reckitt

Annual Report and Accounts 2021

SEEKING NEW OPPORTUNITIES

OUR PURPOSE

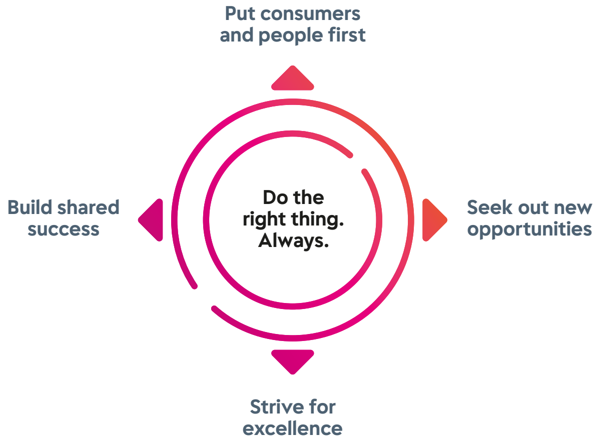
We exist to protect, heal and nurture in the relentless pursuit of a cleaner and healthier world.

OUR FIGHT

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

OUR COMPASS

Our Compass guides our business. At its heart is the goal of doing the right thing. Always. We put consumers and people first, seek out new opportunities, strive for excellence and join forces to win bigger and build a culture of shared success. Our Compass is fundamental to rejuvenating sustainable growth.



OUR LEADERSHIP BEHAVIOURS

In order to deliver on our ambitions around Purpose and our business strategy, our culture enables our people to have the Freedom to Succeed and operate at their best. Our culture is embedded in our Leadership Behaviours. These behaviours set out our expectations for how every one of us at Reckitt behaves. They are deeply embedded inside our company and are the basis for how we evaluate our leaders going forward in line with our desired culture. Reckitt leaders Own, Create, Deliver and Care.

OWN

- Live our Purpose, Fight and Compass
- Know our business cold
- Make decisions

DELIVER

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

CREATE

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

CARE

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

To read more about **our business**
visit www.reckitt.com

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For a cleaner, healthier world

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AT A GLANCE

OUR INVESTMENT STORY

Through our core business strengths and the actions we are taking to further drive performance, we see an attractive investment story.

1 GLOBAL PORTFOLIO OF LEADING BRANDS, SOLVING FOUR OF THE WORLD'S LARGEST PROBLEMS

- Large and attractive total addressable market associated with solving four of the world's largest problems
- Powerful, purpose-led brands that make a meaningful difference to consumers' lives and help drive the growth of our customers
- Two-thirds of Group net revenue generated from brands with top three market positions globally

2 SUPERIOR EARNINGS MODEL WITH CAPITAL DISCIPLINE

- Superior gross margins and productivity, coupled with strong execution, funding investment in brand equity and innovation
- Committed to maintaining single-A credit rating, with strong working capital and cash generation after reinvestment in the business
- Surplus cash used for M&A or returned to shareholders

3 EXECUTING AGAINST OUR PLAN TO DRIVE SUSTAINABLE GROWTH

- Investment across six strategic imperatives
- Targeting sustainable mid-single-digit net revenue growth and mid-20's adjusted operating profit margins

4 STRONG ENVIRONMENTAL, SOCIAL AND GOVERNANCE CREDENTIALS

- Sustainability embedded within the business; £1bn investment over ten years
- Rated 'AA' by MSCI and in top 15% in the household products industry group and DJSI gold status for 2021

5 EXPERIENCED AND COMMITTED MANAGEMENT TEAM, DRIVING A CULTURE OF OWNERSHIP

- FMCG and consumer health experience, coupled with functional expertise, from within the Group and through external hires
- Strong culture of ownership: around 50% of employees are shareholders
- Leadership Behaviours of Own, Deliver, Create and Care embedded within the organisation
- Proposed management remuneration based upon LFL net revenue growth, Relative TSR, ROCE and ESG measures

GLOBAL BUSINESS UNITS

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, Air Wick, Harpic and Mortein.

For further information on our **Hygiene** business see page 24

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.

For further information on our **Health** business see page 26

NUTRITION

The Nutrition business includes our leading infant and child nutrition, our adult nutrition and our range of vitamins, minerals and supplements (VMS). Brands include Enfa, Nutramigen, Airborne, Move Free and Neuriva. The strength of this business is its focus on science-led innovations which underpin products catering to consumers from infants through to the elderly. In Q1 2022, VMS moved into our Health GBU.

For further information on our **Nutrition** business see page 28

FINANCIAL HIGHLIGHTS

Strong financial performance building on growth from 2020, with 17.4% two-year stacked like-for-like[1] (LFL) revenue growth.

3.5%
LFL net revenue growth[1]

22.9%
adjusted operating margin excl. IFCN China[1]
2020: 24.5%

288.5p
adjusted total EPS (diluted)[1]
2020: 327.0p

174.6p
full-year dividend
2020: 174.6p

-5.4%
IFRS net revenue growth
2021: £13,234m (2020: £13,993m)

-6.1%
IFRS operating margin
2020: 15.4%

-4.5p
IFRS total EPS (diluted)
2020: 166.3p

STRATEGIC HIGHLIGHTS

Continued strategic progress throughout 2021, with investment in strategic imperatives, leading to improved performance.

62%
Category Market Units (CMUs) holding or gaining market share[1]

c.50%
Increase in innovation pipeline value[2]

20ppts
2021 improvement in % of markets where Reckitt is rated top-tier by retailers[3]

SUSTAINABILITY HIGHLIGHTS

Good progress against our sustainability ambitions, which were launched in March 2021.

29.3%
revenue from more sustainable products excluding IFCN[1,4]

24.9%
revenue from more sustainable products[1,4]

66%
absolute reduction in carbon emissions from operations since 2015

£38.2m
invested in Fight for Access Fund in 2021

1. Adjusted and other non-GAAP measures, definitions and terms are defined on page 81
2. Pipeline value represents the increased revenue opportunity in 2022 compared to 2021
3. Based on Advantage Group 2021 survey of retailers. 20ppts increase in markets rated top-tier, from 26% in 2020 to 46% in 2021
4. Calculated for 12 months ending 30 September 2021

BUILDING ON FIRM FOUNDATIONS

Chris Sinclair
Chair

Reckitt's performance during 2021 gives grounds for confidence about our future performance. Our business transformation programme is on track. We are advancing our strategic priorities and building a sustainable, purpose-led culture. With the foundations for sustainable growth now in place, the company stands at an inflection point.

I'm proud of the progress we made during what was a turbulent year for the global economy. Reckitt's resilience and flexibility were much in evidence. We successfully navigated both challenges and opportunities arising from pandemic-related disruptions and supply chain bottlenecks. And we not only delivered globally in broad performance terms but also continued to build foundations for sustainable growth and future outperformance.

We're competing and innovating more effectively. Our category-led, demand-centric approach is broadening the scope for our brands. Our Purpose – to protect, heal and nurture in the relentless pursuit of a cleaner and healthier world – is warmly endorsed by the workforce.

With the foundations for strategic transformation firmly in place, we are well positioned to focus on opportunities for future growth.

BUSINESS PERFORMANCE

Full-year net revenue was £13,234 million, with growth of 3.5% on a like-for-like basis. This was underpinned by strong performance in Hygiene and a recovery in Health as we exited the year. The reshaped Nutrition GBU also made good progress, with solid revenue growth from the ongoing business.

Adjusted operating profit was £2,877 million, at an adjusted operating margin of 22.9% (excluding IFCN China), down 160bps on 2020. This is in line with our guidance provided at the half-year results, and reflects planned investment across many areas.

Our medium-term financial performance has been encouraging, with 17.4% like-for-like, stacked growth[1] over the past two years. And the business has done well to deliver continuing growth in this second year of its strategic transformation against last year's pandemic-influenced revenue figures.

Sharper execution, expanded capacity, better customer service and continually improving digital capabilities have all helped to deliver strong underlying performance across our portfolio of brands.

The business transformation is now well underway. We are realising significant cost savings through increased productivity, with £1.1 billion achieved to date. We have also sharpened the portfolio with the strategic disposal of Scholl, IFCN China and E45 alongside the addition of Biofreeze, a leading US pain relief brand, which presents exciting new growth opportunities for our Health portfolio.

We remain focused on delivering our strategy in each of our three business units. Our Hygiene and Health brands have continued to deliver strong penetration-led gains with market share gains in many categories. Strong execution and innovation delivered consistently good growth in our continuing Nutrition business, most notably in our Vitamins, Minerals and Supplements portfolio, and in the US IFCN business which now accounts for half of the GBU's revenue.

Governance and risk management have also been important areas of focus for the Board over the last few years. We have continued to broaden and deepen our approach to managing safety and compliance risk. We're embedding our sustainability agenda, with a new strategy and 2030 ambitions launched in March. In line with this, we are increasing investments and initiatives that enhance the safety and sustainability of our products, as well as their efficacy.

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 Annual General Meeting (AGM), this will be paid on 9 June 2022 to shareholders who were on the register on 29 April 2022.

1. Adjusted and other non-GAAP measures, definitions and terms are defined on page 81

3.5%

LFL revenue growth

174.6p

full-year recommended dividend

£1.1bn

productivity savings to date

IMPLEMENTING OUR STRATEGY

Despite turbulent markets, we made rapid progress during 2021 in implementing our strategy. We were able to advance our strategic priorities and pursue business transformation while still delivering on performance. The cultural agenda has also been progressing well.

We've invested in transformational capabilities and in organising ourselves to become more focused and, as noted, continued to expand our investments and capabilities across the whole area of good governance, sustainability and in managing the business responsibly. Our participation at COP26 as official hygiene partner underlined our commitment to meaningful action and highlighted the interconnectivity between hygiene, human health and planetary health.

Our performance-oriented culture puts purpose at the heart of our business. Our rebranding as Reckitt in March crystallised that. Our new corporate identity is helping us explain what we do and why we do it with more impact and immediacy. It's been well received, both externally and within the Group.

On our business agenda, managing the supply chain was a particular priority. In the middle of a pandemic, with brands that play a strategic role in combating infection, maintaining adequate supply was clearly critical. We were able to scale up product supply dramatically when needed and achieved significant performance improvements with our major customers, getting them product on time and at the right levels.

We've drawn on that experience to further strengthen our global supply chain to better manage significant supply disruptions and combat cost inflation. These efforts have helped to make the organisation more integrated and resilient. At the same time, we're making sure we're getting the productivity gains from our transformation initiatives, which help to support margins as we deal with cost inflation.

We've also been improving other capabilities in the organisation – including digital and e-commerce, marketing and selling excellence, enhanced customer service management and R&D. And we're building stronger customer and partner relationships founded on our shared interest in delivering high-impact solutions that meet societal challenges.

Importantly, we've also strengthened our brands by aligning them with our Purpose and by focusing on category-led markets and sustainable innovation. Through this, we are uncovering new spaces in which our brands can operate. Our trusted brands continued to advance strongly in 2021, growing market share and increasing penetration.

TALENT AND CULTURE

Laxman's talented top team has integrated well and is making rapid inroads towards achieving our strategic objectives. Further, the leadership team is progressively embedding and operationalising our cultural agenda across the business and there is a clear sense of direction and motivation across the company to deliver on that. Our workforce has shown itself to be adaptable and highly effective in very taxing conditions. Their resilience and commitment have brought tangible improvements to execution across the Group. We are extraordinarily fortunate to have such a capable and dedicated team of colleagues.

We are investing significant energy and resources in our sustainability agenda. Sustainability is an integral part of our long-term growth strategy and intrinsic to our identity as a responsible business that aims to make a positive difference in the world. The focus on sustainability resonates with stakeholders and is warmly embraced by our workforce.

CHANGES TO THE BOARD

The Group benefits hugely from the talented individuals on its Board. They are committed to Reckitt and passionate about its future. During the year we were pleased to welcome Alan Stewart as a Non-Executive Director. As a former CFO at Tesco, Alan has a wealth of retail and commercial experience. His expert insights will inform our approach as we continue to strengthen our retail partnerships. Alan will also chair the Remuneration Committee, replacing Mary Harris in that role. I'd like to thank Mary for her sterling efforts over the last few years in guiding our remuneration policy changes that integrate sustainability objectives into performance by incorporating environmental, social and governance (ESG) metrics. Mary remains on the Remuneration Committee but is now more able to focus on advancing our cultural agenda in her role as Designated Non-Executive Director for engagement with the company's workforce.

Sara Mathew has decided to step down from the Board at this year's AGM. Sara's insights and knowledge greatly enriched the Board's deliberations. She leaves with our sincere thanks and very best wishes.

CONCLUSION

Healthy organisations respond to stress by adapting quickly. We've learned a lot in the past year about managing costs and our supply chain, and, importantly, about how the organisation can stay nimble and do the right thing. Reckitt proved its mettle in 2021, demonstrating its capacity to respond flexibly in a fast-changing competitive landscape. This speaks to a resilient, relevant organisation that is addressing key global challenges through the power of its brands.

We have arrived at an inflection point. We are transitioning out of foundation building and the focus now is on improving performance and delivering growth by driving the business into new areas and adjacencies. We need to build on the progress we've already made in managing the business responsibly and sustainably, but our strategy sets the right objectives. We aim to address the needs of all stakeholders and, by doing that, deliver strong returns for shareholders. Our task now is to ensure we continue to compete and innovate.

Reckitt today is a dynamic, integrated business with a rich heritage, big ambitions and a clear sense of direction. We will maintain our focus on optimising our operations to do the right thing, always, and put consumers and people first. I'm confident that, by doing that, we will deliver strong, sustainable performance.

STRONG GROWTH WITH A STRENGTHENED PORTFOLIO

Laxman Narasimhan
Chief Executive Officer

Our journey to rejuvenate sustainable growth is well on track.

OVERVIEW

In February 2020, we set out our strategy for rejuvenating sustainable growth 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 adjusted operating margins in the mid-20s by the mid-2020s.

This strategy recognises that Reckitt plays a significant role in solving four of the word's largest problems: How can hygiene be the foundation for health? How do we enable consumers to self-care at a time when health systems are under massive pressure? How do we support intimate wellness and eradicate the menace of sexually transmitted diseases? How do we provide enhanced nutrition for infants and for the increasing number of seniors in society?

And as part of this, we capitalise on two major shifts: digital and sustainability. Namely, how can digital enable us to win at a time when technology is transforming consumer behaviour and business more broadly? And how do we turn sustainability into an advantage to realise new opportunities, while making the world better?

Guiding us is our Purpose. We exist to protect, heal and nurture in the relentless pursuit of a cleaner and healthier world. Our Fight is to make access to the highest quality hygiene, wellness and nourishment a right not a privilege. That means the highest quality products, availability and information that drives behaviour change. Our Compass guides us to do the right thing: put consumers and people first, seek out new opportunities, strive for excellence and build shared success. Our behaviours shape us and our culture: we Own, we Create, we Deliver and we Care.

STRONG TOP-LINE MOMENTUM THROUGHOUT 2021

Against this backdrop, we are seeking out new opportunities, leveraging our Purpose, Compass, Fight and Leadership Behaviours. And in 2021, we made good progress against our ambitions. Group net revenue of £13.2 billion grew by 3.5% on a LFL basis in 2021, resulting in a two-year stacked LFL net revenue growth of 17.4%.

Our in-market competitiveness remains strong. 62% of our core Category Market Units (CMUs), excluding IFCN China, held or gained share.

During the year, COVID-19 continued to impact net revenue. Around 70% of our portfolio, representing brands less sensitive to COVID-19 dynamics, grew mid-single digits on a LFL basis. The remaining 30% of our portfolio, which includes Lysol, Dettol and our cold and flu brands (Mucinex, Strepsils and Lemsip), was more volatile, reflecting fluctuations in COVID-19-related demand.

E-commerce net revenue[1], excluding IFCN China, grew by 17% in 2021 and now accounts for 12% of Group net revenue. The two-year stacked growth is over 85%.

EXECUTING WITH EXCELLENCE

We are a performance-driven company, and the significant step-up in investment in foundational capabilities over the past two years has further improved our execution and competitiveness.

In 2021, we were named Walmart's Supplier of the Year for consumables, reflecting the improvements in sales excellence capabilities. Based on the independent Advantage Group 2021 survey of retailers, 46% of our markets, weighted by revenue, are now considered 'top-tier' for customer service – an increase of 20 percentage points compared to 2020.

Our innovation pipeline is stronger, up 50% in 2022 compared to 2021, and it is also more innovative, with patent filings up 30%. At the same time, and in the face of significant input cost pressures, our supply chain continued to improve, and our commitment to quality in supply was a contributing factor in Reckitt's readmission to the Dow Jones Sustainability Index.

Underpinning the investment associated with these improvements, our productivity programme continues to deliver, with cumulative savings since the beginning of 2020 of £1.1 billion.

17.4%

LFL net revenue growth[1]
(two-year stacked)

c.50%

employee share ownership

AA

upgraded MSCI ESG rating

1. Adjusted and other non-GAAP measures, definitions and terms are defined on page 81

WE ARE EVOLVING OUR ALREADY STRONG CULTURE

Alongside the investment in these foundational capabilities is the work to evolve our culture, building on the success of our past. In particular, setting out the Leadership Behaviours that we each sign up to: Own, Create, Deliver and Care.

Reckitt has always had a strong culture. We are a company of owners; around 50% of employees own shares in the company and we see this as a differentiator.

We Create. That's always been a strength, but we've refocused in certain areas, fuelled by our investments in capabilities. Our science platforms combined with our push to broaden our thinking about consumer-demand spaces have resulted in a larger pipeline.

We Deliver in a way only Reckitt can and evidenced by the agility and the tireless effort made by our teams in the last two years, during the pandemic.

And in addition to these three behaviours we have added a fourth: Care. Care for our consumers, customers, communities and the environment. We will always be a highly commercial, performance-driven company: it's in our DNA. But we are striving to do better than that, broadening the basis on which we are judged.

RELENTLESS PURSUIT FOR A CLEANER, HEALTHIER WORLD

A key part of Care is our care for the environment and our communities.

In this regard, we continue to make strong progress against our sustainability targets which were set out in April 2021. Our MSCI Sustainability score is now AA – having been upgraded from A in April – and our Sustainalytics score is 22.9, ranking us in the top 15% amongst our peers. We are committed to operating according to the Paris Agreement, and we are therefore pleased that the modelling by MSCI demonstrates our climate plans translate into a temperature increase of 1.38 degrees – better than many in our industry.

At the same time, we are better connected with our communities through our Fight for Access Fund, to which we contributed £38 million in 2021.

An example of how we are aligning commercial interests with doing business in the right way is our work at the COP26 summit in Glasgow in November 2021 – which was billed as the last best chance to implement the goals of the Paris Agreement and the UN Framework Convention on Climate Change.

As the event's official hygiene partner, and led by our Global Business Solutions and R&D teams, we saw our Dettol brand entrusted with keeping more than 30,000 delegates from over 190 countries safe from COVID-19. This was a key opportunity for us to demonstrate our Purpose in action. We showed how we're helping build awareness of the connection between planetary health and public health, how our brands can encourage pro-environmental behaviours and how Hull – where Reckitt has its roots – is working to become the UK's first net-zero city.

Around the event itself, we worked with stakeholders globally, demonstrating the important connection between climate change and people's health, and the way we can help influence consumers to adopt behaviours that help tackle climate change. We engaged with governments around the world: in Milan, we profiled our Finish purpose commitment at a round-table event focusing on scarce water resources; in the US, we hosted a COP26 round-table with the Biden administration's Deputy Special Envoy for Climate; and in Mexico City, the UK Embassy showcased Reckitt as a trusted partner for health, hygiene and climate ambitions.

CREATING VALUE FOR SHAREHOLDERS

My Group Executive Committee and I are committed to maximising value for our shareholders. Our interests are fundamentally aligned. Reckitt has natural advantages, with the strength of our brands, which play in attractive categories underpinned by favourable trends. And the improvements we have made to our foundational capabilities and to our culture, we believe, will see the business return to sustainable mid-single-digit revenue growth with mid-20s margins.

In addition, we will continue to be active managers of the portfolio. During the year, we sold our footcare brand, Scholl, to Yellow Wood Partners, and sold our IFCN business in China to Primavera Capital Group. These two transactions have reduced our exposure to low-growth or declining categories. The sale of IFCN China is a good example of Reckitt's well-known agility, as our central functions of Digital, Finance, R&D, HR, Legal and Supply, came together, along with our China team, to separate the business and close the deal in just 96 days from the announcement of the transaction.

We also announced an important strategic move into the world's largest pain management market of the US, with the acquisition of Biofreeze – a leading and fast-growing analgesic brand. Here, we see exciting potential for geographic expansion and innovation, building on the brand's existing strong track record for growth.

Towards the end of the year, we announced the disposal of E45. As with Scholl, we saw less fit with our broader portfolio and the disposal allows us to focus resources elsewhere.

Finally, with significant hires into the Executive team over the past two years, I am delighted with how well the team has been functioning, particularly given the unusual and challenging environment. I deeply appreciate the leadership that they have shown and the positive changes they and their teams have brought about.

LOOKING FORWARD

We have a unique portfolio of trusted, market-leading brands in structurally attractive categories with significant headroom for growth. This, combined with our progress to date, gives me the confidence in both our-near term and medium-term prospects.

ADDRESSING FOUR OF THE WORLD'S LARGEST PROBLEMS

1 HOW CAN HYGIENE BE THE FOUNDATION FOR HEALTH?

Growing consumer awareness of the importance of hygiene and its connection to health

The transmission of infection will remain a pressing global concern. With more crowded cities, greater movement of people and fewer opportunities for physical separation, good hygiene practice is increasingly important. In addition, too many people globally lack clean water and sanitation.

At the same time, rising levels of income globally are allowing more and more consumers to use products pre-emptively to help protect their health and their homes.

Our response: Reckitt's premium, category-leading products support hygiene both inside and outside of the home, cleaning and sanitising and providing a frontline defence against the spread of transmissible diseases and viruses.

With our disinfectant brands of Lysol and Dettol, we are helping to break the chain of infection on surfaces of kitchens and bathrooms, from hands, and other 'at-risk' spaces.

Harpic is ensuring the sanitisation of bathrooms, whilst Air Wick and Finish support overall cleanliness and hygiene within the home. Through the Reckitt Global Hygiene Institute and our Fight for Access Fund, we are also contributing to the building of awareness and scientific understanding of hygiene issues, as well as to the availability of products.

Finally, our Pest brands such as Mortein and SBP are protecting families and their homes from unwanted pests and insects.

2 HOW DO WE ENABLE CONSUMERS TO SELF-CARE AT A TIME WHEN HEALTH SYSTEMS ARE UNDER MASSIVE PRESSURE?

Government healthcare cost pressures and increased autonomy are elevating the importance of self-care solutions

Across the world, ageing populations and stretched public finances are putting pressure on health systems. Meanwhile, individuals are becoming better informed and are more actively involved in looking after themselves. Citizens are also increasingly conscious that managing their own health also has a social dimension in the public health arena.

Self-care is putting people at the heart of decision-making about what matters most to them: products and solutions. Self-care solutions are supported by consumer-centred technology on apps and elsewhere, offering increasingly sophisticated personalised recommendations.

Our response: By saving a trip to the doctor, we are helping to reduce demand on strained public healthcare. Our over-the-counter healthcare brands provide people with the tools they need to treat everyday symptoms themselves, without recourse to healthcare professionals. We partner with clinical professionals and share science-backed information with consumers to prevent and treat infection. Moving from a product to a consumer focus, we are developing science solutions that address specific consumer needs and providing consumer benefits across protect, heal and nurture. Our science platforms (see page 36) are enabling us to do this, as we share insights gleaned from our gastro-intestinal work on our VMS brand, Digestive Advantage, for example, with our heartburn and indigestion relief brand, Gaviscon. These dynamics, combined with digital trends, continue to provide opportunities in areas like personalised nutrition, wellness and digital health.

CAPITALISING ON THE BROAD AND RISING IMPACT OF DIGITAL AND SUSTAINABILITY

As we seek solutions to these problems, we know that consumer tastes, values and behaviour are evolving.

Sustainability is not only about doing the right thing, it is increasingly a commercial imperative. Consumers want to buy products that are not only safe and effective, but have also been developed in a responsible manner, recognising the impact its production and usage can have on the environment or wider society.

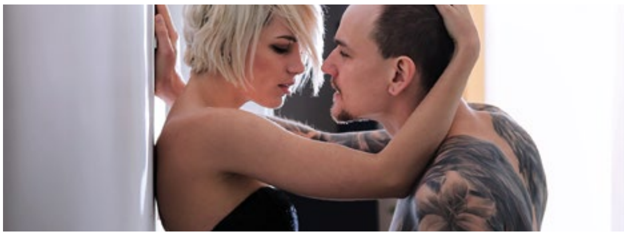
73%

of people want to reduce their impact on the environment and nature (Source: Globescan; Healthy & Sustainable Living, 2021)

Reckitt operates in attractive, growing market segments. We fight to address four of the world's largest problems. And as we do this, we are capitalising on the broad and rising impact of digital and sustainability.

3 HOW DO WE SUPPORT INTIMATE WELLNESS AND ERADICATE THE MENACE OF SEXUALLY TRANSMITTED DISEASES?

Maintaining sexual health and protecting young people in a challenging era



In many areas of the world, awareness and understanding of sexual health and wellbeing is poor. The subject is often taboo and seen as political rather than an essential life-or-death issue. The exceptional measures governments and health authorities imposed during the pandemic contributed to a global setback in reproductive and sexual health rights. Scarce resources were diverted from sexual health and quarantine measures kept young people away from formal educational settings.

Our response: As the world's leading producer of condoms and with 90 years of brand heritage, Durex plays a crucial role in reducing the risk of sexually transmitted infection and encouraging safe sexual practices. We do this through better understanding differing consumer needs, and continually improving the performance of our products, for example, through size and fit, to enhance pleasure and the consumer experience of intimacy. At the same time, we're partnering with key influencers and celebrities such as Lil Nas X in the US, to generate product awareness and grow usage of the category. As part of a better understanding of consumer needs, we are addressing the growing demands of previously-overlooked parts of the market. Through Queen V for example, we are recognising the importance of vaginal health, leveraging our understanding of the microbiome to deliver products seeking to combat everyday problems such as itchiness and dryness. Our educational initiatives promote responsible attitudes and behaviours with programmes that help young people make informed and confident choices, alongside partners such as the National AIDS Control Organization (India), Solidarite (France), Dance 4Life (Netherlands), and UNFPA (Mexico).

4 HOW DO WE PROVIDE ENHANCED NUTRITION FOR INFANTS AND FOR THE INCREASING NUMBER OF SENIORS IN SOCIETY?

Growing demand for specialised infant and adult nutrition products

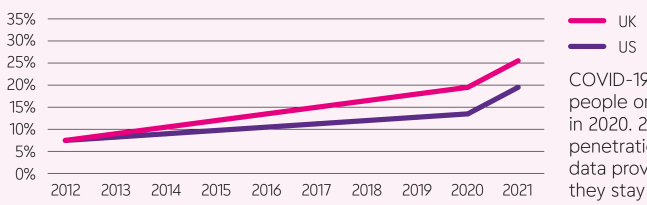
Infants deserve the best possible start to life, and a key part of that is the nutrition they receive. This is particularly the case for those suffering from allergies, or other conditions for which more specialised nutrition is needed. With birth rates relatively stable, demand for such products is likely to be the key driver of infant formula market growth over time.

At the same time, life expectancy has increased rapidly. With people living longer, there is growing demand for health and wellbeing products that allow them to live their lives to the full. As such, there is continued growth in demand for high-quality specialty food supplements, around key need states such as immunity, digestion, and cognition and mental health.

Our response: Through the strength of our brands, consumer insight and science understanding, we are well placed to be a winner in the nutrition market. With our infant brands such as the Enfa range and Nutramigen, and adult brands such as Provital, Move Free, Airborne and Neuriva, we seek to address the most important needs in nutrition. Our product innovation teams leverage the capabilities within our science platforms of digestive health and allergy and immunity to deliver natural solutions that address the specific nutritional needs of these groups, whether infants or adults. E-commerce is playing an increasingly important role in how consumers seek out and purchase nutritional products. This provides an opportunity for us to better serve them through the lifecycle of their or their baby's needs, with our brand communications with an expectant mother often beginning well before the baby is born, for example.

Digital 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, and how we manage our supply chain. The disruption brought about by COVID-19 has accelerated these trends, with a step-change in virtual appointments, remote prescriptions and e-commerce transactions.

Online share of retail sales



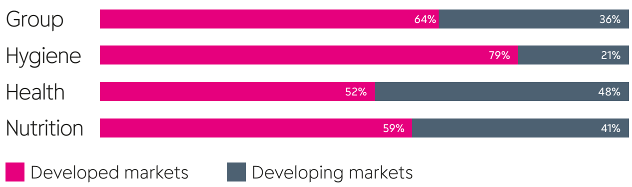
COVID-19 pushed people online in 2020. 2021 penetration data proves they stay online.

OUR GEOGRAPHICAL FOOTPRINT

OVERVIEW

Reckitt operates in over 60 countries around the world. Reflecting the premium nature of our portfolio, 64% of revenue is currently derived by developed markets – primarily North America and Europe. However, continued growth in the middle classes in many developing markets such as India and China will improve affordability of premium products, and is likely to support overall revenue growth over time.

Split of developed and developing[1] markets



US

The US is Reckitt's largest geographic market, with revenue in 2021 of over £3.8 billion, representing 30% of Group revenue, excluding IFCN China.

Reckitt is home to some of the best loved, most recognisable and most trusted consumer brands in the US, including Airborne, Air Wick, Enfamil, Finish, KY, Lysol and Mucinex.

Around 5,300 employees work in the US business. We have three R&D centres of excellence and six manufacturing locations. US-made brands include multiple category leaders, among them Lysol, where we lead the US surface protection category. We're number two in laundry additives with Finish, number two in the cough and cold category with Mucinex, and number three in air care with Air Wick. Our infant follow-on nutrition, Enfamil, is the number one brand recommended by paediatricians.

Total US revenue has increased by over 20% since 2019. Led by the increased demand for Lysol, growth has been driven by consumer-centric innovation and improved relationships and execution with our key customers such as Walmart and Dollar General – both of which gave us a supplier of the year award during 2021.

Across each of our three GBUs, our business took market share in 2021. In Hygiene, through continued outperformance of Lysol and Air Wick; in Health, this was through gains in Mucinex and Durex; and in Nutrition, through our infant formula brands.

Innovation was a driver of performance in 2021, with recent launches including Lysol Smart – a sustainability-focused product – and the Mucinex NightShift and InstaSoothe ranges.

Reckitt also has a history of supporting local communities through its brands. One example is Lysol's 'HERE for Healthy Schools Initiative' which provides educational materials for students and disinfecting supplies for schools, with the mission to curb the spread of preventable illnesses.

CHINA

China represents 5% of the total Group following the disposal of the IFCN business. Having averaged double-digit growth in recent years, it is now the Group's fourth largest country market.

Reckitt has operated in the Chinese market since 1916 with headquarters in Shanghai. The business operates across three GBUs, with approximately 3,500 employees and five manufacturing facilities. We have recently invested around £90 million in the Taicang factory to support China Dettol and Durex growth.

E-commerce has been a major contributor to growth in the market, now representing around two-thirds of the China business[1]. Its success has led the way for learnings across the Group more broadly, in areas such as digital marketing, data and automation, and venturing.

Reckitt's largest brands in China are Durex and Dettol which represent more than 70% of the China business revenue. Other brands include Finish, Lysol, Harpic and the more recently launched Neuriva – all of which we expect to show double-digit percentage annual growth over the coming years.

We are also active in our communities, supporting education on the importance of hygiene, and we target reaching over 27,000 schools across the country over the next five years.

1. Excluding IFCN China

INDIA

India is Reckitt's second largest market, with revenue in 2021 of over £800 million, around 6% of Group revenue, and we have ambitions to double this by 2030.

In a fiercely competitive space, we're outperforming our peers. Our net revenue growth over the past five years has averaged 8% per annum. With strong heritage in India, having entered the market with Dettol in 1940, we play across multiple categories, with Dettol, Harpic, Vanish and Veet each leaders in their respective segments. Our brands are highly trusted, with Dettol for example scoring 28% points[1] higher than its closest competitor on key attributes, and with one in two households[2] purchasing the brand in the last year.

The market backdrop is highly favourable. By 2030, India is expected to be the most populous country in the world, with 1.5 billion people, and GDP is forecast to be $6 trillion making it the world's third largest economy[3]. Today, Indians spend a relatively low proportion of their income on consumer staples. With the equivalent spend some 30 times greater in the US, there is substantial headroom for growth.

Such is the strength of our brands such as Dettol, Harpic and Durex, we are uniquely placed to drive purpose-led messages on vital topics, such as hygiene and sexual health and wellbeing, across the country. Dettol's high-profile Banega Swasth India campaign for example has been running since 2014. Now in its eighth season, through celebrity endorsement and in partnership with the country's most respected TV channel, it's helping millions of Indians to improve their lives with better hygiene and sanitation. The Dettol School Curriculum is reaching 20 million primary school children. Targeted diarrhoea prevention interventions save the lives of around 100,000 under-5s in Uttar Pradesh.

Such is the strength of Dettol in the country, that it was the starting place for what became a global phenomenon. The #handwashchallenge TikTok campaign, which ultimately garnered 125 billion views, was initiated with Bollywood celebrities and India's top TikTok influencers uploading their own dance-based interpretations of the handwashing rap.

The development of the India operation over the last two years exemplifies the strategic transformation that's underway across Reckitt globally. We're driving core brand performance with innovation-led market share growth and penetration gains. We're growing e-commerce – up nearly 140% over the last three years – and extending our reach. We're supplementing our retail network with expanding direct distribution and enhancing digital capabilities. We're strengthening our supply chain and improving productivity.

Durex: making Invisible visible

Six years ago, there was limited brand awareness of Durex in India. The brand had a very small share of what was then a low-visibility market. Sex had long been seen as a 'man' thing that wasn't discussed in the public sphere. Condoms were mostly supplied on request by chemists and were not on display. Product understanding was limited and suppliers mainly served basic needs, which favoured cheaper local brands.

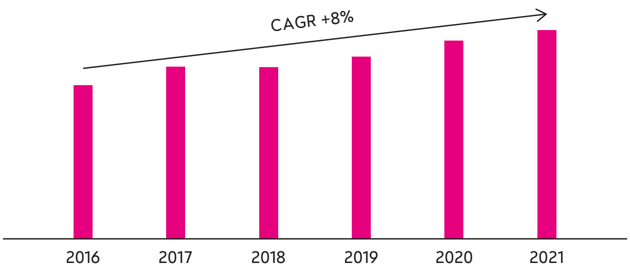
Durex recognised that several category segments were underserved and launched superior offerings to meet that untapped demand. Its Mutual Climax condom emphasised performance, while Durex Invisible, India's thinnest condom, stressed intimacy.

The brand backed up these innovations with quirky, social-media-led campaigns that championed great sex and took on centuries-old taboos. Celebrity endorsements engaged younger audiences. In a first for India, Durex challenged the stigma around female sexuality and built conversations around sex that included women and the LGBTQ+ community.

Key to performance for Durex in India, however, has been its improved distribution. In early 2019, the brand could be found in around 76,000 distribution points across the country. Today, it is over 120,000. Combined with improvements in digital, this has seen Durex gain over 210bps of market share in 2021, leading to the brand now being the second largest condom name in the country.

Looking forward, we continue to see the Durex opportunity as significant – with growth in the category, as well as further opportunities for market share gains.

LFL net revenue growth in India



Leading brand positions

#1 Dettol #1 Harpic #1 Vanish #1 Veet

1. Advantage survey of retailers 2021
2. Source: Nielsen penetration data
3. Source: World Bank

HOW WE CREATE VALUE

We are the company behind some of the world's most recognisable and trusted consumer brands in hygiene, health and nutrition.

OUR PURPOSE

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

OUR ASSETS

Our people and culture
We employ outstanding people who are focused on execution. They work in a unique culture, with a strong sense of shared ownership, that harnesses their passion and allows them to make a real difference.

Our brands
We have a global portfolio of leading brands, offering attractive growth prospects and margins, and sustainable competitive advantages.

Our knowledge and skills
We have deep consumer understanding, proven R&D capabilities and an agile organisation, which gets the right products into the hands of consumers quickly.

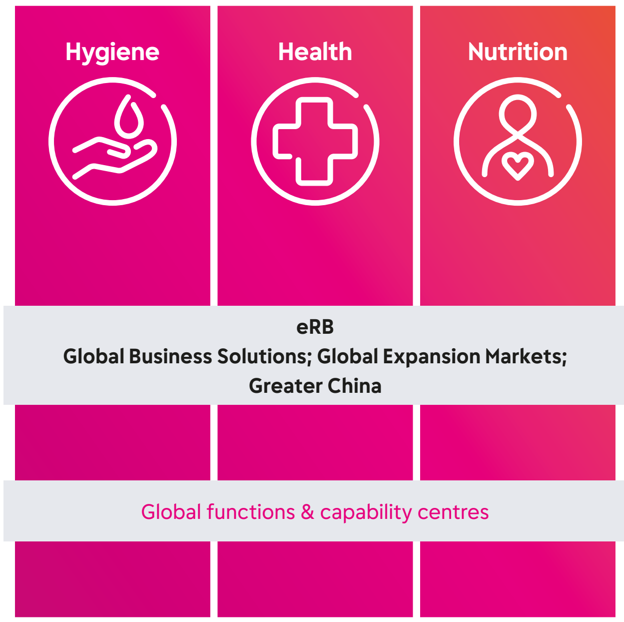
Our partnerships
We develop strong, trusted relationships with our customers, consumers, suppliers, communities and other partners to allow us to extend our impact.

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

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

WHERE WE PLAY

BUSINESS STRUCTURE



OUR FIGHT

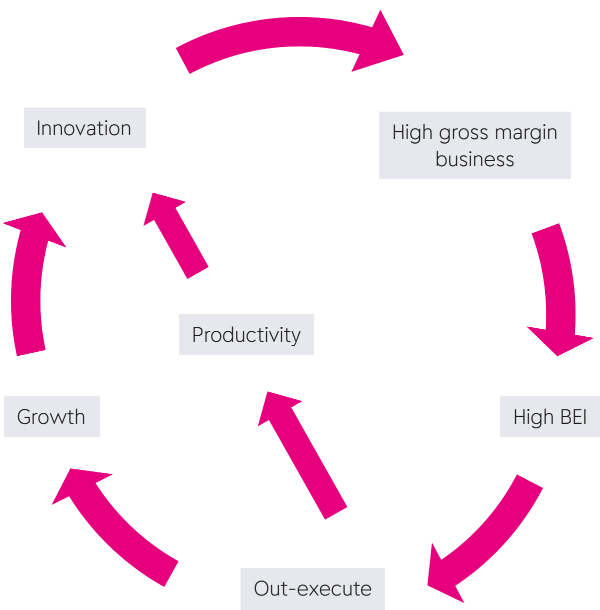
We have a fight on our hands. A fight to make access to the highest quality hygiene, wellness and nourishment a right and not a privilege.

MID-TERM TARGETS

Rejuvenating Sustainable Growth. We have committed to deliver: mid-single-digit growth and mid-20s profit margin.

HOW WE WIN

EARNINGS MODEL



BEI = Brand Equity Investment

VALUE WE CREATE

>80

products now labelled as Climate Pledge Friendly on Amazon

For customers see page 52

>20m

Reckitt products sold every day

For consumers see page 54

c.50%

of employees are shareholders

For our people see page 55

c.3,200

direct material suppliers

For suppliers see page 57

>3,000

scientists, engineers, technologists and experts work at Reckitt

For expert knowledge see page 58

>£80m

invested in over 15 startups to date

For innovators see page 58

WE SUPPORT

For collaboration and partnerships see page 59

288.5p

total adjusted diluted EPS

For our investors see page 60

2bn

target engagement with 2 billion people through our programmes, partnerships and campaigns by 2030

For communities see page 61

29.3%

net revenue from more sustainable products excluding IFCN

For our environment see page 63

FOR A CLEANER, HEALTHIER WORLD

OUR 2030 SUSTAINABILITY AMBITIONS

Sustainability is central to our Purpose. It runs through everything we do.

Our 2030 ambitions embed sustainability at the core of our business and build on the progress we have already made. They focus on three areas – purpose-led brands, healthier planet and fairer society – where we can maximise our positive and enduring impact, within and through our core business. The ambitions are supported by specific targets and metrics to drive disciplined execution across the business. They are backed by over £1 billion in existing, planned and projected investment.

We aim to:

- Reach half the world with products that contribute to a cleaner, healthier world
- Engage two billion people with purpose-led campaigns to promote awareness for a cleaner, healthier world
- Make a lasting difference in communities through our Fight for Access Fund and our programmes
- Work with our partners to help deliver the UN Sustainable Development Goals

PARTNERSHIPS

We reach out to like-minded partners to drive real, sustainable change together. Our partnerships with WWF and the Fair Rubber Association help us create scale and impact in key areas. The COP26 partnership adds momentum.

By engaging with consumers through partnerships and campaigns we aim to help to build awareness and drive changes in behaviour that can have real impact in making a cleaner, healthier world.

PURPOSE-LED BRANDS

We sell around 20 million products every single day. That's a lot of material and we want it to have a positive impact.

To help ensure we don't just sell products people want to buy but also ones that make a positive difference in the world, we're investing in sustainability in all our brands. Each brand now has a purpose that's aligned with one of the UN Sustainable Development Goals (SDGs). Every Reckitt brand focuses on progressing SDGs.

We won't stand still. We want to challenge ourselves to do more every day to bring about the cleaner, healthier world we all want to see.

We've set ourselves ambitious sustainability targets to lower our use of virgin plastic and reduce our carbon, water and chemical footprints. All our plastic packaging will be recyclable or reusable by 2025, with at least a quarter coming from recycled materials. By 2030, we plan to have halved our use of virgin plastic for packaging, reduced our chemical footprint by nearly two-thirds and cut our carbon footprint in two. We're targeting a 50% reduction in our overall water footprint by 2040.

By 2025

- 100% plastic packaging recyclable or reusable
- 25% recycled content in plastic packaging

By 2030

- 50% of net revenue from more sustainable products
- 50% reduction in our carbon footprint
- 65% reduction in our chemical footprint
- 50% reduction of virgin plastic in packaging

By 2040

- 50% reduction in our water footprint

baseline: 2015

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

1.8bn

people engaged through our partnerships, programmes and campaigns since 2013

49%

gender balance at all management levels

A HEALTHIER PLANET

A healthier planet and healthier people are inextricably linked. Our sustainability ambitions include targets that will ensure we play an active role in helping to combat climate change, addressing biodiversity and improving planetary health. We are working with partners to create positive impact in areas that are stressed by global warming. Our three-year partnership with WWF will protect freshwater sources, restore wildflower habitats and help it inspire millions of people to act for our planet.

By 2030

- Water-positive in water-stressed sites
- 100% renewable electricity
- 65% reduction in absolute carbon emissions from operations

By 2040

- Net zero across our value chain

66%

reduction in absolute carbon emissions in our operations since 2015

100%

renewable electricity purchased for our manufacturing operations

A FAIRER SOCIETY

We are fighting for a world where access to the highest quality hygiene, wellness and nourishment is everyone's right, and not a privilege. As part of that, we stand for a fairer society where everyone has a stake, and all voices are heard and acknowledged.

The third pillar of our sustainability ambitions addresses this directly. We are building an inclusive culture, where everybody is treated fairly and equally. Our teams represent the diverse geographies we operate in and the people we serve.

We want all our stakeholders to have sustainable livelihoods and working conditions. One way we do this for smaller suppliers is through partnerships with organisations on the ground. Our team-up with the Fair Rubber Association gets a Fair Trade premium to the farmers who produce natural rubber latex for our Durex products.

We're assessing and improving standards for our larger suppliers through our strengthened audit programme. We're establishing leading human rights programmes and developing action plans in all our key markets. We're supporting resilient, local communities by helping our suppliers measure and reduce their environmental footprints.

- An inclusive culture, where everybody is treated fairly and equally
- Our teams represent the diverse places where we work and the people we serve
- Gender balance at all management levels by 2030
- Equivalent of 1% operating profit to Fight for Access Fund

Key Performance Indicators

FINANCIAL

LFL Net Revenue Growth[1]

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

2021	3.5%
2020	11.8%[2]
2019	0.8%
2018	3.0%
2017	0%

Target: To rebuild consistent mid-single digit growth in the medium term.

Adjusting Operating Profit Margin[1]

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

2021	21.7%[3]
2020	23.6%
2019	26.2%
2018	26.7%
2017	27.1%

Target: Our plan, outlined in 2020 and re-confirmed in 2021 for a margin in the mid-20s by the mid-2020s.

Adjusted diluted EPS[1]

KPI: An overall indicator of success.

2021	288.5p
2020	327.0p
2019	349.0p
2018	339.9p
2017	316.9p

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

HEALTHIER PLANET

GHG emissions in our operations

KPI: The percentage reduction of our Scope 1 and 2 emissions against our 2015 baseline.

2021	66%
2020	36%
2015	0%

Target to 2030: 65% reduction against 2015 baseline (393,004tCO_2e).

Water use per unit of production

KPI: The percentage reduction in total water consumption per unit of production, against our 2015 baseline.

2021	3%
2020	6%
2015	0%

Target to 2025: 30% reduction against 2015 baseline (2.7m^3 per tonne of product).

Sending zero waste to landfill

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

2021	96%
2020	96%
2019	96%
2018	93%
2017	100%

Target to 2030: 100%.

PURPOSE-LED BRANDS

Product innovation

KPI: Total net revenue from more sustainable products.

2021	29.3%[5]
2020	30.4%
2019	24.6%
2018	18.5%
2017	18.2%

Target to 2030: 50% of net revenue.

Purpose-led brands

KPI: Total number of people engaged through our partnerships, programmes and campaigns since 2013.

2021	1.8bn
2020	1.4bn
2019	1.0bn
2018	0.8bn
2017	0.6bn

Target to 2025: one billion people.

Social impact investment

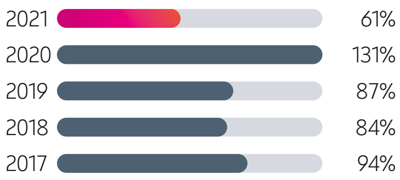
KPI: Total value of cash contributed, employee time in working hours and in-kind product donations valued at cost to the business.

2021	£38.2m
2020	£52.8m
2019	£12.2m
2018	£14.4m
2017	£10.5m

Target to 2025: £20 million per year.

FCF Conversion[1]

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



Target: To maintain the delivery of strong free cash flow conversion over time.

1. 2017 and 2018 figures are original reported within relevant periods and have not been adjusted for subsequent updates made to IFRS
2. Including IFCN China (excluding IFCN China: 13.9%)
3. Including IFCN China (excluding IFCN China: 22.9%)
4. Management levels are band D and above (excluding board employees)
5. The 2021 total net revenue from more sustainable products including IFCN was 24.9%
6. Excluding energy used indirectly by consumers at home

FAIR SOCIETY

Gender diversity

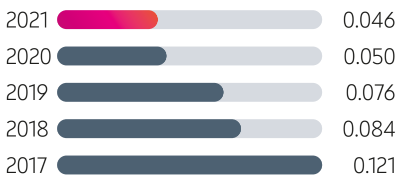
KPI: Gender balance at all management levels.

Target to 2030: Gender balance at all management levels[4].

2021: 29% female senior managers in our global workforce.

Lost Work Day Accident Rate (LWDAR)

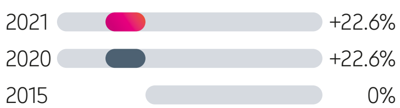
KPI: Number of incidents resulting in at least one lost day of work per 100,000 hours worked.



Target: Continued decrease in LWDAR rate.

Product footprint

KPI: The percentage reduction of our product carbon footprint against our 2015 baseline[6].



Target to 2030: -50% reduction against 2015 baseline (10.7 million tCO_2e).

Focus on: COP26

TIME TO TURN WORDS INTO ACTION

The COP26 summit in Glasgow was a pivotal moment in our collective fight against climate change. Reckitt came on board as the event's official hygiene partner.

COP26 was billed as the last, best opportunity to implement the goals of the Paris Agreement and the UN Framework Convention on Climate Change. Reckitt was named as hygiene partner. Through our Dettol brand, we were entrusted with keeping 30,000+ delegates from over 190 countries safe from COVID-19.

This was a chance for us to demonstrate our Purpose in action. We highlighted the link between planetary health and public health, we discussed how our brands can encourage consumers to do the right thing and we profiled the campaign in Hull – where Reckitt has its roots – to become the UK's first net-zero city.

SAFE AND SUSTAINABLE

Our hygiene protocols protected delegates and visitors, while respecting the event's sustainable objectives. Over 600 Dettol handwashing stations were placed strategically around the site. Every delegate got a hygiene kit.

Our approach was validated by the London School of Hygiene & Tropical Medicine, and the data suggests it succeeded. The frequency of COVID-19 cases at COP26 was 81% lower than the Scottish national average.

ENGAGING WITH STAKEHOLDERS

In the run-up to the summit, we worked with stakeholders globally, demonstrating the important connection between climate change and health, and how we can help influence consumers to help tackle climate change.

We engaged with governments in 41 global capitals. We hosted and participated in top-tier and high-profile events. In Milan, we profiled our Finish brand purpose commitment at a round-table event focusing on scarce water resources. In the US, we hosted a COP26 round-table with the Biden administration's Deputy Special Envoy for Climate. In Mexico City, the UK Embassy showcased Reckitt as a trusted partner for health, hygiene and climate ambitions. Dettol's Banega Swasth Initiative ran 'One Planet, One Health, One Future' as a 12-hour telethon on India's leading channel, NDTV.

At COP26, we showcased the risk to public health of climate change, and health strategies that take account of that. We convened leaders from the World Health Organization, governments, academia and civil society to build action to protect health and combat climate change. Our major customers have joined in the debate and are helping to develop solutions. Sustainability leaders from Walmart, Tesco, Walgreens Boots Alliance and Sainsbury's all spoke at Reckitt-convened events.

YOUNG PEOPLE'S VOICES

Young people's passion and powers of persuasion can inspire real change, especially on climate. We ran campaigns at COP26 to give them a voice. We launched Dettol Hygiene Quest, a fun and interactive primary school programme that aims to build lasting hygiene habits among six to nine year-olds. A competition for seven to 18 year-olds called for images inspiring action on climate. The best entries won eco-friendly prizes and featured on our Instagram account.

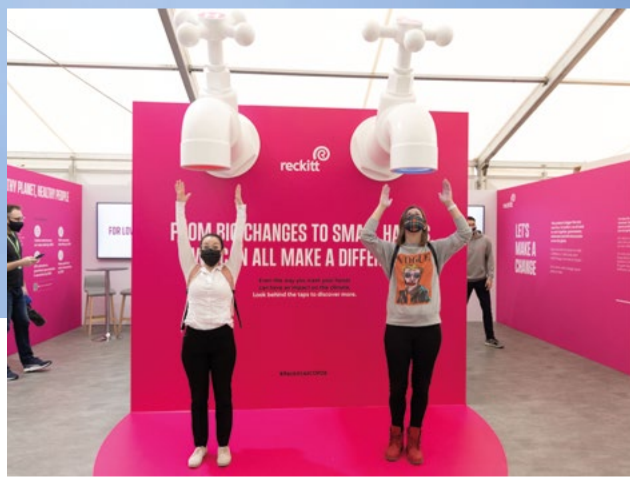
26,000
hygiene kits for delegates

600+
handwashing stations

8,000
litres of Dettol

81%
lower COVID-19 cases at COP26 vs Scottish national average

1,300+
sustainable pledges made at our exhibition stand



MATCHING PERSONAL PLEDGES

Our COP26 exhibition space highlighted five misconceptions on hygiene and challenged visitors to do their bit for a more sustainable world. Every promise made at our exhibition stand was matched by a donation to WWF UK restoring ten square feet of wildflower habitat.

The top pledge was washing hands with cold instead of warm water. Most people didn't know that water temperature makes no difference to killing germs. It's a small change with a big impact. If everyone in the UK did that, the CO_2 saving would be the same as taking 285,000 cars off the road for a year.

THOUGHT LEADERSHIP

We convened and hosted events on a range of climate change-related topics. 'Planetary Health and Public Health' discussed the adverse public health impacts of climate change, the escalating risks of inaction and how the private and public sectors can collaborate to find solutions. 'Inclusion is Key' looked at how gender equality improves science and innovation and spurs climate action. The 'Changing Consumer Behaviours' panel session discussed the impact on climate of a shift to more sustainable consumption and how that can be done. 'Achieving Net Zero: Critical Role of Cities' examined how the race to net zero can be managed in cities through public and private sector collaboration with reference to Reckitt's own participation in Hull Living Lab.

A CLEANER, HEALTHIER WORLD

Our white paper 'The Impact of Climate Change on Health: Reducing Risks and Increasing Resilience in the Era of COVID-19', co-authored with the London School of Hygiene & Tropical Medicine and EcoHealth Alliance, was published at the summit. This set out the wide-ranging risks to human health of unabated climate change and presented detailed recommendations to address these serious and potentially existential threats. The paper made ten recommendations for public health to build resilience and protect people from the health impacts of climate change.

There was progress at COP26. Critically, most governments and businesses now agree we're in a race against time to create the cleaner, healthier world we all want to see.

But the time for talking has passed and we cannot relax. We need to act decisively – locally and globally – to tackle this challenge. Everybody has a role. At Reckitt, we're determined to play our full part.

OUR GROWTH STRATEGY

Established in February 2020, our strategy seeks to drive a return to sustainable, mid-single-digit revenue growth, with adjusted operating profit margins in the mid-20s.

GROWTH DRIVERS

PRODUCT PENETRATION
Capturing new consumers and households

MARKET SHARE GAINS
Serving existing consumers faster, better, and more efficiently

EXPANSION INTO NEW PLACES
Entering new geographies and new channels

EXPANSION INTO NEW SPACES
Capturing new market opportunities

STRATEGIC IMPERATIVES

- GROW BRANDS AND INNOVATE
- DRIVE SUPERIOR EXECUTION
- INVEST IN CAPABILITIES
- INCREASE PRODUCTIVITY
- EMBED SUSTAINABILITY
- ACTIVELY MANAGE THE PORTFOLIO

INSPIRE TALENT AND EVOLVE CULTURE

Our Compass

Our Leadership Behaviours
Own | Create | Deliver | Care

For further information see inside front cover

GROWTH DRIVERS

Product penetration
Increasing product usage by capturing new consumers and households.

Market share gains
Winning by serving existing consumers faster, better, and more efficiently with superior and more relevant products.

Expansion into new places
Taking our brands and products into new geographies and new channels.

Expansion into new spaces
Capturing new market opportunities using our brands and consumer relationships.

CONSUMER-LED CATEGORY GROWTH

Reckitt is shifting from an innovation strategy led by brands to a category growth strategy anchored in consumer demand. This new demand-led growth approach uses deep consumer insights combined with strength in science and technology to enable category thinking that drives growth.

For progress against our **growth drivers by GBU** see pages 24 to 29

STRATEGIC IMPERATIVES

INVESTMENTS SUPPORTING SUSTAINABLE GROWTH

Our strategic imperatives are those areas of focus which support us in returning the business to sustainable growth.

Grow brands and innovate
Investing firmly behind our brands to drive equity and improve the product offering for consumers.

Drive superior execution
Investing in capability centres for commercial excellence – sales outperformance, marketing excellence, eRB and medical sales.

Invest in capabilities
Investments in centralised areas such as supply chain, R&D and digital to strengthen the core of our business, supporting the three GBUs.

Increase productivity
Embedding programmes to enhance effectiveness and efficiency in the company and to fund investment.

Embed sustainability
Incorporating sustainability throughout our value chain and across our business.

Actively manage the portfolio
Moving the company to higher growth and addressing structural challenges.

INSPIRE TALENT AND EVOLVE CULTURE

Building on our strong ownership culture, adding Care to our Leadership Behaviours. See **Focus on: Culture & Inclusion** page 46.

For progress against our **strategic imperatives** see page 30

HYGIENE

Volker Kuhn
President Hygiene

OVERVIEW

Hygiene is the foundation of health, and its relevance has never been greater. As such, the Business plays a key role in Reckitt's overall Purpose, to protect, heal and nurture. At the same time, growing middle-class populations around the world drive affordability of our premium products. The effects of COVID-19 – principally related to consumers spending more time at home, and greater demand for disinfection – has increased overall demand, and we expect a number of these categories to permanently retain much of this uplift.

The Hygiene GBU represents 45% of Group net revenue, with around 80% of the portfolio from developed markets. Our six core categories account for more than 80% of total net revenue and our largest three – surface disinfection, auto dishwashing and air care – each deliver consumer sales of over £1 billion.

Our brands are typically leaders in their categories, with each of our largest brands a top-three player globally. Lysol is the largest disinfectant brand in the world having added nearly 28 million new households since 2019; Finish, the leading auto dishwashing (ADW) detergent brand globally, is improving the standard and efficiency of dishwashing and empowering consumers to conserve water; and air care holds number one or two positions in over 80% of the markets in which we operate.

We have continued to invest across our capabilities throughout 2021. E-commerce and innovation were particular areas of focus for Hygiene in 2021. In e-commerce, within air care for example, we have designed more sustainable ecom-fit solutions empowered by our strengthened digital-first demand creation. We are winning in the fast-growing channel as online market leader in the US and in third position in US offline. Across digital, we have an eRB Capability Centre (see page 38) and trained over 200 staff, resulting in an improved media return on investment. Innovation has also been an area of progress, benefiting from the step-up in investment in R&D. Our pipeline is more consumer-centric and stronger than ever; for example, in auto dishwashing, we have developed thermoforming solutions which deliver significantly better results at premium prices versus our previous 'hard tablet' generation of products.

Finally, we have been embedding our Leadership Behaviours of Own, Deliver, Create and Care. Evidence of the Own and Deliver components in our culture is well reflected in the way in which we were recognised with annual awards by Walmart and Dollar General. Here, our commercial teams were recognised by the retailers for their transparent and action-oriented communication, and their tenacity and agility to meet customer needs in challenging times.

OUR REVENUE GROWTH ALGORITHM

In the medium-term, we expect our revenues to grow by 4% to 5% per annum, balanced across our portfolio and coming from growth in penetration and market share, and through entering new places and new spaces. Our aim is to be present in a third of all households by 2030 as we benefit from a rising middle class globally, whilst generating a third of our business online, and a third of our business from developing markets.

	Surface Disinfection	Auto Dishwashing	Air Care	Fabric Care	Lavatory Care	Pest Control
Medium-term net revenue growth	c.4-6%	c.3-5%	c.3-5%	c.2-4%	c.3-6%	c.2-4%

CASE STUDIES

PENETRATION
FINISH

Finish exists to ease the burden of dishwashing. We bring consumers the highest standard of dishwashing while empowering them to conserve water, a very precious and scarce resource.

In Turkey, Finish is the brand leader, reaching more than half of the market, 10.7 million households. Its brand penetration in 2021 at 51.4% was 430bps ahead of 2020. There were gains across the category, with both detergents and enhancers doing well. Purpose-led marketing highlighted water scarcity and outlined the water-saving benefits of auto-dishwashing. Our #skiptherinse campaign got a lot of traction and both Finish detergent and its additive products made strong gains.

In the US, we teamed up with leading dishwashing machine brands to drive penetration. There is still massive growth potential even in this seemingly well-established market; machine penetration currently stands at just 49% of homes.

Globally, dishwashing machine penetration is only 13%; the typical consumer has disposable income. The rise in the global middle class is therefore expanding our addressable market. By 2025, this group is expected to grow by 160 million households, a significant acceleration. And we are the clear market leader in these high-growth developing markets.

E-commerce and innovation are important drivers of category growth. More sustainable e-com-fit solutions are helping us win higher online share, and our thermoformed solutions have proved popular with consumers – delivering better results at premium pricing versus our previous generation of products.

MARKET SHARE GAINS
LYSOL US

Lysol is the largest disinfectant brand in the world. We generate 94% of our sales in markets where we are the leader or number two. Lysol's consistent strong performance throughout the COVID-19 pandemic is built on its trusted brand status.

Lysol has gained more than 700bps of market share in the US since 2019, driven primarily by growth in the core business: wipes and disinfectant spray. Here, we have seen increased usage amongst the most loyal consumers contributing more than half of this growth, with a 500bps increase the proportion of consumers buying two or more Lysol products. Our compelling claim, 'nothing kills more germs on more surfaces than Lysol' is at the heart of the brand's offering, and our innovation in fragrances and successful pricing further contributed to these gains.

A particular success in 2021 was the Lysol 'Back to School' programme. Here Lysol has been playing a key role in helping children and their teachers feel safe as they return to physical lessons. Concerns were particularly elevated around this period given the rapid spreading of the Delta variant throughout much of the summer. Through partnerships with organisations such as the CDC and National Geographic, marketing campaigns across TV, digital and social, and through strong in-store display activation, Lysol was able to take significant share from its competition. Share of the surface category grew 630bps whilst share in disinfectant spray grew 160bps.

In addition to the core business, we have been broadening the shoulders of the brand. Globally, we have generated over £250 million additional revenue contribution from new spaces and places since the beginning of 2019, with Laundry sanitiser alone for example contributing an additional £90 million.

NEW SPACES
AIR WICK BOTANICA AUSTRALIA

Air Wick Australia has been a leading Category Market Unit, with Botanica driving both growth and distribution of share.

The Australian team managed to achieve one of the most difficult, but also most important, success factors for an innovation launch by positioning Botanica as incremental for consumers rather than as a replacement for the existing Air Wick core products.

This vindicated the team's decision to allocate a sizeable budget to launch the innovation at scale. They were also able to secure additional distribution for the new range.

Consumers reacted positively to its purpose-led positioning. This was highlighted by launching it in a joint campaign with WWF Australia to help save threatened native wildflower species from extinction.

Since the launch, Air Wick Australia as a whole has gained significant share and has also seen a substantial improvement in equity metrics.

HEALTH

OVERVIEW

We created our Health GBU in 2020, with a dedicated leadership team and focused resources. Since then, we have developed and deployed clear growth strategies for each of our brands and categories, grounded in a deeper level of consumer insight. We have invested significantly in our innovation pipeline and in commercial execution.

The Health GBU represents around 35% of total Group net revenue. We are present in over 130 markets across the world with a balance of revenue from developed and developing markets.

Our portfolio is well diversified across four key categories, all of which have strong growth prospects based on a clear runway for household penetration and premiumisation. In aggregate, over-the-counter (OTC) and germ protection account for 70% of Health net revenue. Next in size is intimate wellness with high growth potential. Personal care is an important scale-builder in our portfolio in many markets which we grow and invest in selectively. All four categories have an attractive earnings model, with the highest margins generated in OTC and Intimate Wellness.

Our Health brands are very strong. All major brands occupy leading positions in the categories and the markets in which they play and many have strengthened throughout COVID-19, as consumers chose the most trusted and efficacious solutions.

We have been particularly focused upon innovation and sales excellence. Innovations include the Mucinex NightShift and the InstaSoothe sore throat ranges. Nurofen's breakthrough ibuprofen 12-hour product launched in Australia and a best-in-class ibuprofen plus paracetamol, a combination launched as Nuromol in Brazil. With significant investment since 2019, our OTC innovation pipeline in 2022 will be double that of 2021.

Another key focus area has been to drive superior customer service. A year ago we set up our Sales Outperformance Capability Centre which helped us in resetting more strategic partnerships with our top customers. We have received several recognition awards including Supplier of the Year in consumables from Walmart in the US and Tesco Covid Hero in the UK. Alongside this, we have been improving our share of distribution points. The two most prominent examples here are Dettol's global distribution recovery to pre-COVID-19 levels, as well as Durex becoming the number two condom brand in India, driven by the expansion of our network of retailers. And in the UK, we are excited to have established an initiative to deliver our products supplied to Boots, direct to consumers via a partnership with Deliveroo.

Throughout the challenges of the pandemic, the Health business has stayed true to the broader Reckitt Compass, and in particular the Leadership Behaviour of Care. This was exemplified in 2021 by a cross-functional team from Reckitt India who worked to provide support to employees and local communities affected by COVID-19.

Kris Licht
President Health

OUR REVENUE GROWTH ALGORITHM

In the medium-term, we expect our revenues to grow by 4% to 6% per annum, outperforming the broader market. This will continue to come from growth in penetration and market share, and through entering new places and new spaces, with germ protection, with its greater presence in developing markets, and intimate wellness the fastest growing segments of the portfolio.

	Germ Protection	OTC	Intimate Wellness	Personal Care
Medium-term net revenue growth	c.4-6%	c.2-4%	c.7-9%	c.2-3%

CASE STUDIES

MARKET SHARE GAINS
GAVISCON

Gaviscon's growing revenue in an expanding market is built on consistent consumer-led innovation and continued successful marketing and execution and brand communications. As we have driven demand however, growth in sales became constrained by our supply capacity, risking a deterioration in customer service levels and missed revenue opportunities.

In early 2021, we invested £20 million at our Hull factory in the UK, adding additional lines and improving capacity by 60%. This has driven improved service levels – up by around 20ppts since 2019 – and market share gains of 60bps in 2021. This helped accelerate Gaviscon revenue growth from 9% in 2020 to over 20% in 2021.

NEW SPACES
QUEEN V

Reckitt's broader expanse into the intimate wellness space has paved the way for the introduction of Queen V. Acquired by Reckitt in 2021 and relaunching broadly in US retail in Q2 2022, the brand has curated a loyal following within the digital space, and takes a frank, unapologetic approach to feminine wellness.

The female intimate wellness category presents significant opportunity for growth for Reckitt with an addressable market of £11 billion. It is also fuelling growth as cultural conversations surrounding vaginal health are shifting consumers' attitudes and behaviours in the category.

Queen V holds a unique space within our Intimate Wellness portfolio of brands. Created by women, for women, the brand was founded to break down stigmas surrounding vaginal health and offer a more effective, less intimidating, and fully lifestyle-based approach to self-care. In the past year, we have leveraged our R&D wealth to bring elevated science to product solutions. All Queen V products are Micro-v-iome friendly, going beyond pH balance to remove harsh ingredients and ensure products respect women's natural microbiome ecosystem of good and bad bacteria. This ecosystem is critical to vaginal balance and the reduced occurrence of vaginal infections. With three product lines – Maintain, Help, Enjoy – Queen V not only helps her in moments of need, it equips her with the tools to proactively maintain vaginal balance and support her moments of ultimate enjoyment.

NEW PLACES
NUROMOL AND LUFTAFEM BRAZIL

The Brazilian analgesics market is the world's fifth biggest, with its OTC market alone worth £1 billion. Yet there has been no significant innovation in this category for over a decade.

Reckitt Brazil changed all that this year with our latest analgesic, which combines the advantages of ibuprofen and paracetamol in a single dose. We've launched Nuromol for general pain relief. We also launched Luftafem, which leverages Luftal's reputation for abdominal care. Aimed at women, this provides strong-acting relief from menstrual and other pains. Both have built scale rapidly as premium brands in the Brazilian market.

We are now playing in a very competitive category with two new brands, but early indications are promising. We anticipate accelerated growth enabled by increased awareness. We've embarked on a bold and extensive media strategy to facilitate that. We're building up consumer awareness, engaging with the medical community, and extending distribution and trade links. We have big ambitions here. We're targeting a 10% share of Brazil's pain market within ten years, with analgesics our biggest health category.

NUTRITION

Pat Sly
President Nutrition

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 relationships with consumers with personalised solutions delivered at scale.

The Nutrition GBU represents 20% of Group net revenue, with 60% from developed markets – primarily North America.

Approximately 81% of revenue is from our IFCN business. The US is our largest market, generating about half of IFCN revenue. This business has performed consistently well since being acquired as part of Mead Johnson in 2017. Since 2018, it has averaged nearly 5% growth as a result of continued strong execution and innovation. Our focus in IFCN is now increasingly centred on replicating this performance in ASEAN and Latin America – the other two major regions within IFCN. Although market structures, and our positioning within them, are different to the US, we see significant opportunity for improved capabilities and execution to drive performance.

In VMS, our opportunities are underpinned by the combination of our strong brands, e-commerce and our brand incubation capabilities, coupled with strong scientific platforms and our partnerships with customers. In Q1 2022, our VMS business moved into our Health GBU.

Aside from the disposal of IFCN China, our particular focus throughout 2021 has been on strengthening go-to-market execution. We have focused strongly on refining the model that underpins the Nutrition business. Specifically, the incremental investment in science, innovation, expert recommendation and executional excellence, coupled with our Consumer Acquisition, Retention and Expansion (CARE) CRM model which maximises consumer lifetime value, provides the basis for a broader Reckitt relationship with the household, at a time in the life of a consumer when behaviours change most.

Our Leadership Behaviours of Own, Create, Deliver, Care have been further embedded throughout the year. As an example of this, a Diversity and Inclusion initiative whereby Nutrition leaders articulate to the business their own commitment to these issues, with a view to inspiring the organisation to show its support, proved particularly powerful.

OUR REVENUE GROWTH ALGORITHM

In the medium term, we expect our revenues to grow by 3% to 5% per annum, through growth in penetration and market share, and through entering new places and new spaces. We expect relatively stable birth rates globally to be offset by continued premiumisation in our infant nutrition business, particularly as it relates to demand for specialty products, whilst VMS category growth and the introduction of adult nutrition will further contribute positively.

	Core Enfa	Specialty Infant	Adult	VMS
Medium-term net revenue growth	c.0-2%	c.7-10%	+100bps contribution	c.4-6%

CASE STUDIES

PENETRATION
NEURIVA US

Our brain supplement brand, Neuriva, was launched in the US in early 2019, capitalising on the opportunity presented by growing consumer awareness of the importance of brain health. Neuriva includes two natural and GMO-free ingredients – Neurofactor and Plant-sourced Sharp Phosphatidylserine (PS) – that are clinically proven to fuel five indicators of brain performance, including accuracy, concentration, focus, learning and memory.

Its performance since launch has been very strong. The brand quickly established itself with key customers such as Walmart, Walgreens, Amazon and Costco, and built a strong online presence. In 2021 Neuriva launched a major campaign partnering with a celebrity neuroscientist, helping it become the leader in the US for household penetration in the nascent brain supplement category, with 1.3% of households, and the category's #1 brand on Amazon. Revenue doubled, and now represents around 20% of our VMS portfolio. With 68% of sales coming from new users, the brand is supporting penetration growth in the category.

MARKET SHARE
IFCN US

Since acquisition of the Mead Johnson business in 2017, our IFCN US business has performed consistently well, averaging nearly 5% like-for-like revenue growth since 2018. 2021 was no exception to this strong momentum, with the business growing mid-single digits, in part driven by share gains.

We have approximately a one-third share of the IFCN market in the US, excluding sales related to the WIC (Women, Infants and Children) rebate programme. Within this the majority of revenue is derived from the core, Enfa family of products, and share here grew c.50bps in 2021 as a result of strong innovation, with the new Enfamil NeuroPro launched in June, accompanied by full digital and Healthcare professional activation.

The remainder of the IFCN business is comprised of our faster-growing speciality business, primarily Nutramigen, which caters for infants with food allergies and other specialist requirements. Here, share grew by nearly 70bps in 2021. This was also driven by strong marketing execution, positioning the brand amongst healthcare professionals as the leader in the cow's milk allergy (CMA) segment, whilst engaging and educating consumers regarding CMA through a '360-degree' digital and social media campaign.

NEW PLACES
VMS

The majority of VMS revenue has historically been generated in the US. Increasingly however, we are focused on growing the business in China, selling via cross-border platforms such as Tmall and JD, with Move Free the best-selling brand in the Joint Health segment. This allows us to use products manufactured in the US, avoiding the need to specially formulate products. Whilst being efficient financially, with limited need for physical presence in the country, our marketing of Move Free in particular is supported by very strong local communications and activations.

Now representing around a quarter of VMS revenue, China growth has averaged 60% over the past five years, and we continue to see significant opportunity for penetration gains, and to develop products tailored to the local market.

STRATEGIC IMPERATIVES

Throughout 2021, we have made good progress against our six strategic imperatives:

- GROW BRANDS AND INNOVATE
- DRIVE SUPERIOR EXECUTION
- INVEST IN CAPABILITIES
- INCREASE PRODUCTIVITY
- EMBED SUSTAINABILITY
- ACTIVELY MANAGE THE PORTFOLIO

GROW BRANDS AND INNOVATE

The ongoing success of our brands is core to our performance. Here, we continue to invest strongly in demand generation – through both Brand Equity Investment (BEI) and investment in our e-commerce capabilities, which are becoming an increasingly important driver of brand awareness.

We are developing a credible purpose for all our major brands which is in turn informing each brand's personality values, its behaviour and its sustainability strategy. In doing so, and with our deep understanding of consumer demand and our investment in innovation, we're driving growth as we grow brand relevance with consumers and trade customers.

BRAND EQUITY GROWTH

Dettol	Is effective at killing germs	+1000bps
Nurofen	Is a brand I trust	+500bps
Mortein	Spontaneous consideration	+1300bps

As a result, our brand equity metrics continue to be strong; Dettol India, for example, is seeing a 1000bps improvement in its key brand attribute of 'is effective at killing germs', while Nurofen in the UK, its largest market, saw a 500bps uplift in 'is a brand I trust'. Additionally, the ability to leverage the strength of these brands to bring about behavioural change while driving commercial performance was again recognised, with Finish, Dettol and Durex each winning gold 'Effie' awards for their campaigns.

We have continued to innovate during the year, with a strong sustainability component. Notable new launches have included: the Lysol Smart refill product, using 75% less plastic; our Mucinex InstaSoothe sore throat range; Dettol Tru Clean – our first plant-based disinfectant; and Provital, our adult nutrition product. Our innovation is increasingly recognising the growing importance of the online channel, with Durex and Vanish each launching letterbox-friendly products.

DRIVE SUPERIOR EXECUTION

We continue to make good progress in driving better execution. Our enhanced focus on our customers – with more top-to-top meetings, our dedicated Sales Outperformance Capability Centre and improved product availability – has markedly improved customer relationships. Based on the most recent Advantage survey of retailers, the percentage of our markets rated 'top tier' by our customers improved by 20 percentage points, to 46%. The improvements have also been recognised through accolades from specific customers: During 2021 both Walmart and Dollar General in the US named Reckitt as a supplier of the year. Such improvements, in turn, allow us to engage more meaningfully with customers to understand and capture long-term category opportunities.

AWARDS FROM CUSTOMERS

Walmart
US
Supplier of the Year in consumables 2021

Superdrug
UK
Supplier of the Year 2021

Woolworths
Australia
Everyday Needs Large Supplier of the Year 2021

Dollar General
US
Strategic Partner Summit winner 2021

At the same time, we've increased our product availability through greater distribution. Durex, for example, is now the number two condom brand in India following a more than 60% increase in distribution points, while Dettol – where global distribution points were adversely impacted by COVID-19 – has now returned to pre-pandemic levels. Overall, two-thirds of our top Category Market Units (CMUs) are growing weighted distribution.

Finally, online plays an increasingly important role in selling not only to our trade customers but, increasingly, direct to consumers with 11 new online stores launched in 2021 helping drive further double digit growth in this part of our e-commerce business.

This is further detailed on **Focus on: Digital** page 38

INVEST IN CAPABILITIES

We have continued to invest firmly in key foundational capabilities to support growth across the business. In R&D, we have invested an additional £100 million (c.30%) more than in 2019, primarily funding increased headcount. Our capability centres (sales outperformance, marketing excellence, eRB, medical sales) are now fully established and leveraging best practice across the Group.

The payback periods on such investments can vary markedly. In R&D, we typically expect investment to be returned over a multi-year period, reflecting the time taken for consumer insights to be turned into product development, and to go through the necessary approval processes. Investment here has nevertheless created a 2022 product pipeline approximately 50% bigger than 2021 levels. Our investment in capability centres by contrast is already delivering tangible returns. We have seen improvements in our customer service levels and Revenue Growth Management (RGM) capabilities now rolled out to more than 60% of CMUs. KPIs for returns on these investments, both quantitative and qualitative, are tracked carefully.

INVESTING IN KEY CAPABILITIES

INVESTMENT AREAS	PAYBACK PERIOD	KPI TRACKING
R&D	Multi-year	• Number of prototypes and IP in development • Number of initiatives reaching production • Incremental revenue from NPD pipeline
E-commerce and Digital	Fast	• Online market share • Volume of traffic and customer retention • Investment tracking in new ventures • Value optimisation through in-house platforms
Sales Outperformance Capability Centre	Fast	• Advantage survey performance • Customer top-to-top feedback • Customer service and on-shelf availability • Revenue Growth Management (RGM) productivity achieved

INCREASE PRODUCTIVITY

Funding our investments, in 2021 we delivered approximately £750 million of savings, representing cumulative, annualised savings since the beginning of 2020, of over £1.1 billion. Our programme has been running ahead of initial expectations, with upgraded targets in part necessitated by the increased input cost pressures faced across the sector. We are now targeting £2 billion savings by the end of 2023.

Within this, the majority has been delivered within cost of goods sold, for example, by implementing standard operating practices across Reckitt manufacturing facilities to drive efficiency and deliver best practice. Our design to value laboratory has now analysed over 1,000 products to create ideas to reduce waste, improve the environmental footprint and deliver high-quality products to consumers at a lower cost. Approximately £150 million has been delivered within our BEI spend as we improve marketing data analytics, buy media more efficiently, and improve the efficiency of our creative efforts, with the balance saved through organisational simplification.

Our productivity capabilities are now firmly embedded within the business, and our teams are increasingly approaching productivity as a business-as-usual activity. Productivity increasingly goes hand in hand with our efforts in sustainability, with projects such as reconfiguring our sourcing of milk powder in the US or reducing the quantity of latex waste in the production of condoms both saving costs and reducing our environmental footprint.

PRODUCTIVITY EXAMPLES

1.Sourcing milk powder
We continue to improve our environmental impact as we configure our supply chain, for example, with material savings made in our US IFCN business, resulting in a 70% reduction in our carbon dioxide emissions.

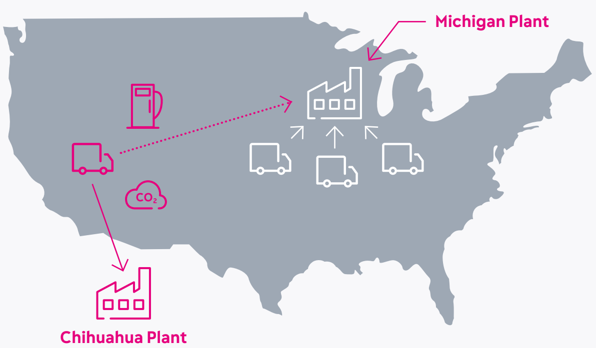
70%
reduction in carbon dioxide emissions

65%
reduction in freight costs

Relevant sustainability targets:

- 65% reduction in absolute carbon emissions
- Carbon-neutral across our value chain
- 50% reduction in product carbon footprint

Improving efficiency through reconfiguration of network



2. Improving Productivity and eliminating waste in manufacturing
We have implemented our Reckitt Production System (R-PS), which provides a set of continuous improvement standard tools and routines to enhance manufacturing performance. Our R-PS system has been deployed across many our Health and Nutrition factories. In 2022, the deployment efforts will focus on our Hygiene business unit, whilst further expanding in Health and Nutrition.

£55m
reduction in conversion costs and waste reduction in 2021

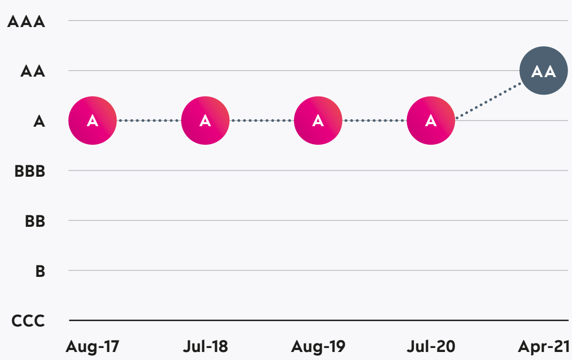
Relevant sustainability targets:

- 25% waste reduction

EMBED SUSTAINABILITY

Our culture is performance-driven, with a strong sense of shared ownership. And yet, while being shareholder-centred, we are doing business in the right way. We have set ambitious ESG goals, with a focus on our purpose-led brands, the planet and a fairer society. During the year, we renewed these targets, including a 65% reduction in absolute carbon emissions, and 50% of revenue from more sustainable products by 2030. We have been making tangible progress through the year and are pleased that this has been recognised externally, with our MSCI ESG rating improving to AA, and our Sustainalytics rating currently at 22.9 (as at January 2022); we have also been re-entered to the Dow Jones Sustainability Index for Europe. In addition, modelling conducted by MSCI has confirmed that the plans we have in place are consistent with the Paris Agreement targets on climate change.

ESG rating history



ACTIVELY MANAGE THE PORTFOLIO

We continue to actively manage the portfolio to migrate it towards higher growth spaces and to drive shareholder returns.

In July, we completed the acquisition of Biofreeze for $1,060 million. The business has already been growing at double-digit rates in recent years and we see opportunity for further growth through product innovation and geographic expansion, and through leveraging the Reckitt sales and marketing platform.

In September, we completed the sale of IFCN China, following a strategic review announced in February 2021. The sale was made to Primavera Capital Group for an implied enterprise value of $2.2 billion. The business represented approximately 6% of Group revenues in 2020, and had, since the beginning of 2020, been materially dilutive to Group revenue growth and margins, reflecting increasingly difficult market conditions.

In June, we completed the sale of Scholl to Yellow Wood Partners for an enterprise value of £275 million. Like IFCN China, Scholl had been dilutive to revenue growth and margin, and the fit with other parts of our portfolio was not strong. The sale therefore brings greater focus to our personal care portfolio.

Finally, in December we announced an agreement to dispose of E45 – our skincare brand – for £200 million. This transaction completed on 1 April 2022.

We see further opportunity to manage the portfolio towards higher growth over time, although we are confident in delivering our medium-term targets with the current portfolio.

DIVESTING

Slower growth or less scalable brands

3-year CAGR[1]

-14%

IFCN China

EnfaBebe

Scholl

E45

ACQUIRING

Higher growth or strategically important brands

Important strategic entry into the world's largest analgesics market

3-year CAGR

+10%

INSPIRE TALENT AND EVOLVE CULTURE

Underpinning our strategic imperatives is the progress we are making to inspire talent and evolve our culture.

Throughout 2021 we have continued to make good progress, taking the best of what exists, and building for the future.

Our Purpose, Fight and Compass have been clear for some time. In 2021, however, we established our Leadership Behaviours of Own, Create, Deliver and Care. These behaviours are being reinforced throughout the organisation. Over 600 of Reckitt's global and regional leaders have now participated in the leadership development programme. We continue to develop initiatives such as our conscious inclusion programme, the Stronger Together conversation series – our platform for sharing inspiring and challenging stories from colleagues across the world – and our employee resource groups.

Such focus on our culture is crucial to attracting and retaining talent, and we are therefore pleased with our improved KPIs. We have for example seen a 100bps increase in Net Promoter Score from the LGBTQ+ community in 2021, and over 75% of our people feel a positive impact from the Leadership Behaviours launched in 2021. Being 'proud to work at Reckitt' remains at a level above external benchmarks[2].

For more detail on the **work we are doing around culture and inclusion**, see page 46

1. 2019 to 2021 CAGR. For IFCN China, Scholl and E45 2021 growth is calculated to the end of last full month of ownership by Reckitt
2. June 2021 Reckitt all employees survey

INNOVATION IS A KEY ENABLER FOR SUSTAINABLE GROWTH

As a business, we work to solve some of the world's largest problems. Through research and development, science and partnership, we make products that people have trusted for generations.

Innovation at Reckitt is delivering purpose-driven, sustainable products that protect, heal and nurture, to make a meaningful difference to people's lives. We earn the continuing loyalty and trust of our consumers with differentiated products that offer superior solutions to meet their evolving needs. We want to make a difference to the world through our brands.

But innovation at Reckitt doesn't begin and end with product solutions. Innovation is a mindset, it's rooted in our culture. There's a restless energy here; we always want to improve. Sometimes that drives top-line growth with new products and better solutions. Sometimes it spurs process improvements that extend our manufacturing capacity or drive up productivity.

SUPPORTING INNOVATION THROUGH FOCUSED R&D

Our global R&D function has a strong commercial orientation, prioritising high-return strategic projects. It aims to bring differentiated products to market that are safe, effective and compliant and to achieve that at scale and at pace.

An international team of more than 3,000 scientists, engineers, technologists and experts operates in nine centres of excellence at 40 regional labs across our markets. Reckitt's global hubs drive scale and concentrate our expertise. Our local operations keep us close to our consumers, customers and markets and allow us deliver targeted solutions at pace.

Since 2019 we have invested an additional £100 million in our R&D capability. This is already delivering results through the growth we are seeing in our product pipeline, a 50% increase from 2021 to 2022 with projects fully resourced for execution and continued momentum through to 2024.

And, we are improving the quality. We are delivering three times more value in the pipeline from disruptive innovation; that is, innovations which represent breakthrough solutions to meet consumers unmet needs. We have increased our patent filings by 30%, indicative of a more inventive and differentiated pipeline.

Our R&D function spurs innovation in three specific ways: We generate additional revenue streams by creating new products and strengthening their utility; our process innovations enhance productivity and add manufacturing capacity; and by ensuring we deliver safe and effective solutions, R&D helps us manage risk and protect base performance.

OUR INNOVATION CAPABILITY ENABLERS

Consumer insights

Our entire approach to innovation is founded on combining our rich human understanding with trusted science to develop solutions which meet consumer needs. This is not just about identifying consumer preferences; we drill down to unearth the fundamental science and behavioural factors driving their preferences and concerns. Our sensory and consumer science labs use human insight and behavioural analytics to enrich our understanding of the problems worth solving and ensure that consumers' overall experience is designed into our products. For example, we are delivering more occasions for intimate wellness by expanding into new materials like polyurethane condoms that deliver a different experience of size and fit, creating more choice for consumers.

We also look beyond specific brands to develop other opportunities for serving consumer needs within a specific category. Our category development teams research underserved segments within their category to develop our brand offerings into new spaces. Durex, for example, was traditionally seen as a condom brand. The brand's addressable market is considerably greater when viewed as part of the intimate wellness category.

In Nutrition, we are adding a whole new area of growth, by taking insights from our IFCN business to disrupt the adult nutrition category. In Hygiene, we are responding to shifting consumer expectations, such as on-the-go disinfection and cooler temperatures in the auto-dish segment. In Health, a deeper understanding of functional and emotional benefits for consumers is yielding innovations for delivery systems, and new pharmaceutical actives. We are also creating more choice and accessibility for consumers in line with regulatory changes, from prescription medicines to OTC.

CASE STUDY

MICROBIOME SCIENCE PLATFORM

Microbiome science has exploded over the last few years. Scientists have effectively discovered an entirely new organ. Its impact on human health, animal health and the environment is vast. The microbiome, the microbes that live in us, on us and around us, is enabling entirely new growth areas.

Our microbiome science team targets six biome areas:

- Upper respiratory and ear, nose and throat (ENT) biome
- Built environmental biome
- Vaginal biome and reproductive health
- Skin biome
- Gut biome
- Baby biome

What makes the microbiome science platform so powerful is that the science really cuts across all areas. By building connections between them, we are creating better insights and further utility for future innovations.

The foundational research and development we are generating means we can incorporate this into products now, while innovating for the future.

Vaginal biome insights have guided our focus on female intimate wellness. Our Queen V brand helps to restore a balanced microbiome for women using active ingredients and delivery systems. With supplements we are helping to drive the vaginal microflora from the inside out.

Research in the baby biome shows that seeding a healthy infant microbiome in the precious first thousand days of life has lasting health benefits for allergy and immunity.

The built environmental biome studies the microbes that are around all of us every day. Our research here has far-reaching implications that underpin the importance of hygiene as the foundation of health. We are applying insights about maintaining a healthy balance between good and bad germs to drive innovations for bio-based disinfectants, for instance, in the laundry segment with laundry sanitisers.

Science and knowledge

Our ability to apply our science and technical knowledge to consumer needs ensures our innovations are built on firm foundations. This is at the heart of how we deliver ownable product differentiation. Our focus on science and technology platforms spanning the breadth of our portfolio allows us to unlock more value across the Group. We concentrate our scientific research on nine interconnected, foundational disciplines that span our categories. These science and technology platforms have been selected to deepen the scientific rigour in areas that span across our categories and brands. A globally coordinated team of technical experts and scientists drive each platform.

This approach to our science and technology disciplines allows us to deliver more differentiation and maximises the benefits. Breakthroughs in polymer science, for instance, can lead to more sustainable packaging solutions that are widely applicable.

Packaging is often the first experience the consumer has. Is it easy to open? How safe is the product inside? Is it good for the environment? We are now able to use novel film technology to down gauge and light weight packaging.

We're also introducing consumer recycled polymers for Finish and Enfamil brands. The introduction of more sustainable packaging for Finish is an early real-world example of a polymer-science-led application. The iconic stand-up pouch for Finish tablets is now made from 30% recycled (PCR) plastic and we anticipate PCR being progressively incorporated into other brands in future. This innovation stems directly from a two-year project in polymer science investigating the interaction of multiple materials.

For Gaviscon and Harpic we're using surface modification through coating technologies to improve shelf life. And it's also about the product inside, for example, we're combining smart-release technology and advanced polymer design to help deliver extended pain relief with Nurofen 12HR Ibuprofen 300mg modified release tablets.

Science and technology platforms:

Nine interconnected, foundational disciplines with wide-ranging applications and underlying benefit to our overall portfolio:

Polymer science
Microbiome
Allergy and immunity
Growth and cognition
Digestive health
Sensory enrichment
Surface chemistry
Entomology
Smart release

External partnerships

The pace of play in science and technology has never been faster; and consumers understand the benefit of science more than ever. We believe there are great new ideas happening in many areas around the world, impactful innovation concepts can come from anywhere. Through our external partnering ecosystem we are able to access leading-edge science and technologies. Digitalisation and collaborative networks can amplify and magnify them into successful globally disruptive innovations. We reach out and forge partnerships with academics, startups, suppliers and many others to share our strengths and augment our capabilities. We set out to be a committed commercial partner that co-develops, co-creates, and ultimately launches new solutions.

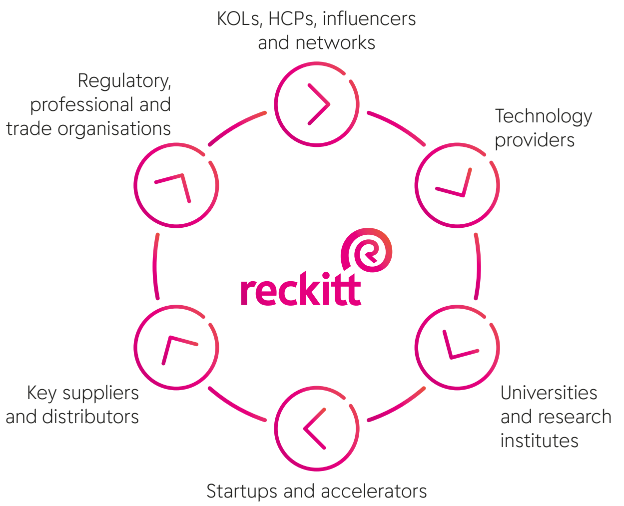
Building scale at pace, launching in multiple markets and creating superior product experiences are key differentiators for Reckitt. Our ecosystem is diverse. We draw on the latest developments, scientific inventions and capabilities. Our strategic supplier programme gives us access to innovative new ingredients which can impact how our products are used.

Changing regulatory conditions can influence our portfolio of brands. We see regulatory intelligence as a source of competitive advantage. We are using our regulatory and medical advantage to open new markets and create new differentiated claims. Across the portfolio, we keep abreast of developments by maintaining close relationships with regulatory, professional and trade associations. We work with technology providers and forge links with key opinion leaders, healthcare professionals and their networks.

We collaborate with thought leaders to shape and advance scientific understanding around consumer needs. At the University of Naples for example, where one of the top thought leaders on food and milk allergy is aiding the science of our Nutramigen products and helping to create new medical insight and evidence.

We are highly focused on enhancing our science and technology driven innovation by attracting high quality ideas and developing more partnerships. This will be further cemented with the launch of our external partnering platform in 2022.

Diverse ecosystem of partnerships



Sustainable innovation

Sustainability is at the heart of our innovation process. We want every innovation to be more sustainable than its predecessor, whether it's a small incremental change or a major new launch, everything counts.

This isn't always straightforward. Sustainability impacts are multi-dimensional and every innovation has trade-offs.

To help us to understand and evaluate these choices, we've developed a purpose-built Sustainable Innovation Calculator (SIC). The calculator evaluates the sustainability impact of every new product versus existing products and established benchmarks. Each potential innovation is rated on things like reformulation, packaging, ingredient quality, device optimisation and consumer use.

There are always benefits and drawbacks to innovations and we weigh the impact of our decisions carefully. For example, a natural ingredient may score highly on one aspect of sustainability, but it could also have a higher water impact than a synthetic ingredient; or, plastic packaging may actually have a lower carbon footprint than a composite equivalent. This is what makes the SIC so powerful – it looks at all of these elements. We then use that data to inform our overall decisions, fully understanding the impact of a product innovation and its implications for our sustainability ambitions.

We want consumers to trust our brands and to feel confident that our products are safe and cause no harm to the ecosystems or the people that they touched during their lifecycle. By actively encouraging an innovation culture which embeds sustainability as a fundamental criterion, ensuring it is always considered and improvements both big and small are made at every opportunity, we believe we will be able to deliver against our ambitions.

CASE STUDY

NUROFEN 12HR

In 2021 we launched Nurofen 12HR in partnership with an external company using a modified release technology fuelled by patented technologies which enable us to unlock enhanced consumer benefits in OTC.

Working closely with our external partner, we were able to create a tablet that provides both fast and extended pain relief over 12hrs in one dose. Specially-formulated ibuprofen is rapidly released through disintegration from the outer surface of the pill to provide fast pain relief but also slowly diffuses through the polymer-based tablet allowing for elongated dissolution over a 12hr period.

This type of scientific application demonstrates how we can translate novel physical and chemical performance into consumer benefit and illustrates the power of our external partnering programme as we can combine our capabilities with those of our partners to create new innovations which directly address the needs of people around the world. In creating this scientific technology, we will be able to scale and increase the positive impact across our portfolio of medicines to drive superior and differentiated innovations in other formats.

STRATEGIC TRANSFORMATION IN THE DIGITAL ARENA

The pandemic has driven a step-change in consumer behaviour, altering what people buy and how they buy it. Our employees' ways of working are changing, and supply chains are less predictable. This, combined with ongoing developments in technology and marketing techniques, drives the need for enhanced end-to-end digital capabilities, and means the digital transformation of Reckitt is one of our most important opportunities.

DIGITAL TRANSFORMATION

There are four components to our Digital transformation opportunity:

1. DRIVING BEST-IN CLASS DEMAND GENERATION
2. EXECUTING WITH E-COMMERCE
3. STRENGTHENING OUR DIGITAL INFRASTRUCTURE
4. DIGITAL SKILL-BUILDING ACROSS THE ORGANISATION

CASE STUDY

AMAZON CENTRE OF GLOBAL EXCELLENCE

Amazon is our largest global e-commerce customer and now the second biggest customer to Reckitt globally. Our 30 years' experience with the company has forged a powerful and highly functioning partnership.

We collaborate in many key areas. We work together on customer experience, channel optimisation, brand protection, advertising and supply chain issues. We co-plan growth strategies. And we continue to progress our Climate Pledge work.

Embedding sustainability

Our sustainability, innovation, brand and packaging solutions teams all meet regularly with Amazon to discuss challenges and unlock new market opportunities.

We were an early signatory to Amazon's Climate Pledge, the first consumer packaged goods company to do so. We are now engaging on the complexities and nuances of implementing that in our categories. Our expertise, along with Amazon's scale and ambition, has a significant multiplier effect.

On the back of these workstreams, Reckitt brand teams are actively working to create sustainable innovations that emphasise re-usability, compaction and reduced air, water and packaging impacts in line with Amazon's Climate Pledge Friendly (CPF) shopping initiative. They also support Amazon's proprietary compact by design programme. So far, 86 Reckitt products are CPF-badged.

Retailer advertising and media

As part of our global relationship, we collaborate with Amazon advertising to test, identify and scale up best practices that expand the reach for Reckitt's brands.

We're working together in multiple areas, including collaborative lists; the global roll-out of full-funnel advertising; bespoke intelligence and dashboard capabilities; programmatic and demand-side platform testing; and early-stage Adtech and Martech integrations. To maximise our consumer reach and minimise lost opportunities, we have enabled AI-led media buying for more than 97% of our search spend on Amazon.

New countries and emerging channels

We launched in two new countries, Sweden and Poland, during 2021. For the third year in succession, we had complementary 1P (direct) and 3P (marketplace) offerings in every country. Although relatively small launches, these are strategically important opportunities.

Amazon Business, or B2B, is seen as a key growth channel by the company over the next decade. Working with the B2B teams based in the US, we are increasing our focus on serving business customers via their integrated website and testing ways to better connect with them. We must deliver a seamless consumer experience and plan to introduce a professional product range to meet their specific needs.

Brand protection

Brand protection is critical to every company. Our global and regional e-commerce legal teams partner with the Amazon brand protection team to address the thousands of unauthorised sellers of our products and better protect our consumers and our brands. We manage these sellers directly to further strengthen the consumer experience, and we are employing elements of AI and ML to broaden our scope.

OUR DIGITAL BACKBONE

Our digital infrastructure journey continued in 2021 and our transition to the cloud is well advanced. In December, we decommissioned the first of our three data centres and the remaining two will follow in 2022.

As we move to a modular, API first architecture for our technology stack, we have invested in a modern integration layer. Its strong and agile execution capabilities earned us the Best API Strategy award from our strategic partner, MuleSoft.

We are adopting an automation-first culture across all functional areas, including our shared services transformation. We have introduced process mining at scale to find opportunities for simplification and rationalisation. Automating our own technology operation has unlocked significant savings and improved user experience. We were named Best Automation Centre of Excellence at the UiPath Automation Excellence Awards and best IT Opportunity-to-Deployment at The Hackett Group Awards.

We are charting a promising journey that will bring our data and analytics strategy to life, unlock potential and help us outperform in the marketplace.

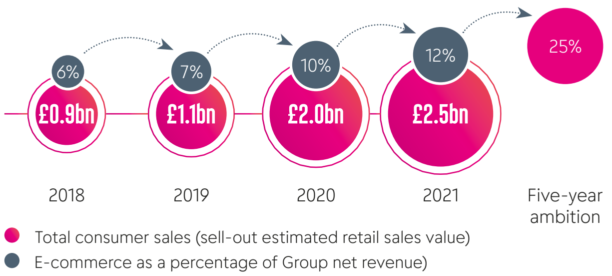
In 2021, we built a machine learning model using more than 200 internal and external real-time data signals to predict consumer demand in the US for our key categories. We've used this to inform strategic, commercial and supply planning. This marks a step-change in capability. We're far more able to navigate volatile demand. We can offer better service to our customers and, ultimately, our consumers. We're scaling up this approach in 2022 to all our key brand/market combinations.

A DEEP DIVE ON E-COMMERCE

Our global e-commerce strategy today draws heavily on the lessons we learnt over the past decade in China. As the most advanced e-commerce market in the world, where online sales outstripped physical retail in 2021, we believe China offers a window into the future of global online market. For example, mega trends such as social commerce, are already over ten times larger in China than in the US. Taking this view globally, and using China as a blueprint, has helped us stay agile, while gaining accelerated scale.

Our digital growth[1]

All our territories have experienced strong double-digit growth in e-commerce over the last 12 months. E-commerce has more than doubled its contribution to Group net revenue since 2018 achieving c.£2.5 billion in consumer sales in 2021. That equates to 12% of total revenue. Our aim is to generate 25% of company revenue digitally within five years through a combination of organic and inorganic growth.



Our focus is on ensuring that we build e-commerce as a global capability. Even in countries where Reckitt is relatively small, we are committed to building our e-commerce capability to stay ahead of the curve.

Our strategic approach

Three areas form the core of our e-commerce strategy.

First, availability and preference. E-commerce has hundreds of channels and platforms, big and small, and we want to maintain first-mover advantage in them all. To do that, our brands need to be present everywhere and be the most preferred brand in their category.

Second, we are building efficiency and focusing operations through the active use of data and automation. Our online consumer sales bring in millions of data points every day: We use this to drive efficiency in our advertising spend and reduce our fixed costs.

Our investment strategy is the third component. The focus here is on capabilities we either cannot or do not want to build ourselves. Through Access VC, our venturing division and other entities, we invest in early-stage startups that either bring new capabilities to Reckitt or to take us to new spaces and places. So far, we have deployed over £80 million in capital across several startup brands. Read more in our Access VC case study.

End-to-end digital capabilities

Over the last two years we have created an end-to-end digital capability that employs marketing data, automation and venturing. We have made a significant investment to fully integrate our CARE model (Consumer Acquisition, Retention and Expansion model). We analyse the data to drive six main capabilities:

- Global media buying across our business units
- A global consumer insights hub informing innovation and advertising
- Our digital factory applies consumer insights to produce in-house targeted creative content
- Data-driven marketing focuses on improving efficiencies
- First party and second party data acquisition powers our global data strategy
- Direct to consumer platforms (we have around 40 D2C brand storefronts globally)

Our global marketing team of some 2,000 brand stewards in 50 countries across all three business units supports our digital capabilities, along with our Global Digital and Data Hub in Warsaw (Poland) where 200 technology and data professionals are operating and advancing our backbone digital platforms. They are all plugged into Marketing Excellence, our global virtual community dedicated to sharing expertise across the Group and growing our global marketing capabilities.

Driving best-in-class demand creation

As part of our investment programme over the past two years, and reflecting the growing importance of the online channel, we have begun to scale across the business a digital demand creation excellence programme. This has involved the development of existing core digital capabilities such as measurement and audience targeting, and requires cross-functional up-skilling in our marketing, media and analytics teams.

The programme has so far been rolled out to over 20 markets across each GBU, incorporating over 90 'test-and-learn' campaigns.

Whilst we are still early in this journey, early signs of the potential for performance uplift are encouraging. These 'test-and-learn' campaigns delivered significant sales uplifts compared to pilot tests, and are also allowing us to generate wide playbooks, enabling the sharing best practice across the Group. External benchmarking has also demonstrated that, where applied, our programme has accelerated our 'digital maturity' in this respect ahead of industry averages.

The key drivers of growth

E-commerce penetration is growing across consumer-packaged goods. We anticipate that the market will be two to three times larger over the next three years and our addressable market is expected to grow as much as tenfold over the next five years.

Increasing convenience for consumers and, from that, gaining lifetime value is a key objective. Daily-use, big-name brands like Dettol and Finish are ideal for automated purchase. A significant number of UK consumers have signed up to Amazon Subscribe & Save. These kinds of schemes are helping us transition to more predictable, repeatable and more easily serviceable revenue streams.

As we build out from a brand-based approach and begin to think more in terms of categories, new opportunities are emerging. The intimate wellness category, of which the Durex brand forms part, is well suited to e-commerce. By growing our digital capabilities in this category we can build a data powerhouse for insight and innovation. Our recent acquisition of Queen V strengthens our positioning in this category and provides more brand-building opportunities with digitally native consumers.

1. Adjusted and other non-GAAP measures, definitions and terms are defined on page 81

Growing market share through superior execution

Our e-commerce portfolio is highly focused on our top ten brands. They account for over 80% of total e-commerce growth over the last year and over 70% of total e-commerce sales.

We have developed a robust ratings and review process and pay close attention to consumer feedback. Machine learning helps us identify adverse events early and respond to consumer issues. Our online reputation has flourished, with all our core brands achieving consistently high consumer ratings on multiple platforms internationally.

Excellent execution is a top priority for the e-commerce team. Amazon UK, for instance, tags over 80% of our brands as either 'Amazon Choice' or 'Best Seller'. As such, they recommend our products via Alexa and their category searches. That drives additional traffic and strengthens our market positions.

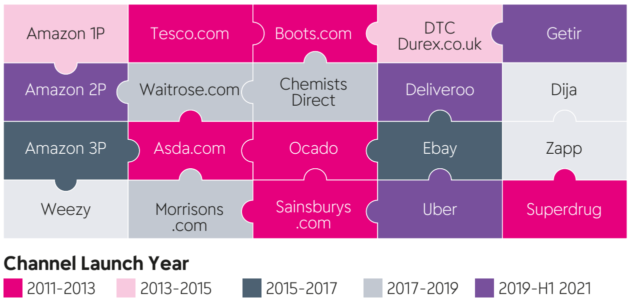
Our unique operating model

Our operating model is based on what we've learnt from our e-commerce activities in China. 'Be Big, Be Fast, Be Bold and Open' emphasises the attributes we need to fuel rapid growth and energise outperformance.

Be Big – Scale provides tremendous advantages in the digital arena. Three-quarters of our e-commerce teams focus on scaled operations. They run big brands in big channels and collaborate with pure players, such as Amazon and Alibaba, to grow them into profitable end-to-end businesses. The focus here is on sustainable growth and ensuring we pursue the right earnings model.

Our omnichannel strategy ensures that Reckitt brands are available wherever the consumer requires them. Over 90% of our brands are at Amazon Fresh click-and-collect stores. At Boots and Superdrug, our brands average 80%+ omnichannel satisfaction ratings.

Be Fast – No one can predict the successes of the future so we maintain a strong digital presence everywhere to maximise first-mover advantage. When new channels and platforms emerge we move quickly to extend our presence. This rapid expansion is helping us build scale fast through D2C, B2B, live-streaming and on social commerce.



Be Bold and Open – Our experimentation engine is the home of our moon-shot ideas. Here we partner with our colleagues in R&D and in our GBUs to launch new brands into the Reckitt portfolio. We also work with external partners and innovators to test different approaches.

CASE STUDY

ACCESS VC: INVESTING IN PURPOSE-DRIVEN, DIGITALLY-LED BRANDS

Access VC is the purpose-driven venture arm of Reckitt. Through it, we help startups and founders from all walks of life accelerate their growth and make a bigger impact on the world. We invest in founders who share our purpose and want to fight for access to better health, hygiene and nutrition.

Access VC is aptly named. It provides much more than funding. Our partners get access to our experts, capabilities and global network, including research and development, consumer insights and 'go-to-market'. We offer mentoring and capital resources to help them refine and scale their business models. Early-stage startups can also participate in our six-month accelerator programme, run by Founders Factory, the world's leading startup accelerator.

Our trusted, global brands can help our partners unlock new markets and reach more consumers. This can result in brand partnership opportunities, as well as leveraging our close relationships with some of the biggest retailers on the planet.

Oxwash: Decarbonising laundry

Oxwash joined our accelerator programme to scale their revolutionary sustainable laundry service. Their laundry system recycles and disinfects water from previous wash cycles, saving up to 60% of the water consumed in a typical commercial washing machine.

Fast forward to today, and the team has expanded the sustainable laundry startup from one hub in Oxford with two more, in Cambridge and London. They are now extending their services across the UK.

Kinsa: Making thermometers smart

Kinsa is a leader in smart thermometers and real-time monitoring of infectious disease, appearing in Fast Company's listing of 'The 10 most innovative companies in data science'. Their solution acts as an early-warning system for preventable illnesses, helping communities, schools and enterprises to act fast to stop the spread.

They are partnering with a number of Reckitt's brands, including Lysol and Mucinex, to support the growth and application of their technology at a bigger scale.

MANAGING GLOBAL SUPPLY

In our highly connected society, change can be rapid, radical and unpredictable. The global pandemic exposed the vulnerability of supply chains built on just-in-time, diversified and globalised models.

We found out that, not just factories, but entire regions could halt production at a moment's notice, with profound consequences for businesses on the other side of the world.

And on the demand side, the bar is being set higher. Today's smartphone-equipped, social-media-savvy consumers expect products to be available when and where they need them. And they want the brands they buy to be sourced responsibly and supplied sustainably.

We are meeting these challenges by managing our global supply on a holistic basis, by acting as one Reckitt and by staying true to our Purpose.

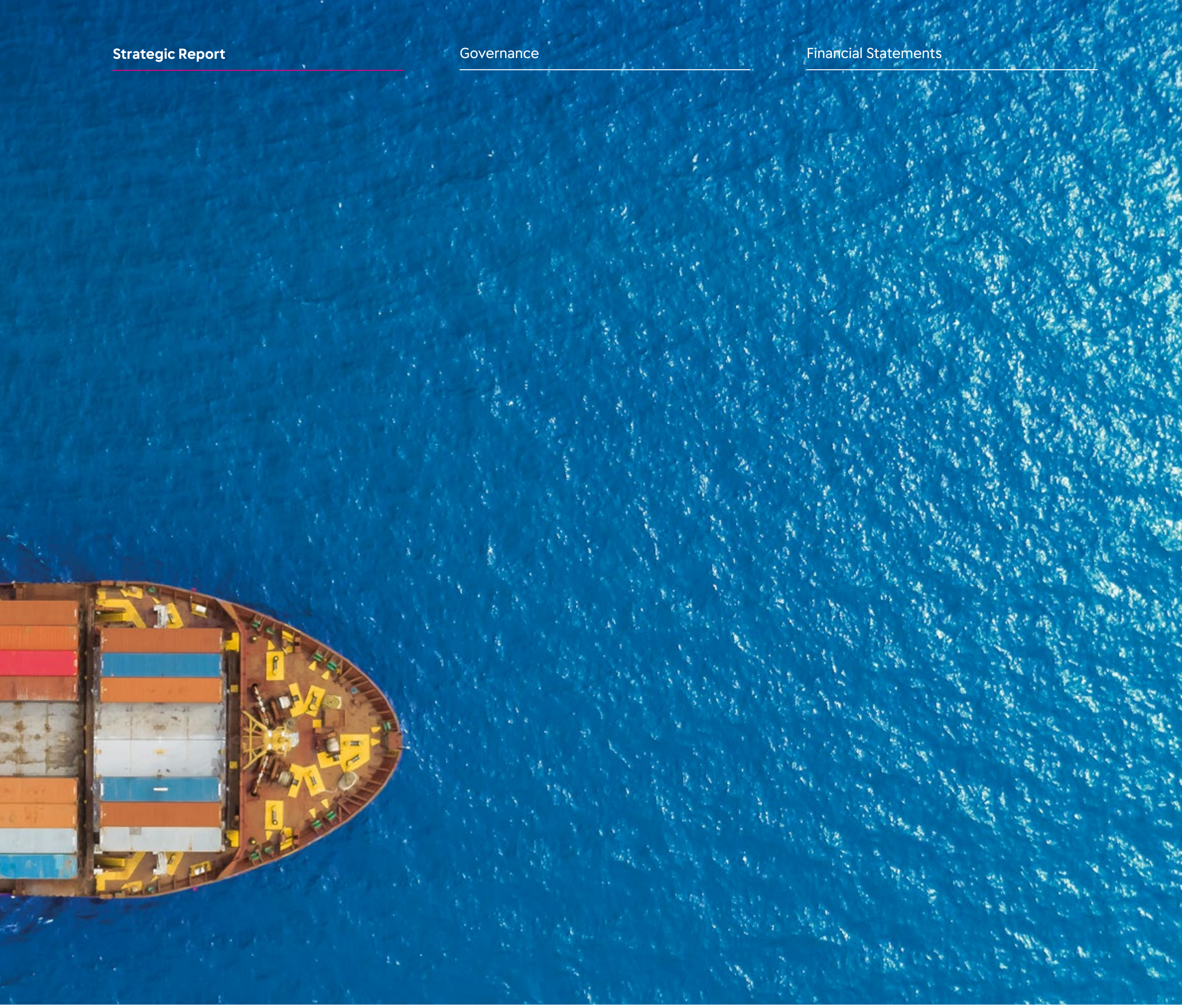
COMPLEXITY AND SCALE

Reckitt is a global manufacturer. We sell 20 million products daily in more than 200 markets. Well over half of our employees, over 20,000 people, are involved in supplying them.

We manage our supply globally in a highly integrated way. Each of our business units has adopted a single operating model that connects every stage of its supply chain with consumer priorities. These are underpinned by core capabilities which leverage the strength and scale of our global network.

The volatility created by the global supply chain crisis is best met by a holistic approach to planning, with visibility across the full product lifecycle to mitigate risk and maximise opportunities. This approach is helping us build a resilient, agile and efficient manufacturing capability.

We maximise transparency with high-quality data and connected technologies. The supply function engages directly with all parts of the business. That allows us to adapt swiftly to shifting market dynamics and adjust our productive capacity proactively.



Global supply pursues five strategic priorities:

1 EMBRACING OUR PURPOSE, FIGHT AND COMPASS IN EVERYTHING WE DO

2 PROTECTING OUR PEOPLE, OUR CONSUMERS AND OUR BRANDS

3 FUELLING GROWTH THROUGH PRODUCTIVITY AND UNLOCKING VALUE

4 BUILDING A SUSTAINABLE AND RESILIENT END-TO-END SUPPLY CHAIN

5 ENABLING THE ORGANISATION WITH SPEED AND AGILITY

We will meet our strategic priorities through five workstreams that began in 2020 focused on building internal capabilities and driving excellence. Our world-class productivity programme has provided us with the resources to reinvest into the Business and underpin these capabilities with new technologies.

By strengthening our operations, improving our ways of working and increasing efficiency, we have created a more resilient supply organisation, creating value for our people, our customers and our consumers.

QUALITY PERFORMANCE

Our continued investment into ensuring we make products people love has delivered a step-change in our quality performance over the last two years around three key metrics:

27%
overall improvement in Quality, as measured by a reduction in deviations[1,2]

12%
reduction in Cost of Non-Quality[1]

11%
reduction in Time to Release[1]

We're getting better products to market faster, and improving our efficiency.

1. Quality metrics vs 2019
2. Based upon Quality Deviations metric

On World Quality Day, we introduced a new Quality Commitment to ensure quality supports our strategy to rejuvenate sustainable growth. The Quality Commitment recognises that we can only deliver the highest-quality products by embracing our Purpose, Fight, Compass and Leadership Behaviours in all that we do.

This replaces our more narrowly defined Quality Vision. The Quality Commitment is about who we are as well as what we do. Everyone is required to sign up to it because each of us has a personal responsibility to ensure that every interaction with our brands is a positive experience.

To help achieve that, we've introduced a single Quality Manual for all our business units and functions. Group-wide adoption of the same set of processes streamlines and connects the entire business. This is all underpinned by a new digital platform to support our teams in meeting these high standards.

Our commitment to quality was a contributing factor in Reckitt's readmission to the Dow Jones Sustainability Index in 2021.

Our pledge to 'do the right thing, always' showed its value recently after a spate of product recalls by the Singaporean government. Seventeen brands of hand sanitiser had to be removed from sale after the detection of unacceptably high levels of acetaldehyde and/or methanol. Thanks to our robust processes, even at a time when sanitiser was under intense demand and our teams were working virtually, Reckitt brands were not affected.

CASE STUDY

BUILDING THE FACTORY OF THE FUTURE

Industry 4.0 offers huge benefits for manufacturing, but achieving digital transformation depends on seamless interconnectivity. Like many manufacturers, Reckitt has progressively automated our processes over the years. We rely on technologies that are mostly factory-led and designed to perform specific tasks. That results in siloed data, which limits our ability to understand and analyse our activities in an integrated way.

To quickly overcome these obstacles and move toward full-scale digitalisation of our factories, we decided to invest in a factory of the future. This had to do more than provide proof of concept, we wanted it to add immediate value, provide incremental benefits over time and be re-deployable at other locations.

Each of our factories has specific requirements and differing technologies, but there is a shared need for connectivity. We teamed up with IBM to build a scalable cloud foundation and data backbone for running our Nottingham factory.

We installed IoT sensors that share equipment data. Operators no longer need to inspect machinery. They are notified automatically when maintenance is due. With more connectivity and improved data visibility right across the factory, it's far easier to understand our processes and analyse how they can be improved. And this is just the beginning, machine learning and predictive AI algorithms will boost manufacturing excellence and automate planning.

Nottingham went operational as Reckitt's first factory of the future in May 2021. Within a month, we were projecting a 10% reduction in plant maintenance costs and a 3% decrease in electric power consumption. The platform-based approach there uses consistent data and connectivity protocols, which are easily replicable at other factory sites.

THE FOURTH INDUSTRIAL REVOLUTION

We are using technology to help fuel growth and unlock additional value. Better data and connectivity are helping us get more efficient and productive. Starting with our Nottingham plant, we've created a fully connected environment that automates the capture, use, analysis and sharing of data across the Group and can be easily replicated in any factory around the world.

This combines the Internet of Things (IoT), cloud technology, networking and AI to improve safety, quality, productivity and efficiency in our manufacturing process. Individually, these technologies are now mature enough for us to connect them cost-effectively. These richly connected data pools will deepen our understanding of how our processes interact and how they can be improved.

CUSTOMER EXCELLENCE

In a time of unprecedented supply chain disruption, collaborating with customers has been essential to ensure access to our products. We have reconfigured our customer operating model to improve availability through improved engagement, communication and strategic supply chain solutions. By working with our customers across the supply chain, from manufacturing to customer service to sales, we are building aligned and tangible success measures for mutually beneficial performance and growth, focused on consumer needs.

This change in our approach has generated tangible improvements, which have not gone unnoticed by key partners such as Walmart and Dollar General, and has been reflected in industry benchmarks such as the Advantage Group 2021 survey of retailers.

CASE STUDY

WALMART SUPPLIER OF THE YEAR

In March 2021, Walmart named Reckitt its 2020 Supplier of the Year for consumables for a number of reasons. First and foremost, we had delivered the products Walmart shoppers most needed in 2020. We'd invested in improving availability while providing products to help keep shoppers safe during the pandemic. Our transparent communications kept us agile and able to provide the stores and shoppers with what they needed when they needed it. We were quick to adapt our product mix in 2020 to maximise in-store availability and tested new replenishment models in several markets to meet unconstrained demand.

We also worked hard to deliver meaningful insights on new shopper habits that helped Walmart plan for new category dynamics in 2021. Taken together, all of these efforts led to increased penetration for Walmart in multiple categories, including surfaces, immunity, air care, auto dishwashing, carpet and septic.

MOVING FORWARD

Our cultural transformation in support of Reckitt's strategic goals is progressing well. Our focus on and investments in inclusion, wellbeing and our people are inspiring and equipping them to fight for a cleaner, healthier world.

EVOLVING OUR CULTURE

In support of our strategy and to reflect our stance as a purpose-driven, consumer-centric business we are evolving our culture. At the same time, we are continually assessing how best to enable and deliver exceptional business performance, while adapting to the changing social priorities in a COVID-19-affected environment.

The cultural change underway at Reckitt builds on our best qualities. We've always been known for our dynamic culture, united by a shared sense of ownership and focused on action and achievement. Reckitt has long been recognised as a place where people take responsibility for making things happen. That drive for delivery and innovation is now even more strongly combined with a sense of purpose. We're responsible for our impact in the world and we want to make a real, positive difference.

There's a groundswell of support for our Purpose, Fight and Compass. We are more focused than ever on fulfilling Reckitt's potential. We take care of each other and recognise we all have a part to play in making access to the highest-quality hygiene, wellness and nutrition a right, not a privilege. An inclusive, dynamic and collaborative culture is at the heart of our strategic transformation.

LEADERSHIP AT RECKITT

We aim, through our cultural transformation, to drive performance through our Purpose and unleash the true potential of our people. Leadership is key to realising our cultural ambitions and achieving sustainable outperformance.

Using our Compass as the starting point, we've defined Leadership Behaviours that capture Reckitt's uniqueness, capitalise on our strengths and stretch us where we still need to shift the dial.

CASE STUDY

DRIVING CONSCIOUS INCLUSION

In 2021, we initiated an ambitious programme to promote the benefits of conscious inclusion. Starting with our senior management team, this stressed the importance of leading inclusively and the significant role leaders can and must play in creating a more inclusive culture. The learning was practical, conversational and peer-based, providing tips and tools to ensure our leaders embody our Leadership Behaviours in an inclusive way. Almost 90% of our senior leaders have attended these sessions so far.

We are now extending this programme across the Group to encourage all our people to recognise the critical role they too play in creating an 'everyone' culture. The learning includes e-workouts, market-wide round-tables and smaller team discussions.

In 2022, we will continue the learning by embedding this philosophy into our ongoing leadership curriculum.

At Reckitt, we Own, Create, Deliver and Care. Our leaders must embody these behaviours. We grow leaders who know their business and **Own** their decisions while living our Purpose and Compass every day. **Create** reminds us to relentlessly build better and seek out new opportunities that put people and consumers first.

Deliver encapsulates our commitment to superior execution. Getting things done and joining forces to win bigger are more important than personal kudos. We act boldly and at pace, focusing on what matters to make things happen.

Care is about making sure we have due concern for the people we work with as well as the world around us. We speak directly with respect, actively involving, including and listening to other voices, and are ready to learn from others.

We are systematically reinforcing these behaviours through our people, policies and practices, including in our leadership development curriculum, all-employee survey and personal development tools.

Our leadership development ethos is that leaders grow leaders. We made sure senior leaders understood and adopted the behaviours first so they can act as role models for their peers and colleagues. By the end of 2021, over 600 of Reckitt's global and regional leaders had participated in the programme.

To help Reckitt leaders understand how their leadership measures up to these expectations, evaluation of their performance against the behaviours and feedback from their teams is part of their annual performance reviews.

CASE STUDY

GENDER PAY REPORTING

In the United Kingdom, gender pay reporting is a legal requirement. This reporting highlights any difference between the average hourly wages of the company's male and female employees in the UK. We see this as a welcome move towards equality and transparency.

In 2020, Reckitt was one of the first UK companies to start reporting on a global basis. We now share data on our nine largest markets, covering over 70% of our working population. For further information see our 2021 Gender Pay Report at www.reckitt.com/sustainability/fairer-society/gender-pay.

A DIVERSE, INCLUSIVE CULTURE

Our ambitions for a cleaner, healthier world are advanced in a fairer society. By embracing our diversity we help build a more inclusive world.

We are nearly 40,000 people of 120 different nationalities. We operate in 60 countries that span six continents. Inclusion is fundamental to our success, both internally and externally.

We are actively creating an environment where all colleagues feel able to participate fully, bring their best self to work, and realise their potential. And Reckitt is better placed to have a positive impact in the world when we represent and reflect the diversity of the consumers and communities we serve, globally and locally.

Our Global Inclusion Board, chaired by our CEO, is made up of senior leaders and sponsors of our Employee Resource Groups (ERGs). Together, they set and drive our inclusion agenda. The Board is accountable for strategic delivery, governance, monitoring, reporting and communication.

Our inclusion strategy rests on six pillars. The work we're doing on the leadership, people and policy pillars helps ensure we are building an inclusive culture internally. Externally, our inclusive approach to procurement, brands and partnerships aligns what we do with who we are.

STRONGER TOGETHER

Since launching with a five-year commitment in June 2020, our global Stronger Together conversation series has continued to create opportunities for sharing inspiring and challenging stories from our colleagues across the world. Sometimes tough to hear, these allow us to understand each other better and build shared awareness to create a more inclusive environment.

We ran seven live global events in 2021, reaching almost 30,000 people, with more watching later on demand. Invited guests and colleagues shared their experiences. Many colleagues have shared deeply personal stories in this global setting, with many more sharing their stories in local Stronger Together conversations. The raw vulnerability and courage shown by colleagues in telling their real stories have prompted increased awareness and understanding.

These global conversations have been integral to building an increased level of trust across all areas of the organisation. They underpin and are a key part of our strategy to build a more inclusive culture through the power of storytelling, education and allyship.

Stronger Together conversations are now held at regular intervals within markets to deepen the level of understanding, empathy and trust amongst colleagues.

In 2021, to complement and build on the Stronger Together series, we launched leader-led conscious inclusion conversations within every team across the organisation. These peer-to-peer discussions encourage individuals to raise awareness of their own behaviours and be consciously inclusive through discussion of concepts such as reducing bias and micromessaging.

EMPLOYEE RESOURCE GROUPS (ERGS)

ERGs are employee networks that aim to raise the profile of under-represented people. They provide a space for colleagues to connect and support each other. They are represented on the Global Inclusion Board and provide input on consumer perspectives which inform our innovation process.

ERGs are open to all and welcome anyone who wants to advance their interests, either as a member of their community or as an ally. There are currently three global ERGs; they focus on gender balance, the LGBTQ+ community, and race and ethnicity. We also have a global disability working group which is moving to a global ERG in 2022. We anticipate additional global ERGs may be formed in the future as needed. Colleagues are also encouraged to set up local ERGs to represent the needs of local communities in their market.

SUPPORTING AND ENHANCING OUR COLLEAGUES' WELLBEING

In 2021, we intensified our focus on colleagues' personal and professional wellbeing with two clear aims. Firstly, we want to equip all employees with the mental and physical resources to thrive by building awareness and resilience through self-care and education. We also focused on increasing resilience in our leaders to help them sustain performance, individually and collectively.

To realise these ambitions, we have teamed up with leading global performance partners and an organisation that focuses on mental health. Together, we delivered bespoke wellbeing resources including 1:1 and group performance coaching, training, social learning events and access to resources via digital apps. We also hosted global wellbeing sessions on balance, mental health and the importance of managing mental energy. Almost 10,000 colleagues attended and the feedback was very positive.

US achieves top ranking in Corporate Equality Index

At Reckitt, we've made it our priority to foster a more diverse, equitable and inclusive culture that provides every individual with a genuine sense of belonging. The efforts we've made, particularly in 2021, earned us a score of 95 out of 100 on the Human Rights Campaign Foundation's 2022 Corporate Equality Index (CEI).

An important benchmarking survey and report in the US, the CEI measures corporate policies and practices related to LGBTQ+ workplace equality. This marks the third year Reckitt has participated.

CASE STUDY

FUTURE OF WORK GUIDANCE

In March 2020, we implemented a rapid switch to remote working where practical and possible. This abrupt change enabled many to experience the benefits, and challenges, of working remotely. We quickly set up the Reckitt Future of Work programme to explore and ensure we are ready for how the workplace might evolve.

Our aim is to create a seamless, inclusive workplace experience that empowers colleagues with choice about how and where they work. We encourage our people to consider how the four Cs of **Connect**, **Create**, **Coach** and **Collaborate** shape their working lives at Reckitt. We encourage colleagues to find a working pattern that works for them and is aligned with their team, our business and consumers' needs.

Our approach is flexible, focusing on what is delivered, not when or where. We ask colleagues to consider, on a case-by-case basis, which activities and projects are better achieved by being physically present and which merit screen-based interaction.

In the physical workplace, we're moving away from a 1-to-1 desk-to-colleague ratio to a contemporary, open-plan layout with bookable desks in designated areas. More space is given over to collaboration, enabling the four Cs to flourish and helping us truly be one Reckitt.

Our working environment needs to reflect and embed our Purpose, Compass and culture, focusing on wellbeing and inclusion while also meeting the diverse needs of colleagues across our many geographical cultures. We're building virtual and physical spaces with a diverse set of tools, both digital and physical, that meet these needs.

MAPPING WHAT MATTERS

As a purpose-led business we aim to maximise returns for all our stakeholders. That creates impact for the business and through the business.

We engage with stakeholders across our business to get the broadest picture of what they want from us and how we can respond. Stakeholders tell us what matters most to them. Those insights help us better meet their needs, and improve our approach.

OUR 2021 MATERIALITY ASSESSMENT

In August 2021, we asked Corporate Citizenship to conduct a materiality assessment to identify, prioritise and contextualise the key risks and opportunities for the business and inform strategic decision-making. The assessment was built on an earlier assessment conducted by the company on our behalf. We wanted to quantify the changes and developments in stakeholders' perceptions of risk and their expectations of Reckitt as an organisation.

Corporate Citizenship last conducted an assessment on our behalf in 2018. Since then, we've been on a journey of transformation. Not only that, the world has changed enormously: the global pandemic, rapid technological advances and changing social attitudes have all had a huge impact on global culture in recent years.

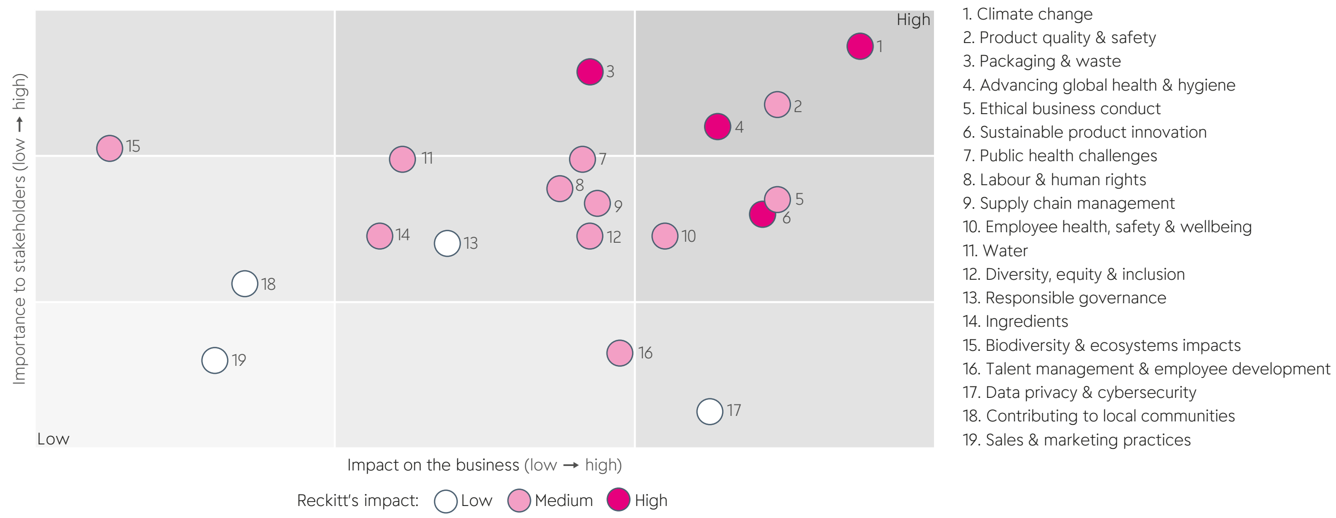
We wanted this materiality exercise to include double materiality analysis, as recommended by the Global Reporting Initiative's latest best practice guidelines. This considers both the impact of environmental, social and governance (ESG) issues on us (our financial materiality) and our own ability to impact key ESG issues (our impact materiality). This perspective was built into each stage of the materiality process.

Nineteen material ESG topics were prioritised, chosen for their topicality and relevance. Precise wording was agreed internally. Interviews and surveys were then conducted on these subjects with both internal and external stakeholders.

Internally, Corporate Citizenship conducted ten interviews with Reckitt leaders and did a detailed survey of 76 employees, who are broadly representative of the workforce as a whole. Externally, they consulted with customers, suppliers, investors, peers, opinion leaders, NGOs and industry associations. There were detailed interviews with ten external stakeholders; 20 more responded to surveys.

RECKITT'S 2021 MATERIALITY MATRIX

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



They analysed these responses to rank the key issues of concern and develop a materiality matrix reflecting internal and external perspectives on sustainability topics and their relative significance to Reckitt and our stakeholders. Points are ranked by colour to indicate the perceived significance of our impact on each issue.

Climate change has become more important and we have been working with climate risk specialists, Risilience and Cambridge Centre for Risk Studies (CCRS) within the Judge Business School at the University of Cambridge, to assess our climate change risks and opportunities. For further information please see page 66 and our Climate Change Insight.

KEY FINDINGS

Reckitt's most material issues are closely aligned with our 2030 strategy, which suggests that our stakeholders think we are prioritising the right things. They didn't see any major gaps in strategy and recognised that we've made significant strides over the past two years.

There was a shift in our most material issues, however with Climate change overtaking Product quality & safety.

Our stakeholders view action on climate change as a must-have. Three of the top four issues where we were thought to have the biggest (positive or negative) impact – Packaging & waste, Climate change and Sustainable product innovation – were environmental.

We are now closely identified with our Purpose. Not only was Advancing global health and hygiene commonly viewed as one of our biggest societal impacts, it was also seen as fundamental to the successful delivery of our mission, and therefore intrinsically linked to our financial value.

Non-negotiable ESG issues like Product quality & safety and Ethical business conduct continue to be among our most material issues. Stakeholders referenced previous product recalls, and the volatile nature of public perception of consumer goods companies. Some also believed that our repositioning as a health company means that we will face more intense scrutiny.

Employee issues are higher up the agenda. Employee health, safety & wellbeing and Diversity, equity & inclusion were both seen as more material this year.

Supply chain issues have also become more material to the business. There was a notable shift of Labour & human rights and Supply chain management to the right of the matrix.

Biodiversity is not yet perceived as a business priority, but many external stakeholders did say they see this as the next big emerging issue, with increasing public awareness and nature-based financial disclosures anticipated in coming years.

SUSTAINABLE DEVELOPMENT GOALS

In 2015, UN Member States adopted the 17 Sustainable Development Goals (SDGs) as part of the 2030 Agenda for Sustainable Development. At Reckitt, we recognise the impact we can have for society on many of these goals. 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.

We are also progressing the SDGs through our brands. We have reorientated each of our brands to give it a distinct purpose that is aligned with an SDG. See page 54 for more on purpose-led brands.

Progress on the five SDGs where we have greatest impact is detailed below:

SDG2: 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.

SDG3: Good health and well-being

This goal is closely aligned with our Purpose and, as the Business Avenger for SDG3, 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 2021.

SDG5: Gender equality

Promoting gender equality is enshrined 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 proportional targets at senior management level. We report internationally on gender pay. We have set up social impact projects to encourage girls to stay in school in South Africa and equip women in rural communities.

SDG6: 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 by building water-harvesting systems in villages.

SDG13: Climate action

We are accelerating delivery of our contribution to 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.

BUILDING PARTNERSHIPS WITH STAKEHOLDERS

Incorporating stakeholder voices into our decision-making improves our ability to develop as a purpose-led business. We don't have all the answers – we reach out to stakeholders to find out what they think and to learn from and deliver with them, as well as to strengthen long-term relationships.

ALIGNING PURPOSE AND STRATEGY WITH OUR CUSTOMERS

HOW WE ENGAGE WITH CUSTOMERS

We aim to build mutually beneficial partnerships with retailers, founded on common purpose and strong structural relationships.

We coordinate these relationships globally, regionally or nationally, depending on the customer profile. We hold top-to-top meetings to articulate shared objectives and define common purpose. We support this work with joint workshops to agree strategy and action plans.

Operationally, we provide ongoing multi-disciplinary support. Our customers can call on category, shopper, sustainability, operational, channel and format, and regional specialists. Our sales teams and specialists act as advocates, advancing customers' interests within the company.

CUSTOMER PARTNERSHIPS

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, and travel and speciality retail). Online, we have well over 1,000 e-commerce retailers. Our brands are on all the main portals, and we also trade via marketplace platforms, through physical retailers' digital channels and via e-pharmacy outlets.

Online presence is increasingly important. Most large retailers have pivoted towards omnichannel strategies. We are matching this change with an omnichannel approach to category and customer engagement and by developing e-commerce-specific supply chains.

In e-commerce, we have a more reciprocal relationship. Digital customers promote and sell our brands through online channels. When we sell more through their channels we often spend more on media space.

Whether online or offline, our aim is the same. We seek to identify strategic synergies, promote purpose-led innovation and invest in partnerships and networks.

Refreshing our approach to responsible marketing

We feel an imperative to guide our employees, stakeholders and partners on responsible marketing. Central to this approach is our commitment to comply with relevant local, national or international marketing standards, laws and regulations, including being guided by industry self-regulatory best practices. When our existing Ethical Marketing Principles were initially created in 2015, we had not yet embedded brand *Purpose* and *Sustainability* into Reckitt, as we have today. Nor had we fully foreseen the growing importance of Digital, and its multiple channels for marketers to speak with consumers. Brands now have far greater amounts of consumer *Information*, with the responsibility to source and sort this data responsibly to ensure consumer trust. That is why we have recently adopted a new 'Responsible Marketing Principles and a 'Responsible Marketing Policy'. These apply to all brands, all audiences and all communications or activities irrespective of nature or media type (such as sponsorships, promotions, packaging, in store, on or offline, TV, radio, print, outdoor, cinema, websites, blogs, influencer marketing, social media or sponsored content, AI, connected packaging, banners, educational material).

We are rolling out of the new Principles and Policy to ensure effective adoption. This is why we're investing in a robust training and change management module, so that the employees impacted by this Policy understand what is required of them. Completion of the Responsible Marketing training will be mandatory to all marketeers and available to all Reckitt employees. We'll systematically measure compliance of the Policy through established key performance indicators. We continue to process and monitor on an ongoing basis consumer, customer and employee feedback on our marketing, for example through our consumer care lines or our Speak Up Line.

PARTNERING ON SUSTAINABILITY WITH PURPOSE-LED BRANDS

The global sustainability team works closely with global and local sales teams. We are developing joint business plans with priority customers that recognise the value of collective action on sustainability. Our sustainability partnerships with key retailers have four main pillars:

1. Packaging innovation

We are designing more sustainable packaging for both physical outlets and e-commerce platforms. We are working with Amazon to develop compact by design-certified products with lighter, more sustainable packaging.

- Airborne has reduced the size of chewable Vitamin C tablets and removed secondary cardboard packaging, reducing weight for e-commerce sales. These and other packaging changes deliver sustainability aims for us and our customers.
- Air Wick has introduced new packaging in the Liquid Electricals range, saving over 500 tonnes of plastic.
- Durex has redesigned its 100ml Durex Play lube bottles to use less plastic and replaced non-recyclable pumps with flip caps. They now use fully recyclable bottles made from 100% post-consumer recycled (PCR) plastic.
- Harpic Essentials packaging now includes 35% PCR.

We have set up co-branded recycling stations at some retail stores. In the UK, we're recycling PVC blisterpacks from pharmaceutical tablets together with Superdrug.

We are exploring different refill and reuse models. One example is Loop, TerraCycle's reuse and refill platform. Reckitt has signed up to Tesco's Loop programme. Tesco now sells Finish tablets in reusable, stainless steel containers. Each container is cleaned and returned to shelves for re-sale. The system is available in-store in the UK

Finish has replaced its hard-to-recycle multi-material (PET and PE) pouches with a fully recyclable pouch. The PE-based design won a UK packaging award. We have also increased the amount of recycled plastic (PCR) in our Finish recyclable pouches.

Lysol SMART kits are reducing plastic pollution by delivering the product in a bottle system that works with refill cartridges. The bottle is designed to be reused at least 25 times, resulting in a 75% plastic saving compared to standard delivery mechanisms.

2. Better ingredients

Our focus here is on reducing chemical footprints, creating products with lower quantities of chemical components and innovating to introduce safe, effective products using natural ingredients.

We share Walmart's commitment to reducing its chemical footprint. We are collaborating to reduce chemicals of high concern.

Where possible, we're replacing synthetic with natural ingredients. Botanical Origin's nature clean formula uses botanically based active ingredients. Its plastic packaging is fully recyclable and made from 50% recycled materials. Finish 0% is free from preservatives, fragrances and phosphates, and has a much lower chemical footprint. Gaviscon's naturally sourced GaviNatura heartburn and indigestion relief range is providing natural solutions to gastric symptoms.

3. Climate action and responsible sourcing.

On climate, Reckitt was an early signatory to Amazon's Climate Pledge, committing us to net-zero emissions by 2040. We now sell over 80 products that are labelled as Climate Pledge Friendly on Amazon.

Walmart's Project Gigaton sustainability initiative seeks to reduce emissions in the global value chain by a billion metric tonnes by 2030. We've been designated a Giga-Guru for the work we've done to reduce and report on our greenhouse gas emissions.

With retailers, we are also focusing increasingly on biodiversity, responsible sourcing across shared supply chains, co-designing for lower water and/or carbon product footprint, and climate action. We shared platforms at COP26 with a number of our retail customers to draw attention to climate change and health, the ways we can influence behaviour to combat climate change, and how businesses can support biodiversity.

4. Purpose-led brands

We are partnering with retailers to build shopper awareness and engagement with sustainability through our purpose-led brands. We work together to encourage purpose-led behaviour change and raise the profile of purpose-led products.

With Walmart, for example, we developed omnichannel promotions to raise consumer awareness of water-reduction strategies alongside the Finish Skip the Rinse campaign. There were in-store displays with video walls, we created a '.com' hub for Walmart and Reckitt traffic, and we complemented this with push notifications on mobile phones.

PUTTING CONSUMERS FIRST

HOW WE ENGAGE WITH CONSUMERS

Today's consumers want quality and value, but they also want to know that the products they buy and the businesses they buy them from reflect their values. Many expect manufacturers to play a leading role in reducing global warming.

Sustainability is increasingly relevant for shoppers. Many are actively prioritising it and favouring purposeful brands. Parents are passing that message on to the next generation.

86%

of parents care about sustainability and try to convey this to their children (Source: Kantar, What does sustainability mean to parents as shoppers?, 2020)

As a purpose-led company, we want to make things better. We exist to protect, heal and nurture in the relentless pursuit of a cleaner, healthier world. We are fighting to make access to the highest-quality hygiene, wellness and nourishment a right, not a privilege.

Our Compass guides us and the behaviours we adopt. Putting consumers and people first is a guiding principle.

We want people everywhere to trust our brands. By reaching more people in more places we grow our business and increase our impact. We do that by gaining and retaining people's trust. That trust is hard-earned and easily lost.

PURPOSE-LED BRANDS

Our purpose-led brands are at the front line of that fight. We sell 20 million products a day worldwide. They are helping us improve the lives of the people we serve, our consumers, their families and their communities through better hygiene, health and nutrition.

We work to forge emotional connections with consumers through brands that reflect their values. Rooting our brands in purpose supports our sustainability ambitions. Even small changes in consumer behaviour can have a big impact.

Consumers want products that are safe and effective. They also want to know they're sustainable and responsibly sourced. We're reducing and improving our packaging and the chemicals in our products. We're strengthening our commitments on climate change, biodiversity, human rights and the circular economy.

Every brand has a purpose which connects it to a United Nations Sustainable Development Goal (SDG) where it can have most impact. The Vanish brand purpose for example, 'helping clothes live many lives', is centred on SDG12, responsible consumption and production. Lysol's purpose, 'keeping your loved ones illness-free', progresses SDG3, good health and well-being. For Air Wick, 'connecting people to nature' prioritises SDG15, life on land.

A brand's purpose drives every aspect of its strategy. It informs personality, values, behaviour, sustainability strategy and diversity and inclusion commitments. Anchoring strategy in purpose helps drive innovation, triggering new products, services and business models. It also makes our brands more relevant for new target audiences and new partners.

CASE STUDY

VANISH – HELPING CLOTHES LIVE MANY LIVES

As the British Fashion Council's Garment Care Partner Vanish was active in 2021 in helping to promote sustainable fashion in line with the brand's purpose of helping clothes live many lives.

More circularity in the fashion industry is urgently needed. After oil and gas, it's one of the world's most polluting industries. It's responsible for 4% of all global carbon emissions. Much of that comes from consumers. We dispose of clothing far too quickly. Shockingly, a rubbish truck-sized load gets incinerated or goes to landfill every single second.

Vanish's three-part documentary co-produced with the British Fashion Council champions the designers, entrepreneurs and everyday people at the forefront of the sustainable fashion revolution.

'Generation Rewear' is working to stop fashion waste. They are buying pre-loved garments, wearing clothes longer and repurposing the clothes in their wardrobes.

Vanish is also encouraging people to think more sustainably about how they wash their clothes. Vanish products provide better performance at low temperatures than detergents alone. Cold wash cycles can double the useful life of clothing, avoiding premature garment disposal while saving money and energy.

Finally, the brand has become the founding partner of the Circular Fashion Ecosystem (CFE) project with the Institute of Positive Fashion to share knowledge with our fashion partners. The CFE aims provide an action-oriented blueprint for the future of fashion and accelerate the transition towards a circular fashion economy.

INSPIRING TALENT AND EVOLVING OUR CULTURE

HOW WE ENGAGE WITH OUR PEOPLE

There are nearly 40,000 of us at Reckitt; colleagues of all ages, backgrounds, identities and beliefs. We come from all over the world; more than 120 nations are represented. This diversity is a tremendous source of strength. It enriches our thinking and helps us connect with our consumers across the globe.

We want to tap into this strength by promoting an inclusive culture where everyone is heard and every voice matters. For more on this see Focus on: Culture & Inclusion on pages 46 to 49.

Speaking direct with respect is a cornerstone of our culture here at Reckitt. Fostering transparent conversations with and among colleagues is critical. Globally and locally, we use a range of mechanisms to learn what our colleagues are really thinking, from in-depth conversations on specific topics to Group-wide surveys.

Colleagues are encouraged to submit ideas and vote on proposals through our Freedom to Succeed forum. Their thinking informs strategy and triggers action. For instance, in June we followed up the launch of our 2030 sustainability ambitions with a call for ideas. We received nearly 300 suggestions back, many of them excellent. These were passed on to relevant teams for assessment and further action.

Initiative-specific champions and ambassadors provide expert input and guidance on current issues. We regularly canvas opinion to take the temperature of the organisation and to bring to the surface any issues or concerns. Our all-employee online survey is a key tool for that.

Annual performance appraisals give employees the opportunity to offer more detailed feedback on team leaders. Our internal grievance process and confidential whistle-blower service provide alternative mechanisms to raise concerns through formal channels.

Senior leaders encourage colleague conversations to communicate and ensure understanding of our strategy, involve employees and understand their concerns. Our CEO sets the tone. His online presentation in March to introduce our new brand internally included a lengthy Q&A live-streamed by over 9,000 employees and viewed later by many more. He posts regular email updates and hosts multi-level focus groups, virtual sofa chit-chats and the Stronger Together conversation series. Members of the group executive leadership team take the lead on specific topics and participate in virtual and on-site townhall meetings with colleagues across the globe.

Our new brand has been well received internally. It reflects our status as a purpose-led organisation with a long and rich heritage and is helping us to inspire our people and evolve our culture.

We maintain online connectivity through Rubi, our intranet. We also publish a fortnightly newsletter internally. We have an active presence on social media and use those channels to share rich content, spark topical discussions and present business updates. With over 970,000 followers of Reckitt, LinkedIn is a key platform for sharing news and topics of interest, and an important recruitment channel. We're also active on Facebook, where we have 97,000 followers, and we also have 20,000 on Twitter and 11,500 on Instagram. These numbers continue to grow.

WHAT THEY TELL US

We conducted an all-employee survey in June 2021 using the LinkedIn survey tool, Glint. Reckitt originally adopted Glint for employee feedback and insights in 2020. We included all 31 questions asked in 2020 in this year's survey, so we could do year-on-year comparisons.

There was an extra question this year on barriers to execution and 17 more questions examining how our leaders are living up to our desired Leadership Behaviours (see Focus on: Culture & Inclusion on pages 46 to 49 for more on these). We also requested optional demographic information in seven key markets to inform our inclusion strategy.

There was strong engagement in the survey globally. Over 74% of our global workforce responded and there were some 25,000 comments. Analysing these highlighted relative strengths and areas where we can improve.

As inspired by our Purpose, Fight and Compass: 85% of respondents are personally committed to making access to the highest-quality hygiene, wellness and nourishment a right, not a privilege. They are proud to work for the company and identify strongly with our culture of achievement. There is also strong appreciation for the company's investments in wellbeing and sustainable high performance.

Overall, our leaders are thought to be performing well. Colleagues scored leadership highly in all categories. The highest leadership scores registered were for decisiveness, Purpose and speaking direct with respect.

The survey also highlighted some areas for improvement. Colleagues are very supportive of the company's journey to a more inclusive culture, but want more equal opportunities for development and better recognition of their efforts. There is also a view that barriers to execution are sometimes high; we need to have more simplified processes and automation that will help a more efficient response.

"Understanding where colleagues are coming from helps us get where we want to be."

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

In my role as the designated NED for employees, I facilitate the Board's access to employee views to enrich boardroom discussions by ensuring colleagues' priorities and concerns are shared with and understood by the Board.

Direct conversations can help the Board gauge the strength and depth of feeling on a range of issues. At the same time, we aim not to duplicate the company's own extensive internal engagement efforts, which are regularly and openly shared with the Board.

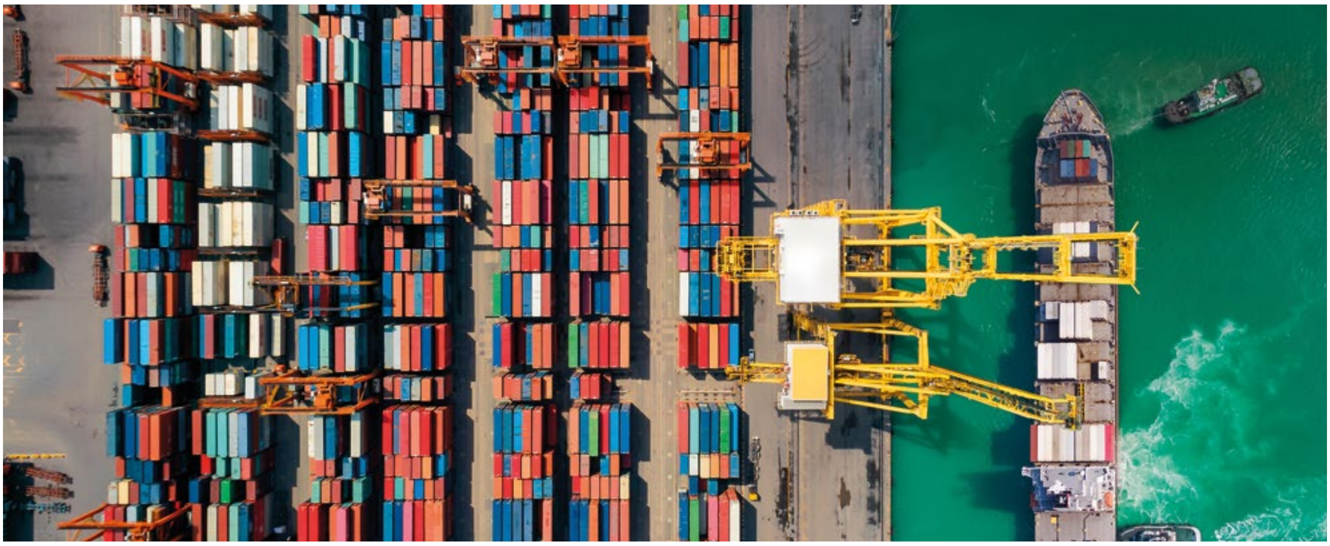
I and the full Board elicit employees' perspectives through a combination of formal and informal channels that exist in the Business. For example, the Board reviewed the 2021 all-employee survey, along with other talent and culture metrics.

Additionally, in September the Board conducted formal listening sessions with employees. Groups of colleagues from a wide range of backgrounds met up, in person and virtually, with Board members to discuss topics such as inclusion, consumer focus, innovation and R&D, business transformation and sustainability.

Along with other Board members, I visited the Nottingham, UK factory to gain direct experience of the manufacturing facility and talk to colleagues on site. In addition, I attended the seven Stronger Together conversations held in 2021 to hear first-hand the experience of Reckitt colleagues across the world. Diversity and inclusion were increasingly prevalent themes this year and sustainability continues to be seen as both urgent and important.

The Board factors the effect on employees into our deliberations and decisions. We regularly consider specific, employee-related issues, including engagement, turnover and attrition rates, talent, inclusion, broader reward frameworks and gender pay gap reporting. The inclusion of environmental, social and governance (ESG) as a reward metric in our proposed Directors' Remuneration Policy is in direct response to employee as well as shareholder feedback. This year, among other issues, we also discussed Reckitt's role in our planned COP26 partnership, which was extremely important to the business and our colleagues, and the impact on them of the IFCN China divestment.

Our colleagues are invaluable in helping us identify both current and upcoming issues; not least because the people that work here are consumers and citizens too. Listening to what they say and acting on what they tell us is helping Reckitt fulfil its Purpose and stay relevant in a changing world.



BUILDING A RESPONSIBLE AND RESILIENT SUPPLY CHAIN

HOW WE ENGAGE WITH SUPPLIERS

Maintaining healthy long-term relationships with our suppliers not only helps us protect business continuity, but also lays important foundations for achieving our sustainability ambitions.

We are embedding ESG objectives in core business activity by ensuring our supplier relationships are founded on purpose. This is not just about protecting ourselves reputationally, it also gives us the opportunity to improve standards globally, whether that's making farming practices more sustainable or ensuring fair treatment for workers. We are centralising more supplier relationships and procurement activity to strengthen controls and improve efficiency.

We support more sustainable livelihoods and working conditions for our suppliers. Our new partnership with the Fair Rubber Association ensures that the farmers who produce natural rubber latex used for our Durex products receive a Fair Trade premium.

Smaller suppliers don't always have the capabilities or resources to spot issues, understand their root causes or implement the changes it will take to stop them. We audit all suppliers. Where needed, we work with them through our capability building programme to help improve their processes and raise standards.

We require all our suppliers to adhere to six responsible sourcing principles that prioritise sustainability. They must ensure labour and human rights are respected, provide a safe and healthy work environment, source natural raw material responsibly, protect the environment and reduce environmental impact, use ever safer and more sustainable ingredients, and conduct business with honesty and integrity (see 'Managing global supply' on page 42).

We are developing human rights programmes across our value chain and will have detailed action plans in our ten key markets by 2030. We're building on our work with the Danish Institute for Human Rights (DIHR) in Thailand with a comprehensive review of human rights in markets, prioritised by scale and the level of risk.

At the same time, we are working with supplier collaboration platform Manufacture 2030 to encourage and support suppliers in recording and reducing their carbon and water impacts.

CASE STUDY

FAIR RUBBER AND THE BUSINESS/COMMUNITY BENEFITS

We continue to deliver on our action plan in Thailand, with initiatives such as our work to certify rubber farms and plantations under Fair Rubber Association standards. It strengthens their communities and our supply network.

This approach extends to other key commodities. Our work with palm oil suppliers is developing individual roadmaps to ensure we're only using certified sustainable palm oil for infant formula and soap within the next two years. Similar programmes exist with our paper and board suppliers for the origin of timber.

These programmes also connect to our work on biodiversity with the University of Oxford's Nature-Based Insetting team (see 'Ecosystems, biodiversity and nature-based solutions' on page 65).

EXPERT KNOWLEDGE

HOW WE ENGAGE WITH EXPERTS

Insights from academics and scientists help us understand long-term trends. We use that knowledge to build action programmes, guide innovation and develop the expertise and capabilities to meet future challenges.

In 2021, we commissioned an ecosystem impact assessment from Nature-Based Insetting at the University of Oxford, which published its initial findings in November. This looked at the effect on ecosystems of value chains that source commodities, such as palm oil, latex and fragrances, in areas of high biodiversity. We are developing progressive programmes in response to this data to protect and regenerate these ecosystems by 2030.

We've established a strategic partnership with Risilience and Cambridge Centre for Risk Studies (CCRS), within the Judge Business School at the University of Cambridge, to support our ongoing commitment to deliver on the Paris Agreement and ambition to achieve carbon neutrality by 2040 while delivering growth and long-term shareholder value. Risilience will supply analytics to assess climate science impacts and potential ways of evolving the business to achieve our sustainability goals.

A co-authored white paper with EcoHealth Alliance and the London School of Hygiene & Tropical Medicine was published at COP26. 'The Impact of Climate Change on Health: Reducing Risks and Increasing Resilience in the Era of COVID-19' set out the risks to human health of unabated climate change and presented recommendations to address these potentially existential threats.

We sponsored a report by the Economist Intelligence Unit (EIU) on the global state of health literacy. 'Health literacy around the world: policy approaches to wellbeing through knowledge and empowerment' reviewed the state of health literacy in seven countries, its link with health outcomes and how it could be boosted in national policy and the education, healthcare and digital sectors.

One of the ways we are advancing understanding of the links between hygiene and health through the Reckitt Global Hygiene Institute. The institute is a not-for-profit organisation launched in 2020 with funding from Reckitt. It seeks to create a central repository of hygiene research to fill the gaps in science-based evidence around hygiene. It commissions specific, directed research through grant funding and funds a post-doctoral fellowship programme in hygiene. Its research efforts are guided by an internationally renowned, independent expert panel.

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

PARTNERING WITH INNOVATORS

COLLABORATIVE PROJECTS AND VENTURES

The best ideas can come from anywhere, and high-impact solutions are often better delivered by networks than individual organisations – two great reasons for encouraging collaborative projects with like-minded innovators.

We collaborate with independent, purpose-driven entrepreneurs whose objectives chime with our own. That's why we've set up Access VC. This well-capitalised venture provides funding for startups. It's designed to be agile, flexible and a great partner for purpose-driven initiatives. Access VC also manages our existing Reckitt minority stake assets, including the Healthily and Founders' Factory investments.

We work with Founders' Factory to accelerate early-stage startups. For companies at a later stage in their journey, we provide funds, resources and knowledge.

A winning photo from our competition in partnership with Talenthouse, capturing moments where people have positively impacted our planet to create a cleaner, healthier world.
Marcos Antonio Esteves – Brazil

Voted popular choice, a photo from our competition in partnership with Talenthouse, capturing moments where people have positively impacted our planet to create a cleaner, healthier world.
Muhammad Amdad Hossain – Bangladesh

Access VC offers more than just venture capital: it's a cooperative enterprise. Purpose-driven entrepreneurs get access not just to funds but to Reckitt's experts, brands, resources, scale and global reach. Recent collaborators include little yawn collective, which champions proven sleep solutions for kids, and Oxwash, which is making laundry simple and sustainable together with Vanish Zero. For more on Access VC, see Focus on: Digital on page 38.

We reach out to external partners in numerous ways to promote innovation, and benefit hugely from the range and diversity of the people and organisations with whom we collaborate. We tap external knowledge to apply inventions and import capabilities. Through our strategic supplier programme, we co-develop new ingredients and processes. For more on external partnerships, see Focus on: Innovation on page 34.

COLLABORATION AND PARTNERSHIPS

WORKING WITH GOVERNMENTS, INDUSTRY PARTNERS AND NGOS

As a partner to governments, we're encouraging behaviour change for societal issues. In 2021, as one of 11 principal partners at the UN Climate Change Conference in Glasgow (COP26) and the official hygiene partner, we worked to advance action on climate change and promote awareness of the link between planetary and public health (see pages 64 and 65).

Where impact at scale through collective action is needed to make a lasting or transformational difference we're working with our peers to introduce new, more sustainable business models. We're advancing best practice and encouraging the transition towards more sustainable activity by leveraging our participation in trade associations.

We're active in the Consumer Goods Forum, which drives positive change on climate change and key issues through collaborative action with customers and peers. We are members of its Forest Positive Action group, Plastic Waste Coalition of Action and its Human Rights working group.

Through the Global Self-Care Federation, we work with our peers in the self-care industry to raise international standards and ensure key policy- and decision-makers embrace self-care, recognise its value and use its broad range of benefits as building blocks to deliver better and more sustainable health outcomes for all.

Illicit trade has grown well beyond the capabilities of individual governments and individual companies. It requires 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 are also members of AISE, Europe's International Association for Soaps, Detergents and Maintenance Products, where we actively support its agenda for sustainable cleaning. These help inform our own approach on aligning product development with policy and regulatory development.

In June 2021, we joined the World Business Council for Sustainable Development (WBCSD). The WBCSD comprises nearly 200 companies who are committed to innovating to make real, tangible progress to tackle the triple threat of climate change, nature in crisis and mounting inequalities, for a more sustainable world. We are specifically involved in work on protecting and promoting health, which connected to our activity at COP26.

We work with NGOs and government bodies that coalesce around areas of common interest. As members of the Ellen MacArthur Foundation, we're pursuing joint initiatives to reduce the use of plastics and developing infrastructure, systems and standards that promote the circular economy.

Since 2020 Reckitt has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment, and anti-corruption. The social and environmental impacts we create through our purpose-led brands and our work to support a healthier planet and fairer society help to advance the broader development goals of the United Nations, particularly the 17 Sustainable Development Goals. We have communicated our progress to deliver the Ten Principles, details are within our Sustainability policies and reports at www.reckitt.com.

ENGAGING WITH INVESTORS

OUR INVESTMENT COMMUNITY

Our investment community includes current and potential shareholders, mainly institutional and retail investors, as well as 'sell-side' research analysts, banks and ratings agencies. We also have a significant employee-shareholder community, with over 50% of Reckitt employees owning a stake in the company.

Our investors provide the financial capital – equity or debt – that underpins our business and allows us successfully to execute our strategy. In return, they expect good financial returns as dividends, capital appreciation or interest.

The cost of equity or debt is influenced by financial markets' risk/reward perception. Maintaining an open, constructive dialogue around the opportunities and challenges we face helps investors make appropriate investment decisions.

All market participants are entitled to equal and timely access to market-sensitive information. We are committed to keeping all investors updated, with regular briefings on our strategic progress as a purpose-led business focused on sustainable growth. We ensure retail investors get access to the same information at the same time as our institutional investors, often through our corporate website.

COVID-19 restrictions meant the 2021 AGM was held as a closed meeting. Shareholders were able to submit questions in advance or during the meeting, allowing the Board to engage and interact directly with them.

Our proactive investor relations programme this year included one-to-one meetings with major shareholders, group meetings, webinars, roadshows, conferences, round tables and fireside chats.

We are now supplementing our regular financial reporting with 'bite-size' seminars profiling different facets of the company to give further insight into our transformation journey. The first of these was held in September, 'Delivering sustainable growth', included updates on how business units are putting strategy into practice and in-depth presentations on R&D and e-commerce.

INVESTOR PRIORITIES

In 2021, our investors primarily wanted to discover more about the company's performance in its transformational journey as we progress our strategy of rejuvenating sustainable growth. They were keen to understand where investments have been made and their associated returns.

In common with many of our peers, cost-inflation and its effect on our margin outlook, was a recurring topic. Investors are also tracking carefully how COVID-19 is changing consumer behaviour, particularly now the virus appears to be receding in parts of the world.

Portfolio management activities that had a material effect on company structure, in particular the disposal of IFCN China and the acquisition of Biofreeze were particular items of interest.

ESG is an increasingly material topic for investors, with ESG ratings incorporated into investment decision-making. Our ratings are also used as part of a loan facility which was established during the year.

Investors welcomed Reckitt's return to the Dow Jones Sustainability Index (DJSI) in 2021. They wanted to hear how our renewed ESG targets would be achieved and the effect on performance of embedding sustainability into our core business model.

Our Sustainalytics ESG score is currently rated as medium risk at 22.9 – slightly higher than previously following the revision of some of their criteria. Our AA MSCI ESG rating places us as an industry leader on managing ESG risks.

INVESTING IN COMMUNITIES

HOW WE ENGAGE WITH COMMUNITIES

As we manage the effects of the COVID-19 pandemic and build back towards a sustainable way of living, the right to the highest-quality hygiene, wellness and nourishment has never been more important.

We fight for that through our brands and by working with partners on the ground. We're empowering people to make small changes in their lives that contribute to the wellbeing of the wider community and help bring about a cleaner, healthier world.

We maximise our impact through our purpose-led brands, the way we do business across our value chain, and the partnerships and social investments we make, especially through our Fight for Access Fund.

In 2021, as the world began to look beyond the pandemic, we renewed our focus on our long-term goals of sustainability and growth, while protecting those communities most at risk.

SEED, SCALE & SUSTAIN

Our ambition is to reach half the world with our purpose-led products, engage two billion people through our programmes, partnerships and campaigns, and have a measurable, positive impact on ten million people by 2030.

Through our brands and social impact programmes, we have continued to support people and ideas to create systemic change and contribute to tackling some of the world's greatest challenges. Underpinning our approach is our social impact model – Seed, Scale & Sustain – which offers investment and mentorship, and convenes global experts to connect social enterprises with the resources they need to grow and ultimately become independent.

We support individuals, ideas and infrastructure. We provide funding and advice to develop projects. We connect innovative businesses and programmes with our global network to help them to build scale across communities and borders. And we equip them with the resources and know-how to help their projects become self-sustaining and deliver lasting social impact.

For the biggest challenges, collaboration is key. We develop strong partnerships and invest where we can make the most difference. Examples include working with Water.org to get people clean water and sanitation services, delivering emergency relief with the International Red Cross, and restoring water and wildflower habitats alongside the WWF.

ACTIVE WHERE WE MAKE THE BIGGEST IMPACT

We aim to progress all the SDGs, but focus more resources where our impact is greatest. We've identified SDG2, SDG3, SDG5, SDG8 and SDG13 as our high-priority goals. (For more on SDGs see page 51)

We have long experience building health and hygiene literacy. Our partners help us get these messages across with impact. Recent examples include our work with Raleigh to teach good handwashing practices in Tanzania and our work with Project HOPE to change hygiene behaviours in Pakistan.

We support the poorest communities – where hunger, disease and poor sanitation are most prevalent, and where the worst effects of climate change are felt first. We emphasise women and girls. We set a target that a minimum of 50% of our beneficiaries are women and expect to be above this.

Our programmes focus on three main areas: clean water, hygiene and sanitation; sexual health and rights; and maternal and child health.

- Clean water, hygiene and sanitation: we fight for universal access to clean water and a safe, hygienic environment
- Sexual rights and equality: programmes that empower women and girls around their sexual rights through access, knowledge and disease prevention.
- Maternal and child health: nutritional and wellness programmes for new mothers and children to give them the best start in life.

CLEAN WATER, HYGIENE AND SANITATION

In August 2021, we extended our two-year partnership with Water.org to continue to strengthen access to safe water and sanitation.

In 2020, Eko Group H2O+ won the Lead2030 grant under SDG6 at One Young World. They gained funding and mentoring from Reckitt. Their winning project uses reused and recycled materials to harvest and filter the abundant local rainwater in Colombia. Reckitt's mentorship has helped to scale the operation. By the end of 2021, Eko had tripled sales, installing 65 rainwater harvesting systems in seven communities. They had also developed a new handwashing basin product to improve hygiene in schools.

Simultaneously, with Dettol, we are improving hygiene and wellbeing through the Hygiene Quest. This interactive educational programme is promoting good hygiene behaviours in schools. Its comprehensive curriculum uses gamification, nudge psychology and motivational reward systems to support long-lasting behavioural change. It was piloted in Scotland and Nigeria to test responses in different cultural and economic environments. Teachers reported better handwashing by students and lower rates of illness and absenteeism. We presented the Scottish results at COP26 and have scaled the programme up in both countries.

CASE STUDY

ACCESS TO CLEAN WATER THROUGH AFFORDABLE MICROFINANCE

Reckitt and Water.org's joint microfinance programme has been rolled out in India, Indonesia and Kenya. We worked together to develop an easy-to-use microfinance platform with local banks, offering loans for domestic hygiene and sanitation services, such as toilets, sinks, wells and water tanks. The loans are designed to be affordable to the poorest communities.

More than £36 million in loans have supported over 700,000 people in the past two years. The next step is to scale up the microfinance platform to make it self-sustaining.

SEXUAL RIGHTS AND EQUALITY

In 2020 Reckitt, UNAIDS and Gilead partnered with the Wits Business School at the University of Witwatersrand to launch a new programme, 'Aspire Higher', which challenged students to pitch innovative ways of improving the sexual health of African youth. Four pilot projects gained funding. They've been working throughout 2021 to implement and test their new ideas.

Sometimes, the best opportunities to create positive social impact are right on our own doorstep. Reckitt sources raw materials for Durex in Thailand. HIV prevalence there is among the highest in Asia, with 9% of the region's total population living with HIV. We are investing in the health of workers living in rural communities. The Rurality Thaitex programme is improving access to safe sex and family planning. Sexual education is delivered at places of work and workers also have access to sexual health services at mobile centres and drop-in clinics.

MATERNAL AND CHILD HEALTH

We've worked with the US non-profit March of Dimes since 2020 to improve access to antenatal and postpartum care for the estimated 7 million women and 500,000 babies born each year in the US living in so-called 'maternity deserts'. We've invested in two pilot programmes to test the impact of new approaches to improving care within maternity deserts in Ohio and Washington, D.C.

Project Oscar began shortly after Reckitt delegates from One Young World 2017 met disability activist Oscar Anderson. Oscar lives with cerebral palsy as a complication of untreated neonatal jaundice (NNJ).

NNJ affects six out of ten newborn globally. It is easily treatable with the right care. We developed a plan for sustained change in the provision of care in Vietnam, where Oscar was born. We partnered with the Ministry of Health to train 261 healthcare professionals and provide 96 regional hospitals with high quality phototherapy units. Since the launch of the programme, over 60,000 newborns have been effectively treated by trained healthcare professionals. A recent assessment of the programme's impact identified reductions in fatalities, disability and hospitalisation.

In South Africa, diarrhoea is one of the deadliest diseases for children under the age of five. In 2021, we worked with the local Ministry of Health to encourage the regular handwashing that can prevent the illness. Dettol New Mums Clinic provided hygiene products, educational resources and support for healthcare workers, reaching hundreds of thousands of mothers.

In Bangladesh, maternal mortality is the third most common cause of death among women aged 15-49, with approximately 7,600 preventable deaths each year. In 2021, the local Dettol team supported BRAC's (formerly known as the Bangladesh Rehabilitation Assistance Committee) Health, Nutrition and Population programme, providing hygiene products and education to help improve antenatal and postpartum care. Our small contribution has helped ensure mothers are able to put into practice the advice given to them by BRAC staff.

EMERGENCY RELIEF

Reckitt provides emergency relief in response to global events and need.

In February 2021, we began a new strategic partnership with the Red Cross to support its campaign to strengthen vulnerable communities. We joined the charity's Disaster Relief Alliance with an initial £250,000 grant and product donations, as well as time through employee volunteering.

The COVID-19 pandemic has affected communities across the world, but refugees are particularly at risk. In 2021, we helped fund the International Rescue Committee (IRC), enabling it to directly engage 11,206 people, two-thirds of them women. In Syria, hygiene kits were distributed to vulnerable groups, including the elderly and people with disabilities or chronic disease.

CASE STUDY

IMPROVING ACCESS TO NUTRITIOUS, AFFORDABLE FOOD

Malnutrition is rife in Africa. In Congo, 22% of the population, including 3.4 million children, are malnourished. Tailored Food won the Lead2030 SDG2 grant at One Young World in 2020 and funding from Reckitt for a business model that addresses one of the key causes – the lack of affordable and nutritious food products. It works with local entrepreneurs, farmers and market workers to help them to develop their own nutritious food products, using local produce and processes.

With significant growth and impact over the past year, Tailored Food's sales of nutritious, tasty, low-cost meals have more than trebled, from 210,000 to 676,000. An estimated 33,800 people suffering from malnutrition in Liberia and Congo have benefited, as too has the local economy. There are 265 more well-paying jobs for women in rural communities thanks to sales the business has generated. It has the backing of the UN World Food Programme, whose' commitment to buy 70,000 cassava and peanut-based snack bars in Congo every month supports 160 women entrepreneurs in rural communities.

A recent research study into Tailored Food's business model by the Bill & Melinda Gates Foundation found that 100% of consumers living in extreme poverty view its products as both affordable and accessible. Reckitt has extended its support for Tailored Food into 2022 to help reach even more local food producers and strengthen access to quality nutrition.

OUR SHARED PLANET

ENABLING CIRCULARITY

Shifting to a more circular economic system – one built around reducing, reusing, recycling, renewal and redesign – is a massive global transformation. Everybody will need to adopt different ways of doing things. It calls for new and novel infrastructures and a radical shift in our collective behaviour.

We're doing what we can do to increase circularity, but this is a collaborative effort. Multiple actors – our peers, our suppliers, our customers, consumers, recyclers, re-processors and regulators – need to coordinate their activities.

Getting there will take progress in three main areas: eliminating waste and pollution, circulating products and materials, and regenerating nature. We are addressing all three of these as well as finding ways to facilitate more circular systems and processes.

DEVELOPING CIRCULAR ECONOMY MODELS

We have been working with a range of partners to implement circular infrastructure.

TerraCycle's closed-loop recycling programme allows UK consumers to recycle non-recyclable flexible packaging through public drop-off locations and by initiating home collections. The Reckitt Recycling Programme is operational in 1,300+ UK locations.

Meanwhile, Finish has partnered with Loop in a new trial with UK retailer Tesco. The Loop sustainable packaging concept sees empty packaging collected, cleaned and redistributed. Ten Tesco stores are selling Finish tabs alongside other Loop brand partners in stainless-steel jars, with in-store return points for when the product is finished.

PLASTICS AND PACKAGING

We are reducing our plastic footprint and are committed to make all our packaging recyclable by 2025.

We have increased the recyclability of our range, but the proportion of post-consumer resin (PCR) we include in our packaging is still far lower than we would like. Disappointingly, our PCR percentage only increased marginally from 3% in 2019 to 3.5% in 2020. This is in part because our focus during COVID-19 has been on selling higher volumes of hygiene products to combat the pandemic. Although we used 50% more PCR in our packaging, this was overshadowed by much higher volumes of hygiene products sold. It's also the case that some of our regulated products take longer to change. We're committed to accelerating this programme, increasing PCR and using less plastic overall.

We have redesigned the Durex 200ml Play Massage 2in1 bottle to be fully recyclable. It is now made from 100% PCR. In India, Reckitt was one of the first buyers of Banyan Nation's 'better plastic' PCR solution. Banyan Nation uses an innovative plastic intelligence platform to connect to small-scale waste collectors and sorters. The collected plastic is recycled as PCR in Reckitt packaging.

REDUCING WASTE IN MANUFACTURING

We are identifying cost reductions and efficiency improvements at our manufacturing sites by thinking more sustainably.

The Durex factory in Bangpakong, Thailand was paying over £60,000 a year to dispose of unused natural rubber latex and Naked condom waste products. In 2021, however it found a sandal manufacturer who wanted to use this waste rubber to make slippers. This not only saved money by reducing waste but also earned revenue from sales. The initiative improved the factory's financial position by over £32,000.

The Makati factory in the Philippines teamed up with J&J Farms to convert waste milk powder to animal feeds and biogas. J&J's biogas facility creates enough methane to run generators which provide electricity for deep-well pumps, air-conditioned housing for breeding boars and tunnel-ventilated farrowing houses. Up to 80% of the farm's electricity comes from its biogas facility. The increase in biogas production from adding milk powder has reduced electrical consumption by over 20%.

CHEMICALS AND INGREDIENTS

We are moving towards better chemistry in our products and lowering our chemical footprint by progressively using more ingredients from natural origins as part of a more circular model.

VEO's probiotic surface cleaner uses a 99% biodegradable formula with active probiotic bacteria – free from chlorine bleach, formaldehyde, phosphates and disinfectant chemicals. The biodegradable formula preserves water and enables a longer-lasting impact with less negative environmental impact than traditional chemicals.

The Veet Minima hair removal range has low chemical credentials, including cold wax strips that are hypoallergenic and fragrance – and dye-free. Hot wax strips are fragrance and dye-free with 100% natural ingredients, while creams do not use urea.

Lysol's Simply kills 99.9% of bacteria using a plant-based active ingredient and is free from bleach, dyes and phosphates. Lysol is powered with hydrogen peroxide, which kills 99.9% of viruses and bacteria without the harshness of bleach.

Dettol Tru Clean has plant-based active ingredients. It's free from bleach, dye and phosphates and can be produced with far less water. The product has been launched in China and its wider roll-out is under consideration.

Consumers are concerned about harsh chemicals and artificial fragrances in their homes. Air Wick has been reducing the chemical footprint in its products and increasing naturally derived ingredients to over 50%. These changes resulted in the launch of Summer Delights, White Flowers & Melon with an 87.5% reduction in chemical footprint.

Across Reckitt, our brands are developing 'free from' ranges removing ingredients of potential concern (e.g. dyes, fragrances, preservatives).

PROTECTING PLANETARY HEALTH

The COVID-19 pandemic has driven home the link between people's health and planetary health. Infectious diseases, new vectors of transmission, increased respiratory illness and water-borne disease are all connected to climate change. Safeguarding the planet, protecting biodiversity and acting to limit climate change serve all our interests.

OUR ACTION ON CLIMATE CHANGE

Our ambition is to reach net zero emissions across our value chain by 2040, a decade earlier than the world's goal to keep the rise in temperature to less than 1.5°C globally. We also recognise the importance of making rapid progress before then. Our science-based targets for 2030 do just that, with a 65% reduction in Scope 1 and 2 operations emissions and a 50% reduction in Scope 3 product emissions.

Our absolute carbon emissions (Scope 1, 2 and 3) stayed level with 2020 (-0.04%) despite business growth. Against our 2015 baseline however, volumes over the past two years have increased our overall footprint. This increase is in our scope 3 emissions, particularly relating to ingredients and packaging. At the same time, our scope 1,2 emissions have reduced by 66% against the baseline. To address these scope 3 emissions, we continue to develop more recyclable packaging and greater use of recycled materials, in line with our plastics pledge; our work with suppliers to monitor and reduce their footprint; and our emerging prioritisation of high carbon ingredients. This is driving activity to reduce emissions from ingredient manufacture and to consider alternative, lower-carbon ingredients while maintaining product efficacy, safety and quality. More detail is in our Climate Change Insight.

We are reducing Scope 1 and 2 emissions by switching to renewable electricity sources for all our manufacturing sites. We've already achieved 66% carbon reduction in our operations and will press on from here.

We are also finding ways to reduce energy usage in manufacturing. We're initially targeting high-energy processes such as compressors, air handling and boilers. Over time, we will progressively replace equipment with more energy-efficient alternatives.

We will also introduce alternatives to the gas used in combined heat and power plants and, in time, in spray dryers, where we use gas for thermal energy. In Evansville (US), we're already using landfill gas for spray drying. We intend to replicate that approach where possible at other locations. We are monitoring alternative fuels such as hydrogen as a longer-term gas replacement.

Scope 3 emission reductions are more difficult to achieve as they often rely on supplier activity and changes in how people use our products. Nevertheless, we're making progress to deliver our 2030 50% goal.

We're engaging with suppliers with the help of Manufacture 2030 to help them measure and reduce their carbon emissions. We're targeting high-energy ingredients to ensure they're manufactured using renewable energy. Where this isn't possible we'll consider alternative ingredients.

Internally, we're using our Sustainable Innovation Calculator (SIC) to design lower-carbon ingredients and materials into our products. The SIC also helps us design products that require less energy and water in use, and we're increasing the use of recycled and recyclable packaging to reduce the end-of-life carbon footprint for our products.

We're also engaging with our consumers to reduce their energy and water use by, for instance, advocating lowering washing machine temperatures, skipping the rinse for dishwashing, using cold water to wash their hands and recycling packaging.

Looking at our logistics network, we're undertaking a low-carbon trial in the UK to reduce our carbon footprint. This uses recycled vegetable oil as fuel. We'll develop more low-carbon logistics solutions and scale these globally.

Water stress, a consequence of climate change, is another focus for us. With around 19 of our sites in water-stressed areas, it's important we reduce water impact in these communities.

We've reduced water use per production unit by 3% since 2015, and will go further. But we want to go beyond our own factories. That's why we work in local communities to safeguard water suppliers, improve sanitation and enable health literacy.

We also aim to up the efficiency of our water use, targeting a further 30% improvement by 2025. By 2040, we aim to halve the water footprint of our products. We're designing products to reduce their water and carbon impact across their whole lifecycle. This can mean, for example, using less water in manufacturing, concentrating ingredients so they are lighter to transport, or formulating them so they can be used in people's homes with less water.

Our ambition is to become water positive in water-stressed areas by 2030. We're developing water catchment area programmes at key sites. Our Hosur, India site now has sufficient externally validated projects to cover half its annual water use and the remainder will be confirmed in 2022. It has created water harvesting projects and helped reinstate local water courses. Our Sitarganj factory in India, one of our bigger water users, is saving nearly 15,000 tonnes of water annually by reducing wastewater.

It's important that we work with and learn from others. We've joined the Water Resilience Coalition and its parent organisation, the CEO Water Mandate. This group of some 200 companies seeks to address global water challenges through corporate water stewardship, in partnership with the UN, governments and civil society organisations.

Finish worked with National Geographic, Love Water UK and US non-profit The Nature Conservancy to reach more than 350 million people around the world with the Save Water Clean Clever campaign. In the US alone, pledges made add up to over seven million gallons of water saved every year.

A large part of our water footprint arises when people use our products in their homes. If we can reduce that, we create a big impact. But tackling that requires subtle changes in how people use products, for example skipping the rinse when using Finish. Our brands connect with people every day, and campaigns like this one help people understand how doing things a little differently can save water or energy at home. This can save waste, and even save people money, while our products can still perform just as well. Similar to carbon, the overall water footprint increased by 14.6% compared to our 2015 baseline, influenced by high volumes of disinfectant and hygiene products such as soap over the past two years. Our SIC targets our water footprint within our innovation process. It focuses us on using ingredients with a lower water footprint alongside our continuing work to reduce water when consumers use our products at home. For example, developing Finish to avoid the need for pre-rinsing. With more than 90% of our total water footprint arising when products are used, this emphasis is naturally important for water overall.

CASE STUDY

WWF PARTNERSHIP

WWF and Reckitt launched a partnership in March 2021 to tackle causes where we can make the most impact.

Together, we will help restore and protect 2,100km of freshwater within two of the world's most important ecosystems in the Amazon and the Ganges. The programmes aim to improve the quality of freshwater resources to allow people and nature to thrive.

We're also inspiring millions to fight for nature through our brand partnerships with Air Wick and Finish. Together we will restore over 1.2 billion square feet of wildflower habitats globally and replenish 500 million litres of freshwater in the UK. Through our partnership we are also raising awareness with people on the biodiversity and water crises, and encouraging proactive actions from all to effectively address.

WWF is also supporting Reckitt's sustainable business transformation through joint research and collaboration focusing on water, climate change and biodiversity.

We've started to make great progress:

- WWF is participating in the Indian government's first national river dolphin population census to help protect this iconic endangered species, with 925km of the Ganges already surveyed
- A major study has begun to explore hydropower alternatives in the Tapajós basin in Brazil to keep the rivers free of dams
- Through the Air Wick partnership; WWF is already restoring 77 million square feet of forest and wildflower habitats globally

ECOSYSTEMS, BIODIVERSITY AND NATURE-BASED SOLUTIONS

At Reckitt, we're committed to protecting and regenerating the ecosystems we rely on. We know that strong ecosystems will become increasingly resilient over time and better able to support natural resources and local people.

It makes sense to build up biodiversity. Translating that principle into effective action is more challenging, however,and we're currently developing our approach. We will need comprehensive, evidence-based metrics to measure our impacts on nature before we can take effective action.

In 2021, we linked up with the Nature-Based Insetting team at the University of Oxford to develop nature-based solutions. Together, we are developing a roadmap for the protection, restoration and sustainable management of ecosystems within key supply chains.

This roadmap will help mitigate our ecosystem impacts in a socially sustainable way, by insetting measurable nature-based solutions into our global value chains that will help tackle climate change.

We're focusing first on our most vulnerable, significant value chains, beginning with five commodities: palm oil, latex, and three fragrance oils used in Reckitt's Air Wick Botanica range. All originate in areas of high biodiversity. Our programme evaluates environmental impacts and subsequently develops measurable and impactful interventions against evidence-based targets. Our aim is to implement these in key value chains by 2030.

OUR TCFD SUMMARY

CLIMATE CHANGE AND OUR BUSINESS

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

To that end, in our approach to meet the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we assess risks and opportunities within our day-to-day business operations, structure and governance activities. Our comprehensive TCFD disclosure is published in our Climate Change Insight together with further details of climate change activity and emissions data to provide a holistic report of activity for all interested stakeholders.

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

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

OUR APPROACH

In 2021, we worked with Risilience to assess our climate change risks and opportunities. The Risilience platform applies the climate change research frameworks and approaches pioneered by Risilience and provides quantitative analytics that inform our risk management approach, and allows us to prioritise areas for action. Our programme involves key functional stakeholders throughout Reckitt including procurement, brands, operations, sustainability and finance teams.

Compliance Statement

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

- Development of more detailed disclosures by geography or sector, in addition to the current considerations for the overall business. Our current analysis often considers specific geographies for supply chain risks and sectors for market-level risks and opportunities, and we will develop these for future reporting (TCFD Strategy (a)).
- Assessment of climate related issues in terms of acquisitions or divestments, where we are developing processes to strengthen our existing compliance agenda. We will report on these in the future (TCFD Strategy (b)).
- Assessment of climate related issues in terms of the response of consumers, to products in different ways, both in terms of risk and opportunity, and in different geographies. We have begun to assess these, considering both internal and external data and will report more on these in the next two years. Our sustainable product innovation programme does, however, already take such issues into account alongside transitions risks, within our product innovation activity (TCFD Strategy (b)).
- Assessment of climate related issues in terms of access to capital where there is apparently limited initial impact (TCFD Strategy (b)).
- Further development of our decarbonisation roadmap alongside the initial interim milestones noted for our 2025, 2030 and 2040 targets and ambitions (TCFD Strategy (b)).
- The development, during 2022, of our internal carbon pricing approach and modelling which will inform future programmes (TCFD Strategy (b)).
- With ongoing activity, we continue to build resilience against the impacts of climate change (TCFD Strategy (c)).

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

We assess risks and opportunities in the short term (up to three years), medium term (three to six years) and long term (six to 12 years and beyond). From a range of potential future global climate pathways, we initially assessed five different scenarios: a >4°C (global temperature rise by 2100); a 3°C scenario based on international policies in 2020-21; a 2.5°C scenario; a Paris-Agreement-aligned mitigation (2°C) and a 1.5°C mitigation (global net zero by 2050 as referred to by IPCC) scenario. With the help of Risilience, our near-to-medium-term analysis included piloting a cumulative five-year view which supports our financial and operational planning.

GOVERNANCE

Our approach to climate change risk is within the governance framework of our core business. Our Board, supported by the Board's Corporate Responsibility, Sustainability, Ethics and Compliance (CRSEC) Committee and Risk Committee, has responsibility for oversight of our climate change strategy. The strategy is delivered through our Executive Committee and management team. For more details on our Governance Framework and CRSEC committee, see pages 141 to 147 in our Annual Report and our Sustainability Governance, Reporting and Assurance Insight.

LEARNINGS TO DATE

Our climate risk analysis, through the digital-twin model, has provided initial insights that we will refine and develop further in 2022 and beyond. This includes understanding the potential risks and opportunities to our upstream supply chain and the supply of materials. This will build resilience through our suppliers with the involvement of our procurement and sustainability functions. A second area of focus is on risks at our operating sites. For example, increases in the frequency and severity of extreme weather events (physical risks) could affect the supply chain. There may also be an increasing impact of chronic risks such as water stress. We have already begun to build resilience through business continuity planning and, in the design and location of new sites, by taking account of issues including future water stress. We assessed a range of other risks associated with transition to a low-carbon economy and policy environment, including potential policy and regulation, and technology, market, reputation and liability risks. This leads to a third area of focus: the potential impact of climate change on the way people select and use our products. With data from our own consumer research team alongside external data from Risilience and others, we will consider potential trends and also how, using our SIC this influences the design of new products. This also creates an opportunity for innovation that meets the emerging demands of consumers and the impacts of fiscal policy and a changing environment. We will report further on this in the future. Considering the carbon and water footprints of our products, the growing interest people have in more sustainable products and how low-carbon, low-water products may save people energy and water in use in the future will help our innovation process, strengthening the resilience and appeal of our brands.

Changes relating to the low-carbon transition, as well as the associated impacts, vary with the different climate pathways. Impacts are influenced by emerging and potential policy frameworks over the coming years including, for example, the extent of carbon taxation measures. Should such measures be applied to all Scope 1, 2 and 3 emissions by 2025, and considering transition factors beyond policy such as consumer preference and technological change, the impact would be significant. A more likely, phased policy approach and changes in preference, alongside our ongoing mitigation activity in supply networks and products, would not be material.

Physical risks are expected to be minor in the short to medium term. Over the longer term, 20 years or so, physical risk impacts will become more pronounced, both in terms of more frequent extreme weather events and chronic impact. Again, our progressive work on topics such as water catchment area management, product innovation and supply chain resilience are intended to mitigate these risks. For further details please see our Climate Change Insight.

Our analysis will continue in 2022 and beyond, initially assessing key risks in greater detail. This will include the relative impacts across key raw materials and, as noted, potential changes in consumer use. We will also assess the impact of our sustainability and climate strategy which will provide insights into the efficacy and contribution of various climate mitigation initiatives. This helps us to focus activity where we can create greatest impact and to capitalise on potential opportunities associated with a low-carbon transition that support our business resilience and growth in a future low-carbon economy. We focus activity through routine business planning within brands and our supply chain, including within financial planning for those business functions in annual and three-year cycles in order to manage risks and deliver against our Sustainability Ambitions. For example, capital allocation for environmental improvements on carbon are built into current five-year planning and are within existing external disclosures. Progress is reviewed routinely to enable further assessment of resource need and allocation.

For our full TCFD statement and our work with Risilience, emissions data, activity to build resilience, see our Climate Change Insight. In line with our commitment to climate disclosure and transparency, more details of our climate strategy, governance and related risk and opportunity analysis can be found in our public submission to the external benchmark Carbon Disclosure Project (CDP) investor questionnaire at www.reckitt.com/sustainability/policies-and-reports.

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

OUR SECTION 172 STATEMENT

This statement shows how our Directors have acted in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to stakeholders, including matters under section 172(1)(a)-(f) of the Companies Act 2006, during 2021. 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.

Understanding the needs and expectations of our stakeholders is fundamental to our Purpose: to protect, heal and nurture in the relentless pursuit of a cleaner and healthier world. We recognise that our business can only grow and prosper by acting in the long-term interests of our key stakeholders, namely our people, our consumers and customers, our investors and our partners, and the communities and environment we operate in. The Board considers our key stakeholders and the matters set out under section 172 of the Companies Act 2006 in its discussions and decision-making. The following table sets out key examples of how the Board has considered matters under section 172 during the year in performing its duties.

Section 172	Overview	Relevant disclosures
(a) the likely consequences of any decision in the long-term	The Board always strives to act in the long-term interests of its key stakeholders. Our Rejuvenating Sustainable Growth strategy is founded on creating long-term shareholder value, which is achieved by meeting the needs of all stakeholders, through our relentless pursuit of a cleaner and healthier world. When launching our strategy, we set out that we would manage and strengthen our portfolio, whilst seeking out new opportunities. In doing so, during the year, the Board approved the sale of the Scholl brand, and our Infant Formula and Child Nutrition (IFCN) business in China, and the acquisition of the Biofreeze brand. The Board took into consideration the long-term consequences of these decisions, ongoing feedback and consultation with investors, and the potential to create stakeholder value. These decisions represent a major step forward in implementing our strategy and a key milestone in our journey to rejuvenate sustainable growth.	Chief Executive Officer's Statement page 9 Nutrition pages 28 to 29 Progress against our strategy page 33 Stakeholder Engagement page 60 Decision making in practice and taking stakeholder views into account pages 70 to 71
(b) the interests of our people	Our employees are fundamental to our success as a business. Understanding the interests of our employees is important for the Board and forms part of our decision-making process. During the year, the Board has kept up to date with methods of employee engagement, including the results of all employee surveys on culture, Stronger Together conversations and employee well-being. Our approach to ways of working in light of COVID-19 and adopting a hybrid working model takes into consideration direct feedback received from our employees through surveys. In September, the Board held round-table discussions with employees which focused on inclusion, consumers, innovation and science, sustainability and business transformation. The discussions provided employees with the opportunity to engage directly with Board members and express their views and concerns regarding the organisation, its culture and operations. The Board reviewed feedback from the round-table discussions at its November meeting, including actions required to address employee concerns. The Board is committed to continuing to engage with employees to understand their interests.	Focus on: culture & inclusion pages 46 to 49 Building Partnerships with Stakeholders pages 55 to 56 Chair's introduction to governance pages 105 to 106 Corporate Governance Report pages 121 to 122

Section 172	Overview	Relevant disclosures
(c) the need to foster business relationships with our key stakeholders	The Board understands the importance of fostering business relationships with key stakeholders. During the year, the Board took part in listening sessions on the topics of nutrition, ecosystems, biodiversity and nature-based solutions. At these sessions the Board heard perspectives from external panellists including investors, suppliers, academics and NGOs. Board members were invited to ask questions during the session and discuss next steps. In our efforts to provide access to the highest quality health and hygiene products, we were proud to be named a Principal Partner, and the official hygiene partner at COP26. Key management personnel attended the conference including our CEO, where a broad range of events were held with government ministers, leading academics and civil society leaders. This enabled us to better understand the interests and aims of those stakeholders and also develop our own activities in support whilst also creating opportunities for our business. The significant impact of climate change on health was a key theme of our engagement at COP26, alongside our ability to connect with customers and consumers to develop joint activities to combat climate change. As the official hygiene partner for the conference, we demonstrated Reckitt's ability to protect the health of tens of thousands of people at such events through effective hygiene interventions and protective self-care. This supported the organising parties of the United Nations and the UK Government in running a safe and valuable conference.	Sustainability Ambitions pages 16 to 17 Focus on: COP26 pages 20 to 21 Stakeholder Engagement pages 52 to 65 CRSEC Committee Report pages 141 to 147
(d) the impact of Reckitt's operations on the community and the environment	Sustainability is central to our Purpose and runs through everything we do. We understand as a business the effects our operations have on the environment and the need to embed sustainability to create positive impacts for both communities and the wider society in which they operate, as well as for our business. During 2021, we built on our commitment to combat climate change through science-based targets for carbon reduction by 2030 and as a key milestone, our ambition is to be carbon neutral across our value chain by 2040. In March 2021, our sustainability ambitions to 2030 were approved by the Board. We are focused on our impact through our purpose-led brands and innovative products; sustaining a healthier planet through: our work on climate change, natural resources and biodiversity; and enabling a fairer society through our activity in our own business and across our value chain to support inclusion, strengthen human rights and support for sustainable livelihoods. Our goals of reaching half the world with purpose-led brands to enable more people to lead cleaner, healthier lives, and of engaging two billion people through our programmes and campaigns, are designed to create lasting impact in communities and with our stakeholders. They also strengthen impact within our business. At COP26, we demonstrated how we can engage consumers to help tackle climate change, using our innovative products to reduce energy usage in their daily lives and create impact at scale alongside our own work to do the same in our value chain. Our Board is responsible for overseeing, considering and reviewing the Group's environmental, social and governance (ESG) strategy, as outlined in its Schedule of Matters Reserved for the Board. The Board delegates regular oversight of sustainability to the Corporate Responsibility, Sustainability, Ethics and Compliance (CRSEC) Committee. The CRSEC Committee reviews our sustainability objectives and progress against our targets, and reports on these to the Board regularly.	Chief Executive Officer's Statement page 9 Sustainability Ambitions pages 16 to 17 Key Performance Indicators page 18 to 19 Focus on: COP26 pages 20 to 21 Stakeholder Engagement pages 53 and 64 Our TCFD Summary pages 66 to 67 Decision-making in practice and taking shareholder views into account pages 70 to 71 Non-Financial Information Statement page 73 CRSEC Committee Report pages 143 to 144
(e) the desirability of maintaining a reputation for high standards of business conduct	The Board is responsible for monitoring our culture and values, and the delivery of our strategy can only be achieved with the highest standards of business conduct. All Directors must act with integrity, lead by example, and promote the company's culture and values. We aim to create the space and opportunities to help our employees make a difference and do the right thing, always. 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 and inclusive culture by promoting continuing dialogue across Reckitt. Connections are forged across Reckitt in many ways, including Board site visits, virtual townhalls, regular CEO emails to employees and all-employee surveys. Our Compass and Leadership Behaviours monitor a consistent standard of cultural expectations across the Company. The CRSEC Committee reports to the Board after each of its meetings, providing an update on Reckitt's ethics and compliance priorities, including the Group's Speak Up programme.	Focus on: Culture & Inclusion pages 46 to 49 Chair's introduction to governance page 104 Corporate Governance Report pages 121 to 122 Report of Directors' page 190
(f) the need to act fairly as between Reckitt's shareholders	The 2021 Annual General Meeting (AGM) provided an opportunity for the Board to engage directly with shareholders. Due to the ongoing COVID-19 pandemic, the AGM was held as a closed meeting. Despite being unable to meet shareholders in person, we invited shareholders to submit questions in advance of the meeting or during the meeting in real time. In addition, during the year, we were pleased to launch our investor seminar series. The series seeks to provide 'bite-size' look-ins on the progress we have made in our transformation to deliver sustainable growth. The first event provided investors with an opportunity to hear from the broader senior management team, including overviews on the business units and specific areas of the business such as R&D and innovation.	Stakeholder Engagement page 60 Chair's introduction to governance page 107

DECISION-MAKING IN PRACTICE AND TAKING STAKEHOLDER VIEWS INTO ACCOUNT

SALE OF IFCN CHINA

During the year we took decisive action to strengthen our portfolio, following a strategic review of the IFCN business in China. The Board carefully considered the proposal to sell Reckitt's IFCN business in China. Board discussions identified that trading conditions had been difficult for the IFCN business in China including, as a result of the ongoing restrictions on cross-border trade between Hong Kong S.A.R. and mainland China, the impact of increased local competition, and a slowing down of birth rates. Additionally, operating margins had been impacted by product write-offs due to lack of trade between Hong Kong S.A.R. and mainland China. The COVID-19 pandemic and the resultant recession had further impacted IFCN performance in China.

As part of the Board's decision-making, stakeholder views were considered including feedback from investors and the need to create long-term value for shareholders. The Board assessed in detail the strategic options for the IFCN business in line with the Group strategy, assessing the advantages and disadvantages for stakeholders of selling the IFCN business in China. In addition, the Board reviewed how IFCN China could be separated efficiently, including separation of the corporate structure while also considering the impact on corporate functions, including employees. The Board also ensured protection for the employees through provisions in the sale and purchase agreement.

After a thorough review, the Board announced the sale of IFCN China to investment company, Primavera. The Board considered the long-term interests of stakeholders and concluded that the sale of IFCN China would create stakeholder value and be in the best interests of the company, aligning to our strategy and growth expectations. Our Nutrition business is now stronger and more concentrated in markets such as North America, Latin America, and ASEAN.

RB REBRANDING AS RECKITT

The Board considered management's proposal to rebrand as Reckitt, to reflect the company's renewed Purpose, Fight, Compass, and Leadership Behaviours. The Board reviewed the proposal for the rebranding as Reckitt, considering the benefits for stakeholders in the long term. Stakeholder perspectives played a key role in the Board's decision to approve and subsequently launch the new Reckitt brand. During the decision-making process, the Board reflected on the 200-year history of the company, the transformation journey of the business and our current corporate Purpose. The new Reckitt name draws upon the legacy of the founders of the business as well as our connection to Hull, UK. Reckitt reflects the existing widespread usage of Reckitt by key stakeholders and is clearer, simpler and more memorable, whilst retaining positive associations with the company's heritage.

The importance of branding formed part of Board discussion, noting that branding acts as a trust mark for our stakeholders, most notably employees, customers, and investors – but also governments, regulators, civil society (NGOs) and increasingly our consumers. The Board acknowledged that global digitisation, including the internet and social media, has made corporate brands more visible and increasingly valuable. Creating a consistent and visible brand online allows our consumers, customers and partners to get a deeper and clearer view of our behaviour and

performance, influencing opinions and decision-making about our products, as well as whether to invest in, partner with, or work for Reckitt. In addition, the Board considered that stakeholders expect heightened levels of transparency and that in attracting talent and potential employees, they look for companies with a good corporate reputation which are aligned to their values. The redevelopment of the corporate identity from RB to Reckitt is a key milestone for the company's ongoing journey of transformation towards sustainable growth and reflects our renewed Purpose and strategy. The new brand is built on how stakeholders recognise the brand; it is more powerful, consistent, and impactful.

NEW SUSTAINABILITY AMBITIONS TO 2030

The approval of our new sustainability ambitions to 2030 was a key decision for the Board during the year. The proposed sustainability ambitions were reviewed by the Board at its February meeting and our new ambitions for a cleaner, healthier world were launched in March, backed by an investment of more than £1 billion over the next ten years to ensure we meet our goals.

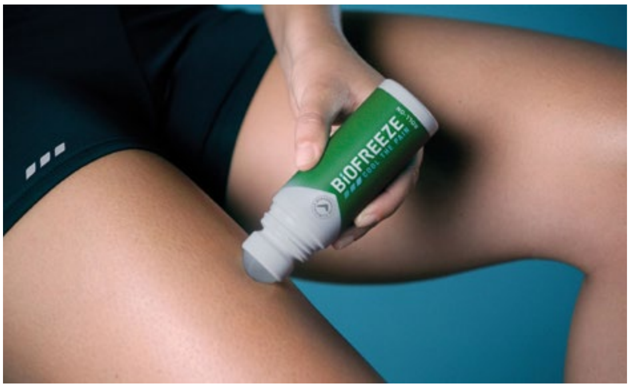
By 2030, our bold ambitions are to reach half the world with products that contribute to a cleaner, healthier world; engage two billion people through our programmes, partnerships, and campaigns; create a lasting impact in communities; and, together with our partners, contribute to delivering the UN Sustainable Development Goals (SDGs). Our sustainability ambitions are broken down into three focus areas, reflective of our Purpose, and include: purpose-led brands; healthier planet; and fairer society, addressing our commitment to ESG factors. The Board considered the interests and expectations of our stakeholders in the sustainability and ESG fields, including: market and benchmarking assessments of competitor, customer and consumer positions; consideration of investor focus and ESG metrics; external stakeholder implications,

including SDGs; internal evaluation including business strategy development and leadership perspectives; and input from investors. The Board discussed the need for clear targets, outcomes for the business, the importance of measurability to enable reporting and what it meant to be carbon neutral by 2040.

BIOFREEZE ACQUISITION

In July 2021, it was announced that Reckitt had completed the acquisition of Biofreeze. The Board considered carefully the position of the brand in the market, the growth possibilities of topical analgesics in the US pain market and advantages for our stakeholders. The Board decided that Biofreeze was a strong strategic fit with Reckitt's pain portfolio and represented a unique opportunity for Reckitt in the US pain market. The Board acknowledged that the acquisition represented a unique and exciting opportunity to unlock value for Reckitt's shareholders and investors through Reckitt's expertise, global operating footprint, and infrastructure. Biofreeze is a perfect fit with Reckitt's Health platform and deepens Reckitt's presence within the broader pain category.

The Biofreeze brand serves our consumers through tapping into the growing consumer global trend for wellness and self-care, and aligns with our strategy to build a US Health footprint in new spaces and places. The acquisition presents benefits for Reckitt's stakeholders, who are highly interested in safe and effective alternatives, consistent with Biofreeze's positioning. Biofreeze has



a history of being used by athletes and professionals, and has a strong clinical foundation, placing the brand in a trusted position to serve our consumers. In addition, the Board's review of Biofreeze identified that the brand has strong existing partnerships in place and a number one position on Amazon. These factors, and the value the brand will provide for Reckitt's stakeholders, contributed to the Board's decision to approve the acquisition.

Non-Financial Information Statement

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 • Sourcing for sustainable growth policy • Plastics Pledge	Group Environmental Management System[1] Our 2030 Sustainability Ambitions Our Sustainability Performance Environment Task Force on Climate-related Financial Disclosures (TCFD)[2]	 Pages 16-17 Pages 18-19 Pages 63-65 Pages 66-67
Employees	• Code of Conduct • Our Values • Occupational Health & Safety • Speak Up policy • Sourcing for sustainable growth policy	Our 2030 Sustainability Ambitions Our Sustainability Performance People CRSEC Committee Report Gender Pay Gap Report Group Occupational Health & Safety Management System[1]	Pages 16-17 Pages 18-19 Pages 46-49 Pages 141-147
Human rights	• Policy on Human Rights and Responsible Business • Modern Slavery Act Statement • Commitments to international standards	Our 2030 Sustainability Ambitions Our Sustainability Performance Building partnerships with stakeholders Environment	Pages 16-17 Pages 18-19 Pages 52-65 Pages 63-65
Social and community matters	• Breast-Milk Substitute (BMS) Marketing Policy • Product Safety Policy • Responsible Marketing Policy	Our commitment to auditing and transparency on BMS Our 2030 Sustainability Ambitions Our Sustainability Performance Customers Communities Social Impact Investment Report	 Pages 16-17 Pages 18-19 Pages 52-53 Pages 61-62
Anti-bribery and anti-corruption	• Code of Conduct • Speak Up policy	People CRSEC Committee Report	Pages 46-49 Pages 141-147
Policy embedding, due diligence and outcomes		Risk Management and Principal Risks CRSEC Committee Report	Pages 88-103 Pages 141-147
Principal risks and impact of business activity		Principal Risks	Pages 92-100
Description of business model		Our Business Model	Pages 14-15
Non-financial key performance indicators			Pages 18-19

1. Information not in the public domain
2. Detailed 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 Our 2030 Sustainability Ambitions, Our Sustainability Performance and Building partnerships with stakeholders 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 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	All managers	Other employees[2]
7 (2020: 7) male	7,913 (2020: 8,596) male	20,491 (2020: 21,611) male
5 (2020: 5) female	7,715 (2020: 8,286) female	16,172 (2020: 17,300) female

1. Diversity data is taken as of 31 December 2021 for active Reckitt employees (excluding contractors)
2. 31 persons with undisclosed gender

GREENHOUSE GAS (GHG) EMISSIONS AND ENERGY CONSUMPTION

Metric	Unit	2021	2020[3]
Total Scope 1 GHG emissions	tCO_2e	**120,346**	131,496
Total Scope 2 GHG emissions	tCO_2e	**13,289**	117,297
Total Scope 1 and Scope 2 GHG emissions	tCO_2e	**133,635**	248,793
Emissions intensity[1]	tCO_2e per unit of production	**0.0390**	0.0701[4]
Energy consumption resulting in above GHG emissions	kWh	**1,287,371,165**	1,373,207,532
Proportion of GHG emissions arising from UK operations	%	**14**	10
Proportion of energy consumption arising from UK operations	%	**11**	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 2021 were 254,801 tonnes of CO_2e (2020: 266,072[3]) and our total Scope 1 and 2 tonnes of CO_2e were 375,147 (2020: 397,568[3]).

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 2021 and 2020 would be 0.042 tCO_2e and 0.072 tCO_2e respectively
2. For further information on the methodologies used to calculate our emissions and energy metrics please see our Reporting Criteria Basis of Preparation
3. 2020 figures updated due to improved methodology for calculating GHG associated with commercial offices, plus data reporting system updates
4. Emissions Intensity per unit of production is restated for 2020 to reflect the change from KCU (1000 consumer units) to tonnes for unit of production. This changes provides a more unified measure across our three business units

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.

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.

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 Marketing Policy

This sets out Reckitt's approach to responsible marketing. It outlines clear requirements to anyone involved in preparing Reckitt marketing communications and activities. This applies to everyone at Reckitt, particularly the Marketing function, as well as with external partners. To ensure adoption, Reckitt is investing a robust training module on the policy, so that everybody understands what is required of them. Compliance will be systematically measured, and we will monitor ongoing feedback through our consumer care lines or Speak Up Line.

Sourcing for sustainable growth policy

The policy sets out Reckitt's human rights, health & safety, environment and sourcing requirements we expect our business partners to meet. It encompasses principles of 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. The policy details the Framework which sets out standards to drive us to conduct business with honesty and integrity, respect human rights, provide a safe and healthy working environment, use safe and sustainable ingredients, source raw materials responsibly and protect the environment.

CONTINUED STRONG FINANCIAL PERFORMANCE

Jeff Carr
Chief Financial Officer

We delivered another strong performance in 2021.

Group net revenue of £13,234 million grew by 3.5% on a LFL basis in 2021, reflecting volume growth of 0.6% and price/mix improvements of 2.9%. Performance was driven by strong growth in Hygiene, particularly in North America. Lysol saw good growth off the back of an outstanding 2020, as core consumption remained strong, and we gained further penetration in the laundry sanitiser segment. Total net revenue at actual exchange rates was down 5.4%, reflecting net M&A impact of -3.8% and foreign exchange headwinds of 5.1%.

The two-year stacked LFL net revenue growth for 2021 vs 2019 (the summation of the year-on-year growth rates for 2021 and 2020) for the group was 17.4%. This was driven by two-year stacked LFL net revenue growth of 27% in Hygiene, and 12% and 6% in Health and Nutrition, respectively.

Our in-market competitiveness remains strong. 62% of our Core Category Market Units (CMUs), excluding IFCN China, held or gained share. In Hygiene it was 57% and in Health and Nutrition it was 61% and 72%, respectively (weighted by net revenue).

During the year, COVID continued to impact net revenue. Around 70% of our portfolio, representing brands less sensitive to COVID dynamics, grew mid-single-digits. The remaining 30% of our portfolio which includes Lysol, Dettol and our cold and flu brands (Mucinex, Strepsils and Lemsip) have been more volatile reflecting fluctuations in COVID related demand.

E-commerce net revenue[1], excluding IFCN China, grew by 17% in 2021 and now accounts for 12% of group net revenue. The two-year stacked growth is over 85%.

Our Global Business Solutions (GBS) has further developed its channel and geographic footprint through partnerships with operators such as Diversey. We have taken market share within the sectors in which we participate, although overall performance in 2021 was impacted by a slower return to travel and workplaces than originally anticipated.[1]

Adjusted gross margin (excluding IFCN China) was 58.5%, (2020: 60.5%) a reduction of 200bps. The reduction in gross margin was principally driven by c.11% cost inflation, partially mitigated by productivity initiatives (+250bps) and pricing and mix (+80bps).

Adjusted operating profit (excluding IFCN China) was £2,944 million (2020: £3,216 million) at an adjusted operating margin of 22.9% (2020: 24.5%) in line with our guidance of 22.7-23.2%. The reduction of -160bps was principally driven by gross margin (-200bps) partially offset by productivity efficiencies in BEI spend (60bps).

Adjusted operating margin (including IFCN China) was 21.7% (2020: 23.6%). As previously communicated, IFCN China experienced challenging trading throughout the nine months of ownership in 2021, as well as c.£40 million of exit costs incurred just prior to the transfer of the business which diluted adjusted operating margin in 2021.

The IFRS operating loss was £804 million (2020: £2,160 million profit). The IFRS operating loss in 2021 included a pre-tax loss of £3,353 million in relation to the strategic review and disposal of IFCN China and pre-tax losses of £234 million from the sale of Scholl and EnfaBebé brand in Argentina.

Total adjusted diluted EPS was 288.5p in 2021 (IFRS: -4.5p loss per share), 11.8% lower than 2020 due to the lower adjusted operating profit and the adverse impact of foreign exchange.

The 2021 proposed dividend of 174.6p remains in line with 2020 consistent with our approach of sustaining 2019 levels to rebuild dividend cover to two times. Thereafter, we will grow the dividend progressively in line with adjusted net income.

Free cash flow was £1,258 million in 2021 (2020: £3,052 million). As expected, this was lower than the prior year due to the partial unwind of significant working capital favourability experienced in 2020. Capital investment to support our growth and margin ambitions was £441 million, 3.3% of Group net revenue.

Net debt ended the year 2.6x adjusted EBITDA (2020: 2.4x adjusted EBITDA).

1. Adjusted and other non-GAAP measures, definitions and terms are defined on page 81

3.5%

LFL net revenue growth[1]

22.9%

adjusted operating margin excl. IFCN China[1]
2020: 24.5%

-5.4%

IFRS net revenue growth
2021: £13,234m (2020: £13,993m)

-6.1%

IFRS operating margin
2020: 15.4%

HYGIENE

Net Revenue 2021	£m	Volume	Price/Mix	LFL	FX	GAAP
FY 2021	5,911	5.1%	2.4%	7.5%	-5.9%	1.6%

Operating Profit	£m	Constant FX (CER)	GAAP
Adjusted Operating Profit	1,401	-1.3%	-6.9%
Adjusted Operating Profit Margin %	23.7%		-220bps

2021 PERFORMANCE

Hygiene net revenue grew 7.5% on a LFL basis to £5,911 million for the full-year. Volume grew by 5.1% and price/mix improved by 2.4%. Price increases taken in the latter half of 2021 were offset by a return to more normalised promotion levels, especially in North America. On a two-year stacked LFL basis, net revenue is up 27%.

Growth was broad-based across our core categories and regions, with over 57% of Core Hygiene CMUs (weighted by net revenue) growing or holding share. E-commerce net revenue grew by 28% and we continue to have better market share positions online, driven by our improved capabilities in go-to-market and digital demand creation.

Lysol continued the positive momentum, with net revenues up high-single-digits on a LFL basis in 2021 following well over 70% growth in 2020. Growth was driven by increased consumption due to the pandemic as well as strong growth in new spaces (e.g. Laundry Sanitisers) and new places. Lysol has continued to gain market share and significantly contributed to category growth, especially in Laundry Sanitisers, where we see significant further penetration growth potential. Overall, Lysol revenue was c.90% higher than 2019.

Finish continued its growth momentum with net revenue growing by mid-single-digits in 2021. Revenue growth was particularly strong in Europe and Developing Markets driven by our focus on category building, and penetration growth with superior solutions in our premium Finish Quantum product. E-commerce significantly contributed to the brand's success.

Air Wick net revenue grew double-digits. This was led by the US driven by strong market growth and market share gains. Air Wick's scented oils natural range together with the launch of purpose inspired marketing campaigns in partnership with the World Wildlife Fund significantly accelerated Air Wick's growth momentum.

Vanish net revenue grew double-digits driven by reduced confinements of consumers versus the prior year and the success of our purpose led marketing campaign. Harpic grew mid-single-digits as a result of continued penetration activities in key markets. Our Pest business delivered low-single-digits growth.

Adjusted operating profit for Hygiene at £1,401 million was down 1.3% on a constant foreign exchange basis and 6.9% on an actual basis. Our industry leading adjusted operating margin was 23.7%. Higher raw material and transportation costs were partially mitigated by record productivity savings, pricing and volume leverage leading to a -220bps decline in adjusted operating margin versus the prior year.

HEALTH

Net Revenue 2021	£m	Volume	Price/Mix	LFL	Net M&A	FX	GAAP
FY 2021	4,646	-2.1%	2.0%	-0.1%	-0.4%	-4.5%	-5.0%

Operating Profit	£m	Constant FX (CER)	GAAP
Adjusted Operating Profit	1,187	-5.5%	-11.0%
Adjusted Operating Profit Margin %	25.5%		-180bps

2021 PERFORMANCE

Health net revenue of £4,646 million was broadly flat in 2021 versus 2020 on a LFL basis. Volume declined 2.1%, reflecting primarily the reduction in Dettol volumes. Price/mix improved by 2.0%.

On a two-year stacked LFL basis, net revenue is up 12%, reflecting the higher consumption rates for some of our brands, the broadening of our brands to new places and spaces, and the actions we have taken on portfolio management to create a faster growth business.

The disposal of Scholl and acquisition of Biofreeze, combined, contributed 40bps decline to reported Health net revenue growth for the full-year.

In 2021 Health delivered strong market share gains, with 61% of Core Health CMUs (weighted by net revenue) growing or holding share.

Dettol net revenue declined low double-digits in the year following exceptional growth in 2020. The brand has continued to stabilise with net revenue up over 40% compared to 2019, for both the year as a whole and in the fourth quarter. We delivered a number of successful product launches during the year, including 'Dettol Tru Clean' – our first plant-based disinfectant, quickly establishing itself as one of the larger eco brands in the UK. We have a strong pipeline of innovations launching in 2022 and are targeting Dettol to continue its strong, sustainable growth trajectory.

Intimate Wellness delivered strong mid-teens growth in both 2021 and on a two-year stack, led by our flagship brands of Durex and KY. Growth is underpinned by a renewed focus on execution fundamentals, innovation, investment behind omnichannel growth across e-commerce and new 'impulse access models'. In particular, we have seen strong growth in China from our recent and successful polyurethane Durex condom launch. KY has driven renewed momentum from its digital-first, culturally connected advertising and media strategy, which has sparked new points of trial and captured incremental households in the US during the year. Growth in a number of our developing markets has also been strong, with increased distribution and improved display execution, to win in impulse points. As a result, Durex has now become the number 2 condom brand in India. We see significant growth opportunities within our Intimate Wellness business as we pivot from a brand focus to a category centric portfolio of global lifestyle brands.

OTC net revenue grew by low-single-digits in 2021 but declined by low-single-digits on a two-year stack basis, driven predominantly by very low incidences of cold & flu in 2020 and the spring of 2021. Within OTC our less seasonally impacted brand of Gaviscon delivered strong growth in both 2020 and 2021 driven by market share gains, and increased distribution into new places such as India and parts of Latin America. Our cold and flu relief brands, including Mucinex, Strepsils and Lemsip, were adversely impacted by extremely low incidences of cold and flu, and resultant high levels of retailer stock in the first half of the year, offset by strong start to the season in the second half. Importantly we have made good progress in our growth drivers during 2021; we entered into an adjacent category (new space) with the successful launch of Mucinex InstaSoothe, sore throat relief, in the second half of the year. We also launched into new places with the rollout of Nuromol – a unique and exclusive formulation of Ibuprofen and Paracetamol – into Brazil – a top 5 market globally for analgesics. And we made a strategically important entry into the world's large analgesic market with the acquisition of Biofreeze in the US. Biofreeze a fast growing, efficacious, topical analgesic brand, will benefit from Reckitt's strong distribution platform in the US, and its global category expertise and innovation capability. Since the acquisition Biofreeze has delivered double-digit LFL growth.

Our personal care portfolio, following the sale of Scholl in H1 2021, has grown mid-single-digits led by our Veet brand. Growth was driven by our focus on new channels with high-single-digit growth in our e-commerce platforms, the expansion of Veet for Men, and our entry into new spaces such as Veet Minima/Pure.

Adjusted operating profit for Health at £1,187 million was down 5.5% on a constant foreign exchange basis. Adjusted operating margin was 25.5%, a reduction of 180bps year-on-year. The decline is due to the impact of a weak cold and flu season, further investment behind capabilities and a deteriorating input cost environment. This was partially mitigated by our productivity programme and some pricing taken in the second half of 2021.

NUTRITION

Net Revenue 2021	£m	Volume	Price/Mix	LFL	Net M&A	FX	GAAP
FY 2021	2,677	-4.9%	5.5%	0.6%	-14.4%	-4.8%	-18.6%
FY 2021 (ex IFCN China)	2,294	-4.9%	5.5%	0.6%	0.2%	-6.2%	-5.4%

Operating Profit	£m	Constant FX (CER)	GAAP
Adjusted Operating Profit	289	-31.2%	-37.4%
Adjusted Operating Profit Margin %	10.8%		-330bps
Adjusted Operating Profit (ex IFCN China)	356	2.4%	-5.6%
Adjusted Operating Profit Margin % (ex IFCN China)	15.5%		Unchanged

2021 PERFORMANCE

Nutrition net revenue grew by 0.6% on a LFL basis in the full-year at £2,677 million, and grew 6% on a two-year stack. Within this, our IFCN business grew consistently over the past two years at low-single digit growth, with our VMS business delivering very strong growth in 2020, offset by a weaker 2021 as it lapped the very strong comparatives. For 2021 volume declined 4.9% and we delivered price/mix improvements of 5.5% as pricing was taken in a number of markets. Actual net revenue declined 18.6% primarily as a result of the performance and disposal of IFCN China which completed in September.

Market share performance was strong, with 72% of our Core Nutrition CMUs (weighted by net revenue) holding or gaining market share for the year, excluding IFCN China.

IFCN net revenue grew 3% on a LFL basis. The US business, which represents around half of IFCN net revenue, grew mid-single-digits. Growth in our speciality brands was strong, we gained share in the important non-WIC portion of the market, and further expanded our adult nutrition offering with the launch of Provital in ASEAN and Sustagen in the developing markets. Latin America grew low single-digits, whilst ASEAN was down slightly, with better momentum in the second half of the year in part driven by improvements in competitiveness in key ASEAN markets.

Net revenue in our Vitamins, Minerals and Supplements business declined high-single-digits. This was primarily the result of a reduction in demand for Airborne following exceptional growth in 2020, plus increased competitive challenges. Despite these challenges, net revenue in 2021 significantly exceeded 2019 levels. Move Free grew strongly in both the US and China, and Neuriva, has become the leader in the US for household penetration in the brain category, with net revenue doubling in 2021.

Adjusted operating profit for Nutrition at £289 million was 31.2% lower on a constant foreign exchange basis and 37.4% lower on an actual basis. Adjusted operating margin was 10.8%, down 330bps year-on-year reflecting principally the negative leverage related to the significant decline in IFCN China net revenue. Excluding IFCN China, adjusted operating profit for Nutrition was £356 million (15.5% margin).

IFCN China

The disposal of IFCN China completed on 9 September 2021. The business contributed net revenue of £383 million and an adjusted operating loss of £67 million in 2021 to the date of sale, with a challenging and competitive trading environment throughout the year, and c.£40 million of exit costs incurred immediately prior to the transfer of the business.

ADDITIONAL FINANCIAL COMMENTARY

The following section should be read in conjunction with the FY 2021 Review from page 74 and the Adjusted Performance Measures section from page 81.

GROUP OPERATING PROFIT

Adjusted operating profit was £2,877 million (2020: £3,301 million) at an adjusted operating margin of 21.7%, 190bps lower than the prior year (2020: 23.6%). Adjusted operating margin excluding IFCN China was 22.9% (2020: 24.5%), 160bps lower than prior year. Adjusted operating profit in 2021 included the favourable effect of adjustments to trade spend and operational expenditure accruals, certain of which were subject to significant estimation uncertainty as a result of the COVID-19 pandemic when originally recorded in 2020.

IFRS operating loss was £804 million (2020: £2,160 million profit) at an IFRS operating margin of minus 6.1% (2020: 15.4%). The IFRS operating loss in 2021 was principally driven by the loss of £3,353 million in relation to the IFCN China strategic review. The IFRS operating profit in 2020 included impairment charges of £985 million in relation to IFCN goodwill.

NET FINANCE EXPENSE

Adjusted net finance expense was £220 million (2020: £260 million). The decrease in 2021 is due to lower average net debt, a credit on revaluation of a put option liability and a favourable comparison with prior year adjusted net finance expense which included the interest element of a sales tax provision.

IFRS net finance income of £547 million (2020: £286 million net finance expense) was principally driven by a £766 million net foreign exchange gain resulting from the liquidation of a number of subsidiaries to simplify the Group's legal entity structure.

TAX

The adjusted effective tax rate was 22.0% (2020: 22.7%). The rate in 2021 benefited from favourable updates to estimates in relation to certain historical matters.

The IFRS tax rate was -80.0% (2020: 38.4%). The IFRS tax rate in 2021 was impacted by the effect of non-taxable net foreign exchange gains on the liquidation of subsidiaries, the deferred tax effect of disposals in the period and the impact of the UK tax rate change on deferred tax on intangible assets.

DISCONTINUED OPERATIONS

Income from discontinued operations of £31 million (2020: £50 million) relates to the Group's RB Pharmaceuticals (now Indivior) business demerged in 2014. The amount in 2021 principally relates to income from an agreement with Indivior plc to settle indemnity claims relating to the Group's settlement with the DoJ in 2019, and related matters.

EARNINGS PER SHARE (EPS)

Total adjusted diluted EPS was 288.5p (2020: 327.0p). The decrease in 2021 was principally due to lower adjusted operating profit and the adverse impact of foreign exchange.

IFRS total diluted EPS was a loss per share of 4.5p (2020: earnings per share of 166.3p), principally due to the net loss in relation to the strategic review of IFCN China.

BALANCE SHEET

At 31 December 2021, the Group had total equity of £7,453 million (31 December 2020: £9,159 million).

Current assets of £4,862 million (31 December 2020: £5,314 million) decreased by £452 million, principally as the result of lower cash and cash equivalents and lower inventories.

Current liabilities of £8,088 million (31 December 2020: £6,938 million) increased by £1,150 million. The increase is principally due to the re-classification from non-current to current liabilities of $3.2 billion (£2,401 million) of bonds which mature in June 2022, offset by lower trade and other payables and the repayment of commercial paper in 2021.

Non-current assets of £21,941 million (31 December 2020: £25,978 million) are primarily comprised of goodwill and other intangible assets of £18,868 million (31 December 2020: £22,979 million) and property, plant and equipment. The decrease of £4,037 million is predominantly due to the disposal of goodwill and other intangible assets relating to IFCN China and Scholl, partially offset by the recognition of goodwill and other intangible assets on the acquisition of Biofreeze.

Non-current liabilities of £11,405 million (31 December 2020: £15,195 million) decreased by £3,790 million. This decrease is principally due to the re-classification from non-current to current liabilities of $3.2 billion (£2,401 million) of bonds which mature in June 2022, the early repayment of term loans and the reduction in deferred tax liabilities as a result of the disposal of IFCN China.

NET WORKING CAPITAL

Negative net working capital was reduced by £347 million to negative £1,882 million (2020: negative £2,229 million), or a reduction of £194 million excluding IFCN China which was disposed in 2021. Negative NWC as a percentage of net revenue was 14% (2020: 16%).

The reduction in negative NWC excluding IFCN China was the result of higher inventory and receivables, and as expected lower payables following the partial reversal of the favourable impact on NWC in 2020.

CASH FLOW

Free cash flow

£m	31 Dec 2021	31 Dec 2020
Adjusted Operating Profit	**2,877**	3,301
Depreciation and share-based payments	**401**	407
Capital expenditure	**(441)**	(476)
Movement in working capital and provisions	**(356)**	895
Exceptional cash flow	**(86)**	(46)
Interest paid	**(222)**	(267)
Tax paid	**(915)**	(762)
Free cash flow	**1,258**	3,052
Free cash flow conversion	**61%**	131%

Free cash flow (FCF) is the amount of cash generated from continuing operating activities after net capital expenditure on property, plant and equipment and intangible software assets. 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 61% (2020: 131%). The lower free cash conversion in 2021 was expected, principally resulting from the partial unwind of significant working capital favourability experienced in the prior year. Free cash flow in 2021 includes £203 million of transaction costs and cash tax relating to the disposal of IFCN China. Excluding cash outflows relating to the disposal of IFCN China, free cash flow conversion was 71% in 2021.

Net cash from operating activities was £1,697 million (2020: £3,518 million), down £1,821 million.

Net debt

£m	31 Dec 2021	31 Dec 2020
Opening net debt	**(8,954)**	(10,749)
Free cash flow	**1,258**	3,052
Shares reissued	**80**	131
Acquisitions, disposals and purchase of investments	**694**	(36)
Dividends paid	**(1,263)**	(1,257)
New lease liabilities in the year	**(109)**	(86)
Exchange and other movements	**(82)**	1
Cash flow attributable to discontinued operations	**(2)**	(10)
Closing net debt	**(8,378)**	(8,954)

Net debt at 31 December 2021 was £8,378 million (31 December 2020: £8,954 million), a decrease of £576 million, as free cash flow and net proceeds from M&A more than offset the dividend payments in 2021.

The Group regularly reviews its banking arrangements and currently has adequate facilities available to it. The Group has committed facilities totalling £4,500 million (31 December 2020: £5,500 million), which expire after more than two years, which are undrawn and available to draw. The Group remains compliant with its banking covenants. The committed borrowing facilities, together with cash and cash equivalents, are considered sufficient to meet the Group's projected cash requirements.

DIVIDENDS

The Board of Directors recommends a final 2021 dividend of 101.6 pence (2020: 101.6 pence), consistent with its policy and guidance from February 2020. The ex-dividend date will be 28 April 2022 and the dividend will be paid on 9 June 2022 to shareholders on the register at the record date of 29 April 2022. The last date for election for the share alternative to the dividend is 17 May 2022. The final 2021 dividend will be accrued once approved by shareholders.

RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE in 2021 was 10.1%, in line with the prior year (2020: 10.1%), as lower adjusted operating profit was offset by lower average capital employed. The lower capital employed principally resulted from the disposal of IFCN China, which has been removed from capital employed from the date of disposal in September 2021.

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 over time.

Repatriating cash to shareholders through a growing dividend remains a long-term goal of the business. As a result of the investments being made during 2021, which will benefit long-term sustainable growth, our pay-out for 2021 is in excess of our policy of paying an ordinary dividend equivalent to c.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.

We will return surplus cash to shareholders as appropriate.

ALTERNATIVE PERFORMANCE MEASURES

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

Financial information presented on an adjusted basis excludes certain cash and non-cash items. These items have a pattern of recognition that is largely uncorrelated with the trading performance of the business. Management reviews the business on this basis for the purpose of making operating decisions and showing these adjusted measures in addition to the IFRS measures provides useful additional information on trading performance to the users of the financial statements. These adjusted measures should not be considered in isolation from, substitutes for, or superior to the financial measures prepared in accordance with IFRS.

The following items (adjusting items) are excluded from IFRS earnings in calculating adjusted earnings.

- **Impact of business combinations** where IFRS accounting results in the recognition of certain costs that are not comparable with those for internally generated assets, (although the net revenues and other costs of these business combinations are not adjusted for):
  - Amortisation of (a) acquired brands, trademarks and similar assets and (b) certain other intangible assets recorded as the result of a business combination; Inventory fair value adjustments;
  - Professional and advisor costs recorded as the result of a business combination; and
  - 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 as the amortisation or profit on disposal of these brands would be treated as an adjusting item.
- **Profits or losses relating to the sale of brands and related intangible assets** as the continued active management of our portfolio results in the recognition of profits or losses relating to disposals of brands and related intangible assets which are largely uncorrelated with the trading performance of the business.
- **Re-cycled foreign exchange translation reserves** upon the sale, liquidation, repayment of share capital or abandonment of a subsidiary previously controlled by the Group, as the gain or loss relates to mainly exchange movements in previous periods rather than the current period.
- **The 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.
- **Other individually material items of expense or income.** Some of these items are resolved over a period of time such that the impact may affect more than one reporting period.

In the prior year, for presentational purposes adjusting items were split into exceptional items, other adjusting items and the reclassification of finance expenses on tax balances. The change to presentation of these items in the current year is to provide a clearer view of the nature of the Group's adjusting items. There has been no change in individual items classified as adjusting items.

ADJUSTED MEASURES

- **Adjusted Operating Profit and Adjusted Operating Profit margin:** Adjusted operating profit reflects the IFRS operating (loss)/profit excluding items in line with the Group's adjusted items policy. See page 84 for details on the adjusting items and a reconciliation between IFRS operating (loss)/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 84 for details on the adjusting items and a reconciliation between IFRS net (loss)/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 EBITDA (earnings before interest depreciation and amortisation):** Adjusted operating profit less depreciation and amortisation (excluding adjusting items).

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. Completed disposals are excluded from LFL revenue growth for the entirety of the current and prior years. Acquisitions are included in LFL revenue growth twelve months after the completion of the relevant acquisition. LFL growth also excludes countries with annual inflation greater than 100% (Venezuela).
- **Constant exchange rate (CER):** Net revenue and profit 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 83. The Group tracks Free Cash Flow as a % of adjusted net income to understand the conversion of adjusted profit into cash.

OTHER DEFINITIONS AND TERMS

- **Stacked Net Revenue Growth:** The summation of the like-for-like net revenue growth for the relevant period in 2021 and 2020 (excluding IFCN China), to provide visibility of growth versus periods prior to the start of the COVID-19 pandemic.
- **Category Market Unit (CMU):** Reckitt analyses its market share by CMUs, which represent country and either brand or category, e.g. US Lysol. This allows us to analyse the components of market share growth taking into account both geography and brand/category. Management has identified those Core CMUs that are the most strategically important. The list of Core CMUs is kept under continual review and will change over time based on strategic decisions. Currently, Core CMUs cover c.70% of Group net revenue and between c.65% to c.80% of each GBU's net revenue. As a measure of competitiveness, management tracks the percentage of Core CMUs holding or gaining market share, weighted by net revenue.
- **E-commerce:** E-commerce channel net revenue is direct sales from Reckitt to online platforms or directly to consumers. Estimates of total e-commerce sales as a percentage of Group net revenues are calculated by adding e-commerce channel net revenue to an estimate of e-commerce sales achieved by our brands through omnichannel distributors and retailer websites.
- **Discontinued operations:** Includes credits or charges related to the previously demerged RB Pharmaceuticals business that became Indivior plc. Net income 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 impairments of Goodwill except where the impaired asset has been disposed or partially disposed. Current liabilities exclude legal provisions recorded as a result of exceptional items and current tax.
- **Net revenue attributable to 'more sustainable' products:** A product is defined as 'more sustainable' when it scores 'better' on one of the five parameters (carbon, water, plastics, packaging and ingredients) at time of launch using our Sustainable Innovation Calculator (a streamlined Lifecycle Assessment tool that models the environmental impacts of products). The net revenue from 'more sustainable' products is expressed as a percentage of total net revenue. The calculation is done on the basis of a 12 month period ending September (to allow assembling the related data). This percentage does not apply to infant formula.

RECONCILIATION OF IFRS TO LIKE-FOR-LIKE NET REVENUE BY GBU

Net Revenue 31 December 2021	Hygiene £m	Health £m	Nutrition £m	Group £m
2020 IFRS	**5,816**	**4,890**	**3,287**	**13,993**
Disposals	–	(176)	(885)	(1,061)
2020 Like-for-like	**5,816**	**4,714**	**2,402**	**12,932**
2021 IFRS	**5,911**	**4,646**	**2,677**	**13,234**
M&A	–	(142)	(403)	(545)
Exchange	340	207	143	690
2021 Like-for-like	**6,251**	**4,711**	**2,417**	**13,379**
Like-for-like growth	**7.5%**	**(0.1)%**	**0.6%**	**3.5%**
2020 Like-for-like[1]	**19.5%**	**12.1%**	**0.0%**	**11.8%**
Impact of IFCN China	–	–	5.4%	2.1%
2020 Like-for-like excl. IFCN China[1]	**19.5%**	**12.1%**	**5.4%**	**13.9%**
2021 2 year stack	**27.0%**	**12.0%**	**6.0%**	**17.4%**

1 See page 87 for reconciliation to IFRS

RECONCILIATION OF ADJUSTED EBITDA TO NET DEBT

Adjusted EBITDA/Net debt	31 Dec 2021 £m	31 Dec 2020 £m
Operating (loss)/profit	**(804)**	2,160
Less: Adjusting items	**3,681**	1,141
Adjusted Operating Profit	**2,877**	3,301
Less: Adjusted Depreciation and Amortisation	**362**	392
Adjusted EBITDA	**3,239**	3,693

Net Debt	31 Dec 2021 £m	31 Dec 2020 £m
Cash and cash equivalents including overdrafts	**1,259**	1,644
Financing liabilities	**(9,637)**	(10,598)
Net Debt	**(8,378)**	(8,954)
Adjusted EBITDA/Net Debt	**2.6x**	2.4x

DIVIDEND COVER

	31 Dec 2021 £m	31 Dec 2020 £m
Interim dividend paid in year	**521**	520
Final dividend proposed	**726**	725
Total dividends	**1,247**	1,245
Adjusted Net Income	**2,059**	2,334
Dividend cover	**1.7**	1.9

RECONCILIATION OF OPERATING CASH FLOW TO FREE CASH FLOW

	31 Dec 2021 £m	31 Dec 2020 £m
Cash generated from continuing operations	**2,836**	4,557
Less: net interest paid	**(222)**	(267)
Less: tax paid	**(915)**	(762)
Less: purchase of property, plant & equipment	**(373)**	(394)
Less: purchase of intangible assets	**(77)**	(92)
Plus: proceeds from the sale of property, plant & equipment	**9**	10
Free Cash Flow	**1,258**	3,052
Free Cash Flow Conversion	**61%**	131%

ROCE CALCULATION

	31 Dec 2021 £m	31 Dec 2020 £m
Adjusted Operating Profit	**2,877**	3,301
Less: Taxation on adjusted operating profit	**(633)**	(750)
Adjusted Net Operating Profit after Tax	**2,244**	2,551
IFRS total assets	**26,946**	31,292
IFRS total current liabilities	**(8,088)**	(6,938)
IFRS total assets less current liabilities	**18,858**	24,354
Less IFRS items not included in capital employed:		
Short-term borrowings	**2,485**	763
Current tax liabilities	**93**	72
Legal provisions	**86**	127
Cash and cash equivalents	**(1,261)**	(1,646)
Current tax recoverable	**(155)**	(125)
Retirement benefit surplus	**(355)**	(226)
IFRS balances included in capital employed	**19,751**	23,319
Add impact back unrealised impairments	**3,143**	5,116
Less Goodwill due to deferred tax on intangibles	**(4,133)**	(5,301)
Impact of average in year vs closing balance	**3,442**	2,023
Average capital employed	**22,203**	25,157
Return on Capital Employed	**10.1%**	10.1%

Group Financial Review (Continued)

The table below reconciles the Group's reported IFRS measures to its adjusted measures for the year ended 31 December 2021.

		Adjusting Items					
	IFRS £m	Impact of business combinations £m	Losses on disposal of brands £m	Reclassified foreign exchange translation on liquidation of subsidiaries £m	Finance expense reclass £m	Other individually material items of income and expense £m	Adjusted £m
Net Revenue	13,234	–	–	–	–	–	13,234
Cost of sales	(5,558)	14	–	–	–	–	(5,544)
Gross profit	**7,676**	**14**	**–**	**–**	**–**	**–**	**7,690**
Net operating expenses	(8,480)	77	234	–	–	3,356	(4,813)
Operating (Loss)/profit	**(804)**	**91**	**234**	**–**	**–**	**3,356**	**2,877**
Net finance income/(expense)	547	–	–	(766)	(1)	–	(220)
Share of loss of associate	(3)	–	–	–	–	–	(3)
(Loss)/profit before income tax	**(260)**	**91**	**234**	**(766)**	**(1)**	**3,356**	**2,654**
Income tax credit/(charge)	208	170	(117)	–	1	(846)	(584)
Net (loss)/income from continuing operations	**(52)**	**261**	**117**	**(766)**	**–**	**2,510**	**2,070**
Less: Attributable to non-controlling interest	(11)	–	–	–	–	–	(11)
Net (loss)/income for the year attributable to owners of the parent	**(63)**	**261**	**117**	**(766)**	**–**	**2,510**	**2,059**
Net income from discontinued operations	**31**	**–**	**–**	**–**	**–**	**(31)**	**–**
Total net (loss)/income for the year attributable to owners of the parent	**(32)**	**261**	**117**	**(766)**	**–**	**2,479**	**2,059**
Earnings per share (EPS) from continuing operations							
Basic	(8.8)	36.6	16.4	(107.3)	–	351.6	288.5
Diluted	(8.8)	36.6	16.4	(107.3)	–	351.6	288.5
Earnings per share (EPS) from discontinued operations							
Basic	4.3	–	–	–	–	(4.3)	–
Diluted	4.3	–	–	–	–	(4.3)	–
Earnings per share (EPS) from total operations							
Basic	(4.5)	36.6	16.4	(107.3)	–	347.3	288.5
Diluted	(4.5)	36.6	16.4	(107.3)	–	347.3	288.5

Earnings per share (EPS) is calculated using 713.8 million shares (basic) and 713.8 million shares (diluted).

Impact of business combinations is composed of:

- Amortisation of acquired intangibles of £61 million relates to the amortisation of certain intangible assets recognised as a result of historical business combinations. Included within income tax expense is a £14 million tax credit in respect of this amortisation.
- Acquisition advisor costs relate to acquisition related costs of £19 million as a result of acquisitions in 2021, £3 million of which has been charged to Cost of Sales. Included within income tax expense is a £4 million tax credit in relation to these costs.
- Inventory fair value adjustment of £11 million relates to the amount charged to cost of sales for the fair value step-up of acquired inventories as these inventories are sold. Included within income tax expense is a £1 million tax credit in relation to these charges.
- Changes to deferred tax liabilities of £189 million relate principally to the revaluation of deferred tax liabilities for acquired intangible assets due the change in the UK corporate tax rate, which was substantively enacted during the year.

Losses related to disposals of brands and related intangible assets: the pre-tax loss of £234 million relates to the disposal of Scholl (£165 million) and the disposal of EnfaBebé (£69 million). Included within income tax expense are associated tax credits of £94 million in relation to these disposals, and a deferred tax credit of £23 million on classification of the E45 brand as held for sale at 31 December 2021.

Reclassified foreign exchange translation on liquidation of subsidiaries of £766 million is the net gain following the liquidation of legal entities as part of simplification of the Group's legal entity structure.

Reclassification of finance expenses of £1 million relates to the net interest charge on tax liabilities that is shown within the adjusted tax charge.

Other individually material items of income and expense principally relate to charges in relation to the strategic review of IFCN China, which resulted in the disposal of the IFCN China business, the closure of factories in Australia dedicated to IFCN China and the subsequent re-organisation of the remaining Reckitt Nutrition business.

Amounts charged to IFRS operating loss in relation to the IFCN China strategic review include:

- Loss on disposal of IFCN China of £3,284 million;
- Impairment of the Australian factory assets, £48 million along with associated termination fee £3 million; and
- Costs of £18 million relating to the subsequent restructuring of the Reckitt Nutrition business.

Included within income tax expenses is a £846 million net tax credit in relation to the IFCN strategic review.

Also included within IFRS operating loss is a charge of £3 million in relation to the Korea HS issue. Income from discontinued operations of £31 million relates to amounts agreed with Indivior plc to settle indemnity claims relating to the DoJ settlement in 2019.

Group Financial Review (Continued)

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

		Adjusting Items					
	IFRS £m	Impact of business combinations £m	Losses on disposal of brands £m	Reclassified foreign exchange translation on liquidation of subsidiaries £m	Finance expense reclass £m	Other individually material items of income and expense £m	Adjusted £m
Net Revenue	13,993	–	–	–	–	–	13,993
Cost of sales	(5,558)	–	–	–	–	–	(5,558)
Gross profit	**8,435**	**–**	**–**	**–**	**–**	**–**	**8,435**
Net operating expenses	(6,275)	80	–	–	–	1,061	(5,134)
Operating profit	**2,160**	**80**	**–**	**–**	**–**	**1,061**	**3,301**
Net finance expense	(286)	–	–	–	26	–	(260)
Share of loss of associate	(1)	–	–	–	–	–	(1)
Profit before income tax	**1,873**	**80**	**–**	**–**	**26**	**1,061**	**3,040**
Income tax expense	(720)	59	–	–	(26)	(3)	(690)
Net income from continuing operations	**1,153**	**139**	**–**	**–**	**–**	**1,058**	**2,350**
Less: Attributable to non-controlling interest	(16)	–	–	–	–	–	(16)
Net (loss)/income for the year attributable to owners of the parent	**1,137**	**139**	**–**	**–**	**–**	**1,058**	**2,334**
Net (loss)/income from discontinued operations	**50**	**–**	**–**	**–**	**–**	**(50)**	**–**
Total net income for the year attributable to owners of the parent	**1,187**	**139**	**–**	**–**	**–**	**1,008**	**2,334**
Earnings per share (EPS) from continuing operations							
Basic	160.0	19.6	–	–	–	148.7	328.3
Diluted	159.3	19.5	–	–	–	148.2	327.0
Earnings per share (EPS) from discontinued operations							
Basic	7.0	–	–	–	–	(7.0)	–
Diluted	7.0	–	–	–	–	(7.0)	–
Earnings per share (EPS) from total operations							
Basic	167.0	19.6	–	–	–	141.7	328.3
Diluted	166.3	19.5	–	–	–	141.2	327.0

Earnings per share (EPS) is calculated using 710.9 million shares (basic) and 713.7 million shares (diluted).

Acquisition related items are composed of:

- Amortisation of acquired intangibles of £80 million relates to the amortisation of certain intangible assets recognised as a result of historical business combinations. Included within income tax expense is a £19 million tax credit in respect of this amortisation
- Changes to deferred tax liabilities of £78 million relate to principally to the change in the UK corporate tax rate which was substantively enacted during the year (which is netted against the £19 million tax credit)

Reclassification of finance expenses of £26 million relates to the net interest charge on tax liabilities that is shown within the adjusted tax charge.

Other individually material items of income and expense include:

- £985 million impairment in relation to IFCN goodwill;
- £69 million charge relating to the Korea HS issue; and
- £7 million relating to previously announced restructuring projects (principally RB 2.0 costs).

Income tax expense is a £3 million tax credit for these items.

ADJUSTED MEASURES EXCLUDING IFCN CHINA

The table below reconciles the Group's reported IFRS measures to its adjusted measures excluding IFCN China for the years ended 31 December 2021 and 31 December 2020.

Year ended 31 December 2021	**IFRS £m**	**Adjusting Items £m**	**Adjusted £m**	**IFCN China £m**	**Adjusted excl. IFCN China £m**
Net Revenue	13,234	–	13,234	(383)	12,851
Cost of sales	(5,558)	14	(5,544)	214	(5,330)
Gross profit	**7,676**	**14**	**7,690**	**(169)**	**7,521**
Net operating expenses	(8,480)	3,667	(4,813)	236	(4,577)
Operating (loss)/profit	**(804)**	**3,681**	**2,877**	**67**	**2,944**
Operating margin	−6.1%				22.9%
Operating margin vs PY	(2,150 bps)				(160 bps)

Year ended 31 December 2020	IFRS £m	Adjusting Items £m	Adjusted £m	IFCN China £m	Adjusted excl. IFCN China £m
Net Revenue	13,993	–	13,993	(861)	13,132
Cost of sales	(5,558)	–	(5,558)	375	(5,183)
Gross profit	**8,435**	**–**	**8,435**	**(486)**	**7,949**
Net operating expenses	(6,275)	1,141	(5,134)	401	(4,733)
Operating profit	**2,160**	**1,141**	**3,301**	**(85)**	**3,216**
Operating margin	15.4%				24.5%

RECONCILIATION OF PRIOR YEAR IFRS TO LIKE-FOR-LIKE NET REVENUE

Net Revenue 31 December 2020	**Hygiene £m**	**Health £m**	**Nutrition £m**	**Group £m**
2019 IFRS & like-for-like	**5,031**	**4,462**	**3,353**	**12,846**
IFCN China disposal	–	–	(991)	(991)
2019 Like-for-like (excl. IFCN China)	**5,031**	**4,462**	**2,362**	**11,855**
2020 reported	**5,816**	**4,890**	**3,287**	**13,993**
Exchange	194	114	65	373
2020 Like-for-like	**6,010**	**5,004**	**3,352**	**14,366**
2020 IFCN China disposal	–	–	(863)	(863)
2020 Like-for-like (excl. IFCN China)	**6,010**	**5,004**	**2,489**	**13,503**
Like-for-like growth	**19.5%**	**12.1%**	**0.0%**	**11.8%**
Like-for-like growth (excl. IFCN China)	**19.5%**	**12.1%**	**5.4%**	**13.9%**

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. The framework 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 and Accounts		
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 bi-annually, with updates shared at the Global Business Unit Risk Committees	• Completed annually in advance of the Global Business Unit strategic planning process	• Completed bi-annually in advance of the half-year results announcement and Group strategic planning process. Updates are shared with the Risk, Sustainability & Compliance Committee (RSCC) and Board	• 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. Updates on top risks and associated mitigations are reported to the RSCC 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 Global 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 specific risks, controls and action plans	• Led by Global Business Unit/ corporate management teams	• Group Risk Management • GEC owners are assigned to each risk, with the principal and emerging risk set then circulated to the Board for final review and sign-off	• GEC owner	

Our approach to the 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 and their principal and emerging risks are circulated to the Board for final review, sign-off and ongoing monitoring
- Principal and emerging risks are disclosed in the Annual Report

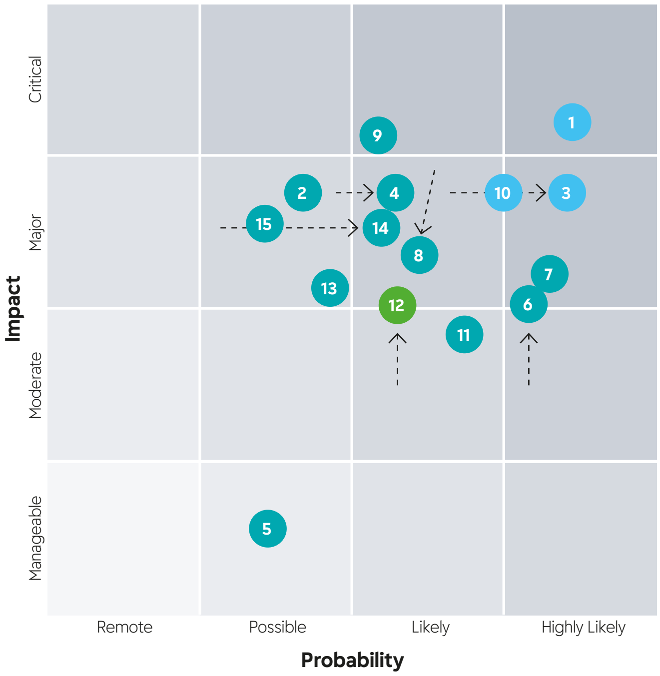
OUR PRINCIPAL & EMERGING RISKS, AS AT 31 DECEMBER 2021

Key to principal risks

Category	ID	Risk title	Risk statement
Operational	1	**COVID-19**[1]	COVID-19 continues to cause disruption in key markets and creates significant volatility and uncertainty across the portfolio, impacting our ability to accurately predict consumer demand, and execute growth plans.
	2	**Product Safety**	Robust process, systems, data 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: ongoing disruptions to material supply, freight and labour availability; ongoing market volatility and unpredictability; remaining capacity gaps; and reliance on single factories for key products and/or source for key materials without 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, or by 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 (including climate change), and changing societal expectations of businesses in addressing these, creates underlying risk to business resilience, growth and share price performance.
	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, or is not sufficient to achieve organic growth ambitions and drive gross margin accretion.
	9	**Disruption**[1]	Inability to respond to, adapt and evolve both our products and processes to disruptive market forces including e-commerce, digital, new formats, applying AI and machine learning, and increasing data challenges, impacting our ability to effectively service our customers and consumers with the required agility.
	10	**China**[1]	Risk in China of economic uncertainty, changing regulations and changes in current or new partners impacting growth and business performance.
People	11	**People**[1]	We do not achieve our strategic objectives due to our reduced ability to attract, develop at accelerated pace and retain talent in a highly competitive market, further enhanced by a changing workplace environment. We lose momentum to drive the organisation's transformation if we do not attract and retain a diverse and capable workforce.
Financial	12	**Tax Disputes**	Increasing global tax rates, alongside tax authority challenges in key markets, impact our global operating model and tax footprint.
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**[1]	We are not fully compliant with relevant laws and regulations, including anti-corruption laws, data privacy laws and global competition laws.
	15	**South Korea Humidifier Sanitiser (HS)**	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. The product was withdrawn in 2011.
Other	BS	**Black Swan Event**	We define a Black Swan event as an unforeseen reputational incident impacting multiple brands. The Board considers the possibility of a Black Swan event throughout the course of the year.

1. See Viability Statement on page 103

Principal risks



Mitigation activity

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

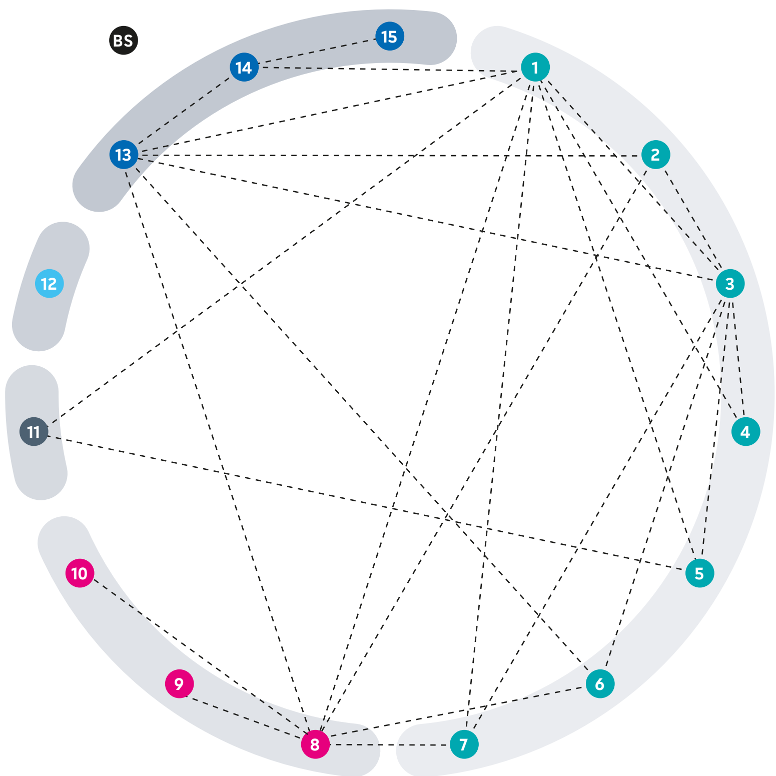
- All significant mitigating actions are in place and operating effectively
- Some significant actions remain in progress
- Significant and urgent actions remain under way

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.

- Operational
- Strategic
- People
- Financial
- Compliance

MAPPING PRINCIPAL & EMERGING RISKS TO STRATEGIC IMPERATIVES

Consideration of principal and emerging risks, and how we are managing them, is an important part of building our strategy and demonstrating our longer-term viability. The chart below shows the linkage between our current principal and emerging risks and our strategy, specifically our six strategic imperatives. Further information on each of the strategic imperatives can be found on page 22.

	Risk	Grow brands and innovate	Drive superior execution	Invest in capabilities	Increase productivity	Embed sustainability	Actively manage the portfolio
Principal risks	1. COVID-19		●				
	2. Product Safety		●			●	
	3. Supply Disruption		●	●	●	●	
	4. Cyber Security		●	●			
	5. Employee Health & Safety		●				
	6. Sustainability	●		●	●	●	
	7. Adherence to Product Quality Standards		●				
	8. Innovation	●		●	●	●	●
	9. Disruption	●	●	●			●
	10. China	●					●
	11. People		●	●			
	12. Tax Disputes		●				
	13. Product Regulations		●				
	14. Legal & Compliance		●				
	15. South Korea Humidifier Sanitiser (HS)						●
Emerging risks	1. Geopolitical		●				
	2. Economic Volatility in post-COVID World		●				
	3. Sector Consolidation						●
	4. Emergence of Environmental Tax Instruments					●	
	5. Science and Technology 'Disruptors'	●		●			

Grow brands and innovate
Drive superior execution
Invest in capabilities
Increase productivity
Embed sustainability
Actively manage the portfolio

1. COVID-19

Risk movement:
No change

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

The risk: COVID-19 continues to cause disruption in key markets and creates significant volatility and uncertainty across the portfolio, impacting our ability to accurately predict consumer demand, and execute growth plans.

Potential impact
In 2020, the impact of the COVID-19 principal risk was focused on supply chain disruption and the health and wellbeing of our people. As we emerge from the pandemic, we are now facing significant demand volatility across the portfolio and higher levels of uncertainty over the medium- to long-term impact on consumer behaviours. Such volatility may impact our ability to accurately forecast and affect the planning and strategic investments required to execute growth plans.

Mitigation progress in 2021
Return-to-work policies, additional site-specific protocols and safety measures have now been rolled out across our sites. These protocols outline the measures we are taking to keep our people safe and are overseen by the Global Advisory Group, who continue to monitor and respond to changing work practices.

Across the Supply organisation, additional supply 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 and regulatory authorities to ensure we could move products across closed borders. Across the R&D organisation, additional lab procedures, including enhanced safety protocols, were also activated to ensure we could continue to support the safety and efficacy of current products in market and in the development pipeline.

Current control strategy
Strategic capacity plans for sourcing, manufacturing and logistics are being reviewed to respond to the COVID-19-related surge in demand for specific products. Our sales and operations planning and execution processes are being strengthened, allowing us to better respond to the amplified demand volatility we are seeing.

As the pandemic continues into 2022, return-to-work protocols have been established to ensure both compliance with local government requirements and respect for each individual's personal situation. Manufacturing and R&D activities are ongoing, and the safety of our people across our sites remains our first priority. Additionally, we continue to support our people through regular updates and a programme of global and local wellbeing initiatives.

We have launched our 'Future of Work' approach, providing greater flexibility and creating a seamless, inclusive and consistent experience in a hybrid world. Our approach is underpinned by the four Cs – Connect, Create, Coach and Collaborate – which will help to guide choices around where we work.

Activity impact for 2022
The Group monitors the impact of COVID-19 across all areas, continually reviewing our guidance to ensure it remains appropriate and reflects any further developments. It is anticipated that while some disruption will continue into 2022, this will reduce as our 'Future of Work' approach becomes further embedded. Target rating from current Red to Amber by the end of 2022, provided that there is no escalation in pandemic-related circumstances and/or geopolitical events.

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, data 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 or a lack of anticipation of new safety concerns could exacerbate any potential impact.

Mitigation progress in 2021
Several product-safety-related programmes have been completed or remain on plan for completion. Our Product Integrity Review (PIR) programme is now complete and PLM (Product Lifecycle Management) implementation is ongoing. Continued focus on data governance and systems is required to modernise data flow and compliance. A strategic review of our data governance is underway and further learnings made will be applied to the programme moving forward.

Our Global Safety Assurance (GSA) transformation project, led by our Chief Safety Officer, is underway with forecast completion in Q1 2023. The programme will elevate Reckitt's global safety approach into the leading group of peer organisations and includes safety culture, processes, systems and data.

Product safety training has been rolled out to all employees, as well as specific training for relevant employees to understand their role in ensuring safety, quality and regulatory compliance for all Reckitt products.

We have made investments in Consumer Relations to improve consumer data insights and awareness of social media to identify emerging trends, themes and safety concerns.

Current control strategy
The GSA team operates as part of the Global R&D function, further embedding product safety into each of the Global Business Units through proximity to markets whilst providing centralised oversight and assurance services. GSA is accountable to the Risk, Sustainability & Compliance Committee (RSCC) and thereafter to the Corporate Responsibility, Sustainability, Ethics & Compliance (CRSEC) Committee.

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

Activity impact for 2022
2022 will see the continued rollout of key safety programmes including Product Lifecycle Management (PLM), QualityOne and the Global Safety Assurance transformation. Innovation and business processes are continuously adapted to ensure safety diligence requirements are fully implemented. We will continue to proactively engage with regulators to ensure we are staying abreast of emerging safety concerns. Target rating to remain Amber at the end of 2022. This is a multi-year deliverable to replace current systems.

3. SUPPLY DISRUPTION

Risk movement: **Increasing**

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: ongoing disruptions to material supply, freight and labour availability; ongoing market volatility and unpredictability; remaining capacity gaps; and reliance on single factories for key products and/or source for key materials without qualified contingencies in place.

Potential impact
Disruption to the continuity of supply may result in supply shortages and importation barrier issues, leading to loss of sales and market share. Increased levels of cost pressure across commodities, freight and labour may impact our ability to serve customers and erode our cost competitive advantage. Network and capacity constraints, combined with higher levels of market volatility, may also impact the availability of product in market.

Mitigation progress in 2021
Progress has been made across a number of areas to address the varying causes of supply disruption. We continue to de-risk our supply of critical materials by reducing the total value of monosourced spend across each Global Business Unit. Strategic capacity plans have been developed and are being executed for the sourcing of high-risk materials, critical manufacturing sites and logistics centres.

The Reckitt Production System, developed to drive sustainable manufacturing performance, is being rolled out across all manufacturing sites. An equivalent Logistics System is currently in pilot phase.

In 2021 we established a dedicated e-commerce Supply team that will focus on planning, e-commerce ready packaging and logistics execution.

Current control strategy
Set-up and qualification of multiple manufacturing locations for critical products is ongoing with a target completion date of 2025. Portfolio harmonisation and increased regionalisation of manufacturing will allow us to improve our agility, proximity and responsiveness to any unforeseen disruptions. A reset of our sales and operations planning and execution processes is underway and will be deployed across the business in 2022.

We are mitigating increasing cost pressures through our Group-wide productivity programme which includes procurement excellence, manufacturing and logistics pillars. The development and rollout of our end-to-end supply digitisation programme will also help increase cost and operational efficiencies across the supply chain.

We continue to improve our level of asset protection, and factories considered key or strategic have received investment to attain Highly Protected Risk (HPR) status by our insurers.

A Group-wide business continuity programme is underway to strengthen business continuity processes across products and sites. Robust Employee Health & Safety (EH&S), quality, sustainability and human rights programmes have been developed and are being rolled out across all of our facilities and suppliers.

Activity impact for 2022
2022 will see the continued rollout of the end-to-end Supply Chain Planning programme. 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; improved manufacturing processes; and holistic packaging design. Target rating to remain Amber at the end of 2022.

4. CYBER SECURITY

Risk movement: **Increasing**

Oversight accountability
Executive ownership resides directly with the 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, or by 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, as well as cloud and digital service providers.

Mitigation progress in 2021
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, allowing us 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 required controls to mitigate cyber risk.

Activity impact for 2022
Phase 2 of the Cyber Transformation Programme commenced in 2021 and will continue over the next three to four years, investing in and embedding cyber security processes across the Group.

These include: 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; and 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 2022.

Grow brands and innovate
Drive superior execution
Invest in capabilities
Increase productivity
Embed sustainability
Actively manage the portfolio

5. EMPLOYEE HEALTH & SAFETY

Risk movement:
No change

Oversight accountability
Executive ownership resides directly with the CEO, Global Business Unit Presidents and Chief Supply Officer. 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 costs, and possible criminal liability for senior management.

Mitigation progress in 2021
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 Global Business Unit 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 EH&S 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 is also provided across all sites including commercial offices. Key risk indicators are monitored and action taken where measures are out of tolerance. During COVID-19-related travel restrictions, we implemented technology-aided inspections and site coaching calls. Oversight is provided by the Supply leadership team as well as the Group Risk, Sustainability & Compliance Committee (RSCC).

Activity impact for 2022
We will continue to roll out the programme of culture surveys and safety days to increase awareness; and continue with the rigour of auditing, including supporting the business through supply, commercial and R&D site visits. Target rating to remain Amber at the end of 2022.

6. SUSTAINABILITY

Risk movement:
Increasing

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 its respective deliverables. Board oversight is provided by the CRSEC Committee.

The risk: Failure to address existing and emerging environmental and social risks and opportunities (including climate change), and changing societal expectations of businesses in addressing these, creates underlying risk to business resilience, growth and share price performance.

Potential impact
Failure to increase the sustainability of our environmental and social footprint may lead to increased scrutiny from consumers, customers, NGOs and ESG-focussed 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 also 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 2021
In 2021 we launched our Sustainability Ambitions, which will be underpinned with £1 billion investment over the next ten years. 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.

We have partnered with Risilience and Cambridge Centre for Risk Studies (CCRS) within the Judge Business School at the University of Cambridge to model the impact of climate risk (both physical and transition) on our global operations, with the output from this analysis supporting our financial and operational planning, and our Task Force on Climate-related Financial Disclosures (TCFD) reporting. We also launched a partnership with the Nature-Based Insetting team at the University of Oxford to better understand the impact of our footprint on biodiversity and support our contribution to the Task Force on Nature-related Financial Disclosures (TNFD). More information about these partnerships can be found on page 66.

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 Group Risk, Sustainability & Compliance Committee (RSCC).

Current control strategy
We continue to embed the plans and resources required to deliver an environmental strategy in the supply chain in support of climate change and water efficiency, with capital expenditure plans, environmental 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, and through delivery of more sustainable 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 and introducing sustainability targets into our science-based and technology solutions.

Activity impact for 2022
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 2022. 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 CEO, Global Business Unit Presidents and Chief Supply Officer, who drive 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 2021
As part of the evolution of our product quality processes, the Quality team has been integrated into the Supply function. This restructure will help to further embed product quality into each of the Global Business Units by driving proximity to markets whilst also providing centralised oversight and assurance services.

We have made significant investment in ensuring the highest 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.

The Product Integrity Review (PIR), an end-to-end quality review of the product portfolio, is now complete.

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.

Continued investment in key Quality transformation programmes including QualityOne and LabEx, and implementation of a systematised product safety and compliance programme through Product Lifecycle Management (PLM), is providing a live database of product data. COVID-19 impact assessments have been performed to identify risks to programme delivery and agreed timescales.

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

Activity impact for 2022
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 2022.

8. INNOVATION

Risk movement:
Decreasing

Oversight accountability
Executive ownership resides directly with the CEO, Global Business Unit Presidents and the Chief R&D Officer. 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, or 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 in the context of 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 gross margin accretion, impacting organic top-line growth.

Mitigation progress in 2021
In 2021 we implemented enhanced innovation pipeline reporting to provide greater visibility over our three-year innovation pipeline, and the resourcing required to achieve our targets.

We launched the Innovation Council to harmonise innovation across each Global Business Unit, market and function, including Marketing, R&D and Supply. The Innovation Council will report to the GEC on a quarterly basis.

The Global R&D function now includes the Regulatory, Global Safety Assurance (GSA) and Operational Excellence functions, driving greater partnerships and operational efficiencies. Dedicated teams are focused on delivering innovation for global brands and operational teams are focused on local brands. Frontline resources have been deployed in-market to drive proximity to consumers.

Current control strategy
We continue to invest in new tools and resources to enhance our innovation, brand purpose, packaging and design capability. Dedicated resourcing has been deployed to deliver on 'e-commerce first'-focused innovations.

IGNITE, our new external partnering platform to be launched in 2022, will enhance our partnership capability and drive co-creation of innovation through greater external orientation and new partnership opportunities across discovery, development and launch.

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 2022
Continued strengthening of our technical capabilities, alongside the pursuit of new partnerships, improved harmonisation and enhanced reporting will help to drive improved innovation across the full product lifecycle, allowing us to better scale, leverage and accelerate our pipeline.

Innovation models will continue to evolve during 2022 and will broaden as additional drivers of innovation growth are identified. Target rating to remain Amber at the end of 2022. 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 Global Business Unit Presidents and the Chief Human Resources Officer. Board oversight is provided by the main Board.

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

Potential impact
We continue to see dramatic changes to the ecosystem and competitive landscape in which we operate, with many of these changes arising from COVID-19 and its impact around the globe. Some of the changes may not yet be fully known or understood and may either present significant future opportunity or disrupt our current operating model.

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

Mitigation progress in 2021
Our eRB organisation is now operating to scale bigger, faster, bolder e-commerce and digital solutions, supporting each Global Business Unit with digital business development and strengthening capability through technology and infrastructure.

Our capability centres (Marketing Excellence, Sales Outperformance, Medical Sales and eRB) are now operating to share excellence, 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 are now in role 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 2022
Internal and external initiatives will continue to increase capability and drive incremental growth across priority channels and segments. This includes the continued rollout of The Digital Factory, our venture to build e-commerce expertise across all markets. Target rating to remain Amber at the end of 2022. This is a multi-year deliverable to build and embed the significant actions required.

10. CHINA

Risk movement: **No change**

Oversight accountability
Executive ownership resides directly with the CEO and Global Business Unit Presidents. Board oversight is provided by the main Board.

The risk: Risk in China of economic uncertainty, 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, has the potential to impact our operations and performance in this market.

Mitigation progress in 2021
In 2021 we finalised the sale of our China Infant Formula & Child Nutrition business to Primavera. Our operations in China are now supported through our focused China businesses, allowing 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
Our current China businesses will continue to be managed as independent units, with shared government affairs and regulatory capabilities supported by a quarterly governance model.

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 2022
We will continue to focus on execution of our Greater China operating model, alongside continued delivery of China-centric innovation, consumer-centricity and close monitoring of global and regional economic developments. Target rating from current Red to realistically reduce to Amber by the end of 2022, though further disruptions can be anticipated which could extend this level of higher exposure.

11. PEOPLE

Risk movement:
No change

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: We do not achieve our strategic objectives due to our reduced ability to attract, develop at accelerated pace and retain talent in a highly competitive market, further enhanced by a changing workplace environment. We lose momentum to drive the organisation transformation if we do not attract and retain a diverse and capable workforce.

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 2021

Following the launch of the Rejuvenating Sustainable Growth strategy, a new leadership team is now in place and churn across senior management has stabilised.

A Senior Vice-President for Talent & Leadership Development is now in role and we have 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 people.

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.

Retention measures and succession plans for key management positions are in place, and regular retention risk analysis is undertaken, including a review of turnover rates and active review of workforce planning to meet strategic objectives. 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 a global wellbeing programme has been launched focusing on equipping all employees with tools, techniques and strategies to sustain peak performance. A new Global Head of Wellbeing will lead this activity.

We offer a suite of tools to help our people 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.

Activity impact for 2022

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 our future workplace to deliver sustainable outperformance. Target rating to remain Amber by the end of 2022.

12. TAX DISPUTES

Risk movement:
Increasing

Oversight accountability
Executive ownership resides directly with the Chief Financial Officer. Board oversight is provided by the Audit Committee.

The risk: Increasing global tax rates, alongside tax authority challenges in key markets, impact our global operating model and tax footprint.

Potential impact

Increasing global tax rates may result in an overall increase in our tax liability. Additionally, 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 2021

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 is received.

Provisions are made at CHQ for anticipated exposures. The business will continue to review the provisioning strategy over the next five years to take account of any expected changes.

Current control strategy

Ongoing review by the Reckitt Tax function, country Finance Directors and external advisors with central provisioning for anticipated exposures. Regular tax reviews are undertaken with each Global Business Unit alongside continuous monitoring of information on EC State Aid investigations and possible application to Reckitt. We also monitor the impact of the Base Erosion and Profit Shifting (BEPS) initiative and other law changes to identify possible adverse impacts and put in place remedial strategies.

Activity impact for 2022

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 2022. Target rating to remain Green at the end of 2022.

13. PRODUCT REGULATIONS

Risk movement:
No change

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 2021

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

We have increased our investment in medical and regulatory processes to ensure our product claims are more data-focused and substantiation is stronger. Enhanced metric-based reporting now allows us to focus on in-market issues and identification of any process improvements.

Current control strategy

Multiple control programmes are in place to manage regulatory compliance risks including resiliency mapping, our 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 appropriate regulatory KPIs are reported 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 2022

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 ongoing and continues to be a focus area for the business.

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 from current Amber to Green at the end of 2022. This is a multi-year deliverable to replace current systems.

14. LEGAL & COMPLIANCE

Risk movement:
Increasing

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 its 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, leading 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.

Mitigation progress in 2021

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 robust privacy framework under the oversight of the Group Data Protection Officer, a dedicated e-commerce privacy function, fully dedicated privacy resources in key countries, 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 and charitable contributions processes have evolved through the introduction of an enhanced operating model supported by more robust systems and procedures.

Our third-party due diligence programme has been fortified and aligned across Global Business Units for consistency.

Our claims substantiation processes have also been strengthened in response to the settlement of a number of legacy cases.

Current control strategy

A Senior Vice-President Legal was appointed to each Global Business Unit in 2020, with dedicated ethics and 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 2022, 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 every year. Core modules include Code of Conduct, anti-bribery, antitrust, data privacy, human rights, and (separately) product safety and cyber security.

The Group-wide Speak Up hotline is operational, widely communicated and reinforced through a robust, independent investigation process and follow-up procedure.

Activity impact for 2022

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, regulations and company policies. Expansion of the third-party risk management strategy will strengthen supply chain governance. Target rating to remain Amber at the end of 2022. 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. The product was withdrawn in 2011.

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 has led to an increased volume of civil claims against Reckitt Benckiser Korea (RBK). The South Korean Government has now decided to include 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, the Korean Government can impose additional contributions to the Industry Relief Fund (IRF) up to the amount of the previously collected for the Special Relief Fund (SRF).

Mitigation progress in 2021
RBK has continued to work with the Government, victims and other businesses to progress settlement with existing category 1 and 2 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.

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 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. An HS mediation committee has been established and has been meeting with claimant groups and industry companies to discuss various issues related to designing a comprehensive mediation plan to cover all HS victims.

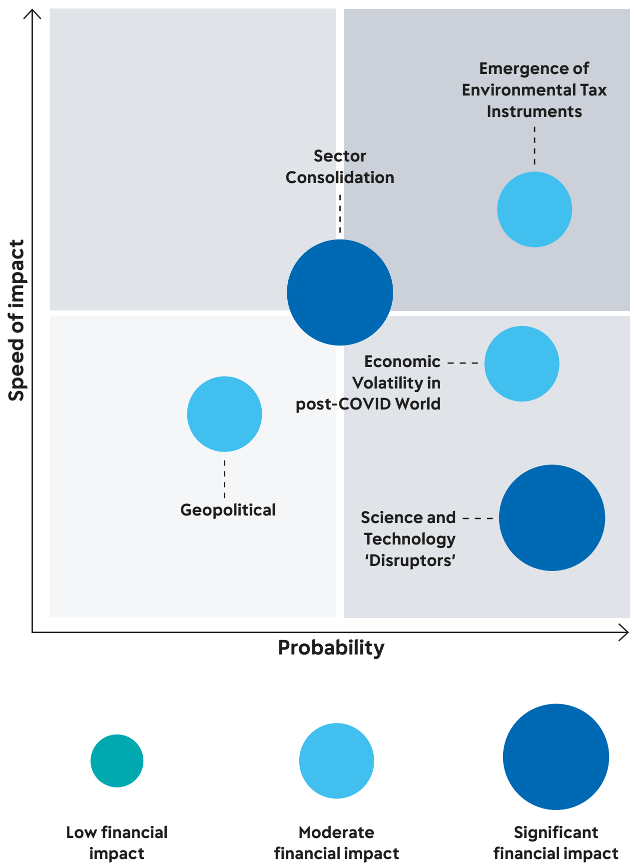
Activity impact for 2022
The Group will continue to encourage RBK to seek a broader resolution and will continue to evaluate options to do the right thing while limiting liability to fund compensation payments which are not anchored in proper standards of legal and scientific proof. Target rating likely to remain Amber.

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 or more years).



Grow brands and innovate
Drive superior execution
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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 and regional tensions, the longer-term impact of Brexit, fluctuations in oil prices, and changes to local regulations impacting imports and exports e.g. subsidies, duties etc.
	2	**Economic Volatility in post-COVID World**	Emerging from COVID-19, we are now faced with a highly volatile global economy. Some economies that have 'bounced back' are seeing increasing inflationary pressure and uncertainty whether such inflation is a structural or transitory issue, while other countries are moving further into recession. We are also seeing a surge in barriers to global trade, including COVID-19 restrictions and global freight shortages. This volatility impacts our commercial strategies, including pricing, and may expose the Group to high levels of instability. Further, the impact of COVID-19 on consumer behaviours is increasingly uncertain, impacting our ability to accurately plan and forecast.
	3	**Sector Consolidation**	Across the consumer products sector, we are seeing increasing levels of consolidation combined with the rise of private equity firms. Consolidation in the number of players together with higher levels of competition for potential acquisition targets may impact our ability to drive inorganic growth.
	4	**Emergence of Environmental Tax Instruments**	We see a potential increase in the use of taxes or other fiscal instruments in areas such as materials (e.g. plastics), packaging (e.g. single-use or non-recyclable), landfill disposal, as well as emerging water or carbon taxes as governments seek to encourage producer responsibility, promote behaviour change and fully cost externalities. This is particularly the case as governments seek to redress the financial impacts of COVID-19 and 'build back better'.
	5	**Science and Technology 'Disruptors'**	COVID-19 saw the development of the world's first mRNA vaccines, created using new technology that has significant potential to be applied in the fight against other diseases, including seasonal cold and flu. The use of mRNA technology and other emerging science to create new vaccines or novel therapies to fight seasonal cold and flu could significantly disrupt the traditional cold and flu category in the long term.

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 and regional tensions, the longer-term impact of Brexit, fluctuations in oil prices, and changes to local regulations impacting imports and exports e.g. subsidies, duties etc.

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 closely monitor the global geopolitical climate to ensure we understand any developments and their 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 our Corporate Security programme.

2. ECONOMIC VOLATILITY IN POST-COVID WORLD

The risk: Emerging from COVID-19, we are now faced with a highly volatile global economy. Some economies that have 'bounced back' are seeing increasing inflationary pressure and uncertainty whether such inflation is a structural or transitory issue, while other countries are moving further into recession. We are also seeing a surge in barriers to global trade, including COVID-19 restrictions and global freight shortages. This volatility impacts our commercial strategies, including pricing, and may expose the Group to high levels of instability. Further, the impact of COVID-19 on consumer behaviours is increasingly uncertain, impacting our ability to accurately plan and forecast.

Potential impact

Economic volatility, including high inflation, may impact our pricing and margin strategies. Our commercial teams closely monitor economic trends, adapting commercial strategies to optimise our business appropriately. High levels of demand volatility may also adversely impact the accuracy of our planning and forecasting activities.

Mitigation

Whilst we cannot fully protect our business from recessionary or inflationary pressures, we take appropriate measures to maximise and protect it during such periods of volatility. Key actions 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 metrics for large investments; and accurate forecasting and cash flow management. In addition, a reset of our sales and operations planning processes is underway, together with a review of end-to-end planning processes and systems, to improve planning and forecasting accuracy.

3. SECTOR CONSOLIDATION

The risk: Across the consumer products sector, we are seeing increasing levels of consolidation combined with the rise of private equity firms. Consolidation in the number of players together with higher levels of competition for potential acquisition targets may impact our ability to drive inorganic growth.

Potential impact

Increasing sector consolidation and the associated increase in competition may impact our ability to successfully drive inorganic growth.

Mitigation

The Corporate Development team is responsible for identifying, evaluating and executing Reckitt's global M&A opportunities. This involves regularly scanning the competitive landscape to identify potential mergers, acquisitions, divestments, joint ventures or long-term partnerships. Corporate Development partners closely with each Global Business Unit and IMEX to help establish clear and prioritised inorganic business development objectives, so the business is focused on the right targets that will help create long-term value.

4. EMERGENCE OF ENVIRONMENTAL TAX INSTRUMENTS

The risk: We see a potential increase in the use of taxes or other fiscal instruments in areas such as materials (e.g. plastics), packaging (e.g. single-use or non-recyclable), landfill disposal, as well as emerging water or carbon taxes as governments seek to encourage producer responsibility, promote behaviour change and fully cost externalities. This is particularly the case as governments seek to redress the financial impacts of COVID-19 and 'build back better'.

Potential impact

Introduction of environmental taxes or other related fiscal instruments could impact our commercial strategies by increasing the overall cost of production. Failure to comply with such emerging regulations could also result in adverse financial or reputational impact.

Mitigation

Our Sustainability Ambitions have been designed to reduce our environmental footprint and allow us to respond to the Extended Producer Responsibility (EPR) and tax regulation we are seeing emerge across multiple geographies. Our ambitions include combating climate change by reducing greenhouse gas emissions, increasing our use of renewable energy sources and reducing our overall carbon footprint. We are increasing water efficiency and aim to be water positive in water-stressed areas through catchment management; and we have set a target of zero waste to landfill for all of our manufacturing sites. Progress in these areas is tracked through quarterly reporting.

A number of initiatives are underway to reduce our use of plastics and other non-recyclable packaging materials, including virgin plastic, as well as our overall chemical footprint. These projects have been built into product development pipelines across each Global Business Unit. A working group has been established to coordinate our response to emerging EPR and tax regulation across 45 products. This will include an initial review of the data required to support reporting and analysis, and subsequent strategic intervention through innovation to lower the potential cost burden.

5. SCIENCE AND TECHNOLOGY 'DISRUPTORS'

The risk: COVID-19 saw the development of the world's first mRNA vaccines, created using new technology that has significant potential to be applied in the fight against other diseases, including seasonal cold and flu. The use of mRNA technology and other emerging science to create new vaccines or novel therapies to fight seasonal cold and flu could significantly disrupt the traditional cold and flu category in the long term.

Potential impact

Failure to respond to disruptive science and technology may impact the longer-term demand for our products.

Mitigation

We engage in a number of external partnerships which allow us to participate in leading research around hygiene interventions, epidemiology, and the development of emerging treatments. These include our partnership with the Global Hygiene Council and establishment of the independent Reckitt Global Hygiene Institute. Our R&D and Science teams actively engage with the scientific community through participation in conferences, thought leadership and research projects. Working with this consortium of external experts helps us to stay abreast of leading developments in science and regulatory affairs, and the impact of emerging technology. Horizon-scanning activities are undertaken internally across a number of teams, including the Corporate Development team and individual brand teams, helping to identify threats and opportunities in each category.

OUR 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 budget and projections for the following years and covers the introduction to market of the current new product pipeline. The period also covers the majority of Reckitt's debt repayment profile.

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 will have sufficient funds to trade, settle its liabilities as they fall due, remain compliant with financial covenants, and remain viable. Moreover, the Group has access to external debt markets on account of its credit rating together with a well-diversified supplier network, customer base and product range, and geographical activities with a strong innovation pipeline, and dividend cover.

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 90 to 102, 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 90); 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. Mitigating actions, should they be required, are all within management's control and could include reduced capital expenditure or temporary suspension of dividend payments.

CONCLUSION

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 2 to 103, has been approved by the Board.

On behalf of the Board

Catheryn O'Rourke
Company Secretary
Reckitt Benckiser Group plc

13 April 2022

"Good governance and a strong culture and values are integral to Reckitt's Purpose. We act responsibly and strive to do the right thing always. Our Board is committed to upholding the highest standards of governance to protect our shareholders and stakeholders' long-term interests and ensuring social and environmental obligations are fulfilled."

Chris Sinclair
Chair

CHAIR'S INTRODUCTION TO GOVERNANCE

Dear Shareholder,

On behalf of the Board, I am pleased to present Reckitt's Corporate Governance Report for the financial year ended 31 December 2021. 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.

The Board provides leadership by setting the company's Purpose, strategy and values, monitoring culture and ensuring its alignment with the company's Purpose, strategy and values, and overseeing its implementation by management. All Directors must act with integrity, lead by example and promote the company's culture and values. The Board 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.

Effective governance during the COVID-19 pandemic

I am pleased to report that the Group's governance framework operated effectively during 2021 in light of the continuing COVID-19 pandemic. Governance and risk management have been important areas of focus for the Board over the last few years. Through our Corporate Responsibility, Sustainability, Ethics and Compliance (CRSEC) Committee, we have broadened our approach to managing safety and compliance risk, which is discussed in more detail on page 144.

In addition, the impact of COVID-19 has reinforced a number of the UK Corporate Governance Code 2018 (the Code) principles and provisions – the importance of effective leadership, of the Group having a clear Purpose and strong values, and of these being cohesive with the Group's desired culture. Our response and decision-making throughout the COVID-19 pandemic has paid due consideration to the wellbeing and safety of our employees and our employees have adapted effectively and efficiently to new ways of working. The Board recognises the exceptional way Reckitt continues to rise to the challenge and is extremely proud of the enormous dedication and courage of our employees.

Board focus and oversight

In 2020 we launched our Rejuvenating Sustainable Growth strategy, including our new Purpose, Fight and Compass. Under the new strategy our business was split into three Global Business Units (GBUs); Hygiene, Health and Nutrition. One year on, Reckitt is emerging much stronger, as a more resilient and purposeful company. We have made significant progress in building the foundations for rejuvenating sustainable growth. Our key areas of Board focus during the year included: our response to COVID-19 and ensuring effective governance and risk processes were in place; developing our strategy and seeking new opportunities; building our new Reckitt brand, companioning stakeholder engagement and wellbeing; enhancing our culture through our Purpose, Fight and Compass; and progressing our diversity and inclusion agenda. Further details can be found on our Board activities throughout the year on pages 119 and 120.

Our approach to sustainability

During 2021, we launched our sustainability ambitions, for a Cleaner, Healthier World, which set out new ambitions to 2030, backed by an existing investment of more than £1 billion over the next ten years to ensure we meet our goals. Our ambitions align with Reckitt's Purpose and our strategy for sustainable growth and focus on three areas: Purpose-Led Brands, Healthier Planet and Fairer Society. We began our sustainability agenda in 2012 and since then we have made significant progress, but as the world's social, health, and environmental needs have intensified so will the role we play as a business. We were delighted to be named as the official hygiene partner for the COP26 meeting in November 2021, enabling a safe event that supports a healthy future for the planet. Further details on our role and commitment at COP26 can be found on pages 20 to 21. In addition, we are forging new ways of working with like-minded partners to drive meaningful, sustainable change for example, we have started building partnerships with WWF and the Fair Rubber Association. More information on our partnerships and progress towards our sustainability ambitions can be found on pages 16 to 17.

Culture and values

Our culture and values define the way that Reckitt does business and this starts with our employees. We aim to create the space and opportunities to help our employees make a difference and do the right thing, always. During 2020 and 2021, Reckitt has played an important role in the global fight to stop the spread of COVID-19, which would have not been possible without the efforts of our diverse and talented employees across the world. Being diverse and inclusive is not an additional principle for us, it is integral to the way we think and act. It is our collective responsibility to build inclusion into everything we do, while ensuring we represent the people we are and the global community we serve. 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. Our Global Code of Conduct sets out the level of conduct expected from all Reckitt employees, contractors, outsourced personnel and joint ventures as well as the Board of Directors, as accountable, ethical, and compliant owners of our Hygiene, Health and Nutrition GBUs. Further details on our culture and values can be found on pages 121 to 122.

Diversity and inclusion

The Board is committed to ensuring that Reckitt employees have the Freedom to Succeed, which starts with creating an inclusive environment where everyone feels able to participate and realise their full potential. In 2020, we established our Stronger Together sessions. During 2021, we continued to hold meaningful discussions, share inspiring stories, and are now putting what we've learnt into practice, with inclusion firmly at the heart of Reckitt. We have made a five-year commitment to invite Reckitt employees worldwide to attend Stronger Together conversations. These conversations provide a regular forum to discuss important issues relating to diversity and to inclusion. Since 2020, we are proud to have held ten virtual global Stronger Together events with over 4,000 attendees joining live each time. From race and ethnicity, to LGBTQ+ matters, and from driving gender balance, to confronting workplace exclusion, as well as recognising the steps for change, we're now charting a course for a more inclusive future at Reckitt.

At the end of 2020, we established our Global Inclusion Board, which is chaired by our Chief Executive Officer (CEO) and made up of senior leaders and sponsors of our Employee Resource Groups (ERGs). Together, they set and drive our inclusion agenda. Our Global Inclusion Board is accountable for strategic delivery, governance, monitoring, reporting and communication. Our inclusion strategy rests on six pillars. The work we're doing on the leadership, people and policy pillars helps ensure we are building an inclusive culture internally. Externally, our inclusive approach to

Reckitt, Thane Road, Nottingham, UK

procurement, brands and partnerships aligns what we do with who we are. We also announced our aim of gender balance at all management levels by 2030. I am pleased to report that we were also ranked number three in the Consumer category of the FTSE 100 for board diversity, in the UK Consumer Diversity Index 2021.

UK Corporate Governance Code 2018 and section 172 reporting

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. This Governance report demonstrates how we have applied the principles and complied with the provisions of the Code during the year. Our statement of compliance with the Code can be found on page 107.

Effective engagement with our shareholders, our employees and wider stakeholders is of utmost importance to Reckitt's sustainable success. Under section 172 of the Companies Act 2006 (CA 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. Our key stakeholders include our employees, shareholders, customers, consumers, partners, government, and industry associations, and the communities in which we operate. Throughout 2021, we remained committed to listening and engaging with our stakeholders on key areas of Reckitt's business. In May, the Board participated in a listening session held by external stakeholders involved and knowledgeable in the area of Nutrition, who provided a wide variety of perspectives on the topic of nutrition. The session was interactive and Board members were invited to ask questions to the stakeholders. Additionally, in October, the Board participated in a listening session held by external stakeholders on the topic of ecosystems, biodiversity and nature-based solutions. Details of our stakeholder engagement activities undertaken during the year can be found from page 50.

Board composition and succession planning

As part of the ongoing refreshment of the Board and following an extensive search and recruitment process to strengthen the knowledge and capabilities of the Board, in January 2021, we appointed Olivier Bohuon as a Non-Executive Director and as a member of the Remuneration Committee. Olivier has spent many years as a successful CEO of a large global company. He has deep experience in healthcare products and markets and his insights have been valuable to Board discussions during the year. In addition, we also announced during the year, certain changes to the composition of our Board Committees. In October, it was announced that Laxman Narasimhan, CEO had stepped down as a member of the Nomination Committee and that Elane Stock had stepped down as a member of the Remuneration Committee and had been appointed as a member of the Audit Committee. In February 2022, we were delighted to announce that Alan Stewart had joined the Board as a Non-Executive Director and member of the Remuneration Committee. Alan brings significant corporate finance and accounting experience from a variety of industries, as well as executive leadership experience within a listed company environment.

In December 2021, we announced that Rupert Bondy, General Counsel & Company Secretary would leave Reckitt at the end of February 2022. On behalf of the Board, I would like to thank Rupert for his outstanding contribution to the business over the last 5 years. Rupert has been material in guiding the transition of the Board, and supporting a number of major acquisitions and disposals. We wish him all the best in his future endeavours.
In February 2022, Catheryn (Cathy) O'Rourke joined the company as General Counsel & Company Secretary and member of Group Executive Committee (GEC), following Rupert's resignation. Cathy joins with more than 20 years of professional expertise in running global legal and compliance teams, managing litigation and corporate transactions, overseeing financial reporting and disclosure as well as supporting Board governance.

Reckitt, Thane Road, Nottingham, UK

Further details on the Board and GEC's succession plans, including the recruitment process and selection criteria, can be found in the Nomination Committee Report, commencing on pages 128 to 132. Biographies of the members of our Board and GEC can be found on pages 108 to 116.

Board performance review

The Board undertakes an annual review of its own and its Committees' performance and effectiveness. Last year, the Board performance review was facilitated by Lintstock Ltd, who have been engaged to conduct a three-year Board Development Programme. Following a similar format to 2020, for 2021 we conducted a performance review of the Board and Committee's facilitated by Lintstock Ltd. Details of this year's Board performance review, our progress against the outcomes from our 2020 Board performance review and action to be taken to address the 2021 feedback can be found on pages 126 to 127.

Annual General Meeting and shareholder voting

The Board views the Annual General Meeting (AGM) as a valuable opportunity to meet with its shareholders as well as an opportunity for shareholders to put questions to the Chair, the Chairs of the Committees and the Board. The safety of our shareholders, Directors, employees, and other stakeholders remains of utmost importance to us. In light of this and the continuing COVID-19 pandemic, in May 2021, our AGM was held as a closed meeting, with a virtual webcast which shareholders were able to view online. Shareholders and their proxies were able to vote in advance of the meeting. Questions were submitted in advance of the AGM or during the meeting in real time, enabling the Board to engage and interact directly with shareholders. At last year's AGM shareholders voted in favour of allowing us the flexibility to hold a hybrid AGM going forward, if deemed necessary. At the time of publication, we anticipate this year's AGM will be held as a physical meeting.

Conclusion

I am extremely proud of the Board and all our Reckitt employees 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
Chair
Reckitt Benckiser Group plc

13 April 2022

UK CORPORATE GOVERNANCE CODE 2018 STATEMENT OF COMPLIANCE

For the year ended 31 December 2021, the company complied with all the provisions of the Code which is available to view on the Financial Reporting Council's (FRC) website www.frc.org.uk, and the Disclosure Guidance and Transparency Rules requirements to provide a corporate governance statement.

In accordance with Section 4, Principle N, Provision 27 of the Code the Board considers that, taken as a whole, this Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

HOW WE COMPLY WITH THE CODE

OUR BOARD OF DIRECTORS

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
Chair of the Board

N R C

Nationality American

Board tenure 7 years, 2 months

Appointment
Appointed as a Non-Executive Director in February 2015 and as Chair 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

Laxman Narasimhan
Chief Executive Officer

Nationality American

Board tenure 2 years, 8 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 Master's 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
Non-Executive Director of Verizon Communications Inc.

Trustee of Brookings Institution

Member of the Council on Foreign Relations

Key

- Chair
- R Remuneration
- N Nomination
- A Audit
- C Corporate Responsibility, Sustainability, Ethics and Compliance
- Appointments after 31 December 2021

Jeff Carr

Chief Financial Officer

Nationality British

Board tenure 2 years

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
Chair of the Audit Committee and Non-Executive Director of Kingfisher plc

Olivier Bohuon

Non-Executive Director

R

Nationality French

Board tenure 1 year, 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 experience
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
Chair of Majorelle

External Director of Takeda Pharmaceutical Company Limited

External Director of Virbac SA

Co-Founder and Board member of AlgoTherapeutix SAS

Andrew Bonfield
Non-Executive Director

A N

Nationality British

Board tenure 3 years, 8 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 experience
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
Non-Executive Director

A

Nationality Italian/British

Board tenure 1 year, 8 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 Master's degree in Economics from Bocconi University in Italy.

Skills and experience
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
Senior Independent Director

R N C

Nationality Brazilian/Italian

Board tenure 8 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, 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 experience
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 strong international business experience, bringing a global perspective to his role.

Current external appointments
Chair of TIM Participações S.A. and Chair of the ESG Committee

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

R N

Nationality British/Dutch

Board tenure 7 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, and 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 Master's degree in Politics, Philosophy and Economics and completed her MBA at Harvard Business School.

Skills and experience
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

Supervisory Director of HAL Holding N.V.

Mehmood Khan
Non-Executive Director

C

Nationality American/British

Board tenure 3 years, 8 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 Chair 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 experience
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
Chief Executive Officer of Hevolution Foundation

Executive Chair of Life Biosciences Inc.

Pam Kirby
Non-Executive Director

C A N

Nationality British

Board tenure 7 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 Chair 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 experience
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.

Sara Mathew
Non-Executive Director

A

Nationality American

Board tenure 2 years, 8 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 as 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 experience
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, brings great insight to the Board through her previous positions, and demonstrates valuable leadership qualities.

Current external appointments
Chair of Freddie Mac

Director of Dropbox Inc.

Director of State Street Corporation

Director of XOS Corporation

Elane Stock
Non-Executive Director

A

Nationality American

Board tenure 3 years, 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 experience
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.

Alan Stewart
Non-Executive Director

R

Nationality British

Board tenure 2 months

Appointment
Appointed as a Non-Executive Director and member of the Remuneration Committee in February 2022.

Career
Alan was Chief Financial Officer of Tesco PLC from 2014 to 2021 where he played a key role in the turnaround of Tesco. Prior to his role at Tesco, Alan was CFO of Marks & Spencer Group plc from 2010 to 2014. He previously served as CFO of AWAS, Group Finance Director of WH Smith PLC and CEO and CFO of Thomas Cook Holdings. He also served on the board of Games Workshop Group plc as a non-executive director. Alan is currently a Non-Executive Director of Diageo plc having been appointed in September 2014, has been a member of the Nomination, Remuneration and Audit Committees of Diageo plc from appointment, and has been Chair of the Audit Committee since 2017.

Skills and experience
Alan brings to the Board significant corporate finance and accounting experience from a variety of industries, including retail, banking and travel, as well as executive leadership experience within a listed company environment.

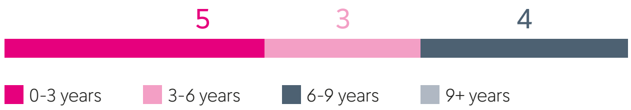
Current external appointments
Non-Executive Director of Diageo plc

DIVERSE LEADERSHIP

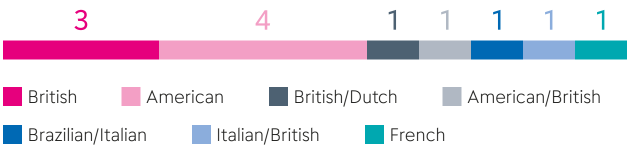
The graphs below show the Board's composition, tenure, nationality, ethnic diversity and skills. Further details regarding diversity at Group Executive Committee level and our approach to diversity and inclusion can be found on pages 130 to 131.

Directors as at 31 December 2021

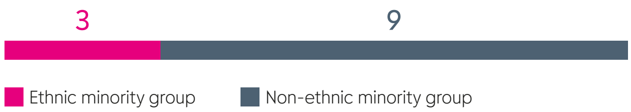
Length of tenure as at 31 December 2021



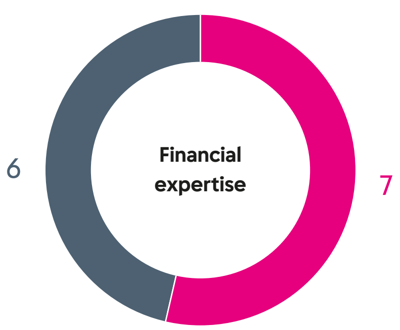
Nationality as at 31 December 2021

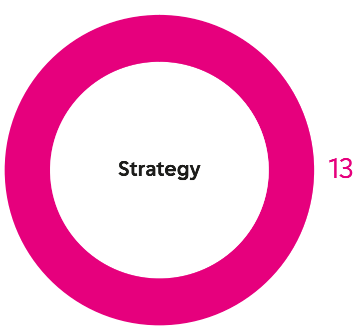


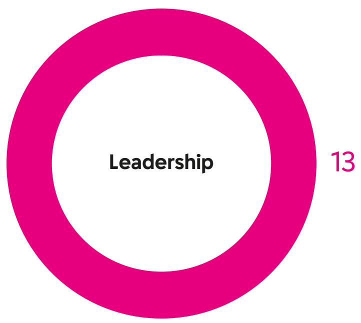
Ethnic diversity as at 31 December 2021



Board members skills overview[1]







With skill
Without skill

1. The figures reflect the number of Board members at the date of publication

GROUP EXECUTIVE COMMITTEE

01


Laxman Narasimhan
Chief Executive Officer

02


Jeff Carr
Chief Financial Officer

03


Kris Licht
President Health & Chief Customer Officer

04


Volker Kuhn
President Hygiene

05


Pat Sly
President Nutrition

06


Ranjay Radhakrishnan
Chief Human Resources Officer

07


Miguel Veiga-Pestana
Head of Corporate Affairs & Chief Sustainability Officer

08


Sami Naffakh
Chief Supply Officer

09


Angela Naef
Chief R&D Officer

10


Filippo Catalano
Chief Information & Digitisation Officer

11


Rupert Bondy
General Counsel & Company Secretary

12


Catheryn O'Rourke
General Counsel & Company Secretary

Laxman Narasimhan
Chief Executive Officer — 01

Nationality American **Company tenure** 2 years, 8 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 Master's 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
Chief Financial Officer — 02

Nationality British **Company tenure** 2 years

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 Chair 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
President Health & Chief Customer Officer — 03

Nationality American **Company tenure** 2 years, 5 months

Experience
Kris joined Reckitt in November 2019 as Chief Transformation Officer. On 1 July 2020, Kris became President Health and Chief Customer Officer. Prior to joining Reckitt, Kris held a number of senior strategic and operational positions at PepsiCo. Most recently 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.

Volker Kuhn
President Hygiene

04

Nationality German **Company tenure** 1 year, 8 months

Experience
Volker Kuhn has been President Hygiene since May 2021.

Prior to his current role, Volker was the Chief Transformation Officer at Reckitt where he led the significant acceleration of our productivity program, turbo-charged new growth platforms and led corporate strategy.

Prior to joining Reckitt, Volker spent 26 years with Procter & Gamble (P&G) in a range of international finance, marketing, and senior general management roles. In his last role with P&G, Volker led the fabric care business unit, Europe, and the global unit-dose detergent platform.

Volker is a passionate brand builder and has a strong track record of leading successful business turnarounds, growth initiatives and transformations, including the carve-out and divestiture of Duracell from P&G. He started his career at Deutsche Bank and subsequently worked for a small consulting firm before joining P&G.

Volker currently serves as Chair and a Non-Executive Board member of FRoSTA AG, a leading European frozen food company. He is based in Amsterdam.

Pat Sly
President Nutrition

05

Nationality American **Company tenure** 4 years, 7 months

Experience
Pat joined Reckitt as part of the Mead Johnson Nutrition (MJN) acquisition in 2017. He was appointed as Chief Operating Officer, Nutrition in July 2021. In February 2022, Pat was appointed as President Nutrition.

Pat has more than 20 years of experience in senior leadership roles in general management, marketing, and sales across North America, Europe, Asia Pacific and Latin America. In his role as Chief Operating Officer, Nutrition, Pat leads the global Nutrition business which includes Infant Formula & Child Nutrition (IFCN), Specialty Nutrition, Maternal Nutrition and Adult Nutrition.

Pat holds a degree in Business from the Kelley School of Business at Indiana University and an MBA from the Olin Business School at Washington University in St. Louis.

Ranjay Radhakrishnan
Chief Human Resources Officer

06

Nationality Indian **Company tenure** 2 years, 1 month

Experience
Ranjay Radhakrishnan joined Reckitt as Chief Human Resources Officer on 1 March 2020. Ranjay has 29 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 experience in a number of specialist areas of HR such as talent, diversity and inclusion, learning, reward, organisational effectiveness, complementing large generalist roles in both mature and developing markets. Ranjay has lived and worked 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
Head of Corporate Affairs & Chief Sustainability Officer

07

Nationality British **Company tenure** 5 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, US. Previously, Miguel spent over a decade at Unilever and held several regional and global 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.

Sami Naffakh
Chief Supply Officer

08

Nationality French **Company tenure** 1 year, 9 months

Experience
Sami joined Reckitt as Chief Supply Officer on 1 July 2020 and is responsible for Reckitt's global supply chain operations, which includes planning, procurement, manufacturing and logistics. Since January 2021, he has also been responsible for Reckitt's Quality, Environmental Health & Safety (EHS) and Quality Compliance teams.

Sami brings to Reckitt close to 30 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.

Angela Naef
Chief R&D Officer **09**

Nationality American **Company tenure** 1 year, 6 months

Experience
Angela joined Reckitt as Chief R&D Officer in September 2020. Angela is responsible for elevating Reckitt's science capability and platforms as well as for driving external partnerships. She is a passionate problem solver, innovator and connector. With a strong belief in the power of collaboration, Angela is focused on enabling the Research & Development organisation to deliver meaningful solutions addressing both mega trends and sustainability, to deliver growth.

Angela brings to Reckitt over 22 years of diverse senior leadership experience in product and business development roles. Most recently, Angela spent ten 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 scientists, engineers and experts. Angela is a graduate of the University of California, Davis with a PhD in Physical Chemistry, and is a Six Sigma Black Belt.

Filippo Catalano
Chief Information & Digitisation Officer **10**

Nationality Italian **Company tenure** 1 year

Experience
Filippo joined Reckitt as Chief Information & Digitisation Officer on 1 April 2021. Filippo is responsible for building and maintaining Reckitt's competitive leading-edge IT, data and digital capabilities. Filippo brings to Reckitt extensive leadership experience in defining and shaping IT, digital portfolios and technology-enabled new business models across leading consumer goods organisations. In his previous role, Filippo was SVP, Global Chief Information Officer at Nestlé, where he led the transformation of technology platforms, data, analytics, e-business, processes and tech skills. Prior to Nestlé Filippo worked at Procter & Gamble (P&G) across geographies, categories and IT disciplines, leading the digital transformation in key brands and corporate initiatives. Filippo currently serves as a Non-Executive Director at Farmer Connect, a leading tech company providing blockchain-based traceability for farm-to-fork supply chains.

Rupert Bondy
General Counsel & Company Secretary **11**

Nationality British **Company tenure** 5 years, 2 months (Resigned in February 2022)

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.

Catheryn O'Rourke
General Counsel & Company Secretary **12**

Nationality American **Company tenure** 2 months

Experience
Cathy joined Reckitt as General Counsel & Company Secretary in February 2022, and is responsible for legal, company secretarial and legal compliance matters across Reckitt.

Cathy brings more than 20 years of experience managing global teams and handling complex legal and compliance matters. Most recently, Cathy was Chief Legal and Compliance Officer at Smith & Nephew plc. Prior to joining Smith & Nephew plc, Cathy spent 11 years of her career with Davis Polk.

Cathy is a graduate of Princeton University, Harvard Law School and the University of New South Wales, Australia.

Other Group Executive Committee members who served in the year

Harold van den Broek
President Hygiene, joined Reckitt in 2014 and left in May 2021

Aditya Sehgal
President of Nutrition, e-RB & Greater China, joined Reckitt in 1994 and left in October 2021

RECKITT'S APPROACH TO GOVERNANCE

Leadership at Reckitt
There is a clear and effective leadership structure in place at Reckitt. 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, with the last review taking place in November 2021, and can be found on the company's website, at www.reckitt.com/investors/corporate-governance. The current Committee membership of each Director is shown on pages 108 to 112. There are also three supporting Management Committees: the Disclosure Committee; the Group Executive Committee (GEC), and the Risk, Sustainability and Compliance Committee (RSCC).

Our Board
The Board is collectively responsible for the overall leadership of the Group and for promoting its long-term sustainable success whilst focusing on its strategic direction, purpose, values and governance with the highest regard to the principles of the Code. There is a clear division of responsibilities between the Board, its Committees and Management Committees.

Nomination Committee
Chaired by Chris Sinclair

Responsible for making recommendations to the Board on suitable candidates for appointment to the Board, its Committees and senior management and to 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 128 to 132

Audit Committee
Chaired by Andrew Bonfield

Responsible for monitoring the integrity of Reckitt's Financial Statements and for ensuring effective functioning of internal audit, internal financial control and risk management. It is also responsible for managing the company's relationship with its External Auditor.

More details are set out in the **Audit Committee Report** on pages 133 to 140

Remuneration Committee
Chaired by Mary Harris

Responsible for assisting the Board 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. The Committee is responsible for determining the remuneration for the Chair, Executive Directors and senior management.

More details are set out in the **Remuneration Committee Report** on pages 148 to 187

CRSEC Committee
Chaired by Pam Kirby

Responsible for supporting 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 141 to 147

Disclosure Committee
Chaired by Laxman Narasimhan

Responsible for ensuring accuracy and timeliness of disclosure of financial and other public announcements.

Group Executive Committee (GEC)
Chaired by Laxman Narasimhan
The GEC is responsible for overseeing Reckitt's management and ensuring collaboration between GBUs, functions and in-market operations. It recommends and implements the strategy and related budget as approved by the Board. The GEC drives business and cultural transformation, reviews business performance and approves business development plans and major investments. It plays a critical role in talent management and development and oversees the integration of sustainability within business operations.

Risk, Sustainability and Compliance Committee (RSCC)
Chaired by Laxman Narasimhan
Provides oversight of risk across the organisation and makes recommendations to the CRSEC Committee for actions to be taken in respect of the Group's legal compliance & ethics, sustainability, external affairs, employee health and safety, quality, consumer safety and regulatory related matters, including compliance strategies, policies, programmes and key activities.

Board Leadership and Company Purpose (Continued)

Board attendance during 2021

In 2021, there were five scheduled Board meetings, three of which were held via videoconference as permitted by the company's Articles of Association, owing to restrictions imposed by the COVID-19 pandemic. An additional six Board meetings were held during the year relating to various matters including; potential mergers and acquisitions, review of going concern considerations, approval of the Reckitt 2021 Annual Report and Notice of Meeting, and confirmation of AGM arrangements. 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. This year, in light of the easing of government restrictions, the September 2021 strategy sessions were held in person in the UK. As part of the September Board schedule, members of the Board participated in a site visit to Reckitt's Nottingham factory. In addition, Board members held roundtable sessions with local employees to listen to their experiences of working for Reckitt. Following the conclusion of each scheduled Board meeting, the Chair held a session with the Non-Executive Directors, without the Executive Directors present. There were four scheduled and two additional Audit Committee meetings, five scheduled Remuneration Committee meetings, two scheduled and one additional Nomination Committee meetings, and four scheduled meetings of the CRSEC Committee.

The table below sets out the attendance by Directors at the scheduled Board and 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 Chair 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 were convened at short notice, which can make it difficult for some Directors to attend due to prior commitments and their home locations.

	Board	Audit Committee	Remuneration Committee	CRSEC Committee	Nomination Committee
	5 Scheduled meetings	4 Scheduled meetings	5 Scheduled meetings	4 Scheduled meetings	2 Scheduled meetings
Andrew Bonfield	5/5	4/4			2/2
Jeff Carr	5/5				
Margherita Della Valle	$4\frac{1}{2}/5$	3/4			
Nicandro Durante	5/5		5/5	4/4	2/2
Mary Harris	5/5		5/5		2/2
Mehmood Khan	5/5			4/4	
Pam Kirby	5/5	3/4		4/4	2/2
Sara Mathew	5/5	4/4			
Laxman Narasimhan[1]	5/5				1/1
Chris Sinclair	5/5		5/5	4/4	2/2
Elane Stock[2]	5/5	1/1	4/4		
Olivier Bohuon	4/5		4/5		

1. Stepped down from the Nomination Committee on 1 October 2021
2. Stepped down from the Remuneration Committee and joined the Audit Committee on 25 October 2021

BOARD ACTIVITIES DURING 2021

How Board meetings are structured

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 Chair and CEO with the support of the General Counsel & Company Secretary.

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 Chair 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 118.

The Board uses its meetings as a way of discharging its responsibilities set out in section 172 of the CA 2006 and considers its various stakeholder groups when making decisions to promote the success of the company as a whole.

Our activities during the year

Strategy and planning

Group plans and budgets
- Reviewed forecasts and key performance targets, including assumptions, scenarios and projections
- In November, reviewed the Group's financial plan for 2022

Strategy
- Board members met in person for a three-day meeting in September 2021 to discuss strategy and the innovation pipeline

Mergers and acquisitions
- Sold the Scholl brand to Yellow Wood Partners to bring greater focus and to strengthen our portfolio
- Completed the sale of our Infant Formula and Child Nutrition (IFCN) business in China to Primavera Capital Group following a comprehensive review by the Board of the strategic options for the business, marking another step in our strategy to Rejuvenating Sustainable Growth and create long-term value by actively, and decisively, managing our portfolio
- Acquired the Biofreeze brand from Performance Health to strengthen our Health portfolio and deepen Reckitt's presence within the broader pain category in the US

Rebranding as Reckitt
- Reviewed and approved the rebranding of the company as Reckitt, as part of our transformation towards sustainable growth. The new brand identity is more recognisable to our stakeholders and is built on our Purpose: to protect, heal and nurture in the relentless pursuit of a cleaner, healthier world

Business updates
- Reckitt strategic reviews, including COVID-19 impact at Group and GBU level, functional reviews of certain business areas and capability centres and status updates on transformation programmes

Sustainability strategy
- Launched our sustainability ambitions to 2030 to provide a road map of how we embed sustainability in Reckitt activities, whilst driving environment and societal impact

Financial oversight

Reporting
- Reviewed and approved Reckitt's Annual Report and Financial Statements including compliance with reporting requirements for 2021
- Reviewed and approved Reckitt's half-year results
- Provided results presentations to investors and employees during the year

Going concern
- Reviewed going concern and liquidity considerations arising from the COVID-19 pandemic

Financial resources
- Reviewed the company's financial position, Group debt and funding arrangements, including issuance of bonds

Interim and final dividend payments
- Approved the final 2020 and interim 2021 dividend payments

Key

Customers | Employees | Partners | Communities | Government and industry associations | Consumers | Shareholders

Leadership and governance

Board and Committee performance review

- Conducted the annual Board performance review, identified areas for improvement and recommended actions
- Considered and proactively addressed actions from our 2020 internal Board performance review

Composition and succession planning

- Alan Stewart was appointed as a Non-Executive Director and member of the Remuneration Committee in February 2022
- Laxman Narasimhan, CEO stepped down as a member of the Nomination Committee effective from 1 October 2021
- Elane Stock stepped down as a member of the Remuneration Committee and was appointed as a member of the Audit Committee, effective from 25 October 2021
- Management succession planning reviewed in November

Shareholders and stakeholders

- Held the 2021 AGM as a closed meeting. Shareholders had the opportunity to pre-submit questions or ask them live during the meeting
- Passed a special resolution to update Reckitt's Articles of Association, giving the Board the flexibility to hold a hybrid AGM going forward
- Held a Board listening session on Nutrition in which we heard from external experts and were invited to ask questions
- Held a Board listening session on the topic of Ecosystems, Biodiversity and Nature-based solutions

Compliance

- Reviewed and approved governance matters, such as the Schedule of Matters Reserved for the Board, Committee terms of reference, Directors' conflicts of interest and compliance with the Code and best practice
- Approved Reckitt's 2020 Modern Slavery Act Statement, as recommended by the CRSEC Committee

Risk management and internal control

Risk appetite

- The Board is responsible for compliance with the Code and the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. 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 88 to 102
- 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

Principal risks and internal controls

- Conducted an annual review of Reckitt's principal and emerging risks and internal controls
- Reckitt is committed to maintaining strong internal controls and further enhancing these. Further information on internal control activities during the year can be pound on pages 137 to 138 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, GEC and GBU meetings. More details on the Group's principal strategic risks and uncertainties can be found in the Strategic Report on pages 88 to 102
- 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 Accounts have been satisfactorily completed with no significant failings or weaknesses identified. Reckitt's ongoing controls transformation program in preparation for internal controls changes arising from the BEIS consultation, together with the investigation referred to in the Audit Committee Report on page 137, has identified certain control improvement opportunities that management is currently undertaking

Viability Statement

- Considered and approved the 2021 Annual Report Viability Statement upon recommendation of the Audit Committee

COVID-19

- Received 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

Treasury policy

- Reviewed and approved of the Group's Treasury policies

Climate-related risk and environmental, social and governance (ESG) matters

- The Board oversees, considers and reviews the Group's ESG strategy and has oversight of climate-related risks and opportunities. As part of the Board's annual review of our principal and emerging risks, sustainability was considered. The Board's focus included, both ESG performance, and the introduction of the new Task Force on Climate-related Financial Disclosures (TCFD) climate reporting regulation that impacts the way we report key metrics. In addition, the Board identified and assessed the principal ESG risks and the potential effects on Reckitt's short- and long-term value. More information on sustainability can be found on pages 16 to 21. Our TCFD summary can be found on pages 66 to 67
- The CRSEC Committee supports the Board in reviewing, monitoring, and assessing the Company's approach to sustainability, which includes climate change. The CRSEC Committee reports to the Board regularly at Board meetings, providing an update on sustainability objectives and progress against our targets. Further details on the activities of the CRSEC Committee can be found on pages 141 to 147

OUR PURPOSE, STRATEGY, VALUES AND CULTURE

Our Purpose, Fight and Compass are fundamental to Reckitt's culture and values. Our success as a business is founded on our strong, distinctive culture. We want all our employees to have a sense of belonging and take personal pride in what they do. Our approach is anchored by our Purpose: to protect, heal and nurture in the relentless pursuit of a cleaner and healthier world. Our Compass sets out our values and behaviours. At its heart is the goal of always doing the right thing, putting consumers and people first, seeking out new opportunities, striving for excellence and building a culture of shared success.

Across the globe, we have an interconnected vision that all our employees have the Freedom to Succeed. 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. The innovative and entrepreneurial spirit of our employees is at its best when diverse teams unite, share ideas, and create pioneering solutions.

To evolve our culture and achieve sustainable outperformance, Leadership Behaviours are key. Our Leadership Behaviours set out how we expect each of our leaders to behave and define what good leadership looks like. Reckitt's leaders are expected to Own, Create, Deliver and Care, and in doing so, live our Purpose, Fight, and Compass, actively listen, learn, seek new opportunities, and focus on what matters. We have been proactively assessing our culture, including not only the role of our leaders but also the efforts of our employees. More information on our culture can be found on pages 46 to 49 and pages 55 to 56.

Global Headquarters, Turner House, Slough, UK

How the Board monitors culture

A key focus of the Board is to monitor culture and ensure alignment between our Purpose, values, and behaviours. Our culture and values at Reckitt are defined by the Board and the GEC. Regular interactions with employees help the Board monitor culture.

How we monitor culture	Board interactions and engagement to monitor culture throughout the year
Connecting directly with our employees	Board members meet with employees regularly. As part of this year's September Board meeting schedule, Board members visited the Nottingham factory and held round table discussions with employees on the topics of inclusion, consumers, innovation and science, sustainability and business transformation. The Board reviewed feedback from the round table discussions at its November meeting. Feedback showed that employees were proud to work for Reckitt, that significant progress had been made in developing a positive company culture, the handling of COVID-19 working arrangements showed the company putting people first and that there was a real sense of care for employees. In addition, certain areas were highlighted as requiring more work, such as, complexity in the organisation, improving female representation in senior roles, and the need for stability during a period of significant change within the organisation. Based on the feedback received, the Board continues to monitor actions being taken to address employee concerns.
Monitoring employee perceptions	Regular global all-employee surveys include questions to gauge employees' perceptions and understanding of leadership, inclusion, and wellbeing at Reckitt, and identify areas which require greater attention. This year's survey highlighted that employees would recommend Reckitt as a place to work; they feel there is a culture of achievement at Reckitt; they are proud to work for Reckitt; and value the commitments Reckitt makes. Responses from the survey also identified areas that need further improvement, such as: creating an even more inclusive workplace with more transparency on equal opportunities and career progression; improving processes and automation of manual tasks; and investing in and developing people. The Board will continue to monitor progress against these areas.
Creating a forum for employees to be heard	Our Stronger Together conversations provide a forum for employees across the world to share inspiring and challenging stories focused on issues relating to diversity and inclusion. Board members attended Stronger Together conversations throughout the year and Mary Harris, our Designated Non-Executive Director for engagement with the company's workforce, addressed employees during a session focused on race and ethnicity.
Ensuring employees are informed	Quarterly all-employee global live-streaming results broadcasts were held by the CEO and CFO to present the company results and employees are invited to ask questions and interact directly with presenters.
Staying informed of legal & compliance matters	At each Board meeting, the CRSEC Committee reports to the Board on legal compliance and ethics matters, including the Group's Speak Up programme, which provides safe communication channels for employees wishing to raise concerns on potential violations of regulations, internal policies or any misconduct observed at Reckitt.
Maintaining open communication	Our Ask Laks forum on the employee intranet provides a place where any employee can post questions to our CEO, which are answered via the intranet, or in an informal discussion video.

Division of Responsibilities

HOW WE ARE GOVERNED

Defining roles and responsibilities

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. 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 2021, 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
- 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 on the Reckitt website at www.reckitt.com/investors/corporate-governance.

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 the executive leadership of the business. The key roles are defined in greater detail below.

Non-Executive

The Chair

- 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 review process for the Board and its Committees and addressing any subsequent actions
- Promoting the highest standards of corporate governance
- Building a well-balanced, diverse and highly effective Board
- 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 Senior Independent Director

- Acting as a sounding board for the Chair on Board-related matters
- Acting as an intermediary for other Directors as necessary
- Evaluating the Chair's performance on an annual basis
- Chairing Board and Nomination Committee meetings in the absence of the Chair
- Being available to shareholders and stakeholders to address any concerns, which they have been unable to resolve through normal channels
- Leading the search and appointment process for a new Chair, when necessary

Non-Executive Directors

- Providing independent input into Board decisions through constructive challenge and debate, strategic guidance and specialist advice
- Setting and 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
- Taking into account and responding to shareholders' views.

Division of Responsibilities (Continued)

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

- Overseeing the Board's engagement with the company's workforce together with management, to understand more about engagement and the culture of the company
- Developing and implementing employee engagement initiatives
- Providing an employee voice in the boardroom and reporting on certain matters relating to company culture, purpose, and improvements

Executive

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 GEC, 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
- Maintaining relationships with investors and advising the Board accordingly
- Managing Reckitt's risk profile and establishing effective internal controls
- Ensuring there are effective communication flows to the Board and the Chair, and that they are regularly updated on key matters, including progress on delivering strategic objectives
- Regularly reviewing the organisation structure, developing a Group 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 Chief Financial Officer

- Supporting the CEO in developing and implementing the company's strategy
- Leading the global finance function, and 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 Company Secretary

- Providing advice and support to the Chair 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 an induction programme for all Board members
- Ensuring there are policies and processes in place to help the Board function efficiently and effectively
- Keeping abreast of shareholders' views

A full description of the roles and responsibilities of the Chair, Chief Executive Officer and Senior Independent Director can be found in the Corporate Governance section of our website: www.reckitt.com.

How we manage conflicts of interest

Directors have a duty under the 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 General Counsel & 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 Nomination Committee and 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 the 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 of the need to, 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 Chair 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 three months' 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 Chair 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. At the 2022 AGM, Sara Mathew will not be standing for re-election.

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 Chair of, a FTSE 100 company.

Laxman Narasimhan is currently a Non-Executive Director of Verizon Communications Inc. and Jeff Carr is currently a Non-Executive Director of Kingfisher plc.

Board support

The General Counsel & 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 Chair, the CEO or the General Counsel & 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 General Counsel & Company Secretary and a procedure exists for Directors to take independent professional advice at the company's expense in furtherance of their duties.

Board induction, training and development

Reckitt has a comprehensive induction programme for new Directors. The programme covers Reckitt's business, together with 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, including a focus on ESG matters, supply and the company's three GBUs – Hygiene, Health and Nutrition. 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, it provides an overview of the responsibilities for Non-Executive Directors of Reckitt, and it builds links to Reckitt's people and stakeholders. Incoming Board members will also have meetings with the Group's legal and compliance teams and an open offer to meet with the Group's External Auditor.

Upon appointment, Olivier Bohuon received a comprehensive induction tailored to his appointment as a Non-Executive Director and member of the Remuneration Committee. This included meeting with members of key management across the business and external advisors. 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.

Alan Stewart received a tailored induction following his appointment to the Board as a Non-Executive Director and member of the Remuneration Committee. This included meetings with key management across the business. He attended virtual meetings, with the CEO, CFO and General Counsel & Company Secretary. He also met with the Presidents of the three GBUs. In addition, he had meetings with members of the GEC, including the Chief R&D Officer, Chief Supply Officer, Chief HR Officer, Chief Information & Digitisation Officer and Head of Corporate Affairs & Chief Sustainability Officer. Alan 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 Directors inductions covered legal compliance matters including, a discussion on Directors' duties and liabilities, disclosure of conflicts of interest and persons closely associated, the UK Market Abuse Regulation 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. This gives new Directors an opportunity to engage directly with employees and key personnel in other jurisdictions. As previously mentioned, in 2021, the off-site meetings were held in the UK, where Board members had the opportunity to meet in person, visit Reckitt's Nottingham factory and listen to the views of employees through roundtable discussions.

The Chair 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. The Directors may, at the company's expense, take independent professional advice and are encouraged to continually update their professional skills and knowledge of the business and wider industry. Throughout the year training materials have been made available for Board members to view, including materials relating to Directors' duties in accordance with section 172 CA 2006.

BOARD PERFORMANCE REVIEW

Performance review of the Board

The Board undertakes an annual review of its own and its Committees' performance and effectiveness, with a formal externally facilitated performance review of the Board conducted at least every three-years. Last year we engaged Lintstock Ltd (Lintstock) to facilitate a three-year Board Development Programme. In the second year of the three-year Board Development Programme with Lintstock a survey-based review was conducted, consisting of an online questionnaire sent to all Directors. The 2021 Board performance review considered the effectiveness of the Board, as well as that of each Board Committee and the individual Directors. The areas of focus were Board composition, Board dynamics and support, management and focus of meetings, strategic oversight and risk management and internal control. A report, with action points and recommendations for the Board to consider, was distributed to Directors and the results of the review were subsequently discussed by the Board at its November meeting.

In addition, the Chair'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 Chair present. The discussion concluded that the Chair 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.

Lintstock is independent of and has no other links with the company or its Directors' in connection with the performance review. Actions taken to address the findings of the 2020 review are also outlined below.

2020 recommendations	Action taken during 2021
Board composition • Identify skills and experience gaps and focus on succession planning for key roles	• The Nomination Committee has met throughout the year to discuss and review profiles of potential new Non-Executive Directors taking into consideration feedback from Directors and the skills required on the Board
Stakeholder oversight • Broaden the Board's understanding of and involvement with consumers and customers • Maintain visibility of the company culture	• Two Board listening sessions took place during the year, where Board members heard perspectives on relevant topics from key stakeholders, including customers and NGOs • The Board reviewed the company's culture and workforce engagement methods at its September Board meeting
Board dynamics and support • Regular Board training and information sessions • Improve the length and structure of Board packs	• Analyst reports and other information prevalent to the business have been shared with Board members • Board packs were more concise with shorter presentations, leaving more time for Board discussion at meetings
Strategic oversight • Focus on M&A, in particular IFCN China and understanding competitor performance	• In line with our strategy significant time at Board meetings were focused on M&A. The level of information on competitor performance has also increased
Succession planning and HR management • Increase Board oversight of talent management	• During the year the Board received presentations from HR on people and succession • In April 2021, we were pleased to announce that Filippo Catalano had joined Reckitt as Chief Information & Digitisation Officer
Risk management and internal controls • Boards oversight of risk appetite and mitigation could receive deeper review	• The Board, supported by the Audit Committee, has reviewed a number of risk management processes during the year

2021 recommendations	Action to be taken in 2022
Board composition and succession planning • The Board's composition was rated highly overall. With regards to key changes that ought to be made to the Board's profile over the next three to five years to match Reckitt's strategic goals, the need for further digital expertise was highlighted, as was the importance of additional experience in emerging markets and increased UK representation on the Board • The GEC had been successfully embedded following the transition in 2020, and the structure of Reckitt at senior levels was highly rated	• The Board will continue to monitor succession planning, focusing on skills gaps and ensuring the Board has the right mix of Directors with varied expertise and experience
Board dynamics and support • Non-Executive Directors' engagement with the CEO, CFO and the wider Executive team was rated highly. The importance of face-to-face engagement post COVID-19 was noted • Whilst Board packs were positively rated, the use of summaries was identified as an area for improvement	• More face-to-face interactions between the Board and management are expected, as COVID-19 restrictions ease • Management will continue to provide timely and well-structured papers, including succinct executive summaries
Strategic oversight • Clarity of the current strategy, testing and development of strategy and how the Board has monitored progress of the transformation programme scored highly. The Board's understanding of key Reckitt markets and the Board's understanding of the company's brands was also rated positively. It was noted that greater oversight was required on Reckitt's digital and cyber capabilities	• Filippo Catalano joined Reckitt as Chief Information & Digitisation Officer in April 2021 to bring greater focus on the area of digital and cybersecurity. Further updates would be provided on Reckitt's digital and cyber capabilities through deep dives conducted in 2022
Risk management and internal control • The Board's focus on risk was noted as a strength, particularly the Board's oversight of risk appetite and mitigation. There was scope for more in-depth deep dives into specific areas of risk	• The Board, supported by the Audit Committee, is reviewing risk management processes and allocating time at Board meetings to conduct deep dives into specific areas of risk
Management and focus of meetings • Management of meetings was rated highly. It was important to ensure there was a continued focus on people, including talent management and succession	• Increase understanding, monitoring and time spent on talent and succession planning, through greater focus at Board meetings

The 2021 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. The Board had a good understanding of its stakeholders including its investors, customers, consumers, partners and suppliers. The way the Board monitors employee sentiment and culture was also noted as a strength.

All individual Directors were considered to be contributing effectively. The key priorities for the Board over the coming year will be people and succession planning, developing relationships with management and providing effective challenge where necessary, meeting in person, transformation, managing the Group's portfolio, and performance. The Board has reviewed the recommendations of the performance review and is taking steps to address these. The principal outcomes of the review will be reviewed and reassessed as part of the Board's 2022 performance review.

"We continue to focus on succession planning for our Non-Executive Directors, keeping in mind the skills and experience required to ensure our long-term success."

Chris Sinclair
Chair of the Nomination Committee

NOMINATION COMMITTEE REPORT

Committee priorities for 2022

- To keep under review the overall skills and experience of the Board, and diversity, equality and inclusion at Board as well as management level
- Succession planning for Board members, with particular regard that the current Senior Independent Director was appointed to the Board in 2013
- Review the tenures of Directors holding leadership roles on the Board

Committee membership

The members of the Committee during the year were:

	Member from	Meetings attended
Chris Sinclair (Chair)	Chair and member of the Committee for the whole year	2 of 2
Andrew Bonfield	Member for the whole year	2 of 2
Nicandro Durante	Member for the whole year	2 of 2
Pam Kirby	Member for the whole year	2 of 2
Mary Harris	Member for the whole year	2 of 2
Laxman Narasimhan	Member until 1 October 2021	2 of 2

Members of the Committee are appointed by the Board. Membership is set out in the Committee's terms of reference and comprises of the Chair, Senior Independent Director and the Chairs 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 General Counsel & Company Secretary acted as Secretary to the Committee during the year.

The membership of the Committee is reviewed annually by the Chair as part of the annual performance review of the Committee. All Directors are required to seek election or re-election each year at the Annual General Meeting (AGM). Biographical details of the Directors, including their skills and experience, can be found on pages 108 to 113.

Meetings

Meetings of the Committee are held as needed but are required to take place at least once a year. In 2021, the Committee held two scheduled meetings which took place virtually due to COVID-19 travel restrictions and held one additional meeting. 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 above and in the Board attendance schedule on page 118 of the Corporate Governance Report.

Role and responsibilities

The role of the Committee is to ensure that there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board and to lead the process for Board appointments. The Nomination Committee has principal responsibility for making recommendations to the Board on new appointments and the composition of the Board and its Committees. 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

Reckitt, Thane Road, Nottingham, UK

regards 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. It is noted that the Committee considers management succession planning to be so important that it is reviewed by the full Board
- 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 a 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

Key activities during 2021

New Director appointment process

The process for Board appointments is led by the Nomination Committee. The Committee conducts a rigorous search for suitable candidates with the objective of ensuring there is a diverse talent pool on the Board with a mix of experience and skills required to achieve the objectives of the business. The Committee supports diversity in its widest sense and seeks to appoint Board members from different backgrounds who will contribute a wealth of experience and differing perspectives to the Board.

For new Board appointments, the Committee considers the following matters:

- The purpose, values and culture of the business and the company's strategic priorities
- The key skills and experience which may be required on the Board and its Committees
- The importance of diversity including gender, personal strengths, and social and ethnic backgrounds

STEP 1

The Committee reviews the composition of the Board and its Committees to identify which skills, experiences and expertise are required

STEP 2

The Committee outlines a role specification and engages an external consultant to conduct a search for potential candidates

STEP 3

The Committee evaluates the potential candidates and considers the shortlist for meetings and interviews

STEP 4

Following the conclusion of interviews, the Committee's recommendation is submitted to the Board for consideration

STEP 5

Once the Board has approved the recommendation, the appointment is announced in line with FCA's Listing Rules and a formal induction process commences

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. In sourcing new Non-Executive Directors, the Committee considered the tenure of the existing Board members and the impact on the composition of the Board and its Committees. The Committee identified specific desirable skills in the search for new Non-Executive Directors including, the need for individuals with financial expertise, experience in HR and reward, and experience as UK-based operating leaders within public limited companies.

We instructed Egon Zehnder International Ltd to carry out a search for new Non-Executive Directors. Upon their recommendation, we reviewed a list of candidate profiles considering their skills, experience, expertise and overall fit with Reckitt's culture, and the Committee Chair had exploratory meetings with potential candidates. After shortlisting potential candidates, this was followed up by individual meetings with each of the Committee members and the CEO. 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.

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.

We are delighted that Alan Stewart joined the Board as a Non-Executive Director and member of the Remuneration Committee in February 2022. Alan will become Chair of the Remuneration Committee and a member of the Nomination Committee at the conclusion of the 2022 AGM. Alan brings to the Board significant corporate finance and accounting experience from a variety of industries including retail, banking and travel, as well as executive leadership experience within a listed company environment. The Committee is confident that with Alan's experience, he will be a great contribution to the Board.

Furthermore, Sara Mathew signalled her intention not to stand for re-election but to resign from the Board and Audit Committee upon the conclusion of the company's 2022 AGM. We would like to take this opportunity to thank Sara for her services since joining the company. Taking into consideration the composition of the Audit Committee, in October 2021, Elane Stock stepped down as a member of the Remuneration Committee and was appointed as a member of the Audit Committee. In addition to this, in January 2022, we announced that Mary Harris would be stepping down as Chair of the Remuneration Committee and a member of the Nomination Committee upon the conclusion of the 2022 AGM. Mary will remain on the Remuneration Committee and as the Designated Non-Executive Director for engagement with the company's workforce.

Going forward, the main priority for the Committee in 2022 will be to continue to keep under review succession planning of all long-standing Board members and key Board roles. The Committee recognises that in sourcing new Non-Executive Directors it should consider the skills and expertise that the Board requires as highlighted in the Board performance review. More information about the Committee performance review can be found on page 132. The Board performance review can be found on pages 126 to 127.

Renewal of existing Directors

Non-Executive Directors are initially appointed for a three-year term and generally continue to serve one or more further terms. All Directors are nominated for appointment by the Committee, which is subsequently approved by the Board. During the year, the Committee considered the renewal of existing Non-Executive Directors. 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.

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 AGM, available at www.reckitt.com.

Group Executive Committee (GEC) changes

The GEC changes during the year reflect the Committee's focus on succession planning and the alignment of our functional leaders with Reckitt's strategic priorities and growth opportunities. While the Committee's terms of reference include management succession planning, this is considered so important as to be reviewed and overseen by the full Board. With the establishment of Global Business Solutions and our Global Business Units (GBUs), the Committee focused on identifying and sourcing talent for the GEC both internally and externally.

Building and maintaining a competitive, leading edge, IT and Digital capabilities are key for Reckitt to be successful and agile. To lead us into this digital era, we appointed Filippo Catalano as the Chief Information & Digitisation Officer in April 2021. Filippo has extensive leadership experience in defining and shaping the IT, Digital Portfolios and Technology enabled new business models across leading consumer goods organisations. Filippo's experience will contribute towards developing our digital backbone and create innovative technological platforms that will support our business growth.

In March 2021, we announced that Harold van den Broek would be leaving Reckitt at the end of May 2021. We would like to thank Harold for his outstanding contribution to the business over the course of the last 7 years, most notably for his leadership in driving the transformation of the Hygiene GBU during the most challenging of times. We 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 in May 2021, following a smooth transition of responsibilities from Harold. Volker has made a significant impact since joining Reckitt in August 2020, delivering major productivity savings, establishing our new Global Business Solutions unit and identifying further growth opportunities. Volker has a wealth of experience across the fast-moving consumer goods industry which makes him ideally suited for this leadership role.

In June 2021, we announced that Aditya Sehgal, President of Nutrition, eRB & Greater China would be leaving Reckitt at the end of October 2021. We would like to thank Aditya for his many contributions to the business and our people over the past decades and wish him well for the future. Aditya had an extensive 27-year career at Reckitt and positively impacted its people and the business across Hygiene, Health and Nutrition. Following his resignation, his portfolio of responsibilities was re-organised within senior management and the CEO assumed a more direct oversight of the Nutrition, e-commerce, and Greater China teams.

To support the changes within the Nutrition business, Pat Sly, who joined Reckitt as part of the Mead Johnson Nutrition acquisition in 2017, was appointed as Chief Operating Officer, Nutrition and member of the GEC in July 2021. Pat has more than 20 years of experience in senior leadership roles in general management, marketing, and sales across North America, Europe, Asia Pacific and Latin America. In his role as Chief Operating Officer, Nutrition, Pat leads the global Nutrition business which includes Infant & Child Nutrition (IFCN), Specialty Nutrition, Maternal Nutrition and Adult Nutrition. In February 2022, Pat was appointed as President Nutrition.

Further changes to the GEC took place during the year. In December 2021, we announced that Rupert Bondy, General Counsel & Company Secretary would be leaving Reckitt at the end of February 2022. We would like to thank Rupert for his outstanding contribution to the business over the last 5 years. Rupert has had been material in guiding the transition of the Board Directors and helped the company navigate a number of business critical legal and reputational issues. He has overseen the legal and contractual aspects of major acquisitions and disposals such as sale of IFCN in China. In February 2022, Catheryn (Cathy) O'Rourke joined the company and the GEC as the General Counsel & Company Secretary following Rupert's resignation. Cathy joins the GEC with more than 20 years of professional expertise in running global legal and compliance teams, managing litigation and corporate transactions; overseeing financial reporting and disclosure as well as supporting Board governance.

More information about our current GEC membership can be found on pages 114 to 116.

Review of Committee terms of reference

The terms of reference for the Committee are reviewed on an annual basis. During the November Committee meetings, we reviewed our terms of reference in line with best market practice guidance, the Code and the model terms of reference for Nomination Committees issued by the Chartered Governance Institute. The current terms of reference for the Nomination Committee are available on our website at www.reckitt.com.

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 or her duties and recommended that the Board authorises each Director to continue in each of his or her external commitments. 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.

Composition

The Committee regularly evaluates the Board and its Committees, and considers the composition, the balance of skills and experience, diversity and how effectively Directors work together to achieve Reckitt's objectives. The Committee ensures that plans are in place for orderly succession of the Board and senior executive management, overseeing of a diverse pipeline of succession. This ensures that the Board and GEC benefit from fresh perspectives as well as the experience of longer-serving members.

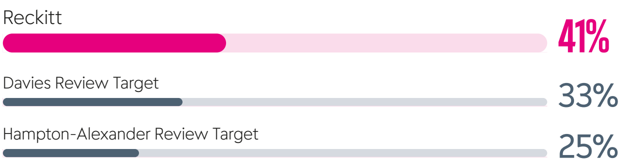
In October 2021, Laxman Narasimhan stepped down as member of the Nomination Committee given that he is an Executive Director, however he continues to attend Committee meetings to provide input as appropriate.

Diversity and inclusion

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 to '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 through our Board composition which comprises of six nationalities, and five women, two of whom are Committee Chairs. This includes Mary Harris, who is Chair of the Remuneration Committee and the Designated Non-Executive Director for engagement with the company's workforce, and Pam Kirby who is Chair of the CRSEC Committee. I am pleased to report that as at 31 December 2021, 41% of our Board members are women, which exceeds the 25% target set by the Davies Review and we have achieved the 33% target as outlined in the Hampton-Alexander Review. 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 recommendation, Beyond One by '21, which is to have at least one person from an ethnic minority on the Board.

Percentage of women Board members



Our GEC, comprising of the most senior management level in the business, represents 7 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 49 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. As at 31 December 2021, female representation within the GEC (and their direct reports) was 26%. Whilst progress has been made, we are cognisant of the gap in performance towards the 33% 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 at all management levels. We recognise that female representation at our most senior levels needs improvement and the Committee continues to make a commitment to increase female representation at this level. We were delighted that in February 2022, Cathy O'Rourke joined the company and the GEC as General Counsel & Company Secretary. As at 31 December 2021, female employees accounted for 44% of our global workforce.

Our Group diversity policy can be found at www.reckitt.com/sustainability/policies-and-reports. 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 suitable 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 50.

Performance review

Committee performance review

This year, the Committee participated in the main Board performance review 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, balanced and diverse. The main area of focus relevant to the Committee, identified as a result of the performance review, is to continue to identify additional skills required for the Board in areas that may be lacking such as digital expertise and experience in emerging markets. Another area of focus is to ensure succession planning remains a high priority for key Board roles over a longer-term horizon and improving the Board's oversight of the company's processes for managing and developing talent. The Board performance review is discussed in further detail on pages 126 to 127. Lintstock is independent of and has no other links with the company or its Directors in connection with the performance review.

AUDIT COMMITTEE REPORT

"The Committee plays a key role in the governance of the Group's financial reporting, risk management, internal controls, and the external audit. Maintaining robust internal controls remained a key focus for the Committee, particularly in light of the impact of COVID-19."

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 2021.

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.

Committee priorities for 2022

- Maintaining oversight and providing 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
- Taking a proactive approach in preparing for legislative and regulatory changes which may be required to internal controls and reporting, arising from the Department for Business, Energy & Industrial Strategy (BEIS) consultation
- Continuing to holistically monitor legislative and regulatory changes which may affect the work of the Committee

Committee membership

Composition	Member from	Meetings attended[1]	Recent and relevant financial experience	Sectoral experience relevant to Reckitt's operations
Andrew Bonfield (Chair) [2]	July 2018	5 of 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[3]	March 2016	5 of 6	• Sits on another FTSE 100 company's Audit Committee	• Pharmaceuticals/healthcare • Technology
Sara Mathew	July 2019	6 of 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[4]	July 2020	5 of 6	• Financial expert • Currently CFO of a 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
Elane Stock[5]	25 October 2021	1 of 1	• Holds Master's degrees in Finance	• Consumer goods • Emerging markets

1. There were six (four scheduled and two additional) Committee meetings (five of which were held by videoconference owing to COVID-19) during the year
2. Andrew was unable to attend one meeting owing to a prior commitment
3. Pam was unable to attend one meeting due to a scheduling conflict with the CRSEC Committee, of which she is Chair
4. Margherita was unable to attend one meeting owing to a prior commitment
5. Elane was eligible to attend one of the scheduled meetings during the year, having been appointed on 25 October 2021

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, whistle-blowing 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
- 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, and 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 Head of Group Secretariat acted as Secretary to the Committee.

Meetings

During 2021, the Committee held six meetings at times aligned to the company's reporting cycle. Of the six meetings held during the year, five were held via 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, and by the Group Head of Internal Audit, Chief Financial Officer (CFO) and SVP Corporate Controller. The Chair 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 audit team and the 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 134.

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.

Activity during the year

Standing agenda items reviewed by the Committee throughout the year

- Received reports from the SVP Corporate Controller, internal audit function and External Auditor
- Considered tax and treasury matters, including provisioning for uncertain tax positions 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
- Annual review of risk management and internal controls including in-depth review of risks across Group functions, and of integrated risk management framework
- Monitored the Group's risk assessment processes

Other items considered by the Committee at meetings during the year

- Review of the 2020 preliminary results announcement, draft unaudited Financial Statements and recommendation for approval by the Board
- Review of the 2020 Annual Report and Accounts, the going concern basis of preparation and Viability Statement, including whether the Committee could recommend that the Board approve the 2020 Annual Report and Accounts
- KPMG's 2020 audit findings report, observations on Reckitt's internal controls for the 2020 financial year, management representation letter and report on the 2020 Annual Report and Accounts
- KPMG's final non-audit fees for 2020 and approval of KPMG's 2021 audit fees
- Review of the 2021 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 2021 and management representation letter
- KPMG's assessment of its objectivity and independence
- KPMG's strategy for the 2021 audit
- KPMG's interim IT control findings relating to the 2021 audit cycle and audit strategy update
- Work undertaken in respect of the 2020 internal audit plan and monitoring of the 2021 internal audit plan
- Annual review of IT general controls, cyber security and IT operations
- Internal controls, maturity assessment and controls transformation roadmap
- Review of the company's 'finance for the future' transformation
- Review of the Committee's 2022 standing agenda and terms of reference
- Results of the performance reviews of the Committee, the internal audit function and external audit
- Annual tax function deep dive
- Annual review and approval of Group Treasury policies

Significant and key financial reporting matters

The key matters reviewed and evaluated by the Committee during the year were as follows.

Accounting and financial reporting

The 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 2021 Annual Report and Financial Statements, management continued its focus on narrative reporting and clear written and visual messaging to communicate the Group's strategy
- Reviewing the appropriateness of the accounting policies, judgements and estimates used as set out on page 210, and concluding that the judgements and assumptions used are reasonable
- Reviewing the Group's policy relating to, and disclosure of, Alternative Performance Measures (APMs)

Areas of significant financial judgement

The significant financial judgements in relation to the 2021 Group Financial Statements considered by the Committee, together with a summary of the actions taken, were as follows:

Recoverability of goodwill and other intangible assets

Under International Financial Reporting Standards (IFRS), goodwill and indefinite-life assets must be tested for impairment on at least an annual basis. 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. The Group's impairment 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 terminal growth rates.

At 31 December 2021 management determined that the Group's goodwill and indefinite-lived intangible assets remained recoverable and no impairment charges were required (2020: impairment charge of £985 million).

The cash-generating unit for which headroom is most limited, other than Biofreeze which was acquired and recorded at fair value during the year, is Infant Formula and Child Nutrition (IFCN). Accordingly, management has included disclosures in the Financial Statements in relation to its IFCN impairment assessment, the key estimates underpinning the IFCN recoverable amount and the sensitivity of the IFCN recoverable amount to reasonable changes in key assumptions. The Committee has reviewed these disclosures, included within Note 1, and considers them 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.

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 and the amount of accruals for trade spend. In 2021, the Committee reviewed the accuracy and utilisation of trade spend accruals recorded in the 31 December 2020 financial statements, given the increased uncertainty and judgement in estimation of these accruals due to the COVID-19 pandemic. The Committee focused on the level of trade spend accruals at the year end to ensure they are sufficient and appropriate.

Legal liability provisioning

At 31 December 2021, a provision of £180 million (2020: £232 million) was held on the Group's Balance Sheet in relation to regulatory, civil and criminal investigations as well as litigation proceedings, including a provision in respect of the South Korea Humidifier Sanitiser (HS) issue. The Committee has reviewed the status of potential legal and constructive liabilities during the year, and at the year end, in relation to the HS issue. 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.

Acquisition of Biofreeze

The purchase price allocation exercise following the acquisition of Biofreeze involved significant judgement to determine the split of the purchase price between brand intangible assets and goodwill. Management engaged external valuation experts to support the allocation exercise. The Committee reviewed the work performed by management and the external experts, challenged the judgements underpinning the valuation, and considers the allocation of the purchase price between intangible assets and goodwill to be appropriate.

Other key financial reporting matters

Other key matters reviewed and evaluated in relation to the 2021 Group Financial Statements considered by the Committee, together with a summary of the actions taken, were as follows.

Loss in relation to the Nutrition strategic review

The determination of the loss on disposal of IFCN China following the strategic review involved judgement to allocate intangible assets, including the IFCN brands and goodwill that arose on the acquisition of Mead Johnson Nutrition, to the disposal group. The calculation of the loss on disposal was reviewed during the year by the Committee to assess the calculation, particularly in the context of the allocation of intangible assets. The Committee also reviewed the disclosure of the net assets disposed and the loss on disposal, and was satisfied that the loss was calculated and disclosed appropriately.

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. 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 103. The use of a five year period for the viability review was approved by the Board in 2021 as it is the period of the Group's long-term forecasting process and covers the various business cycles.

Boardroom, Global Headquarters, Turner House, Slough, UK

Fair, balanced and understandable
The Committee reviewed the 2021 Annual Report and Financial Statements to ensure that it is fair, balanced and understandable and provides 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 the relevant 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 in person and via telephone 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. The Committee determined that the preparation and verification processes were robust.

The Directors, individually and collectively, were provided with drafts of the Annual Report at key 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 2021 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 2021 Annual Report and Financial Statements, taken as a whole, met its objectives and accordingly we recommended to the Board that the 2021 Annual Report and Financial Statements be approved and we supported the Board in making its statement on page 192.

Financial Reporting Council correspondence
During 2021, the company received two letters from the Financial Reporting Council (FRC) in relation to its thematic review of APMs contained in the company's 2020 Annual Report and Financial Statements. The first letter outlined that certain areas of the disclosure on APMs were an example of better practice. The second letter provided suggestions to improve the current APM disclosures, which have been incorporated into this Annual Report. The FRC did not raise any formal comments which required a response from the company. The nature of the FRC review is that it provides no assurance that the annual report and accounts are correct in all material respects. The FRC's role is not to verify the information but is to consider compliance with reporting requirements.

Risk management
The 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 Committee makes recommendations to the Board in relation to approval of the Annual Report and Financial Statements.

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 whistle-blowing arrangements) and considered financial, operational risk and internal control processes at Group, Global Business Unit (GBU), corporate and functional levels. Following a routine second line of defence review, an investigation was commissioned by management to assess evidence supporting the creation, utilisation and release of certain operational expenditure and trade investment accruals within the Hygiene GBU. Although the investigation did not identify any material misstatement in relation to the years ended 2020 and 2021, certain remediation actions are being undertaken by management to improve the control processes regarding accruals and provisions.

There were no significant failings or weaknesses during the year meriting disclosure in this report. Reckitt's ongoing controls transformation program in preparation for internal controls changes arising from the BEIS consultation, together with the above mentioned investigation, has identified certain control improvement opportunities that management is currently undertaking. The Committee reported to the Board in February 2022 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 page 120). The Committee also reviewed the 'three lines of defence' framework and the Group's principal and emerging risks.

Reckitt's finance function, headed by the CFO, has implemented policies, processes and controls to enable the company to review and fully comply with changes in accounting standards and relevant financial regulations. These policies, processes and controls are kept under review on an ongoing basis to ensure both internal and external developments are reviewed and responded to.

The basis for the preparation of the Group Financial Statements is set out on page 210 under Accounting policies.

The company's External Auditor's report, setting out its work and reporting responsibilities, can be found on pages 193 to 204. The terms, areas of responsibility and scope of the External Auditor's work are agreed by the 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 88 to 102.

The Viability Statement can be found on page 103.

The Statement of Directors' Responsibilities on page 192 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.

Internal controls
Internal control processes are implemented through clearly defined roles and responsibilities, supported by clear policies and procedures, delegated to the Group Executive Committee (GEC) and senior management. A new Group Head of Audit was appointed on 1 September 2021 with objectives that are designed to develop the function in line with the strategy of the Business.

Reckitt operates a 'three lines of defence' model in monitoring internal control systems and managing risk.

1. Management in the first line ensures that controls, policies and procedures are followed in dealing with risks in day-to-day activities. Such risks are mitigated at source with controls embedded into 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. 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.
2. Each function and GBU has its own management which acts as a second line of oversight. This second line sets the local level policies and procedures, specific to its own business environment, subject to Group policy and authorisation. It further acts in an oversight capacity over the implementation of controls in the first line. The financial performance of each function and GBU is monitored against pre-approved budgets and forecasts ultimately overseen by the executive management and the Board. As part of the second line, the Corporate Control team identifies financial risks and mitigates these with appropriate internal controls, as well as establishing the minimum expected financial control requirements. The effectiveness of the global financial control framework is reviewed annually. Further, the Group's compliance controls include the operation of an independent and anonymous 'Speak Up' whistle-blowing hotline, annual management reviews and the provision of training specific to individual needs within the business.
3. The third line of defence is provided by the internal audit team which provides independent and objective assurance to the Committee and management on the adequacy and effectiveness of risk management systems and internal controls operated by the first and second lines of defence. Internal Audit also facilitates the integrated risk management process.

Reckitt's internal control framework provides 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 are understood and managed.

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 comprising of over 150 system-agnostic controls across key financial processes. Corporate control is responsible for reporting and monitoring of controls at local, GBU 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 notable controls activity since the previous meeting.

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 in order 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 140.

The internal audit plan is prepared on a half yearly basis under an agreed rotation and scope policy and reflects a risk-based approach. Audit locations are selected based on a number of factors including the risks related to the business as well as the period since the last audit. Information systems, change programmes and activities of Group functions 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 are tracked until they are satisfactorily closed.

Due to the COVID-19 pandemic, the internal audit approach and plan for 2021 continued through a series of 'operational resilience reviews', focusing on priority areas of the business. In 2021 routine internal audit work delivered audits which covered 31% (by net revenue) of Reckitt's global commercial business and 39% (by industrial sales) of global manufacturing facilities. Audits that identified significant weaknesses in the control environment 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 LLP (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 2021, the company has complied with the Competition and 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's Ethical Standard. The current lead audit partner, Richard Broadbelt, has completed his fourth year as lead audit partner. A new lead audit partner, Andrew Bradshaw, will begin in 2022 following a transition period with Richard Broadbelt in the 2021 audit cycle, before leading the audit for the year ended 31 December 2022.

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
- Report on audit findings in relation to the IFCN impairment assessment
- Review of going concern and the Viability Statement
- Draft audit opinion
- Draft management representation letters
- Draft engagement letter
- Review of KPMG's 2021 Audit Quality Inspection Report issued by the FRC
- Analysis of non-audit services provided
- 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 of its progress against the agreed audit plan and scope. KPMG reports to the Committee annually 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. The Committee 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 2021 were £16.5 million, of which £0.6 million 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 2021, non-audit and audit-related fees were 3.8% of the audit fees. Details of services provided by the External Auditor are set out in Note 4 on page 218.

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 2021, KPMG identified its own safeguards in place to protect its independence and confirmed its independence in February 2022 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 2022 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 2022. 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 20 May 2022.

KPMG had no connection with any Directors during the financial year.

Governance

Committee performance review

This year, a performance review of the Committee was conducted as part of the Board's external performance review, conducted by Lintstock Ltd. Lintstock Ltd is independent of and has no connections to the company.

The performance review 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 'good' or 'excellent' scores overall, 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 its relationships with the Group Head of Internal Audit and the CFO. It was noted that a greater focus on risk appetite and structured deep dives including KPIs tracking and external benchmarking would be helpful in the coming year. It was also noted that there would be value in GBU CFOs attending the Committee meetings periodically.

The Board, having had sight of the results of the Committee's performance review, 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 GEC and GBU, 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 effectiveness review reported strong, positive feedback which demonstrated that the internal audit function was trusted and respected. Key highlights are that the internal audit function: has a broad range of skills and expertise; provides clear, concise and consistent audit reports with opportunities to share learnings and good practices across the business; and has opportunities to continue to deepen business understanding and awareness. It is also noted that the integrated risk management framework is driving a better understanding of risk, with an opportunity for internal audit function to use this 'risk intelligence' to move towards a risk-based approach and broader range of strategic and operational audits.

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
The annual evaluation of the External Auditor was carried out in May 2021. The assessment of the External Auditor was conducted using a survey circulated to the Board, Group Executive Committee, GBU, finance and other functional leadership, and local finance management. The sample size of respondents was increased to include markets and entities not in Group scope but in statutory scope, to ensure coverage globally of a significant number of entities. The survey covered the four competency areas in the FRC's Guidance on Audit Quality, Practice aid for Audit Committees (published in December 2019) (Guidance): judgement; quality control; skills and knowledge; and mindset and culture.

The Committee reviewed the results of the FRC's Audit Quality Review of KPMG's audit of the financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2020 at its meeting in November 2021. The scope of the review included the audit of significant risk areas, oversight of the work of component auditors and communications with the Committee. No areas for improvement were noted in the report and three areas of good practice were highlighted, including the audit of the IFCN impairment assessment, the audit team's oversight and involvement with component auditors and the involvement of the Engagement Quality Control Reviewer. The Committee was satisfied with the outcome which was rated 'good', being the highest potential rating awarded by the FRC, with no key findings noted.

Overall 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 2022 financial year.

Andrew Bonfield
Chair of the Audit Committee
Reckitt Benckiser Group plc

13 April 2022

CORPORATE RESPONSIBILITY, SUSTAINABILITY, ETHICS AND COMPLIANCE COMMITTEE REPORT

"Our dedication to good governance ensures that our leaders operate with integrity and compassion. An ethical business is a strong and resilient business, which is evident in our results."

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 2021.

This report details how the Committee has discharged its role and responsibilities during the year under review in relation to monitoring and assessing the company's approach to responsible, sustainable, ethical, and compliant corporate conduct in accordance with the company's Purpose, Compass, culture and values, the Group's purpose-led strategy and societal responsibility.

Committee priorities for 2022

- 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
- Continued focus on delivering the safety, quality, and compliance agenda

Corporate Responsibility, Sustainability, Ethics and Compliance Committee Report
(Continued)

Committee membership

The members of the Committee during the year were:

	Member from	Meetings attended
Pam Kirby (Chair)	Chair and member of the Committee for the whole year	4 of 4
Nicandro Durante	Member for the whole year	4 of 4
Mehmood Khan	Member for the whole year	4 of 4
Chris Sinclair	Member for the whole year	4 of 4

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 the 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. During the year, the Head of Group Secretariat acted as Secretary to the Committee.

Meetings

The Committee is expected to meet at least three times per year. In 2021, 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 the Committee's proceedings. The CEO, CFO, Chief R&D Officer, Group Head of Audit, General Counsel & Company Secretary, Chief Supply Officer, Head of Group Compliance, Head of Corporate Affairs & Chief Sustainability Officer, Head of External Communications and Affairs, Global Director of Sustainability, Environment and Human Rights, Chief Safety Officer, and Global Head of Regulatory 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 R&D 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.

In addition to reviewing matters at our Committee meetings, the Committee Chair held regular meetings with our CEO, Chief R&D Officer, Head of Corporate Affairs & Chief Sustainability Officer, and the Chief Ethics & Compliance Officer, to review progress against the strategy and to represent the Board in supporting the efforts in these critical areas.

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 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. We review our terms of reference annually. During the year, the Committee's terms of reference were reviewed and considered to be fit for purpose, in line with best practice.

The Audit Committee has a monitoring function in respect of risk management and internal control systems, especially financial controls, 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 and the Chair of the CRSEC Committee is a member of the Audit Committee.

Activity during the year

Standing agenda items reviewed by the Committee throughout the year

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 whistle-blowing, 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:

- Product safety evaluation, product integrity review and product lifecycle management
- Supply chain quality performance
- Corporate employee health and safety
- Regulatory matters review and remediation programmes
- 2021 compliance and ethics priorities
- Ethics and compliance maturity evolution and communication plan
- Ethics and compliance scorecard
- Corporate security
- Annual compliance training
- Corporate policies
- Employee pulse survey – 'Doing the right thing, always'
- Data privacy: Brexit and data incidents reported
- Third-party due diligence
- External affairs
- Fight for Access Fund
- IFCN progress, including position on sugars
- IFCN update – breast-milk substitute call to action
- Sustainability matters and target tracking
- Building on COP26 momentum on sustainability
- COVID-19 impact and related matters

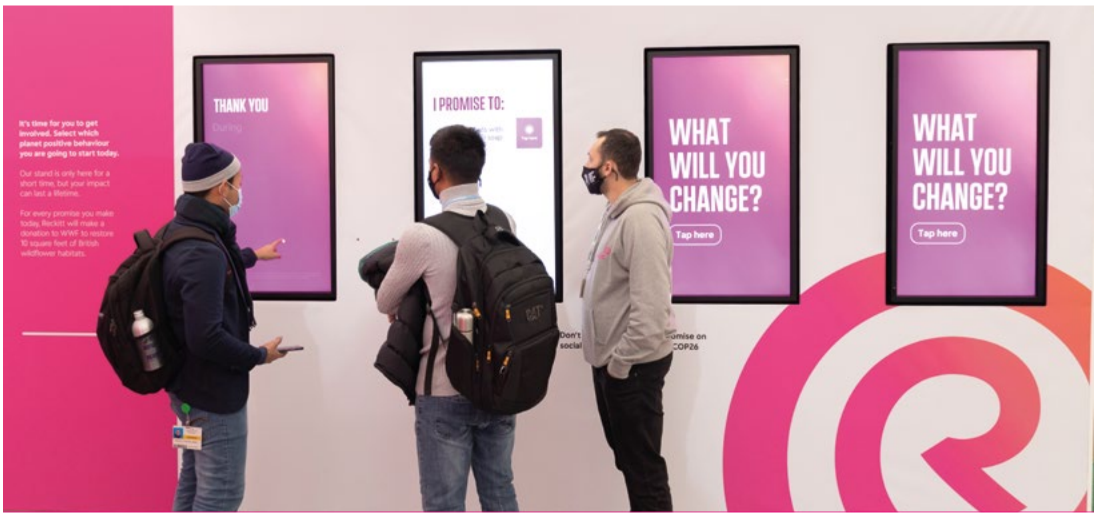
Some of the key achievements in the reporting period follow.

Sustainability

2021 was a significant year in our environmental social and governance (ESG) and sustainability agenda. At the end of 2020, we measured our performance against our initial sustainability targets, achieving 2020 environmental goals on carbon and water in manufacturing and improving our social impact, but also recognising the need to strengthen our focus on product sustainability throughout our value chain. External scrutiny of packaging and plastics continued alongside greater recognition of the importance of biodiversity and reaffirmation of the significance of climate action both for business and society. Our work up to 2021 built strong foundations in these areas, most notably through our work on plastics and our science-based targets approach on climate change with ambitions to reach net zero. Together with a greater emphasis on sustainable product formulation and even wider social impact within both our business and value chain, these formed the basis of our Sustainability Ambitions for 2030 which we launched in March 2021. Our ambition to reach half the world with products that enable a cleaner, healthier world, while engaging two billion people through our purpose-led brands, programmes and campaigns will help us deliver lasting societal impact through a stronger business. In delivering our specific ambitions on sustainable products, climate action, inclusion and human rights we help deliver the United Nation's Sustainable Development Goals (SDGs) and our own ambitions for a healthier planet and fairer society. Our latest materiality review reaffirms that we are focused on the issues that matter most – for our business, for wider society and for our stakeholders. This was confirmed during 2021 as we communicated our Sustainability Ambitions widely, and built new partnerships with stakeholders, especially customers and governments, to help deliver them.

The United Nations COP26 conference was a great demonstration of this and of our wider ESG and sustainability approach. As the official hygiene partner at COP26, we helped deliver a safe conference that furthered climate action. We also drew attention to the increasingly obvious connection between climate change and public health. This needs concerted cross-sectoral action to protect people's health around the world, and Reckitt is well placed to drive and support that action. Our purpose-led brands' activity on health literacy and preventative health and hygiene measures help address exactly that. At the same time, through our brands and the sustainable products we design, we help tackle climate change when people use our products every day, by saving energy and water. Again, at COP26, we drew attention to how brands and business can connect with consumers everywhere to promote this and create subtle but important changes in behaviour that help address societal issues.

COP26 also saw our announcement of new programmes on ecosystems and biodiversity. The opportunities and risks within ecosystems, for a variety of issues such as climate change, resource resilience or even new health solutions, are increasingly visible. Stakeholders including governments, consumers and investors recognise this within their support for stronger policy frameworks and reporting activity through nature-related financial risk reporting. Our new partnership with the University of Oxford Nature Based Insetting team is helping us assess ecosystem impacts and then build measurable interventions to reduce risk and strengthen ecosystems for the future. It complements our partnership with the University of Cambridge's Centre for Risk Studies on climate change.



Reckitt's stand at COP26, Glasgow, UK

Corporate Responsibility, Sustainability, Ethics and Compliance Committee Report
(Continued)

We have continued to progress on climate change by further reducing carbon and greenhouse gases through increased use of renewable electricity and energy efficiency. There has been similar progress on water, with increased efficiency in manufacturing alongside the development of water harvesting and catchment area management. Collectively, these have enabled our first net water-neutral site, at Hosur in India. Our increased focus on sustainable products is led by ongoing development of our Sustainable Innovation Calculator which is now used in each Global Business Unit's product development innovation programme. It helps measure carbon, water, chemical and packaging footprints in new products for our global brands, targeting their reduction to enable more sustainable products in the future.

2021 also saw Reckitt strengthen its sustainable sourcing activity with a focus on key ingredients including palm oil and latex. We have reaffirmed our commitment to only using certified sustainable palm oil. This is enabled by roadmaps with our suppliers together with our collaboration with other Consumer Goods Forum members and our own partner, Earthworm Foundation, on landscape programmes. We began the certification of latex through the Fair Rubber Association (FRA). We are working with plantations in Malaysia and smallholder farmers in Thailand to certify latex production, strengthen agronomy, protect ecosystems and support sustainable livelihoods and communities to safeguard them and latex production for the future.

Our ESG and sustainability agenda was a continuing element of this Committee's work, but also supported wider Board engagement. Listening Sessions on infant nutrition and ecosystems supported our oversight of the business's strategy and approach, bringing external expert perspective to the attention of Board members.

Safety, quality, regulatory and compliance
At the start of the year, the Consumer Safety and Regulatory functions were aligned under our Chief R&D Officer, which has delivered further continuity across the innovation and product lifecycle management, enabling greater effectiveness and efficiency. Quality, Employee Health and Safety and Quality Compliance functions are aligned under the Chief Supply Officer, which has delivered further continuity around critical manufacturing and logistics processes and the necessary product quality requirements.

R&D

- **Ingredients:** Science platforms delivering new innovative solutions in areas of packaging and science of sustainability – e.g. Gaviscon coatings replacing outside plastic sleeve, Finish packaging recycled content, fundamentals of polymer science leading to upgraded shelf life performance, PU condom launch and optimisation of material usage and manufacturing yields to reduce waste
- **Product Lifecycle Management (PLM):** The PLM system is now deployed across a number of sites and global functions with focus on data governance and platforms required to ensure efficient data flow and compliance. Continued learnings from deployment are being applied to the programme approach moving forward
- **Animal testing for product safety:** A new 'Alternatives to Animal Testing' corporate policy was developed, emphasising Reckitt's commitment to minimising animal testing and using alternatives where possible. Consumer safety is our number one priority, and Reckitt must comply with the regulations where our products are marketed. This may on limited occasions require animal studies to support the safety or efficacy of certain ingredients and/or products, when no scientifically validated alternative test is available. It is our policy not to conduct or commission tests unless scientifically justified or required by government or scientific agencies. This same policy is applied to our suppliers and third parties. Reckitt does not test cosmetic products or any of its ingredients on animals and supports a worldwide ban to end cosmetic product testing on animals. Reckitt is committed to eliminating animal testing of our products as far as possible, applying the principles of '3Rs' (Reduce, Refine and Replace). Reckitt does not conduct animal testing on cosmetic ingredients or raw materials for the purposes of safety assessment, nor do we request our suppliers to do this. In cases where animal testing is required, we ensure that we use accredited and certified third-party laboratories. Reckitt has no animal testing research facilities and does not conduct in-house animal research. We do not request third-party suppliers to conduct testing on our behalf. As part of our commitment to ending animal testing, we are continuing to collaborate with the scientific community and a number of trade association partners to accelerate the development of alternative approaches and methodologies, while ensuring consumer safety and delivering product efficacy

Product integrity review: Completion of a 4.5-year programme to review the safety and compliance of Reckitt's portfolio in response to the Humidifier Sanitiser (HS) tragedy. At peak a workforce of 90 dedicated cross-functional scientists reviewed over 21,000 stock-keeping units (SKUs) across 173 markets, manufactured at over 280 locations. A comprehensive review of the company's response to the HS tragedy was also conducted. It found that Reckitt's product safety systems and processes had been appropriately remediated since 2016.

- **Brexit:** Required changes have been implemented with updated and adapted items such as testing protocols, to ensure execution and no loss of business continuity
- **Regulatory matters:** The Committee continued to monitor regulatory issues in many jurisdictions and the business's readiness to adapt. A new Public Policy & Advocacy Group of cross-functional experts has been established to strengthen this capability and ensure continued and long-term focus on Reckitt's policy priorities
- Our overall approach to CRSEC activities has moved to continuous improvement, with a more effective topical approach, as evidenced by the survey conducted in Q3
- **COVID-19:** Our focus continued to enable science support for our products and consumer knowledge, drawing on medical insight and product knowledge as new variants emerged

Supply

- **Quality:** QualityOne has now been launched for Change and Deviation Management. As planned, work has commenced on scoping the next phases of the programme – Documentation, and Supplier & Audit Management. Progress continues on both leading and lagging indicators across business units
- **EH&S:** enhanced programmes at factories; robust COVID-19 protocols and a strong performance maintained despite COVID-19 related disruptions; and strong progress on asset protection
- Transformation in Consumer Relations is reaching its conclusion in Q1 2022 and will bring us data from our consumers to drive improvements

Legal and compliance

- **Culture of Integrity:** Following the publication of Reckitt's new Compass and Code of Conduct in 2020, helping us ensure that every employee has a clear understanding of the behaviours we want to adopt and of the principles and values which we uphold, in 2021 Reckitt rolled out a survey to measure the 'Culture of Integrity' within the organisation. This was done through a company-wide 'Doing the Right Thing, Always' pulse survey in Q2 2021. The survey obtained 19,498 responses, with rich feedback provided

  On the back of employees' feedback on their feeling of empowerment to 'Do the Right Thing, Always', Reckitt devised a detailed action plan and put robust measures in place to continuously enhance its Culture of Integrity. As an example of the actions taken, the Company:

  i. Continued the roll-out of the Honest Reflections on Ethics training sessions, aimed at equipping 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.

  ii. Expanded the scope of the annual mandatory compliance training to cover also the topic of human rights. Reckitt's mandatory training curriculum now spans from the Code of Conduct to product safety, from human rights to privacy and cyber security, from anti-bribery & corruption to competition law. In 2021, over 94% of the employee base completed the annual mandatory compliance training.

  iii. Developed and rolled out role-specific training to high-risk functions and jurisdictions on matters such as data privacy, competition law and corporate security.

- **Speak Up:** 2021 was an opportunity to continue raising awareness of the confidential Speak Up service, available to employees and third parties to ask questions and raise concerns on potential violations of regulations, internal policies or any misconduct observed at Reckitt

  Increased awareness of the Speak Up service, both internally and externally, and availability of the Speak Up hotline externally, led to a substantial increase in the volume of Speak Up cases received in 2021. 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 & compliance or other relevant functions.

  By the end of 2021, Reckitt had received 606 Speak Up reports. Most cases were investigated and closed, and some are still under investigation. 49% of Speak Up reports were considered to be substantiated or partially substantiated during 2021.

  Further to the above, Reckitt also took action to strengthen the level of maturity of the controls relating to its top three areas of risk exposure: data privacy, third-party non-compliances, and bribery and corruption. Further information on actions taken over 2021 is reported below.

- **Data privacy:** In 2020, the Group Privacy Office (under the leadership of our Group Data Protection Officer) embarked on the implementation of a long-term risk improvement programme aimed at advancing Reckitt's privacy practices and aligning Reckitt's residual risk exposure with its appetite. As part of the ongoing implementation of its improvement programme, in 2021 the Group Privacy Office completed a number of workstreams, such as:

  i. Strategy: Reckitt's Improvement Programme Roadmap was baselined, shared with several jurisdictions and localised to allow each market to include further targeted actions to meet local laws and regulations.

  ii. Governance: a 'Ways of Working' manual outlining the role of the Group Privacy Office, Heads of Privacy, Privacy Counsels and of selected functions with respect to the implementation of the privacy programme and to business-as-usual data-handling practices was created and supplemented through documented job descriptions for stated stakeholders.

  iii. Training: data privacy training was delivered to Reckitt's employee base; in addition, employees in high-risk functions and jurisdictions were also assigned additional role-specific training which, over the course of 2021, has been completed by 10,439 employees.

- **Third-party non-compliances:** Over 2021, Reckitt also strengthened its third-party risk management practices and reaffirmed its ability to assess third parties before entering into a business relationship with them

In March 2021, Reckitt rolled out its enhanced third-party due diligence process with some of its highest-risk operating sites. The new process tailors the thoroughness of due diligence assessments to each third party's risk profile, thus allowing Reckitt to focus its attention on the areas where it matters the most and thoroughly investigate the third parties which pose a high inherent risk to our organisation. Following the roll-out to high-risk sites in March 2021, the new due diligence process is being integrated with the workflows and systems in place to enable third-party creation and contract negotiation. The integrated due diligence process is due to be launched across the rest of the organisation in Q1 2022. This year, 13,505 third parties have been assessed via the due diligence process.

We recognise that, whilst the execution of third-party due diligence assessments is important, it is only one of the components of an effective third-party risk management programme. As such, in 2021 Reckitt also:

  i. Developed guidelines setting out the most typical red flags which may be identified in the course of a due diligence assessment, and practical ways to resolve them.

ii. Strengthened Reckitt's third-party risk management toolkit through the development of i) Third-party training to ensure our business partners understand Reckitt's expectations of them and can familiarise themselves with practical dos and don'ts; ii) Supplementary material which may be distributed to third parties needing to strengthen their compliance position.

iii. Devised ways to continuously monitor changes in third parties' criticality, and risk profile through the implementation of a robust assurance mechanism.

- **Anti-bribery and corruption:** To reinforce Reckitt's commitment to preventing any form of bribery and corruption, between Q4 2020 and Q1 2021 Reckitt engaged Transparency International (the leading anti-corruption NGO overseeing anti-bribery and anti-corruption-related activities globally) to carry out a benchmarking assessment on its Anti-Bribery and Anti-Corruption programme against industry peers

  The assessment found that Reckitt's Anti-Bribery and Anti-Corruption programme compares favourably against industry peers with positive scores in important areas such as: senior leaders' commitment, monitoring risks, managing high-risk areas and providing adequate training on bribery and corruption risks.

  Furthermore, as part of its ongoing efforts in countering bribery and corruption, during 2021 Reckitt:

  i. Updated its Anti-Bribery Policy, Conflicts of Interest Policy and supporting Standard Operating Procedures.

  ii. Updated its Third Party Code of Conduct and rolled it out to its suite of third parties.

  iii. Created new processes and channels via which third parties can report conflicts of interest.

  iv. Handled a total of 3,785 Conflicts of Interest Disclosures throughout 2021.

  v. Handled a total of 642 Gifts & Entertainment Disclosures throughout 2021.

- **Compliance monitoring capabilities:** To measure the effectiveness of its Ethics & Compliance programme, Reckitt also advanced its compliance monitoring capabilities. Data analytics techniques were leveraged wherever possible to gather insights on Reckitt's state of compliance against the requirements of the company's policies and procedures. When instances suggesting that our practices deviate from policy requirements are identified, the Ethics & Compliance team investigates them and devises supporting risk-mitigation plans.

  The risk metrics and performance data gathered through Reckitt's growing data analytics capabilities are also being used to support the business in executing periodic assessment of its compliance risk exposure year on year.

External affairs

Policy and advocacy

Board Listening Sessions

In 2021, the Board undertook two Listening Sessions with key external stakeholders, in line with section 172 of the Companies Act 2006 (the Act). At these sessions we invited a broad spectrum of external speakers representing diverse opinions ranging from: NGOs to investors; governments to consumers and retail partners to industry. The 2021 sessions were focused on: the Power of Nutrition (26 May) and Nature-based Solutions (6 October). After each Listening Session a summary of our external speakers' insights and recommendations were produced and shared with the Board.

In 2022, our Listening Sessions will include a deep dive on 'Self-Care', one of the four global problems our Reckitt business strategy focuses on.

Wet wipes and single-use plastic (SUP)

We are engaging with the UK Government regarding the proposals to ban problematic plastic items, in an effort to reduce the strain on waste management systems. Our consultation involves highlighting our progress made on eliminating plastic in wet wipes, particularly in Dettol products.

Build Back Better Business Council

Reckitt's CEO was appointed to the UK government's Build Back Better Business Council (BBBBC), which brought together government and business leaders to drive economic recovery and growth across the UK, enable the transition to a net-zero economy by 2050 and promote 'Global Britain'. The work of the council focuses on the three priority pillars of skills, innovation and infrastructure.

Laxman Narasimhan has also been appointed as a member of the Levelling Up Advisory Council and is chairing Opportunity Humber, a private sector initiative to help drive the growth of the Humber region and ensure it is delivering its full potential for the UK.

This spring Reckitt also launched the Oh Yes! Net Zero campaign in Hull. This is a Reckitt-created coalition in collaboration with the University of Hull, Hull City Council and over 30 companies to achieve net zero in a region that has the UK's largest Industrial Cluster CO_2 emissions.

Greater transparency

Reckitt became one of the first FTSE companies to go beyond UK gender pay reporting requirements in 2020, increasing its scope to five markets: China, India, Mexico, the UK and the US. In 2021, we doubled (to ten) the number of markets covered by the report, which represents almost 70% of our global Reckitt workforce.

In December 2021, we published our annual tax strategy, as required by HMRC. Since 2016, it has been a legal requirement for large UK companies to publish their tax strategies. Reckitt goes over and above the legal requirements and includes voluntary disclosures in the report.

In 2021, Reckitt was one of the 173 companies who took part in the Workforce Disclosure Initiative (WDI), leading the way on transparency around workforce issues. It represents the fourth year Reckitt has submitted data to WDI.

In May 2021, Reckitt was ranked first (out of nine breast-milk substitute (BMS) manufacturers) in the first ATNI Spotlight on Lobbying Report.

Responsible business

Significant progress on our sugar commitment

In October 2020, we outlined our specific commitments on sugar for our Infant Formula and Child Nutrition (IFCN) portfolio, to be implemented by March 2024. We have made significant progress, and as of November 2021, we were at 90% of our commitments, with plans in place to meet our original target of full compliance by March 2024.

ATNI and the BMS Marketing Index 2021

The Access to Nutrition Initiative (ATNI) undertook an independent evaluation of our BMS Marketing Policy, internal systems, and on-the ground marketing practices in the Philippines and Mexico. This work was conducted in 2019/20, with the resulting report published in May 2021. Reckitt improved its ranking from fifth (out of six BMS manufacturers) to fourth (out of nine BMS manufacturers), and with a score of 32% (versus 10%), this represents more than a three-fold increase compared to the ATNI BMS Marketing Index in 2018. This significant improvement is a direct result of our BMS Marketing Policy, and our improved transparency, disclosure and reporting on our BMS practices.

We published our response to the ATNI Marketing Index 2021 in December. We engaged extensively with ATNI on the findings, and as of January 2022, were the only company to date that had responded.

FTSE4Good and independent verifications

Following our acquisition of Mead Johnson Nutrition in 2017, we participated in the first FTSE4Good verification of our BMS marketing practices over 2019-2021. The assessment was carried out at our corporate head office, and in two countries, the Philippines and Mexico. Whilst the verification reports identified a number of areas for improvement, we are proud of the significant progress we have made in our marketing practices, four years post acquisition.

IFCN marketing practices

As part of our governance mandate and ensuring that we monitor the proper implementation of Reckitt's policy and procedures on the marketing of breast-milk substitutes (BMS), we are apprised on progress and developments in the marketing of our BMS products. We employ a number of monitoring activities, and have summarised below the key items from 2021:

- We completed our reporting on the responsible marketing of BMS: summarising alleged non-compliances of our BMS marketing practices versus the BMS Marketing Policy and/or local legislation for 2020. Similar reports are available for earlier years, and we will publish the report for 2021 later this year.
- We undertake independent verifications of our IFCN marketing practices in two countries each year. The reports for Thailand and Colombia, as well as our response and corrective action plan are available www.reckitt.com/sustainability/purpose-led-brands/infant-and-child-nutrition/policies-and-progress-reports.

Reckitt Global Hygiene Institute

Reckitt provided a founding donation of $25 million to set up the Reckitt Global Hygiene Institute (RGHI) as an independent US-based non-profit 501(c)(3) foundation in mid-2020. RGHI's mission is to enable and accelerate hygiene science to improve public health through better outcomes and behaviours. It is guided by an external panel of globally recognised public health experts. In 2021, RGHI initiated several research grants and held its first 'open call' for three-year post-doctoral fellowships in hygiene, awarding five of these from a large worldwide pool of applicants. RGHI has attracted the support of several key organisations including the World Bank, Chatham House, the Task Force for Global Health and the UN's Hand Hygiene for All, as well as a wide network of academic institutions including Harvard, Emory and Stanford universities and the Water Institute.

Committee performance review

Following the key outcomes of the 2020 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.

In 2021, a performance review of the Committee was conducted as part of the Board's external performance review, conducted by Lintstock Ltd. Lintstock Ltd is independent of and has no connections to the company.

The performance review of the Committee utilised a bespoke questionnaire, sent to Committee members. The 2021 performance review focused on the Committee's time management and composition, processes and support, work carried out and its priorities for change. Positive feedback was received in all areas. Meetings were managed well in line with the annual cycle of work. The time and input in meetings and the facilitation of virtual meetings were rated highly. The composition of the Committee was also highlighted, 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. To continually improve Committee performance in 2022, the value of incorporating focused deep dives into agendas would be beneficial. It was also recommended that the Committee receive continual updates on ESG reporting requirements and regulatory changes.

The Board, having had sight of the results of the Committee's evaluation, considers the Committee to be operating effectively.

Pam Kirby
Chair of the Corporate Responsibility, Sustainability, Ethics and Compliance Committee
Reckitt Benckiser Group plc

13 April 2022

"Central to our remuneration philosophy are the principles of pay for performance and shareholder, as well as strategic, alignment."

Mary Harris
Chair of the Remuneration Committee

DIRECTORS' REMUNERATION REPORT

Contents of Directors' Remuneration Report

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.

LETTER FROM THE CHAIR

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2021.

In line with the three-year lifecycle, a new Directors' Remuneration Policy is being put forward for a binding shareholder vote at our AGM on 20 May 2022. On the following pages, I have shared the context for the key decisions the Committee took during 2021, in particular the decisions we took in connection with the updated Directors' Remuneration Policy, how we rewarded performance achieved during the year in line with the current shareholder-approved Policy, decisions relating to remuneration arrangements in 2022 should the new Policy be approved and the context of wider workforce remuneration.

In light of the Committee's review of the Directors' Remuneration Policy and how this is cascaded to the wider workforce, I have met and corresponded with many of our largest shareholders and shareholder advisory bodies over the past year to discuss Reckitt's remuneration philosophy and the proposed changes to the Policy for 2022. I am pleased to say that we have had the benefit of substantive feedback from more than 50% of our shareholder register and that the majority of shareholders providing input were supportive of the changes we are making to our Remuneration Policy, to even further align with the strategic priorities of the Group. On behalf of the Remuneration Committee, I would like to thank shareholders and their advisory bodies for the time taken and their feedback, which has provided valuable input and assisted the Committee in developing the proposals. In particular, this proposed Policy strengthens the link between remuneration and Reckitt's strategic priorities, and provides further alignment with shareholders and our sustainability ambitions through new performance measures in the Long Term Incentive Plan (LTIP).

Context for executive remuneration at Reckitt

Reckitt strives for leading global performance. Our management team is multinational, and we compete for talent against global peers. 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, these principles define how decisions are made, how people act and how we assess and reward them.

As noted in the Chair of the Board's statement, our workforce has shown itself to be adaptable and highly effective in very taxing conditions. I am incredibly proud of their resilience and commitment which have brought tangible improvements to execution across the Group. Our top leadership team has integrated well and is making rapid inroads towards achieving our strategic objectives, with the transformation firmly on track.

Our strategy seeks to drive a return to sustainable, mid-single-digit revenue growth, with margins in the mid-20s by the mid-2020s whilst ensuring return on capital is enhanced, in order to deliver creation of value for shareholders. The repositioning of our business towards higher growth is demonstrated in the divestments of IFCN China, Scholl and E45 and the successful acquisition of Biofreeze.

Sustainability is also a key strategic priority for Reckitt. In 2021 we launched our sustainability ambitions, 'For a Cleaner, Healthier World'. They set out our 2030 ambitions and are backed by more than £1 billion of planned investment over the next ten years to ensure we meet our goals. As set out on page 16 of the Strategic Report, our science-based targets support a 65% reduction in operational greenhouse gas (GHG) emissions, and an increase to 50% of net revenue from more sustainable products by 2030. We have been making tangible progress through the year and are therefore pleased that this has been recognised externally. For example, we re-joined the Dow Jones Sustainability Index and were also awarded a Gold Class 2022 Sustainability Award from S&P Global. We have an improved MSCI ESG rating from A to AA, and a Sustainalytics score at 22.9, positioning Reckitt in the top 15% of our industry group. Our ambition, by 2030, is to reach half the world with products that contribute to a cleaner, healthier world, and engage two billion people in our programmes, partnerships and campaigns to create a positive impact and support the UN Sustainable Development Goals.

To reinforce our remuneration philosophy, the new Policy proposes that the majority of the Executive Directors' remuneration packages continue to be made up of variable at-risk pay, which will be linked to stretching financial and newly proposed environmental, social and governance (ESG) targets that align with our strategy and shareholder value creation, and are largely delivered in Reckitt shares. In addition, we continue to have market-leading shareholding requirements for executives. This approach is cascaded throughout our senior leadership.

Key proposed changes to the Remuneration Policy and implementation of the Policy for 2022

Our current Remuneration Policy was approved at the 2019 AGM. A significant number of changes were made to the remuneration framework at that time to ensure that the management team is rewarded appropriately for delivering against our key strategic priorities, to reflect the global nature of our business and to deliver significant benefits for shareholders.

These changes included: i) a reduction in the maximum LTIP award limits; ii) the introduction of bonus deferral, a holding period to all LTIP awards, and a post-employment shareholding requirement; iii) alignment of Executive Director pension arrangements to the wider workforce; iv) expansion of malus and clawback terms; and v) the introduction of additional performance measures of net revenue and return on capital employed (ROCE) to LTIP awards.

In developing the new Policy over the past year, the Remuneration Committee was mindful of the UK Corporate Governance Code, engaged extensively with shareholders and their representatives, and ensured that the Policy continues to incentivise delivery of the Group's strategic priorities and creation of shareholder value. The Committee also took into account the views of the Board, management, employees and other key stakeholders on our remuneration policies and practices across the Group, as well as understanding market practice, both in the UK and amongst our global peers.

Following this comprehensive review, the Committee has concluded that the structure of remuneration under the current Policy remains fit for purpose and supports the strategy of the Group to rejuvenate sustainable growth, as well as our principles of ownership and pay for performance.

In particular, having reviewed and substantially changed the remuneration structure as part of the last Policy review, the focus of the proposed changes are on what we pay for. The Committee is keen to ensure that the LTIP performance measures are aligned with our forward-looking strategy to create shareholder value, through the rejuvenation of sustainable growth, and therefore is proposing the changes described below.

Changes to LTIP performance measures

The Committee is proposing to introduce Relative Total Shareholder Return (TSR) as a measure under the LTIP to directly align executives with the shareholder experience. In addition we propose ESG measures to align with our 2030 sustainability ambitions.

Having taken into account shareholder feedback we propose to remove EPS and reduce the weighting on net revenue, to maintain the weighting on ROCE once the ESG measures have been introduced, as follows:

- Like-for-like (LFL) net revenue growth (40% weighting)
- ROCE (25% weighting)
- Relative TSR (25% weighting)
- ESG (10% weighting, split equally between two metrics)

Relative TSR is proposed as it directly aligns LTIP participants with the shareholder experience and will only reward for TSR outperformance against our peers. Relative TSR will be measured against a group of 19 global companies primarily drawn from the constituents of the MSCI World House & Personal Products Index, along with other competitors to ensure peers that are appropriately comparable to Reckitt (further detail, including an explanation of the selection of peers is set out on page 180). The composition of the peer group directly reflects shareholder feedback received during the consultation. The targets will be in line with UK best practice, with threshold vesting for median performance and only vesting in full for upper quartile performance or above.

Our sustainability ambitions, 'For a Cleaner, Healthier World', were communicated externally in April 2021 and the proposed ESG measures in the LTIP are directly aligned to these ambitions. Further details on these are set out on page 180 of this report.

The ESG metrics take into account shareholder views that measures should stem from the wider ESG strategy and should be transparent, quantifiable and measurable. We are therefore proposing two equally weighted ESG measures for the 2022 award:

i) **Percentage of net revenue from more sustainable products** – this has been an annual reporting KPI since 2012 and supports our ambition of 50% of net revenue being from more sustainable products by 2030. This is measured using our Sustainable Innovation Calculator (SIC) which measures the environmental footprint of new products using carbon, water, plastics, ingredients and packaging indicators. It includes Scope 3 consumer use (including the carbon and water impact from consumer use), which is the most impactful lifecycle stage of our products

ii) **Percentage reduction in GHG emissions in operations** – this supports the delivery of our externally validated science-based targets for 2030 to help maintain global warming at less than 1.5°C, including a 65% reduction in GHG emissions in operations from our 2015 baseline. For the purposes of reward outcomes, any offsetting activities will not count towards achievement of these targets

The ESG targets are based on rigorous methodology, are independently assured and, in the case of our carbon emissions, support our delivery of externally validated science-based targets on emissions reduction. The Remuneration Committee intends to keep the ESG measures under review over the lifecycle of this Remuneration Policy, and to consider the inclusion of other measures, for example Scope 3 carbon emissions. However, these are currently in the early stages of implementation and the Committee determined that the two measures outlined above are the most appropriate for the 2022 LTIP award as they are based on rigorous methodology and independently assured. Further detail and rationale for these measures, including targets for the 2022 LTIP can be found on page 180.

There are no changes proposed to the measurement of net revenue growth or ROCE performance measures used under the LTIP.

There are no changes proposed to the annual bonus structure or performance measures, which will remain based on net revenue and adjusted profit before tax on a multiplicative basis, a structure which requires outperformance in both measures, with deferral of one-third of the bonus into shares.

The measures used across the bonus and LTIP schemes are balanced between top-line and bottom-line performance, combining revenue, profit, and return financial measures alongside a measure directly aligned to the shareholder experience and a measure linked to our sustainability ambitions. The Remuneration Committee is of the view that this is a balanced set of measures linked to our Compass and Purpose and fully aligned with our forward-looking business strategy.

LTIP award limits

As previously approved by shareholders, our LTIP award sizes are expressed as a fixed number of performance share options and performance shares, to provide full alignment with investors.

The award size is determined by the Remuneration Committee taking into account performance, the prevailing share price, market data and our pay positioning philosophy. In the event of a material increase or decrease in the share price prior to grant, the Committee will consider whether the prevailing award size remains appropriate and adjust it appropriately.

Taking into account shareholder sentiment and the current external environment, the Committee has introduced a new, lower, normal operational limit on the number of LTIP performance share options and performance shares that can be granted to an Executive Director, which will not be greater than 200,000 performance share options and 100,000 performance shares, reduced from 300,000 performance options and 150,000 performance shares in the previous Remuneration Policy.

In addition, for future LTIP awards, we are proposing that dividend equivalents will accrue on performance share awards granted under the LTIP that ultimately vest subject to performance in order to align participants with the overall shareholder experience and to bring Reckitt in line with UK best practice. These dividend equivalents will be delivered in shares, in line with shareholder guidance. This change does not apply to performance share options granted under the LTIP.

Further detail and rationale for the changes can be found in the 'Directors' Remuneration Policy' section and a summary of the key features of Reckitt's remuneration arrangements is shown below:

Notable features of Reckitt's remuneration arrangements under the new Remuneration Policy

Reinforcing shareholder alignment

- Mandatory bonus deferral of one-third of any bonus earned into awards over Reckitt shares for three years
- Two-year holding period for LTIP awards which starts at the end of the three-year performance period
- Shareholding requirements for Executive Directors of over c.1200% and c.850% of salary[1] for CEO and CFO respectively, which are the most demanding in the UK market[2]. These requirements are more than double the annual LTIP award[3]
- Two-year post-employment shareholding requirement of 50% of the shareholding requirement (or actual shareholding on leaving if lower). This is more than 600% of salary[1] for the CEO and 425% for the CFO, and is more stretching and onerous than almost all other UK-listed companies' in-employment shareholding requirements
- Formal mechanism to enforce the post-employment shareholding requirement through our external share plan administrators

Supporting business strategy

- Annual bonus based on achievement of objective financial performance measures, being net revenue and adjusted profit before income tax
- Multiplicative approach for the formulaic calculation of annual bonus outturns ensures that:
  - outperformance on both top line and bottom line is required for maximum payouts; and
  - underperformance in any one of the performance metrics will reduce the overall bonus payout despite outperformance of the other.

  For example, if profit is below threshold then a zero bonus would be paid regardless of net revenue performance
- Vesting of the LTIP subject to achievement against a range of metrics which measure different aspects of Group performance, balanced between top-line and bottom-line performance, combining revenue and return financial measures alongside a measure directly aligned to the shareholder experience and a measure linked to our sustainability ambitions

Rewarding fairly and responsibly

- Executive Director pension contribution at 10% of salary, in line with our wider UK workforce
- Robust and thorough assessment of performance in the round before determining annual bonus payouts and LTIP vesting. The Committee will use discretion if it is considered appropriate
- Malus and clawback provisions apply to bonus and LTIP in line with best practice shareholder guidelines

1. Based on the average closing share price in Q4 2021 of £59.84
2. Compared against constituents of the FTSE 30
3. Using a Black-Scholes valuation of 10% for performance share options

Remuneration decisions in relation to portfolio management

During 2021, the active management of the portfolio saw a 9% portfolio turnover, including the strategic disposal of IFCN China and Scholl and the acquisition of Biofreeze – a major step forward in our strategy to rejuvenate sustainable growth. This activity to strengthen the portfolio has meant that the targets set at the beginning of each award under the Annual Performance Plan (APP) and LTIP needed to be reviewed to ensure they remained appropriate. In line with our current shareholder-approved Remuneration Policy and shareholder views on adjusting targets, the APP and LTIP targets were adjusted where needed to ensure that participants are no better or worse off and in line with shareholder expectations as follows.

Adjusting the APP for the 2021 financial year

The Committee resolved that for the APP, we included the performance of disposed assets within the performance of the year assessment until the closing date of sale. In order to ensure we assessed performance on a fair and consistent basis the targets were adjusted to include performance of disposed assets to the date of sale and exclude them for the period of the year that Reckitt no longer owned them. In respect of acquisitions, we included the performance from the closing date of acquisition and also increased the targets accordingly.

Adjusting in-flight LTIP performance measures

For the 2020-2022 and 2021-2023 LTIP awards, the Remuneration Committee has determined to adjust the targets for the disposal of IFCN China, given the size of this transaction, to ensure that the new targets are no harder or easier to achieve than the original targets. A consistent approach has been taken across all three performance measures and the adjustments are in line with generally accepted shareholder principles where there has been material portfolio management.

- The original EPS targets were set as final year EPS values, based on a plan which included IFCN China at the time the targets were set. These targets have been reduced to recognise the impact of the reduced profit expected in the final year of the LTIP cycle due to the disposal of IFCN China
- The LFL net revenue targets have been reduced slightly to recognise that the expected revenue growth for IFCN China when the targets were set was higher than the remaining portfolio. The challenge in the new targets for the remaining portfolio remains equal to the original targets
- The ROCE targets have been increased to reflect that IFCN China was a lower return business than the remaining portfolio and again the new targets contain the same level of challenge as was contained in the original targets when set

Further detail, including full disclosure of the original targets and the new targets for each award cycle is set out on page 181.

The Remuneration Committee decided that for the 2019-2021 LTIP award, given the timing of the IFCN China sale is such that it was under the Group's ownership for most of the performance period, no adjustments were to be made to the LTIP targets set at the start of the performance period.

Annual bonus in respect of 2021 performance

Reckitt operates an annual bonus plan that is strongly aligned to performance, measured against stretching targets of net revenue and adjusted profit before income tax.

As it does every year, the Committee evaluated the performance of both the Group and the Executive Directors in the round and with regard to broader circumstances to assess whether the formulaic level of annual bonus payout is appropriate and justified, as described below.

From a financial perspective, 2021 was another strong year for Reckitt with growth ahead of expectations and resulting in two-year stacked LFL net revenue growth significantly better than peers. LFL net revenue growth was 3.5%, outperforming market expectations and is notable progress on top of excellent growth last year, resulting in 17.4% growth on a two-year stacked basis. We also saw strong momentum, with brands less sensitive to COVID-19 dynamics, representing c.70% of the portfolio, growing, on average, by mid-single digits in each quarter of 2021.

The adjusted operating margin (excluding IFCN China) was 22.9% in line with guidance and our operating profit was £2.9 billion. The dividend was maintained at 174.6p. As set out in further detail on pages 168 to 171, these results reflect strong performance ahead of expectations and demonstrate that the transformation is firmly on track. Based on targets set, the 2021 annual bonus for the CEO and CFO is 91.3% of maximum, in line with all other employees on the same Group-wide measures.

The framework which the Committee applied in a thorough evaluation of the performance of the Group and the Executive Directors in the round is set out on page 156. In addition to the financial operating performance as summarised above, this year's assessment included, amongst others, the following areas:

Strategic delivery: The Committee has recognised that during the year we have continued to strengthen the business. Our innovation pipeline is 50% higher than the previous year and our productivity capabilities are now firmly embedded within the business. Our execution has improved and has been recognised by both customers and suppliers. Based on the most recent Advantage survey of retailers, the percentage of our markets rated 'top tier' by our customers improved by 20 percentage points, to 46%. For example, we were named Walmart's supplier of the year, reflecting the improvements in sales excellence capabilities. We have been actively managing the portfolio to focus on higher growth, with 9% portfolio turnover.

Competitive performance: The Committee reviewed financial and market share performance against competitors. In both cases Reckitt has performed strongly. There has been strong market share growth during 2021 with 62% of our core CMUs holding or gaining market share; Reckitt's LFL net revenue growth of 3.5% represents strong growth and is markedly ahead of market expectations. On a two-year stacked growth basis our growth of 17.4% is significantly better than peer group average.

People and Culture: During the year there was the successful embedding of several Diversity & Inclusion (D&I) and employee wellbeing initiatives. We have also rolled out our Leadership Behaviours which are a key part of our leadership development programme and annual review process. Our efforts have been recognised as we have recently been named in Fortune's 2022 World's Most Admired Companies list.

Sustainability: We re-joined the Dow Jones Sustainability Index and were also awarded a Gold Class 2022 Sustainability Award from S&P Global. We have an improved MSCI ESG rating from A to AA, and a Sustainalytics score at 22.9, positioning Reckitt in the top 15% of our industry group. In the face of significant input cost pressures, our supply chain continued to significantly improve and our commitment to quality in supply was a contributing factor in Reckitt's readmission to the Dow Jones Sustainability Index. Last year, we committed the equivalent of 1% of net profit over three years to social impact investments. This year, ahead of schedule, we achieved it, with investments in more than 50 countries, worth over £38 million via the Reckitt Fight for Access Fund, and engaging 30 million people.

Challenges: The Committee also reviewed the significant challenges that the business faced during the year and how leadership responded to them. This included the weak cold and flu season and a deteriorating input cost environment given commodity and freight cost inflation increasing to double digits.

Taking all of the above into account, the Committee determined that the level of annual bonus payout is appropriate and justified and that no discretion would be applied.

Vesting of the 2019-2021 LTIP

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 2019 LTIP was dependent on stretching LFL net revenue growth, EPS and ROCE targets which constitute a broader set of performance measures than in previous LTIP award cycles.

The Committee determined that for the 2019-2021 LTIP award, given the timing of the disposals in 2021 is such that they have been under the Group's ownership for most of the performance period, no reductions will be made to the LTIP targets. Further detail is set out on page 171.

As set out in the 2020 Directors' Remuneration Report, 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 has ensured that the impairment has not led to an increase in vesting in respect of the proportion of the LTIP related to ROCE, by adding this back in the calculation of Capital Employed.

The Committee is satisfied that this treatment is fair to participants and aligned with the shareholder experience. As set out on page 172, the resultant vesting is that 21.5% of the total award vests, with vesting in respect of net revenue growth, reflecting the strong growth over the performance period, but with zero vesting in respect of the EPS and ROCE targets, as performance was below threshold of the stretching targets set.

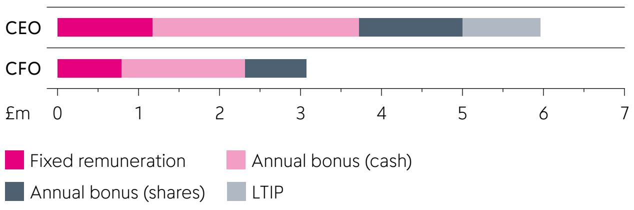
As set out in more detail on page 172, the Committee also evaluated the performance of both the Group and the CEO (the CFO is not a participant in this LTIP award cycle) in the round using the performance assessment framework and concluded that the total vesting level of 21.5% is justified and appropriate in this context and that no discretion would be applied.

There is a further two-year holding period attached to Laxman Narasimhan's LTIP award.

2021 single figure

The impact of this bonus payment and LTIP vesting is a total single figure of £5.97 million for the CEO and £3.07 million for the CFO, noting that the CFO was not with the Group at the time the 2019-2021 LTIP awards were made. The majority of this is variable pay, linked to stretching financial targets:

Single figure illustration (£m)



2022 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 salary increase budget for our UK employee base and taking into account Group and individual performance. Salaries for 2022 are £1,008,000 and £721,000 for the CEO and CFO, respectively. The CEO's salary remains towards the lower end of FTSE 30 market practice.

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 2022 annual bonus will be the same as for 2021. 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. 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 2022, which have been reviewed in light of share price performance, Group performance and individual performance. Laxman Narasimhan's 2022 LTIP award will consist of 150,000 performance share options and 75,000 performance shares and Jeff Carr's award will be 80,000 performance share options and 40,000 performance shares. These awards are expected to be made following the AGM in May 2022. As described earlier in this letter, the Committee is proposing changes to the LTIP performance measures and for the 2022 awards these will be LFL net revenue growth, ROCE, Relative TSR and ESG (split equally between two metrics).

As disclosed in last year's Remuneration Report it was the Committee's intention to further review the Chair of the Board's fee during 2021 to ensure that the fee remains reflective of the enlarged scope of the role and time commitment over recent years, as well as considering market practice. Having undertaken this assessment, the fee for the Chair of the Board has been increased by 10% to £627,000, effective from 1 January 2022. 25% of the fee continues to be paid in shares. The new fee level remains below the median of the FTSE 30.

During the year the Non-Executive Director (NED) fees have been reviewed taking into account the time commitment required to meet the scope and responsibilities of the roles, the increases given to the wider workforce and market practice. The basic NED fee is being increased by 3% to £98,000, with effect from 1 January 2022. 25% of the fee continues to be paid in shares. There are no changes to the additional fees for the role of Senior Independent Director (SID), Committee Chair, Committee member, or Designated Non-Executive Director for engagement with the company's workforce.

Context for remuneration of 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 LTIP, share ownership, Reckitt's 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.

In particular, the Committee also reviewed incentive arrangements for the wider workforce in light of the Remuneration Policy review, and the changes to the LTIP performance measures will be applied to all employees who also receive performance-based awards under the LTIP. The Committee also took wider workforce salary increases into account when determining base salary increases for the CEO and CFO as discussed above.

We have been voluntarily paying the Living Wage to all employees and on-site contractors within the UK for a number of years and have been formally accredited as a UK Living Wage Employer since 2020. Given the increasing global focus on living wage and the associated business, societal and wider economic benefits, we are exploring how we could expand the Living Wage commitment across our wider global footprint. Consequently, we are developing our Sustainable Livelihood Framework (of which living wage is a component) to outline our approach and will be piloting it within selected factories in Thailand and India.

Our all-employee share plans are key to fostering a culture of ownership amongst our employees. We currently have 50% of our eligible global employees participating. These award-winning share plans give our people the opportunity to save in order 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 100 local champions and provide communications in 28 languages in various formats, including letters to employees without an email address, desk drops, webinars, virtual drop-in sessions with specific contacts at each site for support. The annual enrolment period for our UK and global plans this year benefited from an enhanced and refreshed communication campaign which led to another successful launch and strong employee take-up.

As discussed in the Strategic Report our employment policies drive gender equality in our teams. We have mentoring schemes for female employees, gender-balanced shortlists and proportional targets at senior management level. Additionally, we continue to review and monitor the gender pay gap of our workforce closely. To increase transparency on this issue, we have again voluntarily disclosed the gender pay gap for our ten largest markets by workforce size in our 2021 report, which including the UK, make up around 70% of our global permanent workforce. Further details of our gender pay gap are on page 178 of this report.

We have also continued with several initiatives that were launched in 2020. These include 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, and the establishment of a D&I board comprising senior leaders and sponsors of our Employee Resource Groups (ERGs) and chaired by the CEO, to lead the D&I strategic agenda across Reckitt.

In March 2021 we launched our global wellbeing programmes for leaders at all levels in partnership with Hintsa and Tignum, global leaders in this field. We have also provided a rich bank of resources for all employees to access, including global wellbeing sessions, focusing on balance, burnout and the importance of mental energy attracting over 3,000 participants each time. In July 2021 we launched a global employee pulse survey, focusing on understanding our employee demographics and getting insights on Leadership Behaviours and diversity topics.

Finally, as the designated NED for engagement with the company's workforce I have had the same access to internal communications materials, channels and events, such as the Stronger Together conversations, 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, 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 175 to 177.

Committee changes

During the year Olivier Bohuon joined the Board and Remuneration Committee, whilst Elane Stock stepped down from the Committee – I would like to welcome Olivier to the Committee and also thank Elane for her valuable contributions to the Committee during her tenure.

This will be my last Directors' Remuneration Report as I will be stepping down as Remuneration Committee Chair after the AGM, although I will remain a member of the Committee. Upon confirmation at the AGM, Alan Stewart will take over the role of Remuneration Committee Chair. I would like to welcome Alan to the Committee and wish him well in his new role. I would like to thank my fellow Committee members during my tenure as Chair for their insight and commitment and also shareholders for their feedback and active engagement on remuneration whilst I have been Chair.

Conclusion

I trust that you will find this report a clear account of the way in which the Committee implemented the current Remuneration Policy during 2021 and of the Committee's proposed new Remuneration Policy.

I look forward to your support as we put the new Policy to a binding vote of shareholders at the upcoming AGM, as it continues to drive the appropriate behaviours and performance to support the Group's business strategy and delivery of shareholder value. I will be available to answer any questions shareholders may have at the company's AGM on 20 May 2022.

Mary Harris
Chair of the Remuneration Committee
Reckitt Benckiser Group plc

13 April 2022

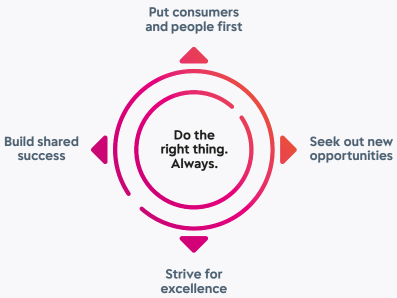
RECKITT'S REMUNERATION AT A GLANCE

As discussed in the Chair's letter, Reckitt strives for leading global performance. Our management team is multinational, and we compete for talent globally. 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, these principles define how decisions are made, how people act and how we assess and reward them.

To reinforce our philosophy, the majority of the Executive Directors' remuneration packages are made up of variable at-risk pay, linked to stretching targets that align with our strategy and shareholder value creation, and are largely delivered in Reckitt shares. In addition, we have market-leading shareholding requirements for executives. This approach is cascaded throughout our senior leadership.

Context for remuneration at Reckitt

Reckitt's Compass



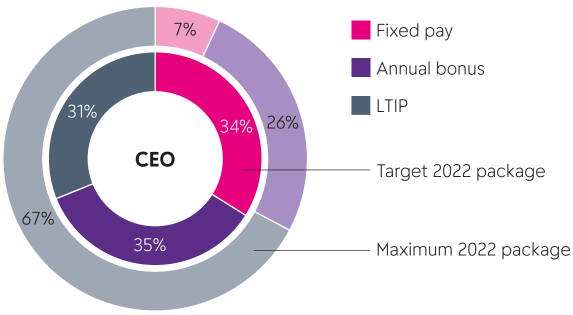
Reckitt's strategic priorities

- Rejuvenate Reckitt to deliver shareholder value
- Restore organic top-line growth
- Achieve sustainable increased medium-term earnings growth
- Maintain disciplined capital allocation
- Embed sustainability ambitions

Reckitt's remuneration philosophy

Combining Reckitt's Compass, strategy and remuneration philosophy drives Reckitt's remuneration principles

1. High proportion of variable pay



Note: Value of the CEO's target and maximum 2022 package. Target illustrates fixed remuneration, plus target payout of annual bonus and threshold vesting of the LTIP. Maximum illustrates fixed remuneration, plus full payout of the annual bonus and full vesting of the LTIP awards including 50% share price growth.

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

	In-employment shareholding requirement			Post-employment shareholding requirement[2]		
	Number of shares	Value of shares[1]	% of 2021 salary	Number of shares	Value of shares[1]	% of 2021 salary
CEO	200,000	£11,968,000	1200%	100,000	£5,984,000	600%
CFO	100,000	£5,984,000	850%	50,000	£2,992,000	425%

1. Based on the average closing share price in Q4 2021 of £59.84
2. Reflecting 50% of in-employment shareholding requirement as a minimum

4. Ensure alignment with strategy across the business

- Alignment of performance metrics with strategic priorities
- Alignment across the business of metrics and ownership

Summary of our proposed Remuneration Policy

Element		Key features of operation of proposed Policy	How we will implement for 2022	Link to strategy	2022	2023	2024	2025	2026	2027
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 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 and performance share options**	• 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 LFL net revenue growth (40% weighting); ROCE (25% weighting); Relative TSR (25% weighting); ESG (10% weighting, split equally between two metrics) • Performance conditions are applied to both performance share options and performance shares • Remuneration Committee 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
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						

Assessment of incentive outcomes

The Committee thoroughly evaluates the performance of both the company and the Executive Directors in the round to assess whether the formulaic level of annual bonus payout and long-term incentive vesting are appropriate and justified. The Committee has formalised its approach to this assessment and the framework which it applied is illustrated below.

What is the formulaic outcome for APP and LTIP?
Committee to consider year-on-year change, whether this reflects performance trend and impact on the single figure outcome

Consider the quality of earnings
Committee to review the results to ensure they reflect the underlying performance and also consider any exceptional items

Compare outcome against the shareholder experience
Committee to consider absolute and relative shareholder return over the relevant periods, the dividend payment(s) etc.

Compare outcome with overall Group performance
E.g. market share, competitor benchmarking, sustainability, people and culture, strategic progress, wider stakeholder experience and analyst feedback

Consider any other events and other input
E.g. Reputation/risk-related, any change of accounting standards. Draw on input from other Committees and management functions and consider the impact of any external headwinds or tailwinds

Consistency of outcomes
E.g. Compare with historical use of discretion; consider whether bonus and LTIP outcomes are consistent

Final APP and LTIP outcomes
Committee to agree whether adjustments are required to formulaic results and determine the final outcomes for APP payouts and LTIP vesting

Pay outcomes for current Executive Directors in the year

2021 fixed remuneration

Base salary		Pension	
CEO	CFO	CEO	CFO
£979,000	**£700,000**	**10% of salary**	**10% of salary**

2021 variable remuneration

Annual performance plan

The performance outcome for the annual bonus was 91.3% 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 of the bonus is deferred, by way of an award over Reckitt shares.

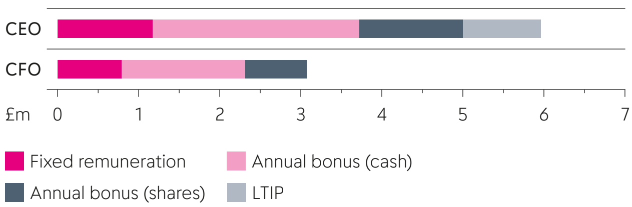
	Base salary	Target	Multiplier	Delivery	
				Cash	Shares
CEO	£979,000	120%	3.26	2/3	1/3
CFO	£700,000	100%			

Long Term Incentive Plan

	Performance share options	Performance shares	Vesting as a percentage of maximum	Delivery	
				Options	Shares
CEO	150,000	75,000	21.5%	32,250	16,125

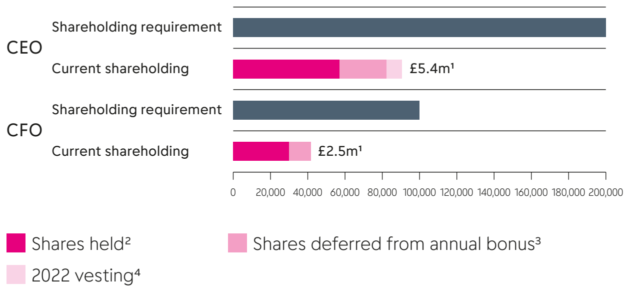
2021 single figure

The single figure for 2021 is comprised of the elements in the graph below.



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. The chart below illustrates the progress towards this of the Executive Directors.



1. Current shareholding value based on the average closing share price in Q4 2021 of £59.84
2. Includes shares owned outright and shares subject to post-vesting holding restrictions
3. This is the estimated number of shares awarded, after tax under the Deferred Bonus Plan, including those to be deferred from the 2021 annual bonus
4. For Laxman Narasimhan this is the number of shares vesting in May 2022 under the 2019 LTIP

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) Olivier Bohuon[1] Nicandro Durante Chris Sinclair Elane Stock[2] 1. Joined the Board as a Non-Executive Director on 1 January 2021 and appointed onto the Remuneration Committee on the same date 2. Stepped down from the Committee on 25 October 2021

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 designed to support the strategy and long-term success of the company, 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:
	• regularly reviews and provides feedback on the company's overall remuneration strategy;
	• in respect of the Chair of the Board, 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 arrangements;
	  ◦ individual benefits including pension 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 and outcomes 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, taking these into account when setting the policy for Executive Director remuneration and when determining variable pay outcomes;
	• takes into account employees' views on remuneration; and
	• when determining Executive Director Remuneration Policy and practices, considers the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
	The Executive Directors and the Chair of the Board 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 five scheduled meetings. The attendance of members at meetings is set out in the table on page 118. 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.

The table below summarises the key activities at the Committee's meetings in 2021:

Meeting	Topic
February 2021	• Reviewed performance to 2020 in respect of bonus outcomes and LTIP vesting • Carried out assessment of wider performance of the company and Executive Directors • Final approval of 2020 bonus payout • Final approval of 2018-2020 LTIP vesting • Confirmed the 2021 bonus performance targets • Agreed 2021 LTIP award date, performance measures and weighting • Reviewed feedback from shareholders • Reviewed disclosures in the Directors' Remuneration Report
May 2021	• Discussed and agreed approach to the review of the 2022 Directors' Remuneration Policy and wider workforce remuneration arrangements • Reviewed performance conditions used in bonus and LTIP • Reviewed 2021 AGM voting and wider market trends • Reviewed shareholder/proxy guidelines and UK best practice • Approved 2021 LTIP measures, definitions and targets

July 2021	• Thorough review of Remuneration Policy, including:
	  • Reviewed prior shareholder feedback on remuneration arrangements
	  • Discussed bonus and LTIP performance measures
	  • Reviewed framework for APP target setting
	• Considered assessment of performance to date for 2021 bonus targets and LTIP
	• Discussed principles for adjusting incentives for M&A activities

September 2021	• Agreed initial proposals for the 2022 Directors' Remuneration Policy, including performance measures and other amendments to policy • Determined approach to shareholder consultation • Reviewed framework for target setting process and 'performance in the round assessment' • Approved principles for adjusting APP targets for M&A and assessed performance to date for 2021 APP • Reviewed market data on remuneration packages for the Group Executive Committee • Reviewed wider workforce remuneration arrangements • Approved awards under the all-employee share plans for UK participants
November 2021	• Reviewed feedback from shareholder consultation on the Directors' Remuneration Policy • Reviewed updates to shareholder guidelines and corporate governance • Finalised proposals for the 2022 Directors' Remuneration Policy • Agreed changes to wider workforce remuneration arrangements as part of the Remuneration Policy review • Determined 2022 remuneration packages for Executive Directors • Determined 2022 remuneration packages for Group Executive Committee members • Reviewed current shareholdings for senior employees with share ownership requirements • Determined 2022 bonus targets • Approved awards under all-employee share plans for participants outside the UK • Approved revised Remuneration Committee terms of reference • Reviewed Remuneration Committee effectiveness • Considered assessment of performance to date for the 2021 bonus

DIRECTORS' REMUNERATION POLICY

This section of the report sets out the Remuneration Policy for Executive Directors and Non-Executive Directors, which shareholders will be asked to approve at the 2022 AGM on 20 May 2022 and, if approved, will take effect from this date. Until this time, the Policy approved by shareholders on 9 May 2019 will continue to apply.

The Policy was developed over the course of the last year. The Committee undertook a thorough review of remuneration arrangements with a particular focus on alignment to Reckitt's Purpose and Compass, as well as the forward-looking business strategy and priorities. Input was received from Remuneration Committee members, the Chair of the Board, other Non-Executive Directors and management (including the CEO, CFO, CHRO), and other key stakeholders, whilst ensuring that conflicts of interest were suitably mitigated. Input was also provided by the Committee's appointed independent advisors throughout the process. The Committee undertook an extensive consultation process with shareholders whilst developing the new Policy. The remuneration policies and practices across the whole of the Group, and market practice, both in the UK and against our global peers, were also taken into account. The key features of our approach were also assessed against the principles of clarity, simplicity, risk management, predictability, proportionality and alignment to culture and as described on page 167.

A significant number of changes were made to the remuneration framework as part of the previous Policy approved by shareholders in 2019, including: i) a reduction in the maximum LTIP award limits; ii) the introduction of bonus deferral, a holding period to all LTIP awards, and a post-employment shareholding requirement; iii) alignment of pension arrangements to the wider workforce; iv) expansion of malus and clawback terms to include corporate failure; and v) the introduction of additional performance measures of net revenue and ROCE to LTIP awards.

Following a comprehensive review, the Committee has concluded that the current Policy remains fit for purpose and supports the strategy of the Group to rejuvenate sustainable growth as well as our principles of ownership and pay for performance – and therefore only minor changes to the Policy are proposed.

The Committee considered the following areas of the current Policy (amongst others) when determining that the overall Policy remains appropriate:

- Annual bonus structure – the current bonus structure is aligned to the Group's pay-for-performance culture, requiring outperformance of both metrics to achieve above-target outturns, and is well understood by participants. This approach is cascaded throughout the Group
- Combination of performance shares and performance share options – the LTIP structure strongly incentivises future share price growth, providing strong alignment to the shareholder experience, whilst also requiring strong performance against stretching targets. Unlike many other share option schemes, these are performance share options and are subject to the same stretching performance measures and targets as the performance shares, in addition to the inherent requirement for the share price to increase, which ensures alignment with shareholder value creation
- Granting LTIP awards as a fixed number of shares/options – this approach incentivises share price growth and is well understood across the organisation. It also mitigates the effect of any potential 'windfall gains' due to share price falls and subsequent recovery. There is a robust adjustment mechanism in place – award levels are reviewed every year by the Committee taking into account the share price, company performance, individual performance, and the approach for the wider employee population
- Post-employment shareholding requirement – Executive Directors are required to hold the lower of 50% of their shareholding requirement or their actual shareholding at departure, for a period of two years. The Committee is of the view that this is appropriate on the basis that the in-employment requirements are market-leading amongst UK-listed companies (based on current share price levels the CEO's shareholding requirement is c.1200% of salary). At 50% of the in-employment requirement, the post-employment requirement is more stretching than almost all other UK-listed companies' in-employment requirements and is more than the annual LTIP award

On this basis, the focus of the review of the Policy was on what we pay for. In particular, the Committee is keen to ensure that performance measures are aligned with our forward-looking strategy and therefore is proposing the changes set out below.

The Committee has reviewed the annual bonus and LTIP performance measures, taking into account the views raised by our shareholders in recent years and to ensure alignment with our strategy to rejuvenate sustainable growth. The Committee is proposing to introduce Relative TSR into the LTIP scheme to directly align participants with the shareholder experience, as well as ESG measures to align participants with our sustainability ambitions. Taking into account shareholder feedback, we propose to remove EPS and reduce the weighting on net revenue to ensure that the weighting on ROCE remains the same once the ESG measure has been introduced. Full details of the performance measures to be used going forwards are set out in the Annual Report on Remuneration.

Again taking into account shareholder feedback, the Committee has introduced a new, lower operational limit on the number of performance share options and performance shares that can granted to an Executive Director, under the LTIP which will not be greater than 200,000 performance share options and 100,000 performance shares. The previous limit of 300,000 performance share options and 150,000 performance shares will remain in place for exceptional circumstances only and the Committee would consult with shareholders if it used this headroom.

We are also proposing that, in line with typical market practice amongst UK-listed companies, dividend equivalents will accrue on performance share awards granted under the LTIP that ultimately vest subject to performance. These dividend equivalents will be delivered in shares, in line with shareholder guidance. This change does not apply to performance share options granted under the LTIP.

Executive Director Remuneration Policy Table

Fixed pay policy for Executive Directors

Component purpose and link to strategy	Operation	Opportunity
Base salary To enable the total package to support recruitment and retention	Base salaries are normally reviewed annually, typically with effect from 1 January. Salary levels/increases take account of a number of factors including (but not limited to): • salary increases awarded across the Group as a whole; and • individual performance. The Committee also reviews market data for the FTSE 30 excluding financial services and also the company's remuneration peer group, comprising international companies of a similar size and scope of operations.	Salary increases for Executive Directors will not normally exceed those of the wider workforce, which take into account performance. Increases may be made above this level to take account of individual circumstances, which may include (but are not limited to): • Increase in the size or scope of the role or responsibilities • Increase to reflect the individual's development and performance in the role – for example, where a new incumbent is appointed on a below-market salary Salaries in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration. To avoid setting expectations of Executive Directors and other employees, no maximum salary is set under the Remuneration Policy. Where increases are awarded in excess of those to the wider employee population, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.
Pension To provide appropriate levels of retirement benefit	Executive Directors may receive contributions into a defined contribution pension scheme, a cash allowance or a combination thereof. Base salary is the only element of remuneration that is pensionable.	The maximum pension contribution or allowance for Executive Directors will be in line with that available to UK employees or to participants in the pension plan relevant to the country where they are employed, if different. For UK employees this is currently 10% of base salary.
Benefits To enable the total package to support recruitment and retention	Executive Directors receive benefits which consist primarily of the provision of a company car/allowance and healthcare, although the package can include other benefits that the Committee deems appropriate, for example, (but not limited to) the cost of legal fees or preparing tax returns (including tax thereon). Benefits include the provision of a car and driver for business use, including travel from home to office, and any tax liability that may be due on this benefit. Relocation allowances and international transfer-related benefits may also be paid (including tax thereon), where required. Executive Directors are also eligible to participate in the all-employee Sharesave Scheme on the same basis as all employees.	Whilst there is no maximum level of benefits prescribed, they are generally set at an appropriate market-competitive level determined by the Committee. Benefits in respect of the year under review, and participation in the all-employee Sharesave Scheme, are disclosed in the Annual Report on Remuneration.

Variable pay policy for Executive Directors

Component purpose and link to strategy	Operation	Opportunity	Performance measures
Annual bonus To drive strong performance, with significant reward for overachievement of annual targets Use of deferral for longer-term shareholder alignment	Targets are set by the Committee at the start of the year. At the end of the year, the Committee determines the extent to which these have been achieved. Performance is assessed on an annual basis, using a combination of the payouts for performance against each of the targets. At least one-third of bonus payouts are deferred into share awards (in the form of options or conditional awards) for a period of three years. The Committee has discretion to adjust the formulaic bonus outcomes both upwards and downwards (including to zero) to ensure alignment of pay with performance, e.g. in the event performance is impacted by unforeseen circumstances outside of management control. Annual bonuses and deferred bonus awards are subject to malus and clawback provisions.	Target opportunity: • CEO: 120% of salary • Other Executive Directors: 100% of salary Maximum opportunity: • 3.57x target • CEO: 428% of salary • Other Executive Directors: 357% of salary Dividend equivalents accrue on deferred share awards during the deferral period.	Performance measures may be a mix of financial and non-financial measures. For 2022 the bonus is based on 100% financial measures. Financial performance will be assessed against one or more key metrics of the business determined on an annual basis. The weighting between different metrics will be determined each year according to business priorities. For performance below threshold, the bonus payout will be nil. Further details, including the performance measures for the current financial year, are disclosed in the Annual Report on Remuneration.
LTIP (performance share options and performance share awards) 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	The LTIP comprises grants of performance share options and/or performance share awards (based on a fixed number), which vest subject to the achievement of stretching performance targets. The LTIP has a performance period of at least three years. Additionally, there is normally a two-year holding period following the end of the performance period. The performance conditions are reviewed before each award cycle to ensure they remain appropriately stretching. The Committee has discretion to adjust the formulaic LTIP outcomes both upwards and downwards (including to zero) to improve the alignment of pay with value creation for shareholders and to ensure the outcome is a fair reflection of the performance of the company and the individual. Awards granted under the LTIP are also subject to malus and clawback provisions.	The Committee calibrates LTIP share and option grant sizes as a fixed number to provide full alignment with investors, with a robust adjustment mechanism in place to ensure that the value of an Executive Director's total remuneration is appropriate. The award size is determined by the Committee taking into account performance, the prevailing share price, market data and our pay positioning philosophy. Notwithstanding the above, the normal limit on the number of options and shares that can be granted to an individual in respect of any financial year will be 200,000 options and 100,000 shares (and 300,000 options and 150,000 shares in exceptional circumstances). Details of the LTIP opportunity in respect of each year will be disclosed in the Annual Report on Remuneration. Dividend equivalents may accrue on performance share awards that vest. Neither dividends nor dividend equivalents accrue on unvested or vested performance share options before they are exercised.	Vesting of the LTIP is subject to continued employment and the achievement of stretching targets. Performance measures may be a mix of financial and non-financial measures (including ESG). For 2022 the LTIP is based on 90% financial measures and 10% on ESG measures. Threshold performance will result in 20% of maximum vesting. The vesting level will increase on a sliding scale from this threshold to 100% vesting for stretch levels of performance. Further details, including the performance targets attached to the LTIP in respect of each year, are disclosed in the Annual Report on Remuneration.

Notes to the Policy Table

Performance measure selection and approach to target setting

The measures used under the annual bonus are selected to reflect the Group's main priorities for any given financial year. With regard to the LTIP, the Committee regularly reviews the performance measures to ensure that they align well with the company's strategy and with our shareholders' interests. A combination of net revenue growth, ROCE, Relative TSR and ESG are considered the most appropriate 2022 LTIP performance measures for a number of reasons:

- they are aligned to the company's strategic priorities;
- they combine a focus on top-line growth and profitability, also capturing how efficient profit generation has been;
- they provide well-recognised and accepted measures of the company's underlying financial performance;
- they include focus on shareholder value creation;
- they provide a link to our 2030 sustainability ambitions; and
- they are measures that the plan participants can directly impact, and are easily measurable from time to time.

Targets applying to the bonus and LTIP are reviewed annually, based on a number of internal and external reference points. Bonus targets take into account prevailing growth rates in Reckitt's peer group, and as appropriate across the healthcare and/or FMCG industries more broadly. LTIP targets reflect industry context, expectations of what will constitute performance at the top of the peer group, and factors specific to the company.

The rules of the LTIP allow the Committee, to waive or change performance conditions (including how performance is measured) in accordance with their terms or if anything happens which causes the company reasonably to consider it appropriate (including in contemplation of a corporate event), provided that any changed performance conditions will be no more difficult to satisfy. The same principles apply to the annual bonus scheme.

Malus and clawback
The Committee has the discretion to apply malus and/or clawback in the event of the following circumstances in relation to awards under the annual bonus, Deferred Bonus Plan or the LTIP in the circumstances set out in the relevant plan rules and award documentation which includes:

- a material misstatement of the company's financial results;
- gross misconduct by a participant (or serious misconduct in relation to malus). This includes reputational damage as a result of the misconduct;
- an erroneous calculation in assessing the number of shares subject to an award or the payout/vesting outcome; and/or
- corporate failure of the company.

In these circumstances, the Committee may adjust the amount of cash bonus payable and/or operate clawback of the annual bonus for up to three previous years. Deferred bonus awards are subject to malus and clawback until the third anniversary of grant and the clawback period applicable to LTIP awards ends on the earlier of (i) the second anniversary of the vesting date and (ii) the fifth anniversary of the date of grant.

Shareholder alignment
The Committee recognises the importance of aligning Executive Directors' and shareholders' interests through executives building up significant shareholdings in the company. Executive Directors are expected to acquire a significant number of shares over a period of eight years and retain these until retirement from the Board of Directors.

The shareholding requirement for the current CEO is 200,000 shares and for the current CFO is 100,000 shares. The shareholding requirement for new Executive Directors will be determined at the time of appointment, taking into account a number of factors, including (but not limited to) the LTIP award levels, share price at the time of appointment and market practice. Details of the Executive Directors' personal shareholdings will be provided in the Annual Report on Remuneration.

A formal post-employment shareholding requirement applies to Executive Directors. They are required to hold the lower of 50% of their shareholding requirement or their actual shareholding at departure, for a period of two years. The Committee is of the view that this is appropriate on the basis that the in-employment requirements are market leading amongst UK-listed companies (based on current share price levels the CEO's shareholding requirement is c.1200% of salary). At 50% of the in-employment requirement, the post-employment requirement is more stretching than almost all other UK-listed companies' in-employment requirements and is more than the annual LTIP award.

The Committee retains discretion to amend the post-employment shareholding requirement in exceptional circumstances (for example, in the case of ill-health).

Remuneration Policy for other employees
Reckitt's approach to setting remuneration is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and remuneration paid for comparable roles in comparable companies.

The principles that apply to Executive Directors are cascaded to other employees. Approximately 16,000 employees are eligible to participate in an annual bonus scheme with similar metrics to those used for the Executive Directors, in order to drive alignment and a focus on results. Opportunities and specific performance conditions vary by organisational level, with business area-specific metrics incorporated where appropriate. Senior managers who comprise c.600 employees are eligible to participate in the LTIP with performance conditions the same as the Executive Directors, although award sizes vary by organisational level. In addition, the Group Leadership Team are also required to build up significant shareholdings in Reckitt. The current shareholding requirement levels are between 10,000 and 50,000 shares which generally represents between 2x to 6x base salary.

All UK employees are eligible to participate in the company's Sharesave plan on identical terms, with similar plans also operated for employees working outside of the UK.

Legacy arrangements and amendments to the Policy
This Policy is intended to apply with effect from 20 May 2022, subject to shareholder approval at the AGM.

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out in this report where the terms of the payment were agreed (i) before the Policy came into effect (provided that the commitment to make the payment complied with any applicable Remuneration Policy of the company at the time it was agreed) or (ii) at a time when the relevant individual was not a Director of the company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration, and an award over shares is 'agreed' at the time the award is granted.

The Committee may make minor amendments to the Policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) provided that any such change is not to the material advantage of the Director.

In the event of a variation of capital in the company which impacts the value of a share, which may include, but is not limited to, a capitalisation or rights issue, consolidation, subdivision or reduction of capital, stock-split or demerger, then:

- the maximum number of share awards and options which may be granted under the LTIP may be adjusted to ensure that the overall maximum value of awards would be the same immediately before and after any such event; and
- the maximum number of shares subject to an award granted under the LTIP or the Deferred Bonus Plan, the option price (where applicable) and the identity of the company whose shares are subject to the award may be adjusted in accordance with the rules of the plan, as the Committee considers appropriate. The Committee can also, subject to the rules of the plan, require that awards are automatically exchanged for awards over shares in another company which are, in the opinion of the Committee, equivalent.

Non-Executive Director remuneration

Non-Executive Directors do not have service agreements but are engaged on the basis of a letter of appointment. In line with the UK Corporate Governance Code (July 2018) guidelines, all Directors are subject to re-election annually at the AGM.

It is the policy of the Board of Directors that Non-Executive Directors are not eligible to participate in any of the company's bonus, share option, long-term incentive or pension schemes. An element of the basic fee is, however, paid in Reckitt shares.

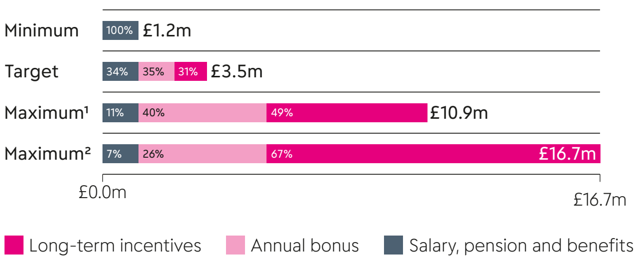
Details of the policy on fees paid to our Non-Executive Directors are set out in the table below:

Component and objective	Approach of the company
Fees (cash and shares) To attract and retain Non-Executive Directors of the highest calibre with broad commercial experience relevant to the company	The fees paid to Non-Executive Directors are determined by the Board of Directors, with recommendations provided by the Chair of the Board and CEO. The fees of the Chair of the Board are determined by the Remuneration Committee. Additional fees may be payable for acting as the Senior Independent Non-Executive Director, as Chair and/or a member of a Committee or for other additional responsibilities (including the Designated NED for engagement with the company's workforce). Fee levels may be reviewed annually, with any adjustments normally effective from 1 January. Fees are reviewed by taking into account external advice on best practice and competitive levels, in particular at FTSE 30 companies. Time commitment and responsibility are also taken into account when reviewing fees. Chair of the Board and Non-Executive Director fees are normally delivered partly in cash and partly in Reckitt shares or equivalent (e.g. ADRs) which must normally be held until retirement from the company. The fees paid to the Chair of the Board and Non-Executive Directors in respect of the year under review (and for the following year), including the split between cash and shares, are disclosed in the Annual Report on Remuneration. Aggregate fees are limited by the company's Articles of Association. Travel and expenses for Non-Executive Directors (including the Chair of the Board) 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. The company may also meet the costs (including tax thereon) of providing tax advice and tax return assistance for the Chair of the Board and Non-Executive Directors.

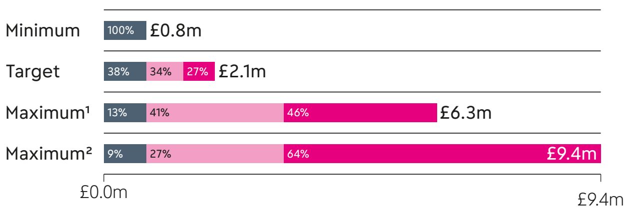
Scenarios of total remuneration

The charts below provide an estimate of the potential future total remuneration for the Executive Directors. Four scenarios of potential outcomes are provided based on underlying assumptions shown in the notes to the chart. It should be noted that the LTIP awards granted in a year do not normally vest until on or after the date of the AGM which follows the end of the performance period.

CEO



CFO



1 Excluding share price growth

2 Including 50% share price growth

Notes

The scenarios in the chart above have been calculated on the following assumptions:

The 'Minimum' scenario reflects base salary, pension and benefits (i.e. fixed remuneration), being the only elements of the Executive Directors' remuneration package not linked to performance. This is based on the base salary and pension allowance as at 1 January 2022 and an illustrative value of the benefits, based on amounts paid in 2021.

The 'On-target' scenario illustrates fixed remuneration as above, plus target payout of annual bonus and threshold vesting of the LTIP.

The 'Maximum excluding 50% share price growth' scenario sets out fixed remuneration, plus full maximum payout of the annual bonus and full vesting of the LTIP awards.

The 'Maximum including 50% share price growth' scenario sets out fixed remuneration, plus full maximum payout of the annual bonus, full vesting of the LTIP awards and 50% share price growth.

As LTIP awards are set as a fixed number of shares and options, the LTIP value is based on the number of shares and share options to be granted to the Executive Directors, in 2022. The value has been calculated assuming a share price at grant of £59.84. Under the disclosure requirements the first three scenarios above exclude share price appreciation; share options have therefore been valued using a Black-Scholes option pricing model and assumptions aligned to the three-year performance period, at 10% of the assumed face value. The final scenario includes a 50% share price growth assumption, over the performance period, in line with legislation. It should be noted that if the share price appreciation over the performance period is greater than that assumed then the actual total remuneration may be more than that shown in the above charts.

External appointments
With the approval of the Board of Directors in each case, and subject to the overriding requirements of the company, Executive Directors may accept external appointments as a Non-Executive Director of another company and retain any fees received.

Consideration of conditions elsewhere in the company
Across Reckitt, remuneration is reviewed regularly with the intention that all employees are paid appropriately in the context of their local market and given their role, experience and performance. The company seeks to promote and maintain good relations with employee representative bodies – including trade unions and works councils – as part of its employee engagement strategy, and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the company operates.

The company publishes annually to all employees details of executive remuneration and also invites employees to ask any questions or provide any feedback they may have on the topic. As part of the recent review of remuneration arrangements and in the development of the Directors' Remuneration Policy over the past year, the Committee took into account the views of senior management and other employees. The company commissioned external consultants to undertake detailed stakeholder interviews with senior management on remuneration arrangements which apply to them and their teams and, in addition, Reckitt operated focus groups with employees to understand views on the incentives. The Board also conducted formal Listening Sessions with employees. Groups of colleagues with a wide range of backgrounds met in person and virtually with Board members to discuss topics such as inclusion, consumer focus, innovation and R&D, business transformation and sustainability.

The Committee reviews the overall pay framework of the Group including internal relativities, gender pay and participation in all-employee share plans. The company encourages share ownership amongst employees and those who hold shares will be able to participate in the vote on the Directors' Remuneration Policy at the AGM.

Consideration of shareholder views
The Committee considers shareholder views received during the year and at the Annual General Meeting each year, as well as guidance from shareholder representative bodies more broadly, in shaping the Remuneration Policy. The Committee Chair speaks with many of the company's largest shareholders on the subject of executive remuneration and the Committee is grateful for all of the feedback which is provided. In developing this Policy, the company consulted with its major shareholders and amended its proposal based on the feedback received. This included changes to the peer group of companies to be used to measure Reckitt's Relative TSR performance for the purposes of the LTIP. The majority of shareholders are supportive of the company's philosophy and policy on remuneration, and the Committee will continue to keep its Remuneration Policy under regular review, to ensure it continues to reinforce the company's long-term strategy and aligns closely with shareholders' interests. The Committee will continue to consult our major shareholders before making any significant changes to our Remuneration Policy.

Approach to recruitment remuneration

External appointment

In cases of hiring or appointing a new Executive Director from outside the company, the Remuneration Committee may make use of all existing components of remuneration, as follows:

Component	Approach
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current basic salary. Where new appointees have initial base salaries set below market, or the previous incumbent's salary, the shortfall may be managed with phased increases subject to their development in the role.
Pension	The maximum pension contribution or allowance for new appointees will be in line with that available to UK employees or to participants in the pension plan relevant to the country where they are employed, if different. For UK employees this is currently 10% of base salary.
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a car allowance, car and driver, healthcare and any necessary relocation expenses in line with the ongoing Remuneration Policy (including tax thereon).
Annual bonus	The structure described in the Policy Table will apply to new appointees with the relevant maximum opportunity.
LTIP	New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the Policy Table. LTIP grants can take the form of performance share awards, performance share options or a combination of the two.

The overall limit of variable remuneration will be as set out in the Policy Table, taking into account the maximum value of the annual bonus and the maximum awards of options and share awards under the LTIP.

The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, including by utilising Listing Rule 9.4.2, i.e. over and above the approach outlined in the table above. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards and the likelihood of those conditions being met, with the intention that the value awarded would be no higher than the expected value of the forfeited arrangements and would be made on a like-for-like basis.

Internal promotion

In cases of appointing a new Executive Director by way of internal promotion, the policy will be consistent with that for external appointees, as detailed above; except that where an individual has contractual commitments made prior to their promotion to Executive Director level, the company will continue to honour these arrangements even in instances where they would not otherwise be consistent with the prevailing Directors' Remuneration Policy at the time of appointment.

Recruitment of a new Non-Executive Director

In recruiting a new Non-Executive Director, the Remuneration Committee will use the policy as set out in the table on page 164. A base fee in line with the prevailing fee schedule will be payable for membership of the Board of Directors, with additional fees payable for acting as Senior Independent Non-Executive Director, as Chair or member of a Committee, or for other additional responsibilities (including the Designated NED for engagement with the company's workforce). Fees will normally be delivered partly in cash and partly in Reckitt shares to be held until retirement from the company.

The fee for a new Non-Executive Chair of the Board will be set with reference to the time commitment and other requirements of the role and the experience of the candidate. To provide context for this decision, appropriate market data would also be referenced.

Service contracts and exit payment policy

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. In accordance with general market practice, each of the Executive Directors has a rolling service contract which is terminable on 12 months' notice and this practice will also apply for any new Executive Directors. In such an event, the compensation commitments in respect of their contracts could amount to up to one year's remuneration based on base salary and benefits in kind, and pension rights, during the notice period. Termination payments may take the form of payments in lieu of notice. Copies of Executive Director service contracts are available to view at the company's registered office.

The Committee may agree exit payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or in settlement of any claim arising in connection with the cessation of a Director's office or employment. This may include the provision of outplacement support. The Group may also pay reasonable fees for a departing Director to obtain independent legal advice in relation to their termination arrangements and nominal consideration for any agreement to any contractual terms protecting the company's rights following termination.

The company's policy on any termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms in the executive's service contract and the circumstances of the termination. The table overleaf summarises how awards under the annual bonus (including deferred bonus awards) and LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion as provided under the rules of the plan.

Reason for cessation	Timing of vesting/payment	Calculation of vesting/payment
Annual bonus		
Voluntary resignation or termination with 'cause'	Not applicable.	No bonus to be paid for the financial year.
All other circumstances	Following the end of financial year.	Bonuses will be paid only to the extent that objectives set at the beginning of the plan year have been met. Any such bonus will normally be paid on a pro-rata basis up to the termination date and will be subject to deferral requirements where applicable.
Deferred bonus share awards		
Voluntary resignation or termination with 'cause'	Not applicable.	Unvested awards lapse, unless the Committee, at its discretion, decides otherwise.
All other circumstances	Subject to the original time horizons, unless the Committee, at its discretion, decides these will vest on cessation of employment.	Shares vest in full.
LTIP		
Voluntary resignation or termination with 'cause'	Not applicable.	Unvested awards lapse. From the 2022 LTIP award, vested but unexercised options lapse. Vested share awards and the resultant shares from vested and exercised share option awards in the holding period after the end of the performance period are retained, with the holding period continuing to apply (unless the Committee decides that they will be released early), save that they will lapse if the holder is summarily dismissed.

Reason for cessation	Timing of vesting/payment	Calculation of vesting/payment
Ill-health, injury, permanent disability, retirement with the agreement of the company, the participant's employing entity ceasing to be under the control of the company, transfer of the undertaking in which the participant works outside the Group, redundancy or any other reason that the Committee determines in its absolute discretion.	Awards will vest in line with the original performance, vesting and holding periods (unless the Committee decides that they will be released early, in the case of awards in the holding period).	The Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved and the proportion of the performance period worked. In the event of an employee leaving the Group due to ceasing to be under the control of the company, transfer of undertaking, or change of capital structure, such as demerger, IPO, etc., the Committee will retain the discretion for awards to be exchanged for new equivalent awards in the new company, where appropriate and permitted by the rules of the LTIP.
Death	As soon as practicable after date of death (which could be at the end of the relevant financial year). No holding period will apply.	Performance conditions will be measured at the end of the financial year in which the holder dies, and awards may be reduced to reflect the proportion of the performance period worked.
Change of control	On change of control.	Awards will vest to the extent that any performance conditions have been satisfied (unless the Committee determines that the performance conditions should not apply). Awards will also be reduced pro rata to take into account the proportion of the performance period not completed, unless the Committee decides otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer or another company where appropriate.

Reckitt's Remuneration Policy and the Corporate Governance Code

Reckitt's Remuneration Policy reflects the philosophy of pay for performance, shareholder alignment and strategic alignment over the short, medium and long term. The current 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 new Policy, provision 40 of the UK Corporate Governance Code was taken into account as follows:

Clarity	Arrangements are transparent, and 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; it also gave employees the opportunity to ask any questions on these topics.
Simplicity	The Policy is simple and clear, comprising 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 and LTIP outcomes both upwards and downwards.
Predictability	The total of fixed pay and 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 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.

ANNUAL REPORT ON REMUNERATION

The rest of this report sets out how we have implemented the previous shareholder-approved Remuneration Policy in 2021, and how we intend to implement the revised Policy in 2022, subject to shareholder approval of the revised Policy. It also provides detail of the remuneration decisions in relation to the impact of the management of the portfolio over 2021.

2021 PERFORMANCE AND REMUNERATION OUTCOMES

In reviewing Executive Director remuneration, the Remuneration Committee took into account remuneration decisions for the wider workforce and individual performance of the Directors. The Committee also reviewed market practice, primarily against the FTSE 30 (excluding financial services companies), and took into account an international remuneration peer group, comprising 21 companies as set out below. The latter 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, Church and Dwight, Clorox, Coca-Cola, Colgate, Danone, GSK, Henkel, Johnson & Johnson, Kellogg, Kimberly-Clark, Kraft Heinz, Nestlé, Novartis, PepsiCo, Pfizer, Procter & Gamble, Sanofi and Unilever.

Base salary

Base salaries are reviewed taking into account the salary increases for the wider workforce and individual performance. During 2021, the Remuneration Committee reviewed salaries and determined that there would be a 3% salary increase for the CEO and CFO in 2022, taking into account Group and individual performance, in line with the salary increase budget for the UK wider workforce. The CEO's salary remains towards the lower end of FTSE 30 market practice.

The table below sets out annual base salaries with effect from 1 January 2022:

Executive Director	Annual base salary 2021	**Annual base salary from 1 January 2022**	Percentage increase
Laxman Narasimhan	£979,000	**£1,008,000**	3%
Jeff Carr	£700,000	**£721,000**	3%

Annual bonus in respect of 2021 performance

Executive Director 2021 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 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 formulaic bonus outcome. This is different to usual UK market practice whereby performance measures are assessed independently and payment under one metric may result in payout regardless of performance in other metrics. In Reckitt the two measures combine to give the resultant payout

Performance multiplier x Target bonus = Final bonus outcome

Delivery
Cash 2/3 + Shares 1/3

- 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, even in the case of 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

2021 performance targets

The Remuneration Committee set targets for the Executive Directors at the beginning of the 2021 financial year. These were based on net revenue 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, 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 to the change in business strategy.

During the year, the active management of the portfolