discount rate applied to projected risk-adjusted post-tax cash flows and terminal value.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and an appropriate portion of overhead expenses (based on normal operating capacity) required to get the inventory to its present location and condition. Inventory valuation is determined on a first in, first out (FIFO) basis. Net realisable value represents the estimated selling price less applicable selling expenses.

Trade and Other Receivables
Trade and other receivables are initially recognised at fair value less transaction costs and subsequently held at amortised cost, less provision for discounts and doubtful debts. Allowance losses are calculated by reviewing lifetime expected credit losses using historic and forward-looking data on credit risk.

1 Accounting Policies continued

Trade and Other Payables
Trade and other payables are initially recognised at fair value including transaction costs and subsequently carried at amortised cost.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash balances and other deposits with a maturity of less than three months when deposited.

For the purpose of the cash flow statement, bank overdrafts that form an integral part of the Group's cash management, and are repayable on demand, are included as a component of cash and cash equivalents. Bank overdrafts are included within short-term borrowings in the Balance Sheet.

Borrowings
Interest-bearing borrowings are recognised initially at fair value less, where permitted by IFRS 9, any directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis.

Derivative Financial Instruments and Hedging Activity
The Group may use derivatives to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

At the inception of designated hedge relationships, the Group documents its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows or fair values of hedged items.

The Group designates certain derivatives as either:
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedges); or
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges).

Derivatives designated as cash flow hedges:
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve. Any gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. For all other transactions, the amounts accumulated in the hedging reserve are recycled to the Income Statement in the period (or periods) when the hedged item affects the Income Statement.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated, or is exercised, then hedge accounting is discontinued prospectively. The amount that has been accumulated in the hedging reserve remains in equity until it is either included in the cost of a non-financial item or recycled to the Income Statement.

Derivatives designated as fair value hedges:
Fair value hedges are used to manage the currency and/or interest rate risks to which the fair value of certain assets and liabilities are exposed. Changes in the fair value are recognised in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If such a hedge relationship no longer meets hedge accounting criteria, fair value movements on the derivative continue to be taken to the Income Statement while any fair value adjustments made to the underlying hedged item to that date are amortised through the Income Statement over its remaining life using the effective interest rate method.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement.

Net Investment Hedges
Gains and losses on those hedging instruments designated as hedges of the net investments in foreign operations are recognised in other comprehensive income to the extent that the hedging relationship is effective. Gains and losses accumulated in the foreign currency translation reserve are recycled to the Income Statement when the foreign operation is disposed of.

Equity Instruments (FVOCI)
Equity instruments (FVOCI) are investments that are neither held for trading nor classified as investments in subsidiaries, associates or joint arrangements. Subsequent to their initial recognition, equity instruments (FVOCI) are stated at their fair value. Gains and losses arising from subsequent changes in the fair value are recognised in the Income Statement or in other comprehensive income on a case by case basis. Accumulated gains and losses included in other comprehensive income are not recycled to the Income Statement. Dividends from other investments are recognised in the Income Statement.

Investment in Associates
Investments in associates are accounted for using the equity method. An associate is an entity over which the Group has significant influence, being the power to participate in the investee's financial and operating policy decisions without control or joint control.

Interests in associates are stated in the consolidated balance sheet at cost, adjusted for the movement in the Group's share of their net assets and liabilities. The Group's share of the profit or loss after tax of associates is included in the Group's consolidated profit before taxation. Unrealised intragroup profits or losses from transactions are offset against the carrying amount of the investment on a pro-rata basis during consolidation, if material.

When the Group's share of losses exceeds its interest in an associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Financial Statements of the companies accounted for using the equity method are prepared in accordance with uniform accounting and measurement methods throughout the Group.

Employee Share Schemes
Incentives in the form of shares are provided to employees under share option and restricted share schemes vested in accordance with non-market conditions.

1 Accounting Policies continued

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each Balance Sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Additional employer costs, including social security taxes, in respect of options and awards are charged to the Income Statement over the same period with a corresponding liability recognised.

Repurchase and Reissuance of Ordinary Shares

When shares recognised as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Repurchased shares are classified as Treasury shares and are presented in retained earnings. When Treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and any resulting surplus is presented within share premium or deficit presented within retained earnings.

Pension Commitments

Group companies operate defined contribution and (funded and unfunded) defined benefit pension plans.

The cost of providing pensions to employees who are members of defined contribution plans is charged to the Income Statement as contributions are made. The Group has no further payment obligations once the contributions have been paid.

The deficit or surplus recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Balance Sheet date, less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows by the yield on high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have a maturity approximating to the terms of the pension obligations. The costs of providing these defined benefit plans are accrued over the period of employment. Actuarial gains and losses are recognised immediately in other comprehensive income.

Past-service costs are recognised immediately in profit or loss.

The net interest amount is calculated by applying the discounted rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset.

The net pension plan interest is presented as finance income/expense.

Post-Retirement Benefits Other than Pensions

Some Group companies provide post-retirement medical care to their retirees. The costs of providing these benefits are accrued over the period of employment and the liability recognised in the Balance Sheet is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related asset is deducted.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that there will be an outflow of resources to settle that obligation; and the amount can be reliably estimated. Provisions are valued at the present value of the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date. Where it is possible that a settlement may be reached or it is not possible to make a reliable estimate of the estimated financial impact, appropriate disclosure is made but no provision recognised.

Share Capital Transactions

When the Group purchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Purchased shares are either held in Treasury, in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled would be transferred from retained earnings.

Dividend Distribution

Dividends to owners of the parent company are recognised as a liability in the period in which the dividends are approved by the company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

Dividend payments are recorded at fair value. Where non-cash dividend payments are made, gains arising as a result of fair value remeasurements are recognised in profit or loss in the same period.

Accounting Estimates and Judgements

In preparing these consolidated Financial Statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts and results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

Over the course of the year, management has made a number of critical judgements in the application of the Group's accounting policies. These include the following:

- Management has identified matters (including the Korea HS issue) that may incur liabilities in the future but does not recognise these liabilities when it is too early to determine the likely outcome or make a reliable estimate (Note 18, Note 20).
- The continuing enduring nature of the Group's brands supports the indefinite life assumption of these assets (Note 9).
- Assumptions are made as to the recoverability of tax assets especially as to whether there will be sufficient future taxable profits in the same jurisdictions to fully utilise losses in future years (Note 12).

Key sources of estimation uncertainty

Each year, management is required to make a number of assumptions regarding the future. The related year-end accounting estimates will, by definition, seldom equal the final actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

1 Accounting Policies continued

Goodwill and Indefinite life intangible assets:
Under IFRS, goodwill and other indefinite life intangible assets must be tested for impairment on at least an annual basis. As disclosed further in Note 9, this testing generally requires management to make multiple estimates, for example around individual market pressures and forces, future price and volume growth, future margins, terminal growth rates and discount rates. In 2020, the Group recognised impairment losses of £985 million, all of which related to IFCN goodwill (2019: £5,116 million, with £5,037 million relating to IFCN goodwill). In addition to the above, the IFCN impairment assessment incorporated estimates relating to future birth rates, cross border trade between Hong Kong and mainland China, and future WIC tendering in the US. Refer to Note 9 for further information, including details on the sensitivity of the IFCN value-in-use model to reasonable changes in key assumptions.

Tax:
The actual tax paid on profits is determined based on tax laws and regulations that differ across the numerous jurisdictions in which the Group operates. Assumptions are made in applying these laws to the taxable profits in any given period in order to calculate the tax charge for that period. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the variance is charged or credited to the Income Statement in the period in which it is determined (Note 7).

The Group operates in an international tax environment and is subject to tax examinations and uncertainties in a number of jurisdictions. The issues involved can be complex and disputes may take a number of years to resolve. Each uncertainty is separately assessed and management applies judgement in the recognition and measurement of the uncertainty based on the relevant circumstances. The exposure recognised is calculated based on the expected value method or the most likely outcome method, depending on whether there are a wide range of possible outcomes or if resolution of the uncertainty is concentrated on one outcome. In particular, the range of possible outcomes relating to transfer pricing exposures can be wide and in these scenarios the expected value method is employed. The accounting estimates and judgements considered include:

- Status of the unresolved matter;
- Clarity of relevant legislation and related guidance;
- Pre-clearances issued by taxing authorities;
- Advice from in-house specialists and opinions of professional firms;
- Resolution process and range of possible outcomes;
- Past experience and precedents set by the particular taxing authority;
- Decisions and agreements reached in other jurisdictions on comparable issues;
- Unutilised tax losses, tax credits and availability of mutual agreement procedures between tax authorities; and
- Statute of limitations.

Management is of the opinion that the carrying values of the provisions made in respect of these matters represent the most accurate measurement once all facts and circumstances have been taken into account. Nevertheless, the final amounts paid to discharge the liabilities arising (either through negotiated settlement or litigation) will in all likelihood be different from the provision recognised. The net liabilities recognised in respect of uncertain tax positions as at 31 December 2020 are £950 million (2019: £891 million) (Note 22).

Trade spend:
The Group provides for amounts payable to our trade customers for promotional activity and government reimbursement arrangements. Where an activity spans across the year end, an accrual is reflected in the consolidated Financial Statements based on our estimation of customer and consumer uptake during the relevant period and the extent to which temporary funded activity has occurred. There is a timing difference between that initial estimation and final settlement of trade spend with our customers – the result of which could lead to variations between the two. As at 31 December 2020, the Group has recognised total accruals of £1,275 million (2019: £1,095 million) in respect of amounts payable to trade customers and government bodies for trade spend. The Group's trade spend arrangements vary considerably by market and category, and the Group's trade spend accruals is made up of many individually small accruals. Therefore, an aggregated disclosure of sensitivity analysis on the key inputs to trade spend accrual estimates would not be practicable nor meaningful. Nevertheless, a 12% (2019: 14%) difference between those initial estimates and final settlement would cause a material adjustment in the next financial year. Refer to Note 21 for further information.

Other estimates
Set out below are other estimates where there is a risk of adjustment to the carrying amounts of assets and liabilities within the next financial year, but the risk of a material adjustment is not significant.

Legal provisions:
The Group recognises legal provisions in line with the Group's provisions policy. The level of provisioning in relation to civil and/or criminal investigations is an area where management and legal judgement are important, with individual provisions being based on best estimates of the potential loss, considering all available information, external advice and historical experience. As at 31 December 2020, the Group recognised legal provisions of £232 million (2019: £151 million) in relation to a number of historical regulatory and other matters in various jurisdictions.

Defined benefit pension plan:
The value of the Group's defined benefit pension plan obligations is dependent on a number of key assumptions. These assumptions include the rate of increase in pensionable salaries, the discount rate to be applied, the level of inflation and the life expectancy of the schemes' members. Details of the key assumptions and the sensitivity of the principal schemes' carrying value to changes in the assumptions are set out in Note 23.

2 Operating Segments

The Group's operating segments comprise of the Hygiene, Health and Nutrition business units reflecting the way in which information is presented to and reviewed by the Group's Chief Operating Decision Maker (CODM) for the purposes of making strategic decisions and assessing Group-wide performance. In the second half of 2020, the Group's operating segments changed as the information presented to and reviewed by the Group's CODM was aligned to organisational changes which were implemented by the Group on 1 July 2020.
The CODM is the Group Executive Committee. This Committee is responsible for the implementation of strategy (approved by the Board), the management of risk (delegated by the Board) and the review of Group operational performance and ongoing business integration.
The Group Executive Committee assesses the performance of these operating segments based on Net Revenue from external customers and segment profit being adjusted operating profit. Intercompany transactions between operating segments are eliminated. Finance income and expense are not allocated to segments, as each is managed on a centralised basis.

2 Operating Segments continued

The segment information for the operating segments for the year ended 31 December 2020 and 31 December 2019 is as follows:

Year ended 31 December 2020	Hygiene £m	Health £m	Nutrition £m	Adjusting Items £m	Total £m
Net Revenue	**5,816**	**4,890**	**3,287**	**–**	**13,993**
Depreciation & amortisation	**(128)**	**(142)**	**(122)**	**(80)**	**(472)**
Operating Profit	**1,505**	**1,334**	**462**	**(1,141)**	**2,160**
Net finance expense					**(286)**
Share of loss from associates					**(1)**
Profit before income tax					**1,873**
Income tax expense					**(720)**
Net income from continuing operations					**1,153**

Year ended 31 December 2019 (restated)*	Hygiene £m	Health £m	Nutrition £m	Adjusting Items £m	Total £m
Net Revenue	5,031	4,462	3,353	–	12,846
Depreciation & amortisation	(117)	(135)	(97)	(81)	(430)
Operating Profit/(Loss)	1,279	1,370	718	(5,321)	(1,954)
Net finance expense					(153)
Loss before income tax					(2,107)
Income tax expense					(665)
Net loss from continuing operations					(2,772)

* Segmental information for the year ended 31 December 2019 has been restated to reflect the Group's current operating segments, which changed in the second half of 2020.

Financial information for the Hygiene, Health and Nutrition operating segments is presented on an adjusted basis, which excludes certain cash and non-cash items which management believes are not reflective of the underlying financial performance of the business. Financial information on an adjusted basis is consistent with how management reviews the business for the purpose of making operating decisions. Adjusting items to operating profit comprise exceptional items and other adjusting items.

- Exceptional items are material, non-recurring items of expense or income.
- Other adjusting items includes the amortisation of certain fair value adjustments recorded in respect of finite-life intangible assets recognised in the purchase price allocation for the acquisition of MJN. These are not classified as exceptional items because of their recurring nature.

The company is domiciled in the UK. The split of Net Revenue from external customers and Non-Current Assets (other than equity instruments, deferred tax assets and retirement benefit surplus assets) between the UK, the US and Greater China (US and Greater China being the two biggest countries outside the country of domicile) and that from all other countries is:

2020	**UK £m**	**US £m**	**Greater China[1] £m**	**All other countries £m**	**Total £m**
Net Revenue	**811**	**3,955**	**1,561**	**7,666**	**13,993**
Goodwill and other intangible assets	**2,018**	**9,473**	**4,303**	**7,185**	**22,979**
Property, plant and equipment	**324**	**563**	**170**	**1,176**	**2,233**
Other non-current receivables	**25**	**55**	**1**	**65**	**146**

1. Greater China represents mainland China, Hong Kong and Taiwan

2 Operating Segments continued

2019	UK £m	US £m	Greater China[1] £m	All other countries £m	Total £m
Net Revenue	743	3,227	1,534	7,342	12,846
Goodwill and other intangible assets	2,006	9,955	4,948	7,352	24,261
Property, plant and equipment	291	532	141	1,176	2,140
Other non-current receivables	8	62	2	83	155

1. Greater China represents Mainland China, Hong Kong and Taiwan

Major customers are typically large grocery chains, mass markets and multiple retailers. The Group's customer base is diverse with no individual customer accounting for more than 10% of Net Revenue (2019: no individual customer accounting for more than 10%).

3 Analysis of Net Operating Expenses

	2020 £m	2019 £m
Distribution costs	**(3,611)**	(3,417)
Research and development	**(288)**	(257)
Other administrative expenses	**(1,393)**	(945)
Other net operating income	**2**	3
Net operating expenses	**(5,290)**	(4,616)

A net foreign exchange loss of £5 million (2019: £2 million loss) has been recognised through the Income Statement.

4 Auditor Remuneration

During the year, the Group (including its overseas subsidiaries) obtained the following services from the company's Auditor and its associates.

	2020 £m	2019 £m
Audit services pursuant to legislation		
Audit of the Group's Annual Report and Financial Statements	**4.4**	4.6
Audit of the Financial Statements of the Group's subsidiaries	**7.5**	8.0
Audit-related assurance services	**0.6**	0.6
Total audit and audit-related services	**12.5**	13.2
Fees payable to the company's Auditor and its associates for other services		
Other Assurance services	**0.2**	1.3
Total non-audit services	**0.2**	1.3
	12.7	14.5

5 Employees

Staff Costs

The total employment costs, including Directors, were:

	Note	**2020 £m**	2019 £m
Wages and salaries		**1,970**	1,558
Social security costs		**263**	246
Other pension costs	23	**54**	60
Share-based payments	25	**15**	18
Total staff costs		**2,302**	1,882

Executive Directors' aggregate emoluments are disclosed in the Directors' Remuneration Report.

5 Employees continued

Compensation awarded to key management (the Group Executive Committee) was:

	2020 £m	2019 £m
Short-term employee benefits	**26**	13
Share-based payments	**9**	5
	35	18

Staff Numbers

The monthly average number of people employed by the Group, including Directors, during the year was:

	2020 '000	2019 '000
North America	**4.7**	4.3
Europe/ANZ	**14.1**	13.3
DvM	**25.1**	24.8
	43.9	42.4

6 Net Finance Expense

	2020 £m	2019 £m
Finance income		
Interest income on cash and cash equivalents	**61**	96
Movement on put option liability	**–**	25
Other finance income	**16**	40
Total finance income	**77**	161
Finance expense		
Interest payable on borrowings	**(276)**	(331)
Finance (expense)/credit on tax balances	**(26)**	35
Movement on put option liability	**(9)**	–
Other finance expense	**(52)**	(18)
Total finance expense	**(363)**	(314)
Net finance expense	**(286)**	(153)

All net finance expense relates to continuing operations only.

7 Income Tax Expense

	2020 £m	2019 £m
Current tax	**740**	640
Adjustment in respect of prior periods	**(45)**	36
Total current tax	**695**	676
Origination and reversal of temporary differences	**(56)**	(10)
Impact of changes in tax rates	**81**	(1)
Total deferred tax	**25**	(11)
Income tax expense	**720**	665

Current tax includes tax incurred by UK entities of £135 million (2019: £95 million). This is comprised of UK corporation tax of £85 million (2019: £79 million) and overseas tax suffered of £50 million (2019: £16 million). UK current tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the year, net of relief for overseas taxes where available. Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Cash tax paid in the year was £762 million (2019: £647 million). The variance from the current tax charge of £740 million is attributable to movements on non-current tax liabilities (shown in Note 22) and timing differences arising between accrual and payment of income tax liabilities.

Origination and reversal of temporary differences includes adjustments in respect of prior periods of £22 million expense (2019: £12 million expense).

7 Income Tax Expense continued

The total tax charge on the Group's profits for the year can be reconciled to the notional tax charge calculated at the UK tax rate as follows:

Continuing operations	2020 £m	2019[1] £m
Profit/(loss) before income tax	**1,873**	(2,107)
Tax at the notional UK corporation tax rate of 19% (2019: 19%)	**356**	(400)
Effect of:		
Overseas tax rates	**43**	77
Movement in provision related to uncertain tax positions	**41**	(46)
Unrecognised tax losses and other unrecognised tax assets	**(38)**	(42)
Withholding and local taxes	**31**	71
Reassessment of prior year estimates	**(23)**	48
Impact of changes in tax rates	**81**	(1)
Permanent differences	**229**	958
Income tax expense	**720**	665

1. The 2019 presentation has been revised to be consistent with 2020

Our effective tax rate in any given financial year reflects a variety of factors that may not be present in succeeding financial years, and may be affected by variations in profit mix and changes in tax laws, regulations and related interpretations.

The effect of overseas tax rates represents the impact of profits arising outside the UK that are taxed at different rates to the UK rate

Unrecognised tax losses and other unrecognised tax assets arising in 2020 relates to previously unrecognised losses (2019 – same).

Withholding and local taxes includes a provision for deferred tax on unremitted earnings (Note 12). This charge is expected to arise on planned repatriations of retained earnings from overseas subsidiaries in future periods.

The reassessment of prior year estimates includes settlements reached following conclusion of reviews of tax authorities and differences between the final tax return submissions and liabilities accrued in these Financial Statements.

The impact of changes in tax rates in 2020 primarily results from the revaluation of deferred tax liabilities relating to intangible assets following increases in tax rates substantively enacted by the UK and Netherlands governments.

Permanent differences in 2020 and 2019 principally related to the non-deductible impairment of goodwill in IFCN.

We conduct business operations in a number of countries, and are therefore subject to tax and intercompany pricing laws in multiple jurisdictions. We have in the past faced, and may in the future face, audits and challenges brought by tax authorities, and we are involved in ongoing tax investigations in a number of countries. If material challenges were to be successful, our effective tax rate may increase, we may be required to modify structures at significant costs to us, we may also be subject to interest and penalty charges and we may incur costs in defending litigation or reaching a settlement. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

EC State Aid

In connection with the European Commission's (EC) decision that the UK Controlled Foreign Company (CFC) Legislation up to 31 December 2018 partially represented state aid, the UK government introduced a new law, Taxation (Post-transition Period) Act 2020, Recovery of Unlawful State Aid Rules, which received Royal Assent on 17 December 2020. This new legislation facilitates the collection of the alleged unlawful state aid, as is required under EU rules.

Post year end the Group received charging notices under this new legislation which it will be required to pay whilst the case is being resolved through the European courts. Nothing from these notices has changed management's assessment of no provision being required at this time.

UK Corporation Tax Rate Change

The March 2021 UK Budget announced an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. This will increase the future current tax charge on the Group's profits arising in the UK. Based on the values presented in the balance sheet at 31 December 2020, the UK corporation tax rate change would increase net deferred tax liabilities by approximately £220 million in the period in which it is substantively enacted.

7 Income Tax Expense continued

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2020 Before tax £m	2020 Tax (charge)/credit £m	2020 After tax £m	2019 Before tax £m	2019 Tax (charge)/credit £m	2019 After tax £m
Net exchange (losses) on foreign currency translation	**(207)**	**–**	**(207)**	(579)	–	(579)
(Losses)/gains on cash flow and net investment hedges	**(95)**	**3**	**(92)**	60	1	61
Remeasurement of defined benefit pension plans (Note 23)	**(75)**	**15**	**(60)**	12	2	14
Revaluation of equity instruments – FVOCI	**31**	**(12)**	**19**	(13)	–	(13)
Other comprehensive income/(loss)	**(346)**	**6**	**(340)**	(520)	3	(517)
Current tax		**1**			–	
Deferred tax (Note 12)		**5**			3	
		6			3	

The tax credited/(charged) directly to the Statement of Changes in Equity during the year is as follows:

	2020 £m	2019 £m
Current tax	**6**	4
Deferred tax (Note 12)	**(2)**	–
	4	4

8 Earnings Per Share

	2020 pence	2019 pence
Basic earnings/(loss) per share		
From continuing operations	**160.0**	(393.0)
From discontinued operations	**7.0**	(126.7)
Total basic earnings/(loss) per share	**167.0**	(519.7)
Diluted earnings/(loss) per share		
From continuing operations	**159.3**	(393.0)
From discontinued operations	**7.0**	(126.7)
Total diluted earnings/(loss) per share	**166.3**	(519.7)

Basic

Basic earnings per share is calculated by dividing the net income/(loss) attributable to owners of the parent company from continuing operations (2020: £1,137 million income; 2019: £2,785 million loss) and discontinued operations (2020: £50 million income; 2019: £898 million loss) by the weighted average number of ordinary shares in issue during the year (2020: 710,907,200; 2019: 708,688,420).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. The company has the following categories of potentially dilutive ordinary shares: Executive Share Awards (including Executive Share Options and Executive Restricted Share Scheme Awards) and Employee Sharesave Scheme Options. The options only dilute earnings when they result in the issue of shares at a value below the market price of the share and when all performance criteria (if applicable) have been met. As at 31 December 2020 there were 1,865,524 (2019: 7,970,362) Executive Share Awards excluded from the dilution because the exercise price for the options was greater than the average share price for the year or the performance criteria have not been met.

	2020 Average number of shares	2019 Average number of shares
On a basic basis	**710,907,200**	708,688,420
Dilution for Executive Share Awards[1]	**61,251**	–
Dilution for Employee Sharesave Scheme Options outstanding[1]	**2,778,499**	–
On a diluted basis	**713,746,950**	708,688,420

1. As there was a loss in 2019, the effect of potentially dilutive shares is anti-dilutive

9 Goodwill and Other Intangible Assets

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2019	18,370	11,851	303	168	30,692
Additions	1	–	136	–	137
Arising on business combinations	–	14	–	–	14
Disposals	–	–	(3)	(1)	(4)
Reclassifications	–	–	(11)	11	–
Exchange adjustments	(560)	(349)	(9)	(3)	(921)
At 31 December 2019	17,811	11,516	416	175	29,918
Additions	3	–	84	5	92
Disposals	–	–	(1)	–	(1)
Reclassifications	–	–	(10)	10	–
Exchange adjustments	(141)	(108)	1	(5)	(253)
At 31 December 2020	**17,673**	**11,408**	**490**	**185**	**29,756**
Accumulated amortisation and impairment					
At 1 January 2019	250	18	93	53	414
Amortisation and impairment	141	5,037	48	23	5,249
Disposals	–	–	(3)	–	(3)
Exchange adjustments	(1)	(1)	(2)	1	(3)
At 31 December 2019	**390**	**5,054**	**136**	**77**	**5,657**
Amortisation and impairment	63	985	55	25	1,128
Disposals	–	–	(1)	–	(1)
Exchange adjustments	(4)	–	–	(3)	(7)
At 31 December 2020	**449**	**6,039**	**190**	**99**	**6,777**
Net book value					
At 31 December 2019	17,421	6,462	280	98	24,261
At 31 December 2020	**17,224**	**5,369**	**300**	**86**	**22,979**

The amount stated for brands represents the fair value of brands acquired since 1985 at the date of acquisition. Other includes product registration, distribution rights, capitalised product development costs and customer contracts.

Software includes intangible assets under construction of £37 million (2019: £55 million).

The majority of brands, all of goodwill and certain other intangibles are considered to have indefinite lives for the reasons noted in the accounting policies and therefore are subject to an annual impairment review. The MJN global brand, acquired MJN WIC contracts and a number of small non-core brands are deemed to have a finite life and are amortised accordingly. Amortisation is recognised in net operating expenses or cost of goods sold depending on the use of the asset.

The net book values of indefinite and finite life intangible assets are as follows:

Net book value	**2020 £m**	2019 £m
Indefinite life assets		
Brands	**16,857**	16,989
Goodwill	**5,369**	6,462
Other	**36**	49
Total indefinite life assets	**22,262**	23,500
Finite life assets		
Brands	**367**	432
Software	**300**	280
Other	**50**	49
Total finite life assets	**717**	761
Total net book value of intangible assets	**22,979**	24,261

9 Goodwill and Other Intangible Assets continued

Cash Generating Units

Goodwill and other intangible assets with indefinite lives are allocated to either individual cash generating units (CGUs), or groups of cash generating units (together GCGUs). The goodwill and intangible assets with indefinite lives are tested for impairment at the level at which identifiable cash inflows are largely independent. Generally this is at a GCGU level, but for certain intangible assets this is at a CGU level.

After considering all the evidence available, including how brand and production assets generate cash inflows and how management monitors the business, the Directors have concluded that for the purpose of impairment testing of goodwill and other intangible assets, the Group's GCGUs are as follows: Health, Hygiene and IFCN. In 2020, VMS was identified as a separate CGU which previously formed part of the Health GCGU in 2019.

An analysis of the net book value of indefinite life assets and goodwill by GCGU and the new CGU in 2020 is shown below:

		2020		
GCGU/CGU	Power brands	Indefinite life assets £m	Goodwill £m	Total £m
Health	Durex, Gaviscon, Mucinex, Nurofen, Scholl, Strepsils, Clearasil, Dettol, Veet	**6,028**	**3,354**	**9,382**
Hygiene	Cillit Bang, Finish, Harpic, Lysol, Mortein, Air Wick, Calgon, Vanish, Woolite	**1,780**	**45**	**1,825**
IFCN	Enfamil, Nutramigen	**8,124**	**1,725**	**9,849**
VMS[1]	MegaRed	**961**	**245**	**1,206**
		16,893	**5,369**	**22,262**

1. VMS is a CGU previously included within the Health GCGU in 2019

		2019		
GCGU	Power brands	Indefinite life assets £m	Goodwill £m	Total £m
Health	Durex, Gaviscon, Mucinex, Nurofen, Scholl, Strepsils, Clearasil, Dettol, Veet	7,087	3,671	10,758
Hygiene	Cillit Bang, Finish, Harpic, Lysol, Mortein, Air Wick, Calgon, Vanish, Woolite	1,784	45	1,829
IFCN	Enfamil, Nutramigen	8,167	2,746	10,913
		17,038	6,462	23,500

Within the Health GCGU, the cash flows of certain brands are separately identifiable. As a result, the carrying values of the associated indefinite life assets have been tested for impairment as CGUs. This is in addition to the impairment testing over the GCGUs. The CGUs tested separately in 2020 are shown below.

Indefinite life assets excluding goodwill	2020 £m
Sexual Wellbeing	**2,170**
Oriental Pharma	**49**

Indefinite life assets excluding goodwill	2019 £m
Sexual Wellbeing	2,167
Oriental Pharma	47

Annual Impairment Review

Goodwill and other indefinite life intangible assets must be tested for impairment on at least an annual basis. An impairment loss is recognised when the recoverable amount of a GCGU or CGU falls materially below its net book value at the date of testing.

The determination of recoverable amount, being the higher of value-in-use and fair value less costs to dispose, is inherently judgemental and requires management to make multiple estimates, for example around individual market pressures and forces, future price and volume growth, future margins, terminal growth rates and discount rates.

When forecasting the annual cash flows that support the recoverable amount calculations, the Group generally uses its short-term budgets and medium-term strategic plans, with additional senior management and Board-level review. Cash flows beyond the five-year period are projected using steady or progressively declining growth rates followed by a terminal growth rate. These rates do not exceed the long-term average growth rate for the products and markets in which the GCGU or CGU operates.

9 Goodwill and Other Intangible Assets continued

The cash flows are discounted back to their present value using a pre-tax rate considered appropriate for each GCGU and CGU. In 2020, as in 2019, these rates have been derived from management's views on the relevant weighted average cost of capital, subsequently converted to the pre-tax equivalent rate.

For the Health and Hygiene GCGUs as well as the Sexual Wellbeing and VMS CGUs, any reasonably possible change in the key valuation assumptions would not imply possible impairment. Each of these assessments utilised a pre-tax discount rate of 10% and a terminal growth rate of either 3% (Health, VMS and Sexual Wellbeing) or 2% (Hygiene).

IFCN

On 15 June 2017, the Group acquired 100% of the issued share capital of MJN for cash consideration of £13,044 million ($16,642 million). The acquisition was treated as a business combination and hence both the assets acquired, and liabilities assumed, were brought onto the Group Balance Sheet at their fair value.

In 2019 the Group determined that the IFCN net book value exceeded its recoverable amount. The Group accordingly recognised an impairment loss of £5,037 million against IFCN goodwill, to record IFCN at its recoverable amount of £9,890 million. Following the recognition of this impairment loss, no headroom remained between the IFCN recoverable amount and net book value.

During 2020 IFCN's performance fell below expectations, particularly in Greater China due to ongoing restrictions on cross border trade between Hong Kong and mainland China, and the impact of increased local competition, despite holding market share in mainland China. Additionally, operating margins were impacted by product write-offs due to lack of trade between Hong Kong and mainland China. The COVID-19 pandemic and the resultant recession further impacted global IFCN performance. The Group considers these headwinds to be temporary and does not anticipate these factors to significantly impact its long-term expectations for the IFCN business. However, as a result, for the 2020 IFCN impairment assessment the Group has revised down its near-term expectations for IFCN ahead of anticipated medium-term recovery and margin improvement from ongoing and future productivity programmes. The Group's expectations for IFCN operating margins in the medium term are consistent with assumptions in the prior year's impairment assessment.

In 2020, as a result of the COVID-19 pandemic additional uncertainty has been introduced into the valuation of IFCN. To reflect this uncertainty management has increased the pre-tax discount rate used to determine value-in-use. This resulted in the IFCN net book value exceeding its recoverable amount, therefore management has recorded an impairment loss against IFCN goodwill of £985 million to record IFCN at its recoverable amount of £8,810 million.

The recoverable amount for IFCN has been calculated on a value-in-use basis (2019: value-in-use basis). The value-in-use of IFCN was determined utilising a discounted cash flow approach with future cash flows derived from a detailed five-year financial plan. Cash flows beyond the five-year plan are projected using steady or progressively declining growth rates followed by a terminal growth rate. The valuation used a pre-tax discount rate of 9.6% (2019: 9.0%) and an IFCN specific terminal growth rate of 2.5% (2019: 2.5%).

The determination of the recoverable amount for IFCN at 31 December 2020 incorporates certain key assumptions, some of which are subject to considerable uncertainty. These assumptions include but are not limited to the duration of the COVID-19 pandemic, the resultant recession and the impact on birth rates, the duration of cross border trade restrictions between Hong Kong and mainland China and the commercial success of new product launches, including adult nutrition, and the expansion of specialty nutrition. As no headroom exists between the IFCN recoverable amount and net book value, any changes to these assumptions, or any deterioration in other macro or business-level assumptions supporting the IFCN recoverable amount could necessitate the recognition of impairment losses in future periods.

The expected Net Revenue and Gross Margin growth rates included within the 2020 impairment assessment are outlined below, and reflect the lower base in 2020 in the calculation of the growth rates:

	2020
Annual growth in Net Revenue between 2021 and 2030[1]	**3% to 5%**
Annual growth in Gross Margin between 2021 and 2030[1]	**3% to 6%**

	2019
Annual growth in Net Revenue between 2020 and 2029[1]	2% to 4%
Annual growth in Gross Margin between 2020 and 2029[1]	2% to 4%

1. At constant exchange rates, excluding the impact of future foreign exchange movements

9 Goodwill and Other Intangible Assets continued

The key estimates incorporated within the determination of the IFCN recoverable amount are summarised below:

Key estimates	Commentary
Greater China market	In the short to medium term, management expects that Greater China will continue to be impacted by increased competition and regulation combined with generally subdued domestic birth rates. Management currently expects the restrictions on cross border trade between Hong Kong and mainland China to be removed in the short term, which is a source of uncertainty.
US market	In the US, management expects market conditions to be relatively stable but be impacted by a medium-term decline in birth rates due to COVID-19. Tendering for WIC contracts continues to remain highly competitive.
Net Revenue	In the short to medium term, management expects to achieve Net Revenue growth (excluding the impact of foreign exchange movements) of between 3% and 5% per annum. This is expected to be achieved through a mix of ongoing premiumisation, price increases, volume growth and revenues from new products/category launches including adult nutrition and the expansion of speciality nutrition.
Margins	In the short to medium term, management expects IFCN margins (both gross and operating) to increase from current levels as the temporary factors which impacted margins in 2020 unwind and IFCN realises benefits from Reckitt's multi-year productivity programme. Management's expectations for IFCN operating margins in the medium term are consistent with assumptions in the prior year's impairment assessment.
Discount rate	Management determined an IFCN-specific weighted average cost of capital (WACC) and the implied pre-tax discount rate with the support of a third-party expert. In addition, management performed benchmarking against other comparable companies. For valuation purposes management used the upper end of the calculated range in 2020 to reflect considerable uncertainty in certain key assumptions.
Terminal growth rate	Management engaged a third-party expert to help calculate an IFCN-specific terminal growth rate. Management is satisfied with the reasonableness of this rate when compared against independent market growth projections and long-term country inflation rates.

The table below shows the sensitivity of the 2020 recoverable amount to reasonable changes in key assumptions. The table assumes no related response by management (e.g. to drive further cost savings) and is hence theoretical in nature.

	(£m)
Expected Net Revenue growth rates (2021 to 2030) adjusted by 100bps	+/- 900
Expected EBIT growth rates (2021 to 2030) adjusted by 100bps	+/- 600
Terminal growth rate (applied from 2031) adjusted by 50bps	+600 / -500
Pre-tax discount rate adjusted by 50bps	+700 / -600

10 Property, Plant and Equipment

	Land and buildings £m	Plant and equipment £m	Right of use Assets £m	Assets under construction £m	Total £m
Cost					
At 1 January 2019	1,117	1,857	374	327	3,675
Additions	14	53	69	239	375
Disposals	(3)	(54)	(75)	(2)	(134)
Reclassifications	67	164	–	(231)	–
Exchange adjustments	(43)	(83)	(15)	(9)	(150)
At 31 December 2019	**1,152**	**1,937**	**353**	**324**	**3,766**
Additions	27	58	89	309	483
Disposals	(9)	(48)	(21)	(6)	(84)
Reclassifications	98	183	–	(281)	–
Exchange adjustments	(23)	(29)	(12)	(14)	(78)
At 31 December 2020	**1,245**	**2,101**	**409**	**332**	**4,087**
Accumulated depreciation and impairment					
At 1 January 2019	343	1,100	70	–	1,513
Charge for the year	57	180	66	–	303
Disposals	(3)	(40)	(69)	–	(112)
Impairment	–	2	–	–	2
Exchange adjustments	(16)	(61)	(3)	–	(80)
At 31 December 2019	**381**	**1,181**	**64**	**–**	**1,626**
Charge for the year	62	185	80	–	327
Disposals	(8)	(46)	(17)	–	(71)
Impairment	1	1	–	–	2
Exchange adjustments	(5)	(20)	(5)	–	(30)
At 31 December 2020	**431**	**1,301**	**122**	**–**	**1,854**
Net book value					
As at 31 December 2019	**771**	**756**	**289**	**324**	**2,140**
As at 31 December 2020	**814**	**800**	**287**	**332**	**2,233**

At 31 December 2020, the Group's right of use assets included land & buildings of £267 million (2019: £268 million) and other assets of £19 million (2019: £21 million). The Group recognised depreciation of £66 million (2019: £54 million) on the land & buildings and depreciation of £14 million (2019: £12 million) on the other assets.

The Group has commitments to purchase property, plant and equipment of £96 million (2019: £59 million).

11 Equity Instruments

	2020 £m	2019 £m
Equity investments – fair value other comprehensive income[1]	**114**	58
Investments in associates accounted for using the equity method	**22**	–
Total equity instruments	**136**	58

1. Equity investments is composed of £94 million representing 12% of the outstanding units in Pharmapacks LLC, £16 million representing less than 1% of the issued share capital of China Pharmaceutical Resources Limited and £4 million of other equity investments

Investments accounted for using the equity method relates to the Group's investment in Your.MD AS, which has been accounted for as an associate since August 2020. The Group has recognised a loss of £1 million within the Group Income Statement with respect to this investment. There are no gains or losses recognised within other comprehensive income with respect to this investment.

12 Deferred Tax

Deferred tax	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2020	**(42)**	**(3,710)**	**381**	**44**	**38**	**(3,289)**
(Charged)/credited to the Income Statement	**(14)**	**(78)**	**70**	**10**	**(13)**	**(25)**
Credited/(charged) to other comprehensive income	**–**	**–**	**(8)**	**–**	**13**	**5**
Exchange differences	**1**	**22**	**(16)**	**(2)**	**–**	**5**
At 31 December 2020	**(55)**	**(3,766)**	**427**	**52**	**38**	**(3,304)**

2020	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
Deferred tax assets	**4**	**(64)**	**244**	**48**	**26**	**258**
Deferred tax liabilities	**(59)**	**(3,702)**	**183**	**4**	**12**	**(3,562)**
Deferred tax	**(55)**	**(3,766)**	**427**	**52**	**38**	**(3,304)**

Deferred tax	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2019	(24)	(3,848)	409	24	29	(3,410)
(Charged)/credited to the Income Statement	(19)	18	(19)	22	9	11
Credited/(charged) to other comprehensive income	–	–	1	–	2	3
Exchange differences	1	120	(10)	(2)	(2)	107
At 31 December 2019	(42)	(3,710)	381	44	38	(3,289)

2019	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
Deferred tax assets	–	(35)	199	38	22	224
Deferred tax liabilities	(42)	(3,675)	182	6	16	(3,513)
Deferred tax	(42)	(3,710)	381	44	38	(3,289)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority.

Certain deferred tax assets in respect of corporation tax losses and other temporary differences totalling £1,534 million (2019: £984 million) have not been recognised at 31 December 2020 as the likelihood of future economic benefit is not sufficiently assured. These assets will be recognised if utilisation of the losses and other temporary differences becomes sufficiently probable.

13 Inventories

	2020 £m	2019 £m
Raw materials and consumables	**352**	334
Work in progress	**87**	62
Finished goods and goods held for resale	**1,153**	918
Total inventories	**1,592**	1,314

The total cost of inventories recognised as an expense and included in cost of sales amounted to £5,309 million (2019: £4,818 million). This includes inventory write-offs and losses of £187 million (2019: £166 million).

The Group inventory provision at 31 December 2020 was £119 million (2019: £93 million).

14 Trade and Other Receivables

Amounts falling due within one year	2020 £m	2019 £m
Trade receivables	**1,584**	1,778
Less: Provision for impairment of receivables	**(27)**	(62)
Trade receivables – net	**1,557**	1,716
Other receivables	**290**	283
Prepayments and accrued income	**74**	80
Trade and other receivables	**1,921**	2,079

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

Currency analysis	2020 £m	2019[1] £m
US dollar	**477**	561
Euro	**281**	319
Sterling	**155**	121
China renminbi	**137**	84
Other currencies	**871**	994
Trade and other receivables	**1,921**	2,079

1. 2019 comparatives have been revised to reclassify £94 million of US dollar receivables to other currencies

The maximum exposure to credit risk at the year end is the carrying value of each class of receivable mentioned above.

a. Trade Receivables
Trade receivables consist of amounts due from customers. The Group's customer base is large and diverse and consequently there is limited concentration of credit risk. Credit risk is assessed at a subsidiary and Group level and takes into account the financial positions of customers, past experience, future expectations and other relevant factors. Individual credit limits are established based on those factors.

The following table provides an ageing analysis of trade receivables at year end:

Ageing analysis	2020 £m	2019 £m
Not overdue	**1,346**	1,455
Up to 3 months overdue	**193**	259
Over 3 months overdue	**45**	64
Trade receivables	**1,584**	1,778

At 31 December 2020, a provision of £27 million (2019: £62 million) was recorded against certain trade receivables based on a forward-looking assessment of the lifetime expected credit loss as required by IFRS 9. This assessment considered the ageing profiles of specific trade receivable balances along with the risk of future customer defaults.

As at 31 December 2020, trade receivables of £211 million (2019: £261 million) were past due but not impaired. These receivables were not impaired because having considered their nature and historical collection experience, recovery of the unprovided amounts is expected in due course.

b. Other Receivables
Other receivables includes recoverable indirect tax of £213 million (2019: £202 million). This contains £3 million (2019: £3 million) of impaired assets all aged over three months from a broad range of countries within the Group.

c. Other Non-current Receivables
Other non-current receivables at 31 December 2020 of £146 million (2019: £155 million) includes non-current indirect tax, long-term prepayments, and non-current derivatives of £19 million (2019: £nil)

d. Financial instruments (Note 15)
At 31 December 2020 £1,918 million (2019: £2,096 million) of the current and non-current receivables totalling £2,067 million (2019: £2,234 million) are financial assets. These mainly related to amounts owed from customers or government bodies and are typically non-interest bearing. Amounts that are not financial assets are mostly prepayments and employee benefit assets.

15 Financial Instruments and Financial Risk Management

Financial Instruments by Category

At 31 December 2020	Note	Amortised cost £m	Derivatives used for hedging £m	Fair value through the Income Statement £m	Equity instruments £m	Carrying value total £m
Assets as per the Balance Sheet						
Current and non-current trade and other receivables	14d	**1,918**	**–**	**–**	**–**	**1,918**
Derivative financial instruments – FX forward exchange contracts		**–**	**24**	**6**	**–**	**30**
Derivative financial instruments – Interest rate swaps	14c	**–**	**7**	**–**	**–**	**7**
Derivative financial instruments – Cross currency interest rate swaps	14c	**–**	**12**	**–**	**–**	**12**
Equity instruments – FVOCI	11	**–**	**–**	**–**	**114**	**114**
Cash and cash equivalents		**1,646**	**–**	**–**	**–**	**1,646**
Liabilities as per the Balance Sheet						
Borrowings (commercial paper, bank loans & overdrafts)[1]		**691**	**–**	**–**	**–**	**691**
Lease obligations		**313**	**–**	**–**	**–**	**313**
Bonds		**8,041**	**–**	**–**	**–**	**8,041**
Senior notes		**1,221**	**–**	**–**	**–**	**1,221**
Term loans		**291**	**–**	**–**	**–**	**291**
Derivative financial instruments – FX forward exchange contracts		**–**	**50**	**68**	**–**	**118**
Current and non-current trade and other payables	21	**5,777**	**–**	**–**	**–**	**5,777**

1. The categories in this disclosure are determined by IFRS 9. Borrowings largely relate to commercial paper. As at 31 December 2020, the Group had commercial paper in issue amounting to €750 million (nominal values) at the rate of between negative 0.14% and negative 0.31% with maturities ranging from 5 January 2021 to 23 June 2021

At 31 December 2019	Note	Amortised cost £m	Derivatives used for hedging £m	Fair value through the Income Statement £m	Equity instruments £m	Carrying value total £m
Assets as per the Balance Sheet						
Current and non-current trade and other receivables	14d	2,096	–	–	–	2,096
Derivative financial instruments – FX forward exchange contracts		–	26	4	–	30
Equity instruments – FVOCI	11	–	–	–	58	58
Cash and cash equivalents		1,549	–	–	–	1,549
Liabilities as per the Balance Sheet						
Borrowings (commercial paper, bank loans & overdrafts)[1]		3,009	–	–	–	3,009
Lease obligations		325	–	–	–	325
Bonds		6,201	–	–	–	6,201
Senior notes		1,834	–	–	–	1,834
Term loans		826	–	–	–	826
Derivative financial instruments – FX forward exchange contracts		–	28	109	–	137
Derivative financial instruments – Interest rate swaps		–	1	–	–	1
Current and non-current trade and other payables	21	4,861	–	–	–	4,861

1. The categories in this disclosure are determined by IFRS 9. Borrowings largely relate to commercial paper. Lease obligations are outside the scope of IFRS 9, but they remain within the scope of IFRS 7, and therefore have been shown separately

The fair value measurement hierarchy levels have been defined as follows:
- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2). If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

15 Financial Instruments and Financial Risk Management continued

The following table categorises the Group's financial assets and liabilities held at fair value by the valuation methodology applied in determining their fair value.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 December 2020				
Assets as per the Balance Sheet				
Derivative financial instruments – Interest rate swaps	**–**	**7**	**–**	**7**
Derivative financial instruments – Cross currency interest rate swaps	**–**	**12**	**–**	**12**
Derivative financial instruments – FX forward exchange contracts	**–**	**30**	**–**	**30**
Equity instruments – FVOCI	**16**	**–**	**98**	**114**
Liabilities as per the Balance Sheet				
Derivative financial instruments – FX forward exchange contracts	**–**	**118**	**–**	**118**

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 December 2019				
Assets as per the Balance Sheet				
Derivative financial instruments – FX forward exchange contracts	–	30	–	30
Equity instruments – FVOCI	30	–	28	58
Liabilities as per the Balance Sheet				
Derivative financial instruments – FX forward exchange contracts	–	137	–	137
Derivative financial instruments – Interest rate swaps	–	1	–	1

The fair value of forward foreign exchange contracts was determined using forward exchange rates derived from market sourced data at the Balance Sheet date, with the resulting value discounted back to present value (level 2 classification). The fair value of equity instruments – FVOCI was determined using both quoted share price information (level 1 classification) and other non-market information (level 3 classification).

The fair value of the interest rate swap contracts and the cross currency interest rate swaps was calculated using discounted future cash flows at floating market rates (level 2 classification).

Except for the bonds and senior notes, the fair values of other financial assets and liabilities at amortised cost approximate their carrying values. The fair value of the bonds as at 31 December 2020 is a liability of £8,562 million (2019: £6,325 million) and the fair value of the senior notes as at 31 December 2020 is a liability of £1,445 million (2019: £1,950 million). The fair value of the bonds and senior notes was derived using quoted market rates in an active market (level 1 classification).

Offsetting financial assets and financial liabilities

The Group has forward foreign exchange contracts and cash that are subject to enforceable master netting arrangements. The following tables set out the carrying amounts of the recognised financial instruments that are subject to these agreements.

(a) Financial assets

At 31 December 2020	**Gross amounts of recognised financial assets £m**	**Gross amounts of recognised financial liabilities set off in the Balance Sheet £m**	**Net amounts of financial assets presented in the Balance Sheet £m**	**Financial instruments not set off in the Balance Sheet £m**	**Net amount £m**
FX forward exchange contracts	**30**	**–**	**30**	**(27)**	**3**
Interest rate swaps	**7**	**–**	**7**	**–**	**7**
Cross currency interest rate swaps	**12**	**–**	**12**	**–**	**12**
Cash and cash equivalents	**1,646**	**–**	**1,646**	**–**	**1,646**
	1,695	**–**	**1,695**	**(27)**	**1,668**

15 Financial Instruments and Financial Risk Management continued

At 31 December 2019	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the Balance Sheet £m	Net amounts of financial assets presented in the Balance Sheet £m	Financial instruments not set off in the Balance Sheet £m	Net amount £m
FX forward exchange contracts	30	–	30	(28)	2
Cash and cash equivalents	1,549	–	1,549	–	1,549
	1,579	–	1,579	(28)	1,551

(b) Financial liabilities

As at 31 December 2020	**Gross amounts of recognised financial liabilities £m**	**Gross amounts of recognised financial assets set off in the Balance Sheet £m**	**Net amounts of financial liabilities presented in the Balance Sheet £m**	**Financial instruments not set off in the Balance Sheet £m**	**Net amount £m**
FX forward exchange contracts	**(118)**	**–**	**(118)**	**27**	**(91)**
Bank overdrafts	**(2)**	**–**	**(2)**	**–**	**(2)**
	(120)	**–**	**(120)**	**27**	**(93)**

As at 31 December 2019	Gross amounts of recognised financial liabilities £m	Gross amounts of recognised financial assets set off in the Balance Sheet £m	Net amounts of financial liabilities presented in the Balance Sheet £m	Financial instruments not set off in the Balance Sheet £m	Net amount £m
FX forward exchange contracts	(137)	–	(137)	28	(109)
Interest rate swaps	(1)	–	(1)	–	(1)
Bank overdrafts	(2)	–	(2)	–	(2)
	(140)	–	(140)	28	(112)

Financial Risk Management

The Group's multinational operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates (foreign exchange risk), market prices, interest rates, credit risks and liquidity. The Group has in place a risk management programme that uses foreign currency financial instruments, including debt, and other instruments, to limit the impact of these risks on the financial performance of the Group.

The Group's financing and financial risk management activities are centralised into Group Treasury (GT) to achieve benefits of scale and control. GT manages financial exposures of the Group centrally in a manner consistent with underlying business risks. GT manages only those risks and flows generated by the underlying commercial operations; speculative transactions are not undertaken.

The Board of Directors reviews and agrees policies, guidelines and authority levels for all areas of Treasury activity and individually approves significant activities. GT operates under the close control of the CFO and is subject to periodic independent reviews and audits, both internal and external.

1. Market Risk

(a) Currency risk

The Group operates internationally and enters into transactions in many currencies and as such is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's policy is to align interest costs and operating profit of its major currencies in order to provide some protection against the translation exposure on foreign currency profits after tax. The Group may undertake borrowings and other hedging methods in the currencies of the countries where most of its assets are located.

15 Financial Instruments and Financial Risk Management continued

It is the Group's policy to monitor and only where appropriate hedge its foreign currency transaction exposure. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services and from the remittances of foreign currency dividends and loans. Where the Group enters into hedges and applies hedge accounting, hedges are documented and tested for effectiveness on an ongoing basis with any ineffectiveness recorded in the Income Statement.

The local business units enter into forward foreign exchange contracts with GT to manage these exposures where practical and allowed by local regulations. GT matches the Group exposures, and hedges the position where possible, using spot and forward foreign currency exchange contracts.

The Group's strategy is to minimise Income Statement volatility by monitoring foreign currency balances, external financing, and external hedging arrangements. The Group's hedging profile is regularly reviewed to ensure it is appropriate and to mitigate these risks as far as possible.

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2020 was £6,234 million payable (2019: £6,190 million payable).

The Group held forward foreign exchange contracts designated as cash flow hedges primarily in Euro, US dollar, Sterling, Chinese renminbi, Australian dollar, Canadian dollar and Thai baht. The notional value of the payable leg resulting from these financial instruments was as follows:

Cash Flow Hedge Profile	**2020 £m**	2019 £m
Euro	**444**	415
US dollar	**438**	396
Sterling	**423**	451
Chinese renminbi	**176**	112
Australian dollar	**92**	81
Canadian dollar	**84**	75
Thai baht	**74**	20
Other	**557**	620
	2,288	2,170

These forward foreign exchange contracts are expected to mature over the period January 2021 to December 2021 (2019: January 2020 to December 2020).

Cash flow hedging is applied with the economic relationship and expected effectiveness being assessed at inception, with any ineffectiveness recognised in the Income Statement. The ineffective portion recognised in the Income Statement arising from cash flow hedges is immaterial (2019: immaterial).

Gains and losses recognised in other comprehensive income and the hedging reserve on forward exchange contracts in 2020 of £17 million loss (2019: £9 million loss) are recognised in the Income Statement in the periods in which the hedged forecast transaction affects the Income Statement.

At 31 December 2020, the Group had forward contracts used for cash flow hedging with total fair value of £26 million liability (2019: £6 million liability). These contracts are denominated in a diverse range of currency pairings, where a fluctuation of 5% in any one of the contract pairings, with all others remaining constant, would have a maximum effect of £8 million (2019: £9 million) on Shareholder Equity, until the point at which the contracts mature and the forecast transaction occurs. The four largest contract pairings in order of nominal value were Euro/Polish zloty, US dollar/Sterling, US dollar/Chinese renminbi and Euro/Sterling.

Where the Group is exposed to currency risk on its borrowings, the Group seeks to minimise the impact of foreign exchange on the Income Statement through placing debt within a net investment hedge or using financial instruments.

As at 31 December 2020, the Group had designated a 2023 US dollar bond totalling $500 million (2019: $500 million), 2030 Euro bond totalling €850 million (2019: nil) and Euro commercial paper totalling €750 million (2019: €1,472 million) as the hedging instruments in a net investment hedge relationship. Possible sources of ineffectiveness include any impairments to the Group's net investments in Euros. The hedges are documented and are assessed for effectiveness on an ongoing basis.

The net gain or loss under these arrangements is recognised in other comprehensive income. The net effect on other comprehensive income for the year ended 31 December 2020 was a £75 million loss (2019: £70 million gain). If Sterling weakens by 5% against the US dollar and Euro, the maximum impact on shareholders' equity due to the net investment hedging on US dollar bond and Euro commercial paper/bond would be £19 million and £75 million respectively.

15 Financial Instruments and Financial Risk Management continued

During the year, the Group issued a €850 million bond due in 2026, and concurrent with the issue of the bond, the Group entered into a €850 million cross currency interest rate swap on similar terms to the 2026 bond to mitigate foreign exchange currency risk, for which hedge accounting has been applied. Sources of ineffectiveness on this hedge relationship will come from difference in credit ratings between the counterparties and modifications to the terms of either hedged item or instrument. At 31 December 2020 no ineffectiveness has been charged to the Income Statement as it is not material. The interest rate element of the swap is discussed in interest rate risk below.

The remaining major monetary financial instruments (liquid assets, receivables, interest and non-interest bearing liabilities) are directly denominated in the functional currency of the Group or are transferred to the functional currency of the local entity through the use of derivatives.

The gains and losses from fair value movements on derivatives held at fair value through the Income Statement, recognised in the Income Statement in 2020, was a £2 million loss (2019: £158 million loss).

(b) Price risk

Due to the nature of its business the Group is exposed to commodity price risk related to the production or packaging of finished goods, such as oil related, and a diverse range of other, raw materials. This risk is, however, managed primarily through medium-term contracts with certain key suppliers and is not therefore viewed as being a material risk.

(c) Interest rate risk

The Group has both interest-bearing and non-interest bearing assets and liabilities. The Group monitors its interest income and expense rate exposure on a regular basis. The Group sets its desired level of fixed and floating rate exposure as part of its interest risk management strategy. The mix of fixed and floating exposure on interest-bearing assets is managed by using a mixture of fixed and floating rate deposits. The fixed/floating mix on liabilities is managed by using a mixture of fixed and floating rate borrowings as well as by using derivatives to swap fixed to floating rate.

During the year, the Group issued two €850 million bonds due in 2026 and 2030 and one £500 million bond due in 2032. In order to maintain a level of floating rate debt in line with the Group's interest management strategy the Group entered into a €850 million cross currency interest rate swap on similar terms to the 2026 bond and interest rate swap on the coupon payments due on the 2030 bond. The accounting for the foreign exchange element of the cross currency swap is described above. The interest rate element swaps the fixed coupon payments on the bond for floating rate. The interest rate swaps have been placed into a fair value hedge relationship with the related bonds. Sources of ineffectiveness on this hedge relationship will come from a difference in credit ratings between the counterparties and modifications to the terms of either the hedged item or the hedging instrument. At 31 December 2020 no ineffectiveness has been recognised in the Income Statement as the effect is not material.

During the year, the Group repaid a $750 million senior note and made the final payment on an interest rate swap that had been designated as a fair value hedge against the senior note.

Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on the Income Statement of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies, calculated on a full-year and pre-tax basis.

The scenarios are only run for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on the Income Statement of a 50 basis-point shift in interest rates would be a maximum increase of £14 million (2019: £25 million) or decrease of £14 million (2019: £25 million), respectively for the liabilities covered. The simulation is done on a periodic basis to verify that the maximum loss simulated is within the limit given by management.

2. Credit Risk

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to customers. The assessment of lifetime expected credit losses relating to trade and other receivables is detailed in Note 14. Financial institution counterparties are subject to approval under the Group's counterparty risk policy and such approval is limited to financial institutions with a BBB rating or above. The Group uses BBB and higher rated counterparties to manage risk and only uses sub BBB rated counterparties by exception. The amount of exposure to any individual counterparty is subject to a limit defined within the counterparty risk policy, which is reassessed annually by the Board of Directors. Derivative financial instruments are only traded with counterparties approved in accordance with the approved policy. Derivative risk is measured using a risk weighting method.

The Group has counterparty risk from asset positions held with financial institutions. This is comprised of short-term investments, cash and cash equivalents and derivatives positions as stated on the face of the Balance Sheet. For risk management purposes the Group assesses the exposure to major financial institutions by looking at the deposits, cash and cash equivalents and 5% of derivative notional position. The following table summarises the Group's assessment of its exposure. The financial institutions listed in the tables are not comparable year on year.

15 Financial Instruments and Financial Risk Management continued

Counterparty	Credit rating	2020 Limit £m	2020 Exposure £m
Financial institution A	**AAA**	**300**	**201**
Financial institution B	**A+**	**150**	**141**
Financial institution C	**A+**	**150**	**130**
Financial institution D	**AAA**	**300**	**125**
Financial institution E	**A**	**125**	**121**
Financial institution F	**A+**	**143**	**102**
Financial institution G	**A+**	**100**	**96**
Financial institution H	**A**	**103**	**93**
Financial institution I	**A**	**116**	**93**
Financial institution J	**AAA**	**300**	**85**

Counterparty	Credit rating	2019 Limit £m	2019 Exposure £m
Financial institution A	AAA	300	211
Financial institution B	AA-	200	193
Financial institution C	A+	150	137
Financial institution D	A	125	109
Financial institution E	A+	146	101
Financial institution F	A	125	100
Financial institution G	A	116	90
Financial institution H	A	125	86
Financial institution I	A	125	84
Financial institution J	A	125	82

3. Liquidity Risk
Liquidity risk is the risk that the Group cannot repay financial liabilities as and when they fall due. The Group's liquidity risk is concentrated towards commercial paper, bond, term loan and senior note principal repayments due between 2021 and 2044.

The Group has various borrowing facilities available to it. The Group has bilateral credit facilities with high-quality international banks and has a financial covenant, which is not expected to restrict the Group's future operations.

At the end of 2020, the Group had long-term debt excluding lease liabilities of £9,553 million (2019: £8,292 million), of which £6,889 million (2019: £8,292 million) is repayable in more than two years. In addition, the Group has committed borrowing facilities totalling £5,500 million (2019: £5,500 million), of which £3,500 million (2019: £5,500 million) expires after more than two years. These facilities were undrawn at year end. The committed borrowing facilities (both drawn and undrawn), together with central cash and investments, are considered sufficient to meet the Group's projected cash requirements.

All borrowing facilities are at floating rates of interest.

The facilities have been arranged to cover general corporate purposes, including support for commercial paper issuance. All facilities incur commitment fees at market rates.

The Group's borrowing limit at 31 December 2020 calculated in accordance with the Articles of Association was £27,345 million (2019: £28,089 million).

The table on the next page analyses the Group's financial liabilities and the derivatives which will be settled on a net basis into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant Balance Sheet date, including interest to be paid.

15 Financial Instruments and Financial Risk Management continued

At 31 December 2020	**Total £m**	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Commercial paper	**(671)**	**(671)**	**–**	**–**	**–**
Bonds	**(8,843)**	**(174)**	**(2,527)**	**(2,119)**	**(4,023)**
Term loans	**(297)**	**(3)**	**(294)**	**–**	**–**
Senior notes	**(1,888)**	**(52)**	**(52)**	**(706)**	**(1,078)**
Interest rate swaps	**24**	**2**	**2**	**7**	**13**
Trade payables	**(2,159)**	**(2,159)**	**–**	**–**	**–**
Other payables	**(3,643)**	**(3,418)**	**(53)**	**(172)**	**–**

At 31 December 2019	Total £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Commercial paper	(3,013)	(3,013)	–	–	–
Bonds	(7,049)	(176)	(176)	(4,670)	(2,027)
Term loans	(881)	(21)	(21)	(839)	–
Senior notes	(2,584)	(637)	(54)	(162)	(1,731)
Interest rate swaps	(1)	(1)	–	–	–
Trade payables	(1,796)	(1,796)	–	–	–
Other payables	(3,087)	(2,875)	(55)	(135)	(22)

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period between the Balance Sheet date and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant Balance Sheet date.

At 31 December 2020	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
FX forward exchange contracts				
Outflow	**(6,234)**	**–**	**–**	**–**
Inflow	**6,146**	**–**	**–**	**–**
Cross currency interest rate swap				
Outflow	**(9)**	**(9)**	**(26)**	**(785)**
Inflow	**3**	**3**	**8**	**773**

At 31 December 2019	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
FX forward exchange contracts				
Outflow	(6,190)	–	–	–
Inflow	6,084	–	–	–

Cash flow forecasting is performed by the local business units and on an aggregated basis by GT. GT monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Funds over and above those required for short-term working capital purposes by the local businesses are generally remitted to GT. The Group uses the remittances to settle obligations, repay borrowings, or, in the event of a surplus, invest in short-term instruments issued by institutions with a BBB rating or better.

15 Financial Instruments and Financial Risk Management continued

4. Capital Management

The Group considers capital to be net debt plus total equity. Net debt is calculated as total financing liabilities less cash and cash equivalents and short-term deposits. Total equity includes share capital, reserves and retained earnings as shown in the Group Balance Sheet.

	Note	2020 £m	2019 £m
Cash and cash equivalents including overdrafts		**1,644**	1,547
Financing liabilities	17	**(10,598)**	(12,298)
Net debt		**8,954**	10,751
Total equity		**9,159**	9,407
		18,113	20,158

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital.

In 2020, the Group provided returns to shareholders in the form of dividends. Refer to Note 28 for further details.

The Group monitors net debt and at year end the Group had net debt of £8,954 million (2019: £10,749 million). The Group seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

The Group participates in a supply chain finance programme (SCF) under which certain suppliers to the Group are able to access a Supply Chain Financing arrangement that enables them to fund their working capital. The principal purpose of this programme is to facilitate efficient payment processing and enable the willing suppliers to sell their receivables due from the Group to a bank before their due date. The Group does not incur any additional interest towards the bank on the amounts due to the suppliers. As part of this facility the Group has confirmed to certain financial institutions that it will make payments of £392 million (2019: £351 million) to these suppliers as they fall due. These amounts are recorded within Trade Payables on the Balance Sheet and all cash flows associated with the programme are included within operating cash flows as they continue to be part of the normal operating cycle of the Group and their principal nature remains operating – i.e. payments for the purchase of goods and services.

16 Cash and Cash Equivalents

	2020 £m	2019 £m
Cash at bank and in hand	**499**	543
Short-term bank deposits	**1,147**	1,006
Cash and cash equivalents	**1,646**	1,549

The Group operates in a number of territories where there are either foreign currency exchange restrictions, or where it is difficult for the Group to extract cash readily and easily in the short term. As a result, £136 million (2019: £130 million, restated) of cash included in cash and cash equivalents is restricted for use by the Group, yet available for use in the relevant subsidiary's day-to-day operations.

17 Financial Liabilities – Borrowings

Current	Note	2020 £m	2019 £m
Bank loans and overdrafts[1]		**20**	16
Commercial paper[2]		**671**	2,993
Senior notes		**–**	569
Lease liabilities	19	**72**	72
Total short-term borrowings		**763**	3,650
Bonds		**8,041**	6,201
Senior notes		**1,221**	1,265
Term loans		**291**	826
Lease liabilities	19	**241**	253
Total long-term borrowings		**9,794**	8,545
Total borrowings		**10,557**	12,195
Derivative financial instruments		**43**	105
Less overdrafts presented in cash and cash equivalents in the cash flow statement	15	**(2)**	(2)
Total financing liabilities		**10,598**	12,298

1. Bank loans are denominated in a number of currencies: all are unsecured and bear interest based on the relevant LIBOR equivalent
2. Commercial paper was issued in US dollars and Euros, is unsecured and bears interest based on the relevant LIBOR equivalent

The Group uses derivative financial instruments to hedge certain elements of interest rate and exchange risk on its financing liabilities. The split between these items and other derivatives on the Balance Sheet is shown below:

	Assets		Liabilities	
2020 (£m)	**Current**	**Non-Current[1]**	**Current**	**Non-Current**
Derivative financial instruments (financing liabilities)	**6**	**19**	**(68)**	**–**
Derivative financial instruments (non-financing liabilities)	**24**	**–**	**(50)**	**–**
At 31 December 2020	**30**	**19**	**(118)**	**–**

1. Included within other non-current receivables on the Balance Sheet

17 Financial Liabilities – Borrowings continued

2019 (£m)	Assets Current	Assets Non-Current	Liabilities Current	Liabilities Non-Current
Derivative financial instruments (financing liabilities)	4	–	(109)	–
Derivative financial instruments (non-financing liabilities)	26	–	(29)	–
At 31 December 2019	**30**	**–**	**(138)**	**–**

Reconciliation of movement in financing liabilities to cash flow statement	**2020 £m**	2019 £m
At 1 January	**12,298**	12,223
Proceeds from borrowings	**2,903**	1,548
Repayment of borrowings	**(4,583)**	(1,122)
Other financing cash flows	**(47)**	(75)
New lease liabilities	**86**	63
Exchange, fair value and other movements	**(59)**	(339)
At 31 December	**10,598**	12,298

Maturity of borrowings (excluding lease liabilities)	**2020 £m**	2019 £m
Bank loans and overdrafts repayable:		
Within one year or on demand	**20**	16
Other borrowings repayable:		
Within one year:		
Commercial paper	**671**	2,993
Senior notes	**–**	569
After one year and in less than five years:		
Bonds	**4,194**	4,326
Senior notes	**569**	–
Term loans	**291**	826
After five years or longer:		
Bonds	**3,847**	1,875
Senior notes	**652**	1,265
	10,224	11,854
Gross borrowings (unsecured)	**10,244**	11,870

18 Provisions for Liabilities and Charges

	Legal provisions £m	Restructuring provisions £m	Other provisions £m	Total provisions £m
At 1 January 2019	461	52	98	611
Charged to the Income Statement	82	19	24	125
Utilised during the year	(381)	(45)	(14)	(440)
Released to the Income Statement	(7)	(14)	(35)	(56)
Exchange adjustments	(4)	–	(2)	(6)
At 31 December 2019	**151**	**12**	**71**	**234**
Charged to the Income Statement	160	–	19	179
Utilised during the year	(13)	(7)	(6)	(26)
Released to the Income Statement	(61)	–	(27)	(88)
Reclassifications	(2)	–	2	–
Exchange adjustments	(3)	–	(4)	(7)
At 31 December 2020	**232**	**5**	**55**	**292**

18 Provisions for Liabilities and Charges continued

Provisions have been analysed between current and non-current as follows:

	2020 £m	2019 £m
Current	**243**	178
Non-current	**49**	56
	292	234

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, it is more likely than not that there will be an outflow of resources to settle that obligation, and the amount can be reliably estimated.

As at 31 December 2020, the Group recognised legal provisions of £232 million (2019: £151 million) in relation to a number of historical regulatory and other matters in various jurisdictions.

Other provisions include environmental and other obligations throughout the Group, the majority of which are expected to be utilised within five years.

19 Lease Liabilities

Maturity analysis – contractual undiscounted cash flows	2020 £m	2019 £m
Within one year	**86**	85
Later than one and less than five years	**176**	184
After five years	**122**	114
Total undiscounted lease liabilities at 31 December	**384**	383
Lease liabilities included in the statement of financial position at 31 December	**313**	325
Current	**72**	72
Non-current	**241**	253

1. Interest on lease liabilities amounted to £13 million (2019: £13 million)

20 Contingent Liabilities and Assets

The Humidifier Sanitiser (HS) issue in South Korea was a tragic event. The Group continues to make both public and personal apologies to the victims who have suffered lung injury as a result of the Oxy HS product and the role that the Oxy HS product played in the issue.

As previously reported, over the last several years the South Korean government has designated a number of diseases as HS injuries, in addition to the HS lung injury for which RB Korea's (RBK) compensation plan was established. These include asthma, toxic hepatitis, child interstitial lung disease, bronchitis and upper airway disease. Detailed data underpinning recognition of these diseases has not been disclosed nor has detailed recognition criteria.

The Korean National Assembly passed a bill on 6 March 2020 to amend the HS law. The amendment became effective on 25 September 2020. The main changes in the amendment relate to: (i) the definition of HS injury (removing the requirement for "substantial causation" with HS exposure); (ii) the legal presumption of causation (shifting the burden of proof for causation to the defendant if the plaintiff demonstrates "epidemiological correlation" between HS exposure and their injury), and (iii) amendments to the fund set up by the government and funded by the government and HS companies (the Special Relief Fund (SRF), now called the Injury Relief Fund (IRF)) to provide expanded support payments to HS victims (which would cover all elements of court awarded damages except mental distress, aside from KRW 100 million consolation payments for death cases, and partial lost income). The government can also impose on HS manufacturers an additional levy for the IRF of up to the amount previously collected for the SRF.

Further, under the amended HS law, HS victims will no longer be classified as Categories 1 to 5 based on the likelihood that HS exposure caused their lung injury. As RBK's compensation plan was dependent on the previous classification system, it will no longer be possible for the compensation plan to operate and it is now being closed.

The pending civil actions filed by HS claimants against RBK will also be impacted by the amended HS law, e.g. due to the lowered causation standard of "epidemiological correlation". Thus, we expect the number of civil claimants to increase, primarily seeking awards for mental distress and lost income (for portions not already covered by the IRF).

The Group currently has a provision of £83 million (2019: £26 million) in relation to the HS issue in South Korea. In addition, there are further potential costs that either are not considered probable or cannot be reliably estimated at the current time. The impact of the HS law amendments will require further monitoring and analysis, in particular those which will be subject to court interpretation, such as the new epidemiological correlation standard, any limitation applied by courts to damage awards and the interest rate applied by individual courts to damage awards and external factors such as the rate of future IRF applications/recognitions. Accordingly, it is not possible to make any reliable estimate of liability for individuals recognised by the government as having HS injuries.

20 Contingent Liabilities and Assets continued

RBK is reliant on the Group to provide funding to meet its HS liabilities, which to date the Group has been willing to do.

Other

From time to time, the Group is involved in discussions in relation to ongoing tax matters in a number of jurisdictions around the world. Where appropriate, the Directors make provisions based on their assessment of each case. See Note 7.

21 Trade and Other Payables

	2020 £m	2019 £m
Trade payables	**2,159**	1,796
Other payables	**92**	115
Other tax and social security payable	**164**	133
Accruals	**3,327**	2,776
Trade and other payables	**5,742**	4,820

Included within accruals is £1,275 million (2019: £1,095 million) in respect of amounts payable to trade customers and government bodies for trade spend.

Other Non-current Liabilities

	2020 £m	2019 £m
Financial liability in respect of put option to non-controlling interest[1]	**148**	135
Interest accrued on tax balances	**157**	154
US employee related payables	**39**	38
Other	**53**	40
Other non-current liabilities	**397**	367

1. This liability is in respect of the present value of the expected redemption amount of a written put option granted to the non-controlling interest as described in Note 27. The amortised cost of the liability is subject to estimation of the future performance of certain Group products. Future changes in estimation would result in the remeasurement of the liability through the Income Statement

Financial Instruments (Note 15)

At 31 December 2020 £5,777 million (2019: £4,861 million) of the current and non-current payables totalling £6,139 million (2019: £5,187 million) are financial liabilities. These mainly related to amounts owed to suppliers in respect of goods or services and are typically non-interest bearing. Amounts that are not financial instruments comprise of employee related liabilities, social security liabilities and accrued interest.

22 Current and Non-current Tax Liabilities

	2020 £m	2019 £m
Current tax liabilities	**72**	145
Non-current tax liabilities	**1,021**	969
Total current and non-current tax liabilities	**1,093**	1,114

Included in Total current and non-current tax liabilities is an amount of £950 million (2019: £891 million) relating to tax contingencies primarily arising in relation to transfer pricing.

Certain tax positions taken by us are based on industry practice, tax advice and drawing similarities from our facts and circumstances to those in case law. In particular, international transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgement. Tax assets and liabilities are offset where there is a legally enforceable right to do so.

23 Pension and Post-Retirement Commitments

Plan Details

The Group operates a number of defined benefit and defined contribution pension plans around the world covering many of its employees, which are principally funded. The Group's most significant pension plan (UK) is set up under Trust and is a separate entity from the Group. It has two sections, a defined contribution section which remains open and a defined benefits section, which closed to new entrants in 2005 and following consultation was closed to further accrual from 31 December 2017. Trustees of the plan are appointed by the Group, active members and pensioner membership, and are responsible for the governance of the plan, including paying all administrative costs and compliance with regulations. The defined benefit section of the plan is funded by the payment of contributions as required, following each Triennial Valuation.

The Group also operates a number of other post-retirement plans in certain countries. The two major plans are the US Retiree Health Care Plan and the Mead Johnson & Company, LLC Medical Plan (together, the US (Medical) plans). In the US Retiree Health Care Plan, salaried participants become eligible for retiree healthcare benefits after they reach a combined 'age and years of service rendered' figure of 70, although the age must be a minimum of 55. This plan closed to new members in 2009. In the Mead Johnson & Company, LLC Medical Plan, acquired as part of the acquisition of MJN on 15 June 2017, participants become eligible for retiree healthcare benefits if they leave employment after the age of 65, leave after the age of 55 and have completed ten years of service, or have their employment involuntarily terminated after the age of 55. A Benefits Committee is appointed by the Group for both of these plans, responsible for the governance of the US plans, including paying all administrative costs and compliance with regulations. Both of these plans are unfunded.

For the principal UK plan, a full independent actuarial valuation is carried out on a triennial basis. The most recent valuation was carried out at 5 April 2019. The Group has agreed that it will aim to eliminate the pension plan technical provisions deficit in the UK by the end of 2020. Funding levels are monitored on an annual basis and the current agreed annual deficit reduction contributions are £6 million per annum. It is expected that contributions to the UK defined benefit plan in 2021 will be £nil (2020: £6 million).

During 2020, a UK High Court ruling clarified the requirement to equalise the Guaranteed Minimum Pension element of benefits for men and women who had transferred out their benefits from the Contracted Out UK Defined Benefits schemes, where those transfers contained benefits arising from Guaranteed Minimum Pension accrued from post 17 May 1990 pensionable service . This is likely to lead to a small level of benefits in some circumstances for those transferred members. As no allowance had previously been made, accordingly in 2020, a past service cost was charged of £1 million reflecting the best estimate of the likely additional benefits that will be due to members. The final amount will be subject to agreement of the relevant pension trustees.

For the US Retiree Health Care Plan, a full independent actuarial valuation is carried out on an annual basis. The most recent valuation was carried out on 1 January 2020. For the Mead Johnson & Company, LLC Medical Plan, the most recent valuation was carried out at 1 January 2020. For both of these plans, funding levels are monitored on an annual basis with contributions made equal to the claims made each year. It is expected that the combined contributions in 2021 will be £7 million (2020: £7 million).

For the purpose of IAS 19, the projected unit valuation method was used for the UK and US plans, as per the principal UK plan triennial valuation results (at 5 April 2019) and the US Medical plan valuations to 31 December 2020. The UK plans have a weighted average duration of the deferred benefit obligation of 17.0 years (2019: 17.0 years).

Significant Actuarial Assumptions

The significant actuarial assumptions used in determining the Group's net liability for the UK and US (Medical) plans as at 31 December were:

	2020		2019	
	UK %	**US (Medical) %**	UK %	US (Medical) %
Rate of increase in pensionable salaries	**5.1**	–	5.2	–
Rate of increase in deferred pensions during deferment	**3.1**	–	3.1	–
Rate of increase in pension payments	**2.9**	–	3.0	–
Discount rate	**1.5**	**2.3**	1.9	3.1
Inflation assumption – RPI	**3.1**	–	3.2	–
Annual medical cost inflation	–	**5.0-8.5**	–	4.5-8.2

For 31 December 2020, the Group revisited the corporate bonds used within the model used to determine the appropriate discount rate for the UK scheme liabilities. The changes applied included removing from the model those bonds that have implicit government guarantee (for example, universities). Had these changes been applied at 31 December 2019, then the impact would have been to increase the discount rate by around 0.3% and reduce the defined benefit obligation by around £80 million. As this is a change in estimate, the 2019 amounts have not been restated.

23 Pension and Post-Retirement Commitments continued

Assumptions regarding future mortality experience are set in accordance with published statistics and experience in each territory. The expected lifetime of a participant aged 60 and the expected lifetime of a participant who will be aged 60 in 15 years (20 years in the US) are detailed below:

	2020		2019	
	UK years	**US years**	UK years	US years
Number of years a current pensioner is expected to live beyond 60:				
Male	**27.5**	**25.3**	27.4	24.9
Female	**28.7**	**27.3**	28.6	27.1
Number of years a future pensioner is expected to live beyond 60:				
Male	**28.8**	**27.0**	28.7	26.7
Female	**30.0**	**28.9**	30.0	28.8

For the principal UK plan, the mortality assumptions were based on the standard SAPS mortality table 3NMA for males (scaled by 98%) and table 3NFA for females (scaled by 117%). Allowance for future changes is made by adopting the 2019 edition of the CMI series with a long-term improvement trend of 1.5% per annum from 2013 onwards. For the US plan the mortality assumptions were determined using the Pri-2012. Total Dataset and projected with Mortality Improvement Scale MP-2020.

Amounts Recognised on the Balance Sheet

The amounts recognised on the Balance Sheet are as follows:

	2020 £m	2019 £m
Balance Sheet liability for:		
US (Medical)	**(125)**	(130)
Other	**(247)**	(221)
Liability on Balance Sheet	**(372)**	(351)
Balance Sheet assets for:		
UK	**188**	217
Other	**38**	51
Asset on Balance Sheet	**226**	268
Net pension liability	**(146)**	(83)

The funded and unfunded amounts recognised on the Balance Sheet are determined as follows:

	2020				2019			
	UK £m	**US (Medical) £m**	**Other £m**	**Total £m**	UK £m	US (Medical) £m	Other £m	Total £m
Present value of funded obligations	**(1,547)**	–	**(538)**	**(2,085)**	(1,506)	–	(514)	(2,020)
Fair value of plan assets	**1,754**	–	**510**	**2,264**	1,741	–	534	2,275
Surplus/(liability) of funded plans	**207**	–	**(28)**	**179**	235	–	20	255
Present value of unfunded obligations	–	**(125)**	**(181)**	**(306)**	–	(130)	(190)	(320)
Irrecoverable surplus	**(19)**	–	–	**(19)**	(18)	–	–	(18)
Net pension surplus/(liability)	**188**	**(125)**	**(209)**	**(146)**	217	(130)	(170)	(83)

Group plan assets are comprised as follows:

	2020				2019			
	UK £m	**US (Medical) £m**	**Other £m**	**Total £m**	UK £m	US (Medical) £m	Other £m	Total £m
Equities	**182**	–	**217**	**399**	205	–	227	432
Government bonds	**682**	–	**137**	**819**	1,020	–	137	1,157
Corporate bonds	**395**	–	**92**	**487**	369	–	101	470
Real Estate/property – unquoted	**110**	–	**51**	**161**	127	–	61	188
Other assets – unquoted	**385**	–	**13**	**398**	20	–	8	28
Fair value of plan assets	**1,754**	–	**510**	**2,264**	1,741	–	534	2,275

Included in Other assets is £350 million (2019: £nil) relating to an insurance buy-in asset.

23 Pension and Post-Retirement Commitments continued

The present value of obligations for the principal UK plan and the US Medical plans at last valuation date is attributable to participants as follows:

	2020 UK £m	**2020** US (Medical) £m	2019 UK £m	2019 US (Medical) £m
Active participants	**–**	**(50)**	–	(47)
Participants with deferred benefits	**(687)**	**(2)**	(650)	(2)
Participants receiving benefits	**(860)**	**(73)**	(856)	(81)
Present value of obligation	**(1,547)**	**(125)**	(1,506)	(130)

The movement in the Group's net deficit is as follows:

	Present value of obligation UK £m	Present value of obligation US (Medical) £m	Present value of obligation Other £m	Present value of obligation Total £m	Fair value of plan assets UK £m	Fair value of plan assets US (Medical) £m	Fair value of plan assets Other £m	Fair value of plan assets Total £m
At 1 January 2019	1,472	126	662	2,260	(1,628)	–	(523)	(2,151)
Current service cost	2	2	10	14	–	–	–	–
Interest expense/(income)	39	5	20	64	(43)	–	(18)	(61)
	41	7	30	78	(43)	–	(18)	(61)
Remeasurements:								
Return on plan assets, excluding amounts included in interest income	–	–	–	–	(132)	–	(45)	(177)
Gain from changes in demographic assumptions	(51)	(2)	(1)	(54)	–	–	–	–
Losses from change in financial assumptions	157	17	69	243	–	–	–	–
Experience (gains)/losses	(26)	(5)	7	(24)	–	–	–	–
	80	10	75	165	(132)	–	(45)	(177)
Exchange differences	–	(6)	(23)	(29)	–	–	16	16
Contributions – employers	–	–	–	–	(25)	(7)	(4)	(36)
Payments from plans:								
Benefit payments	(87)	(7)	(40)	(134)	87	7	40	134
As at 31 December 2019	**1,506**	**130**	**704**	**2,340**	**(1,741)**	**–**	**(534)**	**(2,275)**
Current service cost	**4**	**1**	**4**	**9**	**–**	**–**	**–**	**–**
Interest expense/(income)	**28**	**4**	**14**	**46**	**(32)**	**–**	**(15)**	**(47)**
	32	**5**	**18**	**55**	**(32)**	**–**	**(15)**	**(47)**
Remeasurements:								
Return on plan assets, excluding amounts included in interest income	**–**	**–**	**–**	**–**	**(54)**	**–**	**(17)**	**(71)**
Losses/(gains) from changes in demographic assumptions	**9**	**(1)**	**(2)**	**6**	**–**	**–**	**–**	**–**
Losses from change in financial assumptions	**88**	**12**	**55**	**155**	**–**	**–**	**–**	**–**
Experience (gains)/losses	**(9)**	**(10)**	**3**	**(16)**	**–**	**–**	**–**	**–**
	88	**1**	**56**	**145**	**(54)**	**–**	**(17)**	**(71)**
Exchange differences	**–**	**(4)**	**(15)**	**(19)**	**–**	**–**	**20**	**20**
Contributions – employers	**–**	**–**	**–**	**–**	**(6)**	**(7)**	**(8)**	**(21)**
Payments from plans:								
Benefit payments	**(79)**	**(7)**	**(44)**	**(130)**	**79**	**7**	**44**	**130**
As at 31 December 2020	**1,547**	**125**	**719**	**2,391**	**(1,754)**	**–**	**(510)**	**(2,264)**

23 Pension and Post-Retirement Commitments continued

Amounts Recognised in the Income Statement

The charge for the year ended 31 December is shown below:

	2020 £m	2019 £m
Defined contribution plans	**45**	46
Defined benefit plans (net charge excluding interest)		
UK	**4**	2
US (Medical)	**1**	2
Other	**4**	10
Total pension costs included in operating profit (Note 5)[1]	**54**	60
Income Statement charge included in finance expense	–	3
Income Statement charge included in profit before income tax	**54**	63
Remeasurement losses/(gains) for[2]:		
UK	**34**	(52)
US (Medical)	**1**	10
Other	**39**	30
	74	(12)

1. The Income Statement charge recognised in operating profit includes current service cost and past service cost
2. Remeasurement losses/(gains) excludes £1 million (2019: £nil) recognised in OCI for irrecoverable surplus

Sensitivity of Significant Actuarial Assumptions

The sensitivity of the UK defined benefit obligation to changes in the principal assumptions is shown below:

2020	Change in assumption	Change in defined benefit obligation
Discount rate	**Increase 0.1%**	**Decrease by 1.7%**
RPI increase	**Increase 0.1%**	**Increase by 1.0%**
Life expectancy	**Members live 1 year longer**	**Increase by 4.0%**

2019	Change in assumption	Change in defined benefit obligation
Discount rate	Increase 0.1%	Decrease by 1.7%
RPI increase	Increase 0.1%	Increase by 1.0%
Life expectancy	Members live 1 year longer	Increase by 4.0%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Impact of Medical Cost Trend Rates

A 1% change in the assumed healthcare cost trend rates would have an immaterial impact on the service cost, interest cost and post-retirement benefit obligation.

Risk and Risk Management

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed as follows:

Asset Volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. Both the UK and US plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. However, the Group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

Changes in Bond Yields: A decrease in government and corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

23 Pension and Post-Retirement Commitments continued

Inflation Risk: Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.

Life Expectancy: The majority of the plans' obligations are to provide benefits for the life of the member. Whilst the plans allow for an increase in life expectancy, increases above this assumption will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflationary increases result in higher sensitivity to changes in life expectancy. During the year, the scheme has reduced its exposure by purchasing an insurance product that will pay the pensions of some of the scheme's pensioners.

Change in Regulations: The Group is aware that future changes to the regulatory framework may impact the funding basis of the various plans in the future. The Group's pensions department monitors the changes in legislation and analyses the risks as and when they occur.

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets consists of unit linked insurance policies with underlying investments in quoted equities and quoted bonds, although the Group also invests in property and cash. The Group believes that quoted equities offer the best returns over the long term with an acceptable level of risk. The trustees of all the UK funds have moved the overwhelming majority of their assets to low cost investment funds in consultation with the Group whilst maintaining a prudent diversification.

24 Share Capital

Issued and fully paid	Equity ordinary shares number	Nominal value £m
At 31 December 2019	736,535,179	74
At 31 December 2020	**736,535,179**	**74**

The holders of ordinary shares (par value 10 pence) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the parent company.

Allotment of Ordinary Shares and Release of Treasury Shares

During the year nil ordinary shares (2019: nil ordinary shares) were allotted and 2,988,443 ordinary shares were released from Treasury (2019: 2,244,826) to satisfy vestings/exercises under the Group's various share schemes as follows:

	2020		2019	
Ordinary shares of 10p	**Number of shares**	**Consideration £m**	Number of shares	Consideration £m
Executive Share Options – exercises	**2,774,400**	**120**	1,216,229	51
Restricted Shares Awards – vesting	**5,804**	**–**	803,861	–
Total under Executive Share Option and Restricted Share Schemes	**2,780,204**	**120**	2,020,090	51
Senior Executives Share Ownership Policy Plan – vesting	**–**	**–**	20,000	–
Savings-Related Share Option Schemes – exercises	**208,239**	**11**	204,736	10
Total	**2,988,443**	**131**	2,244,826	61

Market Purchases of Shares

In 2020, 2,988,443 Treasury shares were released (2019: 2,244,826), leaving a balance held at 31 December 2020 of 23,800,092 (2019: 26,788,535). Proceeds received from the reissuance of Treasury shares to exercise share options were £131 million (2019: £61 million).

25 Share-Based Payments

The Group operates a number of incentive schemes, including a share option scheme, a restricted share scheme, and other share award schemes. During 2017, as part of a transitional scheme for MJN employees, a cash-settled scheme replaced an MJN equity-settled scheme. All other schemes within the Group are equity-settled. The total charge for share-based payments for the year was £15 million (2019: £18 million).

Executive Share Awards

Executive share awards, comprising both Executive Share Options and Restricted Share Awards, are awarded to the senior management team. Executive Share Options are awarded at an exercise price determined on grant date and become payable on exercise – following satisfaction of performance criteria. Restricted Share Awards entitle the recipient to receive shares at no cost following satisfaction of the following performance criteria.

For awards granted before December 2012:

Adjusted earnings per share growth over three years (%)	<6%	6%	7%	8%	≥9%
Proportion of awards vesting (%)	Nil	40%	60%	80%	100%

For awards granted in December 2013 and thereafter:

Adjusted earnings per share growth over three years (%)	<6%	6%	Between 6% and 10%	≥10%
Proportion of awards vesting (%)	Nil	20%	Straight-line vesting between 20% and 100%	100%

For awards granted in May 2019 and thereafter:

	Weighting	Threshold (20% vesting)	Maximum (100% vesting)
Adjusted EPS growth at actual FX rates (three-year CAGR)	25%	4%	9%
Adjusted EPS growth at constant FX rates (three-year CAGR)	25%	4%	9%
Net Revenue growth (three-year CAGR)	25%	2%	6%
Return on capital employed (in final year)	25%	10.8%	12.8%

For awards granted in May 2020 and thereafter:

	Weighting	Threshold (20% vesting)	Maximum (100% vesting)
Adjusted EPS at actual FX rates (in final year)	12.5%	302p	337p
Adjusted EPS at constant FX rates (in final year)	12.5%	323p	360p
Net Revenue growth (three-year CAGR)	50.0%	2.0%	5.0%
Return on capital employed (in final year)	25.0%	11.8%	13.1%

The cost is spread over the three years of the performance period. For Group Executive Committee and members of the Group Leadership Team, vesting conditions must be met over the three-year period and are not retested. For the remaining members of the senior management team the targets can be retested after four or five years. If any target has not been met, any remaining shares or options which have not vested will lapse.

Other Share Awards

Other share awards represent SAYE Schemes (offered to all staff within the relevant geographic area) and a number of Senior Executive Share Ownership Policy Plan (SOPP) awards. Other share awards have contractual lives of between three and eight years and are generally not subject to any vesting criteria other than the employee's continued employment.

Individual tranches of these other share awards are not material for detailed disclosure and therefore have been aggregated in the tables following.

Modifications to Share Awards

The Remuneration Committee approved modifications to all unexercised share schemes in December 2014 following the demerger of RB Pharmaceuticals to compensate for the loss of scheme value. For SAYE schemes this was in the form of a one-off payment. For executive share awards this included an adjustment to shares under the amount of each grant, and the lowering of exercise price, where applicable. There is no change to the IFRS fair value charge as a result of these modifications.

Summary of Shares Outstanding

All outstanding Executive and Other share awards as at 31 December 2020 and 31 December 2019 are included in the tables following which analyse the charge for 2020 and 2019. The Group has used the Black-Scholes model to calculate the fair value of one award on the date of the grant of the award.

25 Share-Based Payments continued

Table 1: Fair value

The most significant awards are share options and restricted shares, details of which have been provided below.

		Black-Scholes model assumptions								
Award	Grant date	Exercise price at grant £	Modified exercise price £	Performance period	Share price on grant date £	Volatility %	Dividend yield %	Life years	Risk-free interest rate %	Fair value of one award £
Share options										
2009	8 December 2008	27.29	26.54	2009–11	27.80	25	3.1	4	2.78	4.69
2010	7 December 2009	31.65	30.78	2010–12	31.80	26	3.5	4	1.69	4.70
2011	1 December 2010	34.64	33.68	2011–13	34.08	26	4.3	4	2.16	4.49
2012	5 December 2011	32.09	31.20	2012–14	32.19	25	5.4	4	1.00	3.18
2013	3 December 2012	39.14	38.06	2013–15	39.66	20	4.3	4	0.61	3.29
2014	11 December 2013	47.83	46.51	2014–16	46.69	19	3.7	4	0.76	3.85
2015	1 December 2014	50.57	50.57	2015–17	52.40	17	4.0	4	1.03	4.34
2016	2 December 2015	63.25	63.25	2016–18	64.15	18	2.9	4	1.07	6.75
2017	1 December 2016	67.68	67.68	2017–19	66.28	18	3.0	4	0.46	5.54
2018	30 November 2017	64.99	64.99	2018–20	64.86	18	3.4	4	0.68	5.58
2019	10 May 2019	60.83	60.83	2019–21	61.45	20	3.7	4	0.83	5.89
2020	1 May 2020	65.20	65.20	2020–22	65.70	21	2.6	4	0.55	7.96
Restricted shares										
2015	1 December 2014	–	–	2015–17	52.40	17	4.0	4	1.03	43.93
2016	2 December 2015	–	–	2016–18	64.15	18	2.9	4	1.07	57.13
2017	1 December 2016	–	–	2017–19	66.28	18	3.0	4	0.46	58.85
2018	30 November 2017	–	–	2018–20	64.86	18	3.4	4	0.68	56.71
2019	10 May 2019	–	–	2019–21	61.40	19	3.7	4	0.83	53.02
2020	1 May 2020	–	–	2020–22	65.70	21	2.6	4	0.55	59.17

Table 2: Share awards movements 2020

	Movement in number of options				
Award	Options outstanding at 1 January 2020 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2020 number
Share options[1]					
2011	**71,509**	**–**	**(2,400)**	**(69,109)**	**–**
2012	**367,374**	**–**	**(2,210)**	**(213,753)**	**151,411**
2013	**646,593**	**–**	**(2,057)**	**(396,786)**	**247,750**
2014	**924,419**	**–**	**(2,057)**	**(465,066)**	**457,296**
2015	**1,298,544**	**–**	**(5,000)**	**(550,578)**	**742,966**
2016	**1,904,977**	**–**	**(95,138)**	**(689,037)**	**1,120,802**
2017	**1,841,056**	**–**	**(1,219,134)**	**(48,015)**	**573,907**
2018	**2,171,480**	**–**	**(331,924)**	**(2,008)**	**1,837,548**
2019	**2,385,439**	**–**	**(299,381)**	**–**	**2,086,058**
2020	**–**	**2,626,735**	**(31,683)**	**–**	**2,595,052**
Restricted shares[1]					
2016	**144,288**	**–**	**(19,425)**	**–**	**124,863**
2017	**824,061**	**–**	**(546,909)**	**(276,977)**	**175**
2018	**1,067,280**	**–**	**(190,262)**	**(27,159)**	**849,859**
2019	**1,364,136**	**–**	**(186,828)**	**(62,422)**	**1,114,886**
2020	**–**	**1,448,758**	**(29,041)**	**(15,340)**	**1,404,377**
Other share awards					
UK SAYE	**746,570**	**184,943**	**(65,490)**	**(127,613)**	**738,410**
US SAYE	**622,765**	**161,659**	**(55,048)**	**(56,381)**	**672,995**
Overseas SAYE	**1,889,663**	**576,689**	**(149,851)**	**(14,398)**	**2,302,103**
SOPP	**103,200**	**88,400**	**(12,800)**	**(22,800)**	**156,000**
Weighted average exercise price (share options)	**£58.43**	**£65.20**	**£65.77**	**£49.51**	**£60.97**

1. Grant date and exercise price for each of the awards are shown in Table 1

25 Share-Based Payments continued

Table 3: Share awards movements 2019

Award	Options outstanding at 1 January 2019 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2019 number
	Movement in number of options				
Share options[1]					
2010	99,281	–	(2,557)	(96,724)	–
2011	119,643	–	(1,600)	(46,534)	71,509
2012	480,103	–	(2,037)	(110,692)	367,374
2013	934,375	–	(2,057)	(285,725)	646,593
2014	1,235,516	–	(6,154)	(304,943)	924,419
2015	1,694,784	–	(34,388)	(361,852)	1,298,544
2016	2,002,591	–	(87,855)	(9,759)	1,904,977
2017	2,091,357	–	(250,301)	–	1,841,056
2018	2,490,055	–	(318,575)	–	2,171,480
2019	–	2,491,340	(105,901)	–	2,385,439
Restricted shares[1]					
2016	930,898	–	(52,774)	(733,836)	144,288
2017	919,587	–	(78,200)	(17,326)	824,061
2018	1,269,418	–	(151,289)	(50,849)	1,067,280
2019	–	1,411,339	(45,353)	(1,850)	1,364,136
Other share awards					
UK SAYE	693,313	316,660	(143,765)	(119,638)	746,570
US SAYE	567,300	176,208	(63,610)	(57,133)	622,765
Overseas SAYE	1,680,092	639,818	(402,282)	(27,965)	1,889,663
SOPP	118,800	24,400	(20,000)	(20,000)	103,200
Weighted average exercise price (share options)	£56.59	£60.83	£64.01	£42.73	£58.43

1. Grant date and exercise price for each of the awards are shown in Table 1

For options outstanding at the year end the weighted average remaining contractual life is 5.42 years (2019: 5.64 years). Options outstanding at 31 December 2020 that could have been exercised at that date were 3,427,971 (2019: 5,374,275) with a weighted average exercise price of £53.38 (2019: £49.82).

The assumptions made in determining the share-based payments charge, in respect to the achievement of performance criteria, are based on the Directors' expectations in light of the Group's business model and relevant published targets.

Under the terms of the schemes, early exercise may only be granted in exceptional circumstances and therefore the effect of early exercise is not incorporated into the calculation.

No material modifications have occurred requiring revision to the share-based payment charges for the outstanding awards.

An estimate of future volatility is made with reference to historical volatility over a similar time period to the performance period or the contractual life as appropriate. Historical volatility is calculated based on the annualised standard deviation of the Group's daily share price movement, being an approximation to the continuously compounded rate of return on the share.

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions.

The weighted average share price for the year was £68.19 (2019: £61.40).

25 Share-Based Payments continued

Options and Restricted Shares Granted During the Year

Options and restricted shares granted during the year which may vest or become exercisable at various dates between 2020 and 2027 are as follows:

	Price to be paid £	Number of shares under option
Executive share option and restricted share schemes		
Reckitt Benckiser 2020 Long-term Incentive Plan – share options	65.20	2,626,735
Reckitt Benckiser Long-term Incentive Plan – restricted shares	–	1,448,758
Reckitt Benckiser Group Senior Executive Share Ownership Policy Plan	–	88,400
Total		**4,163,893**
Savings-related share option schemes		
UK Scheme	62.44	184,943
US Scheme	62.44	161,659
Overseas Scheme	62.44	576,689
Total		**923,291**

Options and Restricted Shares Outstanding at 31 December 2020

Options and restricted shares which have vested or may vest at various dates between 2020 and 2027 are as follows:

	Price to be paid £		Number of shares under option	
	From	To	**2020**	2019
Executive share option and restricted share schemes				
Reckitt Benckiser Long-term Incentive Plan 2011 – Annual Grant – options	31.20	78.00	**9,812,790**	11,611,391
Reckitt Benckiser Long-term Incentive Plan 2016 – Annual Grant – restricted shares	–	–	**3,494,160**	3,399,765
Reckitt Benckiser Senior Executives Share Ownership Policy Plan	–	–	**156,000**	103,200
Total			**13,462,950**	15,114,356
Savings-related share option schemes				
UK Scheme	41.20	62.44	**738,410**	746,570
US Scheme	47.44	62.44	**672,995**	622,765
Overseas Scheme	47.44	62.44	**2,302,103**	1,889,663
Total			**3,713,508**	3,258,998

26 Other Reserves

	Hedging Reserve £m	Foreign currency translation reserve £m	Total other reserves £m
Balance at 1 January 2019	7	430	437
Other comprehensive income/(expense)			
Losses on cash flow hedges, net of tax	(9)	–	(9)
Net exchange losses on foreign currency translation, net of tax	–	(578)	(578)
Gains on net investment hedges	–	70	70
Total other comprehensive expense for the year	(9)	(508)	(517)
Balance at 31 December 2019	(2)	(78)	(80)
Other comprehensive (expense)			
Losses on cash flow hedges, net of tax	(17)	–	(17)
Net exchange losses on foreign currency translation, net of tax	–	(207)	(207)
Losses on net investment hedges	–	(75)	(75)
Total other comprehensive expense for the year	**(17)**	**(282)**	**(299)**
Balance at 31 December 2020	**(19)**	**(360)**	**(379)**

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedge transactions that are extant at year end.

26 Other Reserves continued

The foreign currency translation reserve contains the accumulated foreign exchange differences from the translation of the Financial Statements of the Group's foreign operations arising when the Group's entities are consolidated. The reserve also contains the translation of liabilities that hedge the Group's net exposure in a foreign currency.

27 Related Party Transactions

Put and Call Options with Non-controlling Shareholders

At 31 December 2020, within the Health Operating Segment, there are symmetrical put and call options existing over the non-controlling shareholdings in RB & Manon Business Co. Ltd, RB & Manon Business Limited and RB (China Trading) Limited. In 2018, the parties agreed to extend these options to 31 December 2023. In the event that the options are not exercised in accordance with the agreement, they are automatically extended for a further six years.

In addition, within the Hygiene Operating Segment, there are symmetrical put and call options existing over the non-controlling shareholdings in RB (Hygiene Home) HK Limited, RB & Manon Hygiene Home (HK) Limited and RB & Manon Hygiene Home (Shanghai) Limited. These options were first agreed in 2019 and are due to expire on 31 December 2024. In the event that the options are not exercised in accordance with the agreement, they are automatically extended for a further six years.

The present value of these put option liabilities was £148 million (2019: £135 million).

Other

The Group has related party relationships with its Directors and key management personnel (Note 5).

28 Dividends

	2020 £m	2019 £m
Cash dividends on equity ordinary shares:		
2019 Final paid: 101.6 p (2018: Final 100.2p) per share	**721**	709
2020 Interim paid: 73p (2019: Interim 73p) per share	**520**	518
Total dividends for the year	**1,241**	1,227

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2020 of 101.6p per share which will absorb an estimated £724 million of Shareholders' funds. If approved by Shareholders it will be paid on 14 June 2021 to Shareholders who are on the register on 7 May 2021, with an ex-dividend date of 6 May 2021.

29 Discontinued Operations

In the year ended 31 December 2020, the Group recorded income of £50 million (2019: £898 million expense) in discontinued operations. This income in 2020 relates to the partial release of a provision relating to the prior year settlement with the Department of Justice (DoJ) in relation to Indivior plc matters, following a review of outstanding items relating to the DoJ settlement. The prior period expense reflects the charge to the Income Statement for the $1.4 billion settlement agreed with the DoJ, which was paid in full by the end of 2019 and amounts deemed necessary to cover any remaining litigation exposure.

In January 2021, Indivior plc agreed to pay $50 million to the Group over the next five years to settle indemnity claims relating to the Group's previous settlement with the DoJ, and certain related matters. Amounts in relation to this settlement with Indivior will be recognised as income from discontinued operations in 2021.

30 Post Balance Sheet Events

Subsequent to the year end, the Group repaid $400 million (£291 million) of term loans earlier than their contractual maturity date. At 31 December 2020, these term loans were presented in non-current liabilities on the Balance Sheet as they were not due for repayment based on their contractual maturity date within the next twelve months.

On 23 February 2021, the Group entered into an agreement for the sale of the Scholl, Krack, Amopé , ProSport, and Eulactol brands and certain related assets for consideration of approximately £275 million, subject to customary closing adjustments. The transaction is subject to the satisfaction of relevant closing conditions and completion is expected by the third quarter of 2021. The assets and liabilities attributable to the disposal group did not qualify as held for sale at 31 December 2020, and therefore have not been separately presented as held for sale in these Financial Statements.

On 23 February 2021, the Group entered into a definitive agreement to acquire the Biofreeze and TheraPearl brands and associated assets from Performance Health for cash consideration of approximately $1,075 million, subject to customary closing adjustments. The transaction is subject to certain regulatory approvals as well as other customary closing conditions and completion is expected in the second quarter of 2021.

FIVE YEAR SUMMARY

The five-year summary below is presented on a statutory basis. The years ending 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019, and 31 December 2020 show the results for continuing operations and exclude the impact of RB Food and RB Pharmaceuticals.

The balance sheet has not been restated for the impact of discontinued operations.

Income Statement	**2020 £m**	2019 £m	Restated[1] 2018 £m	Restated[2] 2017 £m	2016 £m
Net Revenue	**13,993**	12,846	12,597	11,449	9,480
Operating profit/(loss)	**2,160**	(1,954)	3,058	2,737	2,269
Net finance expense	**(286)**	(153)	(338)	(238)	(16)
Share of loss of equity-accounted investees, net of tax	**(1)**	–	–	–	–
Profit/(Loss) before income tax	**1,873**	(2,107)	2,720	2,499	2,253
Income tax (expense)/benefit	**(720)**	(665)	(536)	894	(520)
Attributable to non-controlling interests	**(16)**	(13)	(20)	(17)	(4)
Net income/(loss) attributable to owners of the parent company from continuing operations	**1,137**	(2,785)	2,164	3,376	1,729
Balance Sheet					
Net assets	**9,159**	9,407	14,771	13,557	8,426
Key Statistics – Reported basis					
Operating margin	**15.4%**	(15.2%)	24.3%	23.9%	23.9%
Diluted earnings per share, continuing	**159.3p**	(393.0p)	305.2p	474.7p	242.1p
Declared total dividends per ordinary share	**174.6p**	174.6p	170.7p	164.3p	153.2p

1. Restated for the adoption of IFRS 16. The 2016 and 2017 balances have not been restated
2. Restated for the adoption of IFRS 15. The 2016 balances have not been restated

PARENT COMPANY BALANCE SHEET

As at 31 December	Notes	2020 £m	2019 £m
Fixed assets			
Investments	2	**14,975**	14,963
Current assets			
Debtors due within one year	3	**56**	42
Debtors due after more than one year	4	**3**	2
Cash and cash equivalents		**–**	4
		59	48
Current liabilities			
Creditors due within one year	5	**(9,652)**	(8,425)
Net current liabilities		**(9,593)**	(8,377)
Total assets less current liabilities		**5,382**	6,586
Creditors due after more than one year	5	**(30)**	–
Provisions for liabilities and charges	6	**(43)**	(99)
Net assets		**5,309**	6,487
EQUITY			
Share capital	7	**74**	74
Share premium		**252**	245
Retained earnings		**4,983**	6,168
Total equity		**5,309**	6,487

The Financial Statements on pages 220 to 236 were approved by the Board of Directors on 15 March 2021 and signed on its behalf by:

Christopher Sinclair
Director
Reckitt Benckiser Group plc

Laxman Narasimhan
Director
Reckitt Benckiser Group plc

Company Number: 06270876

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 January 2019	74	245	7,962	8,281
Comprehensive income				
Loss for the financial year	–	–	(646)	(646)
Total comprehensive loss	–	–	(646)	(646)
Transactions with owners				
Treasury shares reissued	–	–	61	61
Share-based payments	–	–	4	4
Capital contribution in respect of share-based payments	–	–	14	14
Cash dividends	–	–	(1,227)	(1,227)
Total transactions with owners	–	–	(1,148)	(1,148)
Balance at 31 December 2019	74	245	6,168	6,487
Comprehensive income				
Loss for the financial year	–	–	(79)	(79)
Total comprehensive loss	**–**	**–**	**(79)**	**(79)**
Transactions with owners				
Treasury shares reissued	–	7	124	131
Share-based payments	–	–	3	3
Capital contribution in respect of share-based payments	–	–	12	12
Purchase of ordinary shares by employee share ownership trust	–	–	(4)	(4)
Cash dividends	–	–	(1,241)	(1,241)
Total transactions with owners	**–**	**7**	**(1,106)**	**(1,099)**
Balance at 31 December 2020	**74**	**252**	**4,983**	**5,309**

Reckitt Benckiser Group plc has £4,347 million (2019: £5,543 million) of its retained earnings available for distribution. Details of Treasury shares and other equity transactions are included in Note 24 of the Group Financial Statements.

1 Parent Company Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General Information and Basis of Accounting
Reckitt Benckiser Group plc is a company incorporated in the United Kingdom, registered in England and Wales under the Companies Act 2006, and is a public limited company. The address of the registered office is given on page 234. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 93.

Statement of Compliance
The Financial Statements have been prepared under the historical cost convention and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS 102') and the Companies Act 2006.

The functional currency of Reckitt Benckiser Group plc is considered to be Pounds Sterling because that is the currency of the primary economic environment in which the company operates.

As permitted by s408 of the Companies Act 2006, a Statement of Comprehensive Income is not presented for Reckitt Benckiser Group plc.

Going Concern
The Directors considered it appropriate to adopt the going concern basis of accounting in preparing the company Financial Statements.

Having assessed the principal risks and other matters discussed in connection with the Group's Viability Statement as set out on page 93 of the Group Annual Report, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the company Financial Statements. When reaching this conclusion, the Directors took into account the company's overall financial position and exposure to principal risks, including the ongoing impact of COVID-19 and future business forecasts.

Financial Reporting Standard 102 – Reduced Disclosure Exemptions
FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with.

The company has taken advantage of the following exemptions:
(i) from preparing a Statement of Cash Flows, on the basis that it is a qualifying entity and the Group Cash Flow Statement, included in these Financial Statements, includes the company's cash flows;
(ii) from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

The company's results are included in the publicly available consolidated Financial Statements of Reckitt Benckiser Group plc and these Financial Statements may be obtained from 103-105 Bath Road, Slough, Berkshire SL1 3UH or at www.reckitt.com.

Foreign Currency Translation
Transactions denominated in foreign currencies are translated using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Taxation
The tax charge/credit is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax liabilities are provided for in full and deferred tax assets are recognised to the extent that they are considered recoverable.

A net deferred tax asset is considered recoverable if it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is measured on an undiscounted basis.

Fixed Asset Investments
Fixed asset investments are stated at the lower of cost or their recoverable amount, which is determined as the higher of net realisable value and value in use. A review of the potential impairment of an investment is carried out by the Directors if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. Such impairment reviews are performed in accordance with FRS 102 Section 27 'Impairment of assets'.

Employee Share Schemes
Incentives in the form of shares are provided to employees under share option and restricted share schemes which vest in accordance with non-market conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each Balance Sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in comprehensive income or expense such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Additional employer costs in respect of options and awards are charged, including social security taxes, to the Statement of Comprehensive Income over the same period, with a corresponding liability recognised.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the company Financial Statements.

Financial Instruments
The company only enters into basic financial instrument transactions that result in the recognition of basic financial assets and liabilities, including trade and other debtors and creditors and loans to and from related parties. These transactions are initially recorded at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of the future receipt discounted at a market rate of interest, and subsequently recognised at amortised cost.

1 Parent Company Accounting Policies continued

(i) Financial Assets

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in comprehensive income or expense.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial Liabilities

Basic financial liabilities, including loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future payments. Debt instruments are subsequently carried at amortised cost.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is more likely than not that there will be an outflow of resources to settle that obligation; and the amount can be reliably estimated. Provisions are valued at the present value of the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date. Where it is possible that a settlement may be reached or it is not possible to make a reliable estimate of the estimated financial impact, appropriate disclosure is made but no provision recognised.

Where a company enters into a financial guarantee contract to guarantee the indebtedness of other companies within its Group, the company treats the guarantee contract as a contingent liability until such a time as it becomes probable that the company will be required to make a payment under the guarantee.

Share Capital Transactions

When the company purchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Purchased shares are either held in Treasury in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled is transferred from retained earnings.

Repurchase and Reissuance of Ordinary Shares

When shares recognised as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Repurchased shares are classified as Treasury shares and are presented in retained earnings. When Treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus is presented within share premium.

Dividends

Dividends payable are recognised when they meet the criteria for a present obligation (i.e. when they have been approved).

Accounting Estimates and Judgements

In preparing these Financial Statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual amounts and results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Each year, management is required to make a number of assumptions regarding the future. The related year-end accounting estimates will, by definition, seldom equal the final actual results. The company's Directors are of the opinion that there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Other estimates

Set out below are other estimates where there is a risk of adjustment to the carrying amounts of assets and liabilities within the next financial year, but the risk of a material adjustment is not significant.

The company recognises legal provisions in line with the company's provisions policy. The level of provisioning in relation to civil and/or criminal investigations is an area where management and legal judgement is important, with individual provisions being based on best estimates of the probable loss, considering all available information, external advice and historical experience. As at 31 December 2020, the company recognised legal provisions of £43 million (2019: £99 million) in relation to a number of historical regulatory matters. Refer to Note 6 of the company Financial Statements for further information.

The company's Directors are of the opinion that there are no critical judgements in applying the company's accounting policies.

2 Investments

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2019	14,949
Additions during the year	14
At 31 December 2019	14,963
Additions during the year	12
At 31 December 2020	**14,975**
Provision for impairment	
At 1 January 2019	–
Provided for during the year	–
At 31 December 2019	–
Provided for during the year	–
At 31 December 2020	–
Net book amounts	
At 31 December 2019	14,963
At 31 December 2020	**14,975**

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The subsidiary undertakings as at 31 December 2020, all of which are included in the Group Financial Statements, are shown in Note 11 of the company Financial Statements.

2 Investments continued

With the exception of Reckitt Benckiser Limited (formerly Reckitt Benckiser plc), none of the subsidiaries are directly held by Reckitt Benckiser Group plc. All subsidiaries have a financial year ending 31 December with the exception of Reckitt Benckiser (India) Private Limited, Reckitt Benckiser Healthcare India Private Limited, Reckitt Benckiser Scholl India Private Limited, Mead Johnson Nutrition (India) Private Limited, RB Hygiene Home India Private Limited, Reckitt Piramal Private Limited, and Reckitt & Colman Management Services (Ireland) Limited which have a year ending 31 March; Reckitt Benckiser Health Kenya Limited which has a year ending 30 April; Lloyds Pharmaceuticals which has a year ending 24 August; Reigate Square Holdings Sàrl which has a year ending 31 August; RBHCR Health Reckitt Costa Rica Sociedad Anónima which has a year ending 30 September; Crookes Healthcare Limited which has a year ending 31 January and Reckitt Benckiser Healthcare (Ireland) Limited which has a year ending 30 November.

Additions during the year, and in 2019, relate to the grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group.

3 Debtors Due Within One Year

	2020 £m	2019 £m
Amounts owed by Group undertakings	**54**	40
Other debtors	**2**	2
	56	42

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand (2019: same).

4 Debtors Due After More Than One Year

	2020 £m	2019 £m
Deferred tax assets	**3**	2

Deferred tax assets consist of short-term timing differences.

5 Creditors
Creditors due within one year:

	2020 £m	2019 £m
Amounts owed to Group undertakings	**9,647**	8,412
Taxation and social security	**4**	4
Other creditors	**1**	9
	9,652	8,425

Included in the amounts owed to Group undertakings is an amount of £9,548 million (2019: £8,368 million) which is unsecured, carries interest at 3M LIBOR and is repayable on demand (2019: same). All other amounts owed to Group undertakings are unsecured, non-interest bearing and are repayable on demand (2019: same).

Creditors due after more than one year:

Creditors due after more than one year relate to non-current tax liabilities of £30 million (2019: £nil).

6 Provisions for Liabilities and Charges

	Legal provisions £m	Total provisions £m
At 1 January 2019	369	369
Charged to the Statement of Comprehensive Income	79	79
Utilised during the year	(331)	(331)
Released to the Statement of Comprehensive Income	(18)	(18)
At 31 December 2019	99	99
Charged to the Statement of Comprehensive Income	4	4
Utilised during the year	(4)	(4)
Released to the Statement of Comprehensive Income	(56)	(56)
At 31 December 2020	**43**	**43**

Provisions have been analysed between current and non-current as follows:

	2020 £m	2019 £m
Current	**43**	99
Non-current	**–**	–
	43	99

Provisions relate to legal provisions in relation to a number of historical matters. Refer to Note 18 of the Group Financial Statements.

7 Share Capital

Issued and fully paid	Equity ordinary shares	Nominal value £m
At 1 January 2020	736,535,179	74
At 31 December 2020	**736,535,179**	**74**

The holders of ordinary shares (par value 10 pence) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Parent Company.

The allotment of ordinary shares and release of Treasury shares are disclosed in Note 24 of the Group Financial Statements.

8 Related Party Transactions

There were no transactions with related parties other than wholly owned companies within the Group.

9 Contingent Liabilities

The company has issued a guarantee to the trustees of the Reckitt Benckiser Pension Fund covering the obligations of certain UK subsidiaries of the Group who are the sponsoring employers of the UK defined benefit pension fund. The guarantee covers any amounts due to the pension fund from these subsidiaries if they fail to meet their pension obligations.

The company issued a guarantee on behalf of Reckitt Benckiser Treasury Services plc in relation to the issuance of a $8,250 million bond (two tranches of $2,500 million, one tranche of $2,000 million, one tranche of $750 million and one tranche of $500 million) and in relation to the issuance of a £500 million bond issued in May 2020, as well as the issuance of €750 million commercial paper and $400 million term loan. Details are included in Note 15 of the Group Financial Statements.

The company issued a guarantee on behalf of Reckitt Benckiser Treasury Services plc in relation to committed borrowing facilities totalling £5,500 million (2019: £5,500 million). Details of the facilities are included in Note 15 of the Group Financial Statements.

The company issued a guarantee on behalf of Mead Johnson Nutrition Company in relation to outstanding senior notes of $1,550 million (2019: $2,300 million) issued by Mead Johnson Nutrition Company prior to acquisition. The senior notes consist of one tranche of $750 million, one tranche of $500 million and one tranche of $300 million. One tranche of $750 million was settled during the year.

The company has also issued a guarantee on behalf of Reckitt Benckiser Treasury Services (Nederland) BV in relation to the issuance of two €850 million bonds issued in May 2020. Details are included in Note 15 of the Group Financial Statements.

Other contingent liabilities are disclosed in Note 20 of the Group Financial Statements.

10 Post Balance Sheet Events

In January 2021, Indivior plc agreed to pay $50 million to the Group over the next five years to settle indemnity claims relating to the Group's previous settlement with the DoJ, and certain related matters. Amounts in relation to this settlement with Indivior will be recognised as income from discontinued operations in 2021.

11 Subsidiary Undertakings

In accordance with section 409 of the Companies Act 2006 and Schedule 4 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, a full list of related undertakings as at 31 December 2020, including their registered office address, country of incorporation and the percentage of share ownership, is disclosed below. All undertakings are indirectly owned by Reckitt Benckiser Group plc, unless otherwise stated.

From time to time, management reviews the Group structure and seeks to remove redundant, dormant or non-trading entities. During the year ended 31 December 2020, nine legal entities were placed into liquidation as part of the review (2019: 19 legal entities). The removal of legal entities ultimately allows management to focus on the core business, reduces compliance obligations and cost, and improves transparency of the Group to external parties.

All subsidiary undertakings of Reckitt Benckiser Group plc are included in the consolidated Financial Statements of the Group.

Name	Country of Incorporation	Share Class	Proportion of shares held by Reckitt	Registered Office
Mead Johnson Nutrition Argentina S.A.	Argentina	A/B	90.00%	147
Reckitt Benckiser Argentina S.A.	Argentina	ORD	100.00%	63
Reckitt Benckiser Health Argentina S.A.	Argentina	ORD	100.00%	50
Mead Johnson Nutrition (Australia) Pty Ltd	Australia	ORD	100.00%	95
Reckitt Benckiser (Australia) Pty Limited	Australia	ORD/PREF	100.00%	97
Reckitt Benckiser Healthcare Australia Pty Limited	Australia	ORD	100.00%	97
SSL Australia Pty Ltd	Australia	CRF/ORD	100.00%	97
RB (Hygiene Home) Australia Pty Ltd	Australia	ORD	100.00%	97
RB Hygiene Home Austria GmbH	Austria	ORD	100.00%	87
Reckitt Benckiser Austria GmbH	Austria	ORD	100.00%	87
Scholl Latin America Limited*	Bahamas	ORD	100.00%	66
Reckitt Benckiser Bahrain W.L.L	Bahrain	ORD	100.00%	64
Reckitt Benckiser (Bangladesh) Limited	Bangladesh	ORD	82.96%	37
Reckitt Benckiser BY LLC	Belarus	–	100.00%	111
RB Hygiene Home Belgium SA/NV	Belgium	ORD	100.00%	21
Reckitt Benckiser (Belgium) SA/NV	Belgium	ORD	100.00%	21
Suffolk Insurance Limited	Bermuda	COMMON	100.00%	75
Apenas Boa Nutrição Indústria de Alimentos Ltda.	Brazil	ORD	100.00%	83
Fenla Indústria, Comércio e Administração Ltda	Brazil	ORD	100.00%	125
Mead Johnson do Brasil Comércio e Importação de Produtos de Nutrição Ltda.	Brazil	ORD	100.00%	55
Reckitt Benckiser (Brasil) Comercial de Produtos de Hygiene, Limpeza e Cosméticos Ltda.	Brazil	ORD	100.00%	54
Reckitt Benckiser (Brasil) Ltda	Brazil	ORD	100.00%	126
Reckitt Benckiser Health Comercial Ltda	Brazil	ORD	100.00%	56
Reckitt Benckiser (BVI) No. 1 Limited	British Virgin Islands	ORD	100.00%	116

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Share Class	Proportion of shares held by Reckitt	Registered Office
Reckitt Benckiser (BVI) No. 2 Limited	British Virgin Islands	ORD	100.00%	116
Reckitt Benckiser (BVI) No. 3 Limited	British Virgin Islands	ORD	100.00%	116
Reckitt Benckiser Bulgaria Eood*	Bulgaria	PARTNERSHIP/ MEMBERSHIP INTEREST	100.00%	140
Mead Johnson Nutrition (Canada) Co.	Canada	COMMON	100.00%	145
RB Health (Canada) Inc.	Canada	COMMON	100.00%	144
Reckitt Benckiser (Canada) Inc.	Canada	NEW (2018) COMMON	100.00%	17
Reckitt Benckiser (Cayman Islands) Limited	Cayman Islands	ORD	100.00%	119
RB Health Chile SpA	Chile	ORD	100.00%	57
Reckitt Benckiser Chile S.A.	Chile	ORD	100.00%	57
Anhui Guilong Pharmaceutical Trading Company Ltd	China	–	100.00%	78
Guilong Pharmaceutical (Anhui) Co. Ltd	China	ORD	100.00%	92
Guilong Pharmaceutical (Anhui) Co. Ltd†	China	–	100.00%	153
Mead Johnson Pediatric Nutrition Institute (China) Ltd	China	–	100.00%	127
Qingdao London Durex Co., Ltd	China	ORD	100.00%	105
Qingdao New Bridge Corporate Management Consulting Company Limited	China	ORD	100.00%	105
RB & Manon Business Co., Ltd	China	–	75.05%	131
RB & Manon Hygiene Home (Shanghai) Limited	China	ORD	80.00%	16
RB (China) Holding Co. Ltd	China	–	100.00%	156
Reckitt & Colman Guangzhou Limited	China	ORD	100.00%	102
Reckitt Benckiser Home Chemical Products Trading (Shanghai) Co. Limited	China	ORD	100.00%	67
Reckitt Benckiser Household Products (China) Company Limited	China	–	100.00%	103
SSL Healthcare (Shanghai) Ltd	China	ORD	100.00%	130
Tai He Tai Lai Culture Communication Co Ltd	China	ORD	100.00%	158
Mead Johnson Nutritionals (China) Ltd - Beijing Branch	China	–	100.00%	157
Mead Johnson Nutritionals (China) Ltd - Chendu Branch	China	–	100.00%	133
Mead Johnson Nutritionals (China) Ltd - Fuzhou Branch	China	–	100.00%	129
Mead Johnson Nutritionals (China) Ltd - Qingdao Branch	China	–	100.00%	44
Mead Johnson Nutritionals (China) Ltd - Shanghai Branch	China	–	100.00%	15
Mead Johnson Nutritionals (China) Ltd - Shenzhen Branch	China	–	100.00%	44
Mead Johnson Nutritionals (China) Ltd - Xi'an Branch	China	–	100.00%	134
Mead Johnson Nutritionals (China) Ltd.	China	ORD	88.89%	3
Mead Johnson Pediatric Nutrition Technology (Guangzhou) Ltd	China	ORD	100.00%	128
RB (Suzhou) Co. Ltd	China	–	100.00%	108
Mead Johnson Nutrition Colombia Ltda.	Colombia	ORD	100.00%	69
RB (Health) Colombia S.A.S.	Colombia	ORD	100.00%	69
Reckitt Benckiser Colombia S.A.	Colombia	ORD	100.00%	68
RBHCR Health Reckitt Costa Rica Sociedad Anonima	Costa Rica	COMMON	100.00%	136
Reckitt Benckiser (Centroamerica) S.A.	Costa Rica	ORD	100.00%	136
Reckitt Benckiser d.o.o	Croatia	ORD	100.00%	152
Gainbridge Investments (Cyprus) Limited	Cyprus	ORD	100.00%	4
RB (Hygiene Home) Czech Republic, spol s.r.o.	Czech Republic	ORD	100.00%	166
Reckitt Benckiser (Czech Republic), spol. s.r.o.	Czech Republic	PARTNERSHIP/ MEMBERSHIP INTEREST	100.00%	166
RB Health Nordic A/S	Denmark	ORD	100.00%	163
RB Hygiene Home Nordic A/S	Denmark	ORD	100.00%	163
Mead Johnson Nutrition (Dominicana), S.A.†	Dominican Republic	–	100.00%	26
RB Health Ecuador Cía. Ltda	Ecuador	ORD	100.00%	51

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Share Class	Proportion of shares held by Reckitt	Registered Office
Reckitt Benckiser Ecuador S.A.	Ecuador	ORD	100.00%	114
Reckitt Benckiser Egypt Limited	Egypt	ORD	100.00%	120
Reckitt Benckiser Hygiene Home Egypt Limited*	Egypt	ORD	100.00%	65
Reckitt Benckiser (Latvia) SIA Eesti filial[†]	Estonia	–	100.00%	88
RB Health Nordic A/S sivuliike Suomessa[†]	Finland	–	100.00%	93
RB Hygiene Home Nordic A/S, sivuliike Suomessa[†]	Finland	–	100.00%	139
Airwick Industrie SAS	France	ORD	100.00%	30
RB Holding Europe Du Sud SAS	France	ORD	100.00%	30
RB Hygiene Home France SAS	France	ORD	100.00%	30
Reckitt Benckiser Chartres SAS	France	ORD	100.00%	7
Reckitt Benckiser France SAS	France	ORD	100.00%	30
Reckitt Benckiser Healthcare France SAS	France	ORD	100.00%	30
Kukident GmbH	Germany	COMMON	100.00%	89
Propack Produkte für Haushalt und Körperpflege GmbH	Germany	ORD	100.00%	124
RB Hygiene Home Deutschland GmbH	Germany	–	100.00%	79
Reckitt & Colman Sagrotan Verwaltungs-gesellschaft GmbH	Germany	COMMON	100.00%	79
Reckitt Benckiser Detergents GmbH	Germany	ORD	100.00%	79
Reckitt Benckiser Deutschland GmbH	Germany	COMMON	100.00%	79
Reckitt Benckiser Global R&D GmbH	Germany	COMMON	100.00%	79
Reckitt Benckiser Holding GmbH & Co KG	Germany	–	100.00%	79
Reckitt Benckiser Hellas Healthcare S.A.	Greece	ORD	100.00%	43
Reckitt Benckiser Hellas Hygiene Home S.A.	Greece	ORD	100.00%	43
Reckitt Benckiser (Channel Islands) Limited	Guernsey	ORD	100.00%	18
Reckitt Benckiser Holdings (Channel Islands) Limited	Guernsey	ORD	100.00%	18

Name	Country of Incorporation	Share Class	Proportion of shares held by Reckitt	Registered Office
London International Trading Asia Limited	Hong Kong	ORD	100.00%	22
Mead Johnson Nutrition (Hong Kong) Limited	Hong Kong	ORD	100.00%	2
Oriental Medicine Company Limited	Hong Kong	ORD	100.00%	22
RB & Manon Business Limited	Hong Kong	ORD	75.00%	154
RB & Manon Hygiene Home Limited	Hong Kong	ORD	80.00%	132
RB (Hygiene Home) HK Limited	Hong Kong	ORD/PREF	80.00%	1
Reckitt Benckiser Hong Kong Limited	Hong Kong	ORD	100.00%	22
RB (Hygiene Home) Hungary Kft	Hungary	ORD	100.00%	61
Reckitt Benckiser Kereskedelmi Kft	Hungary	PARTNERSHIP/ MEMBERSHIP INTEREST	100.00%	10
Reckitt Benckiser Tatabanya Kft	Hungary	ORD	100.00%	61
Mead Johnson Nutrition (India) Private Limited	India	ORD	100.00%	161
Reckitt Benckiser (India) Private Limited	India	ORD	100.00%	118
Reckitt Benckiser Healthcare India Private Limited	India	ORD	100.00%	118
Reckitt Benckiser Scholl India Private Limited	India	ORD	100.00%	85
Reckitt Piramal Private Limited	India	ORD	100.00%	160
RB Hygiene Home India Private Limited	India	ORD	100.00%	118
PT Mead Johnson Indonesia	Indonesia	ORD	90.10%	149
PT Reckitt Benckiser Hygiene Home Indonesia	Indonesia	ORD	100.00%	148
PT Reckitt Benckiser Hygiene Home Trading Indonesia	Indonesia	ORD	100.00%	148
Pt Reckitt Benckiser Indonesia	Indonesia	ORD	100.00%	86
PT Reckitt Benckiser Trading Indonesia	Indonesia	ORD	100.00%	94
Reckitt Benckiser (Pars) PJSC	Iran	ORD	100.00%	19
Crookes Healthcare Limited	Ireland	ORD	100.00%	32
Dorincourt Holdings (Ireland) Limited	Ireland	ORD	100.00%	32

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Share Class	Proportion of shares held by Reckitt	Registered Office
RB Ireland Hygiene Home Commercial Limited	Ireland	ORD	100.00%	42
RB Reigate (Ireland) Unlimited Company	Ireland	ORD	100.00%	32
RB Winchester (Ireland) Unlimited Company	Ireland	ORD	100.00%	32
Reckitt & Colman Management Services (Ireland) Limited	Ireland	ORD	100.00%	32
Reckitt Benckiser Finance (Ireland) Unlimited Company	Ireland	ORD	100.00%	32
Reckitt Benckiser Healthcare (Ireland) Limited	Ireland	ORD	100.00%	32
Reckitt Benckiser Ireland Limited	Ireland	ORD	100.00%	32
Reckitt Benckiser Management Services Unlimited Company	Ireland	A/B/C/D/E/F/G/H/I/K	100.00%	32
SSL Healthcare Ireland Limited	Ireland	ORD	100.00%	32
Reckitt Benckiser (Near East) Limited	Israel	ORD	100.00%	39
Reckitt Benckiser Commercial (Italia) S.r.l.	Italy	QUOTA	100.00%	164
Reckitt Benckiser Healthcare (Italia) S.p.A	Italy	ORD	100.00%	164
Reckitt Benckiser Holdings (Italia) S.r.l.	Italy	QUOTA	100.00%	164
Reckitt Benckiser Italia S.p.A	Italy	ORD	100.00%	164
RB Hygiene Home Japan Ltd	Japan	ORD	100.00%	29
Reckitt Benckiser Asia Pacific Limited[₸]	Japan	–	100.00%	29
Reckitt Benckiser Japan Limited	Japan	ORD	100.00%	29
Reckitt & Colman (Jersey) Limited	Jersey	ORD/PREF	100.00%	91
Reckitt & Colman Capital Finance Limited	Jersey	ORD	100.00%	91
Reckitt Benckiser Jersey (No.1) Limited	Jersey	ORD	100.00%	91
Reckitt Benckiser Jersey (No.2) Limited	Jersey	ORD	100.00%	91
Reckitt Benckiser Jersey (No.3) Limited	Jersey	ORD	100.00%	91
Reckitt Benckiser Jersey (No.5) Limited	Jersey	ORD	100.00%	91
Reckitt Benckiser Jersey (No.7) Limited	Jersey	ORD A/C/D	100.00%	91
SSL Capital Ltd	Jersey	ORD	100.00%	34
Reckitt Benckiser Health Kazakhstan LLP	Kazakhstan	–	100.00%	60
Reckitt Benckiser Kazakhstan LLP	Kazakhstan	–	100.00%	112
Reckitt Benckiser East Africa Limited	Kenya	ORD	99.99%	117
Reckitt Benckiser Health Kenya Limited	Kenya	ORD	100.00%	14
Reckitt Benckiser Services (Kenya) Limited	Kenya	ORD	100.00%	100
Reckitt Benckiser (Latvia) SIA	Latvia	ORD	100.00%	142
Reckitt Benckiser (Latvia) SIA LT filialas[₸]	Lithuania	–	100.00%	165
Canterbury Square Holdings S.à.rl.	Luxembourg	ORD	100.00%	5
RB Holdings (Luxembourg) S.à.rl.	Luxembourg	ORD	100.00%	5
RB Holdings Luxembourg (2018) S.à.rl.	Luxembourg	ORD	100.00%	5
RB Luxembourg (TFFC) S.à.rl.	Luxembourg	ORD	100.00%	5
RB Luxembourg Holdings (TFFC) Limited[₸]	Luxembourg	–	100.00%	5
Reckitt Benckiser Holdings (USA) Limited[₸]	Luxembourg	–	100.00%	5
Reckitt Benckiser Investments (No. 1) S.à.rl.	Luxembourg	ORD	100.00%	5
Reckitt Benckiser Investments (No. 2) S.à.rl.	Luxembourg	ORD	100.00%	5
Reckitt Benckiser Investments (No. 4) S.à.rl.	Luxembourg	ORD	100.00%	5
Reckitt Benckiser Investments (No. 5) S.à.rl.	Luxembourg	ORD	100.00%	5
Reckitt Benckiser Investments (No. 6) S.à.rl.	Luxembourg	ORD	100.00%	5
Reckitt Benckiser Investments (No. 7) S.à.rl.	Luxembourg	ORD	100.00%	5
Reckitt Benckiser Investments (No. 8) S.à.rl.	Luxembourg	ORD	100.00%	5
Reckitt Benckiser N.V.[₸]	Luxembourg	–	100.00%	5
Reckitt Benckiser S.à.rl.	Luxembourg	ORD	100.00%	5

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Share Class	Proportion of shares held by Reckitt	Registered Office
Reigate Square Holdings S.à.rl.	Luxembourg	ORD	100.00%	5
Winchester Square Holdings S.à.rl.	Luxembourg	ORD	100.00%	5
Mead Johnson Nutrition (Hong Kong) Limited[†]	Macau	–	100.00%	58
Mead Johnson Nutrition (Malaysia) Sdn Bhd	Malaysia	ORD	100.00%	143
RB (Health) Malaysia Sdn Bhd	Malaysia	ORD	100.00%	159
Reckitt Benckiser (Malaysia) Sdn Bhd	Malaysia	ORD	100.00%	98
Manufactura MJN, S. de R.L. de C.V.	Mexico	ORD	100.00%	49
Mead Johnson Nutricionales de México, S. de R.L. de C.V.	Mexico	ORD	100.00%	52
RB Salute Mexico S.A de C.V.	Mexico	ORD	100.00%	71
Reckitt Benckiser Mexico, S.A. de C.V.	Mexico	ORD	100.00%	52
Reckitt Benckiser Services S.A. de C.V.	Mexico	ORD	100.00%	74
Servicios Nutricionales Mead Johnson, S. de R.L. de C.V.	Mexico	ORD	100.00%	52
RB Health Mexico, S.A de C.V.	Mexico	ORD	100.00%	52
RB Health Services Mexico, S.A de C.V.	Mexico	ORD	100.00%	52
Reckitt Benckiser Morocco Sarl AU	Morocco	ORD	100.00%	38
Beleggings-maatschappij Lemore B.V.	Netherlands	ORD	100.00%	138
Central Square Holding B.V.	Netherlands	ORD	100.00%	138
Grosvenor Square Holding B.V.	Netherlands	ORD	100.00%	138
Hamol NL B.V.	Netherlands	ORD	100.00%	138
Maddison Square Holding B.V.	Netherlands	ORD	100.00%	138
Mead Johnson B.V.	Netherlands	ORD	100.00%	101
Mead Johnson One C.V.	Netherlands	MEMBERSHIP SHARES	100.00%	23
Mead Johnson Two C.V.	Netherlands	MEMBERSHIP SHARES	100.00%	23
MJN Global Holdings B.V.	Netherlands	ORD	100.00%	138
MJN Holdings (Netherlands) B.V.	Netherlands	ORD	100.00%	138

Name	Country of Incorporation	Share Class	Proportion of shares held by Reckitt	Registered Office
MJN Innovation Services B.V.	Netherlands	ORD	100.00%	101
New Bridge Holdings B.V.	Netherlands	ORD	100.00%	138
RB Hygiene Home Netherlands B.V.	Netherlands	ORD	100.00%	138
RB NL Brands B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser (ENA) B.V.	Netherlands	ORD	100.00%	137
Reckitt Benckiser (South America) Holding B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser (Spain) B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Brands Investments B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Calgon B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Fabric Treatment B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Finish B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser FSIA B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Healthcare B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Laundry Detergents (No. 1) B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Laundry Detergents (No. 2) B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Lime-A-Way B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Marc B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser N.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Oven Cleaners B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Power Cleaners B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Tiret B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Treasury Services (Nederland) B.V.	Netherlands	ORD	100.00%	137
Reckitt Benckiser Vanish B.V.	Netherlands	ORD	100.00%	138
RB LATAM Holding B.V.	Netherlands	ORD	100.00%	138
Reckitt Benckiser Hygiene Home Brands B.V.	Netherlands	ORD	100.00%	138

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Share Class	Proportion of shares held by Reckitt	Registered Office
RB (Hygiene Home) New Zealand Limited	New Zealand	ORD	100.00%	96
Reckitt Benckiser (New Zealand) Limited	New Zealand	–	100.00%	20
SSL New Zealand Limited	New Zealand	–	100.00%	20
Reckitt Benckiser Nigeria Limited	Nigeria	ORD	99.53%	12
RB Health Nordic, NUF[†]	Norway	–	100.00%	90
RB Hygiene Home Nordic NUF[†]	Norway	–	100.00%	90
RB Hygiene Home Pakistan Limited	Pakistan	ORD	98.68%	146
Reckitt Benckiser Pakistan Limited	Pakistan	ORD	98.68%	146
Mead Johnson Nutrition (Panama), S. de R.L.	Panama	PARTNERSHIP/ MEMBERSHIP INTEREST	100.00%	48
RB Health Peru S.R.L.	Peru	ORD	100.00%	70
Reckitt Benckiser Peru S.A.	Peru	ORD	100.00%	80
2309 Realty Corporation	Philippines	A/B	88.32%	24
Mead Johnson Nutrition (Philippines), Inc.	Philippines	COMMON	100.00%	24
Reckitt Benckiser Healthcare (Philippines), Inc.	Philippines	COMMON/ PREF	100.00%	31
Sphinx Holding Company, Inc.	Philippines	COMMON/ PREF	38.00%	24
Mead Johnson Nutrition (Poland) Sp. z o.o	Poland	PARTNERSHIP/ MEMBERSHIP INTEREST	100.00%	151
Mead Johnson Nutrition Trading Poland Sp. z o.o	Poland	PARTNERSHIP/ MEMBERSHIP INTEREST	100.00%	151
RB (Hygiene Home) Poland Sp. z o.o	Poland	ORD	100.00%	110
Reckitt Benckiser (Poland) S.A.	Poland	ORD	100.00%	150
Reckitt Benckiser Production (Poland) Sp. z.o.o.	Poland	ORD	100.00%	150
Reckitt Benckiser (Portugal) S.A.	Portugal	ORD	100.00%	135
Reckitt Benckiser Healthcare Portugal Ltda	Portugal	QUOTA	100.00%	135
Reckitt Benckiser Porto Alto Lda	Portugal	QUOTA	100.00%	84
Mead Johnson Nutrition (Puerto Rico) Inc.[†]	Puerto Rico	–	100.00%	99

Name	Country of Incorporation	Share Class	Proportion of shares held by Reckitt	Registered Office
RB (Hygiene Home) Romania S.R.L.	Romania	PARTNERSHIP/ MEMBERSHIP INTEREST	100.00%	141
Reckitt Benckiser (Romania) S.R.L.	Romania	PARTNERSHIP/ MEMBERSHIP INTEREST	100.00%	47
Reckitt Benckiser Healthcare LLC	Russia	–	100.00%	33
Reckitt Benckiser IP LLC	Russia	–	100.00%	13
Reckitt Benckiser LLC	Russia	–	100.00%	36
Mead Johnson Nutrition (Asia Pacific) Pte. Ltd.	Singapore	ORD	100.00%	46
Mead Johnson Nutrition (Singapore) Pte. Ltd.	Singapore	ORD	100.00%	46
Mead Johnson Nutrition Holdings (Singapore) Pte. Ltd.	Singapore	ORD	100.00%	46
Mead Johnson Nutrition International Holdings Pte. Ltd.	Singapore	ORD	100.00%	46
Reckitt Benckiser (Singapore) Pte. Ltd.	Singapore	ORD	100.00%	11
RB (Hygiene Home) Slovakia spol. s.r.o	Slovakia	ORD	100.00%	82
Reckitt Benckiser (Slovak Republic), spol. s.r.o.	Slovakia	PARTNERSHIP/ MEMBERSHIP INTEREST	100.00%	82
Reckitt Benckiser Pharmaceuticals (Proprietary) Limited	South Africa	ORD	100.00%	45
Reckitt Benckiser South Africa Health Holdings (Pty) Limited	South Africa	ORD	100.00%	45
Reckitt Benckiser South Africa Proprietary Limited	South Africa	ORD	100.00%	45
Oxy Reckitt Benckiser LLC	South Korea	–	100.00%	25
Norwich Square Holding S.L.	Spain	ORD	100.00%	73
RB Square Holdings Spain, S.L.	Spain	A/B	100.00%	73
Reckitt Benckiser (Granollers) SL	Spain	ORD	100.00%	73
Reckitt Benckiser España S.L.	Spain	ORD	100.00%	73
Reckitt Benckiser Healthcare S.A.	Spain	ORD	100.00%	73
Relcamp Aie*	Spain	ORD	100.00%	73
SSL Healthcare Manufacturing S.A.*	Spain	ORD	100.00%	106
Reckitt Benckiser (Lanka) Limited	Sri Lanka	ORD	99.99%	107

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Share Class	Proportion of shares held by Reckitt	Registered Office
RB Health Nordic A/S, filial[†]	Sweden	–	100.00%	167
RB Hygiene Home Nordic A/S, filial[†]	Sweden	–	100.00%	167
SSL Healthcare Sverige AB	Sweden	ORD	100.00%	62
RB Hygiene Home Switzerland AG	Switzerland	ORD	100.00%	123
Reckitt Benckiser (Switzerland) AG	Switzerland	ORD	100.00%	123
Reckitt Benckiser AG	Switzerland	ORD	100.00%	123
Reckitt Benckiser Europe General Partnership, Slough (UK), Wallisellen Branch[†]	Switzerland	–	100.00%	123
Mead Johnson Nutrition (Taiwan) Ltd.	Taiwan	ORD	100.00%	41
Reckitt Benckiser HK Limited Taiwan Branch[†]	Taiwan	–	100.00%	41
Mead Johnson Nutrition (Thailand) Ltd.	Thailand	COMMON	100.00%	109
RB Hygiene Home (Thailand) Limited	Thailand	ORD	100.00%	104
Reckitt Benckiser (Thailand) Limited	Thailand	ORD	100.00%	109
Reckitt Benckiser Healthcare Manufacturing (Thailand) Limited	Thailand	ORD/PREF	100.00%	40
Reckitt Benckiser Holding (Thailand) Limited	Thailand	COMM/PREF	45.00%	109
SSL Manufacturing (Thailand) Limited	Thailand	A/B	100.00%	6
Reckitt Benckiser Ev ve Hjyen Ürünleri A.Ş.	Turkey	–	100.00%	115
Reckitt Benckiser Temizlik Malzemesi San. ve Tic. A.Ş.	Turkey	–	100.00%	81
103-105 Bath Road Limited	UK	ORD	100.00%	9
Access VC Limited	UK	ORD	100.00%	9
Benckiser	UK	ORD	100.00%	35
Brevet Hospital Products (UK) Limited*	UK	ORD	100.00%	8
British Surgical Industries Limited*	UK	ORD/PREF	100.00%	8
Crookes Healthcare Limited	UK	ORD	100.00%	9
Cupal,Limited	UK	ORD/PREF	100.00%	9
Dakin Brothers Limited	UK	ORD	100.00%	9
Durex Limited	UK	ORD	100.00%	9
Earex Products Limited*	UK	ORD	100.00%	8
eRB Trading Limited	UK	ORD	100.00%	9
ERH Propack Limited*	UK	ORD	100.00%	8
FF Homecare & Hygiene Limited	UK	PREFERRED	37.50%	9
Glasgow Square Limited	UK	ORD	100.00%	9
Green, Young & Company Limited	UK	ORD	100.00%	9
Hamol Limited	UK	ORD	100.00%	9
Helpcentral Limited	UK	ORD	100.00%	9
Howard Lloyd & Company,Limited	UK	ORD	100.00%	9
LI Pensions Trust Limited	UK	ORD	100.00%	9
Linden Germany A Limited	UK	ORD	100.00%	9
Linden Germany B Limited	UK	ORD	100.00%	9
Lloyds Pharmaceuticals	UK	ORD	100.00%	9
London International Group Limited	UK	ORD	100.00%	9
LRC Investments Limited*	UK	ORD/PREF	100.00%	8
LRC Products Limited	UK	ORD	100.00%	9
LRC Secretarial Services Limited	UK	ORD	100.00%	9
Mead Johnson Nutrition (UK) Ltd*	UK	ORD	100.00%	8
MJ UK Holdings Limited	UK	ORD	100.00%	9
MJN International Holdings (UK), Ltd.	UK	ORD	100.00%	9
New Bridge Street Invoicing Limited*	UK	ORD	100.00%	8
Nurofen Limited	UK	ORD	100.00%	9
Open Championship Limited*	UK	ORD	100.00%	8
Optrex Limited	UK	ORD	100.00%	9
Pharmalab Limited	UK	ORD	100.00%	9
Prebbles Limited*	UK	ORD/DEF	100.00%	8
R & C Nominees Limited	UK	ORD	100.00%	9
R & C Nominees One Limited	UK	ORD	100.00%	9
R & C Nominees Two Limited	UK	ORD	100.00%	9
RB (China Trading) Limited	UK	ORD	80.00%	9
RB Asia Holding Limited	UK	ORD	100.00%	9

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Share Class	Proportion of shares held by Reckitt	Registered Office
RB Holdings (Nottingham) Limited	UK	ORD	100.00%	9
RB Luxembourg (2016) Limited	UK	ORD	100.00%	9
RB Luxembourg Holdings (TFFC) Limited	UK	ORD	100.00%	9
RB Mexico Investments Limited	UK	ORD	100.00%	9
RB Reigate (2019) Ltd	UK	ORD	100.00%	9
RB Reigate (UK) Limited	UK	ORD	100.00%	9
RB UK Commercial Limited	UK	ORD	100.00%	9
RB UK Hygiene Home Commercial Limited	UK	ORD	100.00%	9
RB USA (2019) Ltd	UK	ORD	100.00%	9
Reckitt & Colman (Overseas) Health Limited	UK	ORD	100.00%	9
Reckitt & Colman (Overseas) Hygiene Home Limited	UK	ORD	100.00%	9
Reckitt & Colman (Overseas) Limited	UK	ORD	100.00%	9
Reckitt & Colman (UK) Limited	UK	ORD/PREF	100.00%	9
Reckitt & Colman Holdings Limited	UK	ORD	100.00%	9
Reckitt & Colman Pension Trustee Limited	UK	ORD	100.00%	9
Reckitt & Colman Trustee Services Limited*	UK	ORD	100.00%	8
Reckitt & Sons Limited	UK	ORD	100.00%	9
Reckitt Benckiser (Brands) Limited	UK	ORD	100.00%	9
Reckitt Benckiser (Grosvenor) Holdings Limited	UK	ORD	100.00%	9
Reckitt Benckiser (Health) Holdings Limited	UK	ORD	100.00%	9
Reckitt Benckiser (Hygiene Home) Holdings Limited	UK	ORD	100.00%	9
Reckitt Benckiser (RUMEA) Limited	UK	ORD	100.00%	9
Reckitt Benckiser (UK) Limited	UK	ORD	100.00%	9
Reckitt Benckiser (USA) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Asia Pacific Limited	UK	ORD	100.00%	9
Reckitt Benckiser Corporate Services Limited	UK	ORD	100.00%	9
Reckitt Benckiser Europe General Partnership	UK	PARTNERSHIP SHARES	100.00%	9
Reckitt Benckiser Expatriate Services Limited	UK	ORD	100.00%	9
Reckitt Benckiser Finance (2005) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Finance (2007)	UK	ORD	100.00%	9
Reckitt Benckiser Finance (2010) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Finance Company Limited	UK	ORD	100.00%	9
Reckitt Benckiser Health Limited	UK	ORD	100.00%	9
Reckitt Benckiser Healthcare (Central & Eastern Europe) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Healthcare (CIS) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Healthcare (MEMA) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Healthcare (UK) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Healthcare International Limited	UK	ORD	100.00%	9
Reckitt Benckiser Holdings (Channel Islands) Limited†	UK	–	100.00%	9
Reckitt Benckiser Holdings (Luxembourg) Limited	UK	ORD/PREF	100.00%	9
Reckitt Benckiser Holdings (Overseas) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Holdings (TFFC) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Holdings (USA) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Investments Limited	UK	ORD	100.00%	9
Reckitt Benckiser Jersey (No.1) Limited†	UK	–	100.00%	9
Reckitt Benckiser Jersey (No.2) Limited†	UK	–	100.00%	9
Reckitt Benckiser Jersey (No.3) Limited†	UK	–	100.00%	9

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Share Class	Proportion of shares held by Reckitt	Registered Office
Reckitt Benckiser Jersey (No.5) Limited₸	UK	–	100.00%	9
Reckitt Benckiser Limited°	UK	ORD	100.00%	9
Reckitt Benckiser Luxembourg (2010) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Luxembourg (No. 1) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Luxembourg (No. 2) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Luxembourg (No. 3) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Luxembourg (No. 4) Limited	UK	ORD	100.00%	9
Reckitt Benckiser Service Bureau Limited	UK	ORD	100.00%	9
Reckitt Benckiser Treasury (2007) Limited	UK	ORD/PREF	100.00%	9
Reckitt Benckiser Treasury Services plc	UK	ORD	100.00%	9
Reckitt Benckiser USA (2010) LLC₸	UK	–	100.00%	9
Reckitt Benckiser USA (2013) LLC₸	UK	–	100.00%	9
Reckitt Benckiser USA Finance (No.1) Limited	UK	ORD	100.00%	9
Reckitt Benckiser USA Finance (No.2) Limited	UK	ORD	100.00%	9
Reckitt Benckiser USA Finance (No.3) Limited	UK	ORD	100.00%	9
Reckitt Colman Chiswick (OTC) Limited	UK	ORD	100.00%	9
Rivalmuster*	UK	ORD	100.00%	8
Scholl (Investments) Limited*	UK	ORD	100.00%	8
Scholl (UK) Limited	UK	ORD	100.00%	9
Scholl Consumer Products Limited	UK	ORD	100.00%	9
Scholl Limited	UK	ORD/PREF	100.00%	9
Seton Healthcare Group No.2 Trustee Limited	UK	ORD	100.00%	9
Seton Healthcare No.1 Trustee Limited*	UK	ORD	100.00%	8
Sonet Group Limited*	UK	ORD	100.00%	8
Sonet Healthcare Limited*	UK	ORD	100.00%	8
Sonet Investments Limited	UK	ORD	100.00%	9
Sonet Prebbles Limited	UK	ORD	100.00%	9
Sonet Products Limited	UK	ORD	100.00%	9
Sonet Scholl Healthcare International Limited*	UK	ORD	100.00%	8
Sonet Scholl Healthcare Limited*	UK	ORD	100.00%	8
Sonet Scholl Overseas Investments Limited	UK	ORD	100.00%	9
Sonet Scholl UK Limited	UK	ORD	100.00%	9
SSL (C C Manufacturing) Limited*	UK	ORD	100.00%	8
SSL (C C Services) Limited*	UK	ORD/PREF	100.00%	8
SSL (MG) Polymers Limited	UK	ORD	100.00%	9
SSL (MG) Products Limited*	UK	ORD	100.00%	8
SSL (RB) Products Limited	UK	ORD	100.00%	9
SSL (SD) International Limited*	UK	ORD	100.00%	8
SSL International plc	UK	ORD	100.00%	9
SSL Products Limited	UK	ORD	100.00%	9
Suffolk Finance Company Limited	UK	ORD/DEF	100.00%	9
Tubifoam Limited	UK	ORD	100.00%	9
Ultra Laboratories Limited*	UK	ORD	100.00%	8
W.Woodward,Limited	UK	ORD	100.00%	9
Medcom Marketing And Prodazha Ukraine LLC	Ukraine	–	100.00%	121
Reckitt Benckiser Household and Health Care Ukraine LLC	Ukraine	–	100.00%	28
Reckitt Benckiser Hygiene Home Ukraine LLC	Ukraine	–	100.00%	122
RB Hygiene Home Arabia FZE	United Arab Emirates	ORD	100.00%	59
Reckitt Benckiser (RUMEA) Limited₸	United Arab Emirates	–	100.00%	113
Reckitt Benckiser (RUMEA) Limited*₸	United Arab Emirates	–	100.00%	76
Reckitt Benckiser Arabia FZE	United Arab Emirates	ORD	100.00%	59
Exponential Health LLC	USA	MEMBERSHIP SHARES	100.00%	26
LRC North America Inc.	USA	COM/PREF	100.00%	26

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Share Class	Proportion of shares held by Reckitt	Registered Office
Mead Johnson & Company LLC	USA	MEMBERSHIP SHARES	100.00%	26
Mead Johnson Nutrition (Dominicana), S.A.	USA	COMMON	100.00%	26
Mead Johnson Nutrition (Puerto Rico) Inc.	USA	COMMON	100.00%	77
Mead Johnson Nutrition (Venezuela) LLC	USA	Membership Shares	100.00%	26
Mead Johnson Nutrition Company	USA	COMMON	100.00%	26
Mead Johnson Nutrition Nominees LLC	USA	MEMBERSHIP SHARES	100.00%	26
MJ USA Holdings LLC	USA	MEMBERSHIP SHARES	100.00%	27
MJN Asia Pacific Holdings LLC	USA	MEMBERSHIP SHARES	100.00%	26
MJN U.S. Holdings LLC	USA	MEMBERSHIP SHARES	100.00%	26
RB Health (US) LLC	USA	MEMBERSHIP SHARES	100.00%	77
RB Health Manufacturing (US) LLC	USA	MEMBERSHIP SHARES	100.00%	77
RB Manufacturing LLC	USA	MEMBERSHIP SHARES	100.00%	26
RB USA Holdings LLC	USA	MEMBERSHIP SHARES	100.00%	26
Reckitt Benckiser LLC	USA	MEMBERSHIP SHARES	100.00%	26
Reckitt Benckiser USA (2010) LLC	USA	MEMBERSHIP SHARES	100.00%	26
Reckitt Benckiser USA (2012) LLC	USA	MEMBERSHIP SHARES	100.00%	26
Reckitt Benckiser USA (2013) LLC	USA	MEMBERSHIP SHARES	100.00%	26
SSL Holdings (USA) Inc.	USA	COMMON	100.00%	26
UpSpring LLC	USA	ORD	100.00%	72
Blisa, LLC	USA	MEMBERSHIP SHARES	100.00%	26
Mead Johnson Nutrition Venezuela, S.C.A.	Venezuela	GENERAL PARTNER	100.00%	162
Reckitt Benckiser Venezuela S.A.	Venezuela	ORD	100.00%	53
Mead Johnson Nutrition (Vietnam) Company Limited	Vietnam	–	100.00%	155

ᵀ Branch
* In liquidation
° Interest held directly by Reckitt Benckiser Group plc

Registered Office

1 22/F W Square, 314-324 Hennessy Road, Wanchai, Hong Kong
2 25/F Chubb Tower, Windsor House, 311 Gloucester Road, Causeway, Hong Kong
3 #2, Xiayuan Road, Dongji Industry Zone of Economic and Technology District, Guangzhou, Guangdong, China
4 1 Lampousas Street, P.C. 1095, Nicosia, Cyprus
5 1 rue de la Poudrerie, Leudelange, L-3364, Luxembourg
6 100 Moo 5, Bangsamak Sub-District, Bangpakong District, Chachoengsao Province 24180, Thailand
7 102 rue de Sours, 28000 Chartres, France
8 1020 Eskdale Road Winnersh, Wokingham, RG41 5TS, United Kingdom
9 103-105 Bath Road, Slough, Berkshire, SL1 3UH, United Kingdom
10 1113 Budapest, Bocskai út 134-146, Budapest, Hungary
11 12 Marina Boulevard, #19-01 Marina Bay Financial Centre, 018982, Singapore
12 12 Montgomery Road, Yaba, Lagos, Nigeria
13 14 Kozhevnicheskaya Str, 115114, Moscow, Russian Federation
14 14 Riverside Drive, Arlington Building, 3rd Floor, Nairobi, 209/19, Kenya
15 15 / F, 755 Huaihai Middle Road, Huangpu District, Shanghai, China
16 16/F, Xu Jia Hui International Plaza, No.1033 Zhao Jia Bang Road, Shanghai, China
17 1680 Tech Avenue, Unit 2, Mississauga, ON L4W 5S9, Canada
18 1st & 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW
19 1st Floor, unit 11, No. 88 Baran Building, Sayed Road, Opposite Mellat Park, Vali-e-Asr Avenue,Tehran, Islamic Republic of Iran, Iran,
20 2 Fred Thomas Drive, Takapuna, Auckland, 0622, New Zealand
21 20 Allée de la Recherche, Anderlecht, 1070 Brussels, Belgium
22 2206-11, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong
23 225 North Canal Street, Floor 25, Chicago IL IL 60606, United States
24 2309 Don Chino Roces Avenue Extension, Makati City, Philippines
25 24th Floor, Two IFC, 10 Gukjegeumyung-ro, Youngdeungpo-gu, Seoul, 07326, Republic of Korea
26 251 Little Falls Drive, Wilmington DE 19808, United States
27 2711 Centerville Road, Suite 400, Wilmington DE 19808, United States
28 28A Stepana Bandery, Bld.G, Office 80, 04073, Kyiv, Ukraine
29 3-20-14 Higashi-Gotanda, Shinagawa-ku, Tokyo, 141-0022, Japan
30 38 rue Victor Basch, 91300 Massy, France
31 3rd Floor Mead Johnson Nutrition Inc, 2309 Don Chino Roces Extension, Makati City, Philippines
32 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland
33 4, Shluzovaya emb, 3rd Floor, 115114, Moscow, Russian Federation
34 44 Esplanade, St Helier, JE4 9WG, Jersey
35 4th Floor, 115 George Street, Edinburgh, EH2 4JN, Scotland
36 52/1, Kosmodamianskaya emb, 115054, Moscow, Russian Federation
37 58-59 Nasirabad Industrial Area, Chittagong 4209, Bangladesh
38 59 Boulevard Zerktouni, Residence Les Fleurs 6eme étage, Casablanca, Morocco
39 6 Hangar Street, PO Box 6440, I.Z. Neve Nee'man B Hod Hasharon, 4527703, Israel
40 65 Moo 12 Lardkrabang-Bangplee Road, Bangplee Samutprakarn, Bangkok, 10540, Thailand

11 Subsidiary Undertakings continued

41 6F., No. 136, Sec. 3, Ren'ai Rd., Da'an Dist, Taipei City 1, R.O.C., 10657, Taiwan
42 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
43 7 Taki Kavalieratou Street, Kifissia, 145 64, Greece
44 707, Hisense Venture Center, 17 Shandong Road, Shinan District, Qingdao, Shandong Province, China
45 8 Jet Park Road, Gauteng, Elandsfontein, 1406, South Africa
46 80 Robinson Road, #02-00, 068898, Singapore
47 89-97 Grigore Alexandrescu street, Building A, 5th Floor, Sector 1, Bucharest, Romania
48 Apartment 6G, 6th Floor, Edificio Bladex, Calle Avenida La Rotonda. Business Park, Corregimiento de Juan Diaz, Urbanización Costa Del Este, Provincia De Panamá, Distrito de Panama, Panama
49 Av de las Granjas 972, Col. Santa Barbara, Azcapotzalco, CDMX, 02230, Mexico
50 Av Hipólito Alferez Bouchard, 4191 3°, Argentina
51 Av. Coruña 27-88 y Av. Orellana, Edificio Coruña Plaza, piso 7, Quito, Ecuador
52 Av. Ejército Nacional Mexicano No.769, Corporativo Miyana Torre B, Piso 6, Alcaldía Miguel Hidalgo, Colonia Granada, CP 11520, Mexico
53 Avenida Mara con Calle San José, Centro Comercial Macaracuay Plaza, Nivel C3, Locales 5 y 12. Urb. Colinas de la California, Caracas, Bolivarian Republic of Venezuela
54 Avenida Presidente Juscelino Kubitschek, 1909 cj 24 e 25, Vila Nova Conceição, São Paulo/SP, Brazil
55 Avenida Presidente Juscelino Kubitschek, nº 1909, 24º andar, Parte B, Torre Norte, Condomínio São Paulo Corporate Towers, Vila Nova Conceição, Sao Paulo - SP, CEP 04.543-907, Brazil
56 Avenida Presidente Juscelino Kubitschek, nº 1909, 24º andar, Parte C, Torre Norte, Condomínio São Paulo Corporate Towers, Vila Nova Conceição, Sao Paulo, CEP 04.543-907, Brazil
57 Avenida Presidente Kennedy, Lateral 5454, Oficina 1602 , Vitacura, Región Metropolitana, Chile
58 Avenida Son On, No.1040, Centre Indusrial Brilliant 2 Andar, Taipa, Macau
59 Behind GAC Complex, Jebel Ali Free Zone, PO Box 61344, Dubai, United Arab Emirates
60 Bld. 15/A, Koktem-1, Almaty, 050040, Kazakhstan
61 Bocskai út 134-146, H-1113, Budapest, Hungary
62 Box 190, 101 23 Stockholm, Sweden
63 Bucarelli 2609 PB A, Ciudad Autonoma de Buenos Aires, Argentina
64 Building 330, Road 1506, Block 115, Bahrain International Investment Park, Hidd. Kingdom of Bahrain, Bahrain
65 Building A1, Second Floor, Plot #A14b01, Cairo Festival City, First District, Fifth Settlement, New Cairo, Cairo, Egypt
66 C/O 103-105 Bath Road, Slough, SL1 3UH, Berkshire, United Kingdom
67 C6-8 Site 6F, No.333 Futexi Road, Waigaoqiao Free Trade Zone, Shanghai City, China
68 Calle 46, 5-76, Cali, Colombia
69 Calle 76, No. 11-17, Edificio Torre, Los Nogales Piso 2, Bogota, CO, Colombia
70 Calle Dean Valdivia No.148, Torre 1, Ofic. 501, Urb. Jardín, San Isidro, Lima, Peru
71 Calzada de Tlalpan No. 2996, Col. Ex Hacienda Coapa, Del. Coyoacán, Cd. de México, C.P. 04980, Mexico
72 Capitol Service Inc., 1675 South State Street, Suite B, Dover, Delaware 19901, United States
73 Carrer de Mataró, 28, 08403, Granollers, Barcelona, Spain
74 Circuito Dr Gustavo Baz, 7, No. 7, Fracc Industrial El Pedregal, Atizapan de Zaragoza, Edomex, Mexico
75 Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
76 Complex, Gate 4, Jebel Ali Freezone Authority., United Arab Emirates
77 Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle County DE 19808, United States
78 Dangtu Economic Development Zone, Maanshan City, Anhui Province, China
79 Darwinstrasse 2-4, 69115, Heidelberg, Germany
80 Dean Valdivia 148, Piso 5, San Isidro, Lima, Peru
81 Dikilitaş Mah. Hakkı Yeten Cad., Selenium Plaza 10 C Fulya, İstanbul, 34349, Turkey
82 Drieňová 3, 821 08 Bratislava, Slovakia
83 Estrada Fukutaro Yida, n. 930, Bairro Cooperativa, Sao Bernardo Do Campo, Sao Paulo, 09852-060, Brazil
84 Estrada Malhada dos Carrascos, 12, Porto Alto, 2135-061, Samora Correia, Portugal
85 F73 and 74, Sipcot Industrial Park, Irungattukottai, Sriperumbudur TK, Kancheepuram District, Tamilnadu, 602 117, India
86 Gedung Treasury Tower, District 8, Level 58, SCBD Lot 28, Jalan Jend. Sudirman Kav. 52-53, Kel. Senayan, Kec. Kebayoran Baru, Kota, Adm Jakarta Selatan, Prov, DKI Jakarta, Indonesia
87 Guglgasse 15, Vienna, 1110, Austria
88 Harju maakond, Rae vald, Rae küla, Raeküla tee 5, 75310, Estonia
89 Heinestrasse 9, 69469, Weinheim, Germany
90 Henrik Ibsens gate 60A, Oslo, 0255, Norway
91 IFC 5, St. Helier, JE1 1ST, Jersey
92 Intersection of Hongqi Road and Mingzhu Road, Dangtu Economic Development Zone, Maanshan City, Anhui Province, China
93 Itsehallintokuja 6, Espoo, 02600, Finland
94 Jl. Raya Narogong, Chamber A.I, Kel. Pasirangin, Kec Cileungsi, Kab. Bogor. Prop. Jawa Barat, Indonesia
95 King & Wood Mallesons, 'Governor Phillip Tower' Level 61, 1 Farrer Place, Sydney NSW 2000, Australia
96 Level 1, 2 Fred Thomas Drive, Takapuna, Auckland, 0622, New Zealand
97 Level 47, 680 George Street, Sydney NSW 2000, Australia
98 Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490, Damansara Heights, Wilayah Persekutuan, Kuala Lumpur, Malaysia
99 Los Frailes Industrial Park, Ave. Esmeralda, Calle C # 475, Guaynabo, 00969, Puerto Rico
100 LR.NO.1870/1/569, 2nd Floor, Apollo Centre, Ring Road Westlands, Kenya
101 Middenkampweg 2, 6545, CJ Nijmegen, The Netherlands
102 No. 3, Canglian 1 Road, ETDZ, Guangzhou, China
103 No. 34 East Beijing Road, Jingzhou, Hubei, 434001, China
104 No. 388, Room No. 1903, Floor 19th Floor, Exchange Tower, Sukhumvit Road, Sub-District Klongtoey, District Klongtoey, Bangkok, 10110, Thailand
105 No.1-13 Shangma, Aodong Road, High-tech Industrial Development Zone, Qingdao City, Shandong Province, China
106 No.151, Avda. Can Fatjó, 08191, Rubí, Barcelona, Spain
107 No.25, Shrubbery Garden, Colombo-04, Sri Lanka
108 No.28 Middle Huasu Road, Liujiagang, Fuqiao Town, Taicang City, Jiangsu Province, China

11 Subsidiary Undertakings continued

109 No.388 Exchange Tower, 14th Floor, Sukhumvit Road, Klongtoey, Bangkok, 10110, Thailand
110 Nowy Dwór Mazowiecki, Ul. Okunin 1, 05-100, Poland
111 of. 166, 66, K Liebknekhta st., Minsk, 220036, Belarus
112 Office 302, Building 15a, Koktem-1, Micro District, Almaty City, Kazakhstan
113 Office No. 1801 – 1803, EMAAR Properties, Burj Khalifa, PO BOX 119841, United Arab Emirates
114 Oficina 4C, Av. 12 de Octubre, #26-48 y Orellana, Edificio Mirage, Piso 4, Quito, 170525, Ecuador
115 Orta Mahallesi Demokrasi, Caddesi Benckiser Sitesi No.92, Tuzla, Istanbul, Turkey
116 Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands
117 Plot 209/2462, Likoni Road, Nairobi, Kenya
118 Plot No. 48, Industrial Area, Sector 32, Gurgaon - 122001, Haryana, India
119 PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
120 Polyium Building 22, Off Road 90, First District, 5th Settlement, New Cairo, Egypt
121 Prospect 40-Richchia Zhovtnia., 120,1 Block, 03127, Kyiv, Ukraine
122 Prospect Stepana Bandery, 28-A, letter "G", Kyiv, Ukraine, 04073
123 Richtistrasse 5, 8304, Wallisellen, Switzerland
124 Robert-Koch-Straße 1, 69115 Heidelberg, Germany
125 Rodovia Raposo Tavares, 8015 km 18, 1º andar, Sala 2, Jardim Arpoador, Sao Paolo, CEP 05577-900, Brazil
126 Rodovia Raposo Tavares, 8015 km 18, Jardim Arpoador, Sao Paolo, CEP 05577-900, Brazil
127 Room 01, 2nd Floor, Office Building, #2, Xia Yuan Road, Dongji Industrial District, Guangzhou Development Zone, Guangzhou, China
128 Room 02, 2nd Floor, Office Building, #2, Xia Yuan Road, Dongji Industrial District, Guangzhou Development Zone, Guangzhou, China
129 Room 11-13, 8 / F, Global Plaza, 158 Wusi Road, Fuzhou City, Gulou District, China
130 Room 1605, No.660, Shangcheng Road, Shanghai, China
131 Room 1701, No. 1033, Zhao Jia Bang Road, Shanghai, China
132 Room 2001, 20/F, Greenfield Tower, Concordia Plaza, No.1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong
133 Room 2202, yanheng land Plaza, No.1, Section 2, Renmin South Road, Jinjiang District, Chengdu, Sichuan Province, China
134 Rooms 1408 and 1409, 14 / F, Gaoxin No.9 Office Building, Gaoxin 4th Road, Hi Tech Zone, Xi'an City, Shanxi Province, China
135 Rua D. Cristóvão da Gama, n.º 1, 1º, C/D, 1400-116 , Lisboa, Portugal
136 San Jose-Escazu En Escazu Corporate Center, Setimo Piso, Costado Sur De Multiplaza Escazu, Costa Rica
137 Schiphol Boulevard 267, 1118 BH, Schiphol, The Netherlands
138 Siriusdreef 14, 2132 WT, Hoofddorp, The Netherlands
139 Självstyrelsevägen 6, Esbo, 02600, Finland
140 Sofia City - 1407, Lozenets region,22, Zlaten rog Str, 3rd floor, Office 4, Bulgaria
141 Str. Grigore Alexandrescu 89-97, Aripa Vest, Et. 5, Finish room, Sect. 1, Bucuresti, 010624, Romania
142 Strēlnieku iela 1A - 2, Rīga, LV-1010, Latvia
143 Suite 1005, 10th Floor, Wisma Hamzag Kwong Hing, No. 1 Leboh Ampang, 50100 W.P. Kuala Lumpur, Malaysia
144 Suite 2300, 550 Burard Street, Vancouver, BC V6C 2B5, Canada
145 Suite 600, 1741 Lower Water Street, Halifax, NS B3J 0J2, Canada
146 Tenancy 04 & 05, 3rd Floor, Corporate Office Block, Dolmen City, HC, Block 4, Scheme 5, Clifton, Karachi, 75600, Pakistan
147 Teniente General Richieri 15, Ciudad de Sunchales, Santa Fe, Argentina
148 Treasury Tower 59th Floor, District 8, SCBD, Jalan Jendral Sudirman Kav 52-53, Jakarta, 12190, Indonesia
149 Treasury Tower, District 8, Lantai 58, SCBD Lot 28, Jl. Jend. Sudirman Kav. 52-53, Kel. Senayan, Kec. Kebayoran Baru, Kota, Adm Jakarta Selatan, Prop, DKI Jakarta, Indonesia
150 Ul. Okunin 1, 05-100, Nowy Dwor, Mazowiecki, Poland
151 Ul. Wołoska 22, 02-675, Warsaw, Poland
152 Ulica Grada Vukovara 269d, 10 000 Zagreb, Hrvatska, Croatia
153 Unit 02, 11/F, Tower A Hedonic Center, 6 Songyue Road, Siming District, Xiamen, China
154 Unit 2001, 20/F, Greenfield Tower Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong
155 Unit 401, 4th Floor, Metropolitan Building, No.235 Dong Khoi Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
156 Unit B01, Room 401, Tower 2, Parkview Green Fang Cao Di, No.9 Dongdaqiao Road, Chaoyang District, Beijing, China
157 Unit b02-b04, Room 401, Unit 2, Building 9, Dongdaqiao Road, Chaoyang District, Beijing, China
158 Unit B06, Room 401, Tower 2 Parkview Green Fang Cao Di, No.9 Dongdaqiao Road, Chaoyang District, Beijing, China
159 Unit No. 50-8-1, 8th Floor, Wisma Uoa Damansara, 50 Jalan Dungun, Damansara Heights, 50490, Kuala Lumpur, Malaysia
160 Unit No. 54, 5th Floor, Kalpataru Square Andheri-Kurla Road, Andheri (East) Mumbai, Maharashtra, 400059, India
161 Unit No. 54, 5th Floor, Kalpataru Square, Andheri-Kurla Road, Maharashtra, Mumbai, 400059, India
162 Urb. Las Mercedes, Av. Orinoco cruce con Mucuchies Torre Nordic, Piso 1, Oficina 1 y 2, Municipio Baruta Caracas, Bolivarian Republic of Venezuela
163 Vandtarnsvej 83A, 2860, Soborg, Denmark
164 Via Spadolini 7, 20141, Milano, Italy
165 Vilniaus m. Olimpiečių g. 1A, Lithuania
166 Vinohradská 2828/151, 130 00 Praha 3-Žižkov, Czech Republic
167 Vretenvagen 2, 4th Floor, 171 54, Solna, Sweden

SHAREHOLDER INFORMATION

Annual General Meeting

Our AGM will he held on Friday 28 May 2021 at 3.00pm at 103-105 Bath Road, Slough, Berkshire, SL1 3UH.

The Notice convening the meeting, together with the business to be considered at the meeting, is contained in a separate document for shareholders and is available on our website at www.reckitt.com.

2021 Financial calendar and key dates

Announcement of Quarter 1 trading statement	28 April 2021
Annual General Meeting	28 May 2021
Record date for 2020 final dividend	7 May 2021
Payment of 2020 final ordinary dividend	14 June 2021
Announcement of 2021 interim results	27 July 2021[1]
Record date for 2021 interim dividend	6 August 2021[1]
Payment of 2021 interim ordinary dividend	14 September 2021[1]
Announcement of Quarter 3 trading statement	26 October 2021[1]

1. Provisional dates

Dividend

The Directors have recommended a final dividend of 101.6 pence per share, for the year ended 31 December 2020. Subject to shareholder approval at the 2021 AGM, payment of the final dividend will be made on 14 June 2021 to all shareholders on the register as at 7 May 2021. The latest date for receipt of new applications to participate in the Dividend Reinvestment Plan (DRIP) in respect of the 2020 final dividend is 21 May 2021. Details on how to join the DRIP can be found below.

Mandatory direct credit

In September 2018, we changed the way we pay dividends to shareholders and no longer pay dividends by cheque. This is known as 'mandatory direct credit'. The reasons and benefits for introducing this change are:

- shareholders receive dividend funds quicker;
- we reduce our environmental impact;
- we reduce the risk of cheque fraud; and
- we reduce the administration costs of issuing or banking cheques.

To have your dividends paid directly into your bank account, please log on to the Computershare Investor Centre at www.investorcentre.co.uk, or by telephone on +44 (0)370 703 0118. We will hold your dividends for you until you provide valid bank details and charges may be applied to reissue any dividend payments.

If you are based overseas, you may choose to have your dividends paid to your account in your local currency by using Computershare's Global Payment Service (GPS). To view the terms and register to the GPS, please visit www.computershare.com/uk/investor/GPS. If you wish to reinvest your dividend to buy more shares, please join our DRIP.

Dividend Reinvestment Plan (DRIP)

Shareholders participating in the DRIP receive additional shares purchased in the market instead of receiving a cash dividend. You can elect to join the DRIP by registering at the Computershare Investor Centre at www.investorcentre.co.uk. Alternatively, you can request a DRIP mandate form and terms and conditions by contacting Computershare on +44 (0)370 703 0118.

Electronic shareholder communications

We encourage all shareholders to receive an email notification when shareholder documents become available online, to reduce our impact on the environment. An election to receive shareholder communications in this way will:

- result in annual cost savings to the company since less paper documentation will need to be produced and posted;
- allow for quicker and more effective communications with shareholders; and
- support Reckitt's corporate responsibility profile.

Shareholders can register their email address at www.investorcentre.co.uk/etreeuk/ReckittBenckiser. For each new shareholder that does so, Computershare will donate £1 to the Woodland Trust. For more information on the Woodland Trust and all of their campaigns please visit their website at www.woodlandtrust.org.uk.

Shareholders who have positively elected for electronic communications will receive an email whenever shareholder documents are available to view on the company's website. Shareholders who have elected by deemed consent in accordance with the Companies Act 2006 will receive a hard copy notice of availability of a document on the company's website and are entitled to request a hard copy of any such document, at any time, free of charge from Computershare. Shareholders can revoke their consent to receive electronic communications at any time by contacting Computershare.

The company's 2020 Annual Report and Notice of the 2021 AGM are available to view at www.reckitt.com. The Investor section of the website also contains up-to-date information for shareholders to view throughout the year, including:

- detailed share price information;
- financial results;
- regulatory announcements;
- dividend payment dates and amounts;
- access to shareholder documents including the Annual Report and Notice of AGM; and
- share capital information.

Share dealing facility

The company's shares can be traded through most banks, building societies, stockbrokers or 'share shops'. In addition, UK-based shareholders can buy or sell Reckitt shares using a share dealing facility operated by Reckitt's Registrar, Computershare; these include internet and telephone share dealing.

Internet share dealing

Internet share dealing is available to shareholders residing in the UK. This service offers shareholders a straightforward way to buy or sell Reckitt's shares on the London Stock Exchange. The commission is 1%, subject to a minimum charge of £30. In addition, stamp duty, currently 0.5%, is payable on purchases. Real-time dealing is available during UK market hours (08:00 to 16:30). In addition, there is a facility to place your order outside of market hours. Up to 90-day limit orders are available for sales.

To access the service, log on to www.computershare.trade/. Shareholders must have their Shareholder Reference Number (SRN) available. The SRN appears on share certificates. Internet share dealing is currently limited to certain jurisdictions: a full list of countries can be found on the Computershare website at www.computershare.trade/cert_faqs.html; scroll down to the section, 'Using the service' and then, 'Am I eligible to register for the service?'.

Telephone share dealing

Telephone share dealing is available to shareholders residing in the UK. The service is available Monday to Friday, excluding bank holidays, from 08:00 to 16:30 by contacting Computershare on +44 (0)370 703 0084. The commission is 1%, plus £50. In addition, 0.5% stamp duty is payable on purchases; a full list of fees can be found online at www.computershare.trade/costs.html. To access the service, shareholders must have their SRN to refer to during the call. Shareholders should also have a debit card to make purchases over the telephone.

Telephone share dealing is offered on an execution-only basis and no recommendation can be made with respect to buying, selling or holding shares in Reckitt. Shareholders who are unsure of what action to take should obtain independent financial advice. It is also important to note that share values may go down as well as up, which may result in a shareholder receiving less/more than originally invested.

As a consequence of the UK leaving the European Union on 31 December 2020, the share dealing service offered through Reckitt's Registrar is unfortunately no longer available to customers with certificated shareholdings based in the European Economic Area.

Detailed terms and conditions for both internet and telephone dealing are available upon request by calling +44 (0)370 702 0000.

Analysis of shareholders as at 31 December 2020

Distribution of shares by type of shareholder	No. of holdings	Shares
Nominees and institutional investors	5,529	727,017,817
Individuals	11,254	9,517,362
Total	**16,783**	**736,535,179**

Size of shareholding	No. of holdings	Shares
1 – 500	10,159	1,891,137
501 – 1,000	2,469	1,797,027
1,001 – 5,000	2,468	5,137,687
5,001 – 10,000	339	2,422,264
10,001 – 50,000	640	15,594,200
50,001 – 100,000	206	14,787,743
100,001 – 1,000,000	391	127,810,538
1,000,001 and above	111	567,094,583
Total	**16,783**	**736,535,179**

American Depositary Receipts

American Depositary Receipts (ADRs) are dollar-denominated securities that represent the ownership of ordinary shares in a non-US company, quoted and traded in US dollars in the US securities market. ADRs facilitate the purchase, holding and sale of non-US shares by US investors. Dividends are paid to investors in US dollars.

Reckitt Benckiser Group plc ADRs are traded on the over-the-counter market (OTC) under the symbol RBGLY. Five ADRs represent one ordinary Reckitt share. J.P. Morgan Chase Bank N.A. is the Depositary. The table below provides details of the identification of Reckitt securities on the US market place and the London Stock Exchange.

Symbol	Security	Listing/Trading	CUSIP/ISIN
RBGLY	U.S. security (ADR)	OTC Pink	756255204
RB.	Ordinary share	London Stock Exchange	GB00B24CGK77

ADR Depositary Bank

J.P. Morgan Chase Bank, N.A. sponsors and administers the Reckitt ADR facility. J.P. Morgan ADR shareholder services can be contacted as follows:

J.P. Morgan Chase Bank N.A.
383 Madison Avenue, Floor 11, New York, NY 10179
Online via: www.shareowneronline.com
Telephone number for general queries: Tel: +1 800 990 1135
Telephone number from outside the US: Tel: +1 651 453 2128

Company Secretary

Rupert Bondy

Registered office

103-105 Bath Road, Slough
Berkshire SL1 3UH
Telephone: +44 (0) 1753 217800
Registered and domiciled in England and Wales No. 6270876

Company status

Public Limited Company

Auditor

KPMG LLP

Solicitors

Slaughter and May/Linklaters LLP

Registrar and transfer office

The company's Registrar, Computershare, is responsible for maintaining and updating the shareholder register and making dividend payments to shareholders. If you have any queries relating to your shareholding please write to, or telephone, the company's Registrar at the following address:

Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
Reckitt Shareholder helpline:
Telephone: +44 (0)370 703 0118
Website: www.computershare.com/uk

Charity donation

ShareGift is a UK registered charity (No.1052686) which specialises in realising the value locked up in small shareholdings for charitable purposes. The resulting proceeds are donated to a wide range of charities, reflecting suggestions received from donors. If you have only a small number of Reckitt shares which are uneconomic to continue holding, you may wish to consider donating them to ShareGift. Please visit www.sharegift.org/donate-shares/ or telephone +44 (0)20 7930 3737 for more information about how to proceed. Further details about ShareGift can be found at www.sharegift.org.

Unsolicited mail

We are legally obliged to make our register of shareholders available to the public, subject to a proper purpose test. As a result, some shareholders might receive unsolicited mail. Shareholders wishing to limit the amount of such mail should write to the Mailing Preference Service, MPS FREEPOST 29 LON20771, London W1E 0ZT or register online at www.mpsonline.org.uk.

Share fraud and 'Boiler Room' scams

Share fraud is a deceptive practice that induces investors to make sales and purchases based on inaccurate information and in violation of security laws. In Boiler Room scams, fraudsters will entice investors into scams through increased persuasion and high-pressure tactics through cold calling or random contact.

Reckitt is aware of these deceptions and urges shareholders who are offered unsolicited investment advice, discounted shares, a premium price for shares, or free company or research reports to investigate thoroughly before making any decision.

If you receive any form of unsolicited investment advice, please take the following steps:

- confirm the name of the person and/or organisation;
- check the Financial Conduct Authority's (FCA) Financial Services Register at https://register.fca.org.uk/ to ensure they are authorised;
- use the details on the Financial Services Register to contact the firm;
- call the FCA Consumer Helpline on +44 (0)800 111 6768 (freephone) or 0300 500 8082 (from the UK), if there are no contact details on the Register or if they are out of date;
- search the FCA's list of unauthorised firms and individuals at www.fca.org.uk/consumers/unauthorised-firms-individuals to avoid doing business with reported offenders;
- if you are approached by fraudsters please contact the FCA using their helpline, or share fraud reporting form; and
- consider getting independent financial advice.

Using an unauthorised firm to buy or sell shares or other investments will prohibit access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) should the investment be unsuccessful. Remember: if it sounds too good to be true, it probably is. If you think you have been a victim of these scams, the matter should be reported to the Police and to Action Fraud. For more information, please visit the Serious Fraud Office website at www.sfo.gov.uk/contact-us/reporting-serious-fraud-bribery-corruption/.

Cautionary note concerning forward-looking statements

This Annual Report and Financial Statements contains statements with respect to the financial condition, results of operations and business of Reckitt (the Group) and certain of the plans and objectives of the Group that are forward-looking statements. Words such as 'intends', 'targets', or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including targets for Net Revenue, operating margin and cost efficiency, are forward-looking statements. Such statements are not historical facts, nor are they guarantees of future performance.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside the Group's control. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: the general economic, business, political and social conditions in the key markets in which the Group operates; the ability of the Group to manage regulatory, tax and legal matters, including changes thereto; the reliability of the Group's technological infrastructure or that of third parties on which the Group relies; interruptions in the Group's supply chain and disruptions to its production facilities; the reputation of the Group's global brands; and the recruitment and retention of key management.

These forward-looking statements speak only as of the date of this Annual Report and Financial Statements. Except as required by any applicable law or regulation, Reckitt expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Any information contained in the 2020 Annual Report and Financial Statements on the price at which shares or other securities in Reckitt Benckiser Group plc have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

NOTES

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Visit us at **emperor.works**

Reckitt Benckiser Group plc
Registered office
103-105 Bath Road,
Slough, Berkshire, SL1 3UH
Registered in England and Wales
No 6270876

reckitt.com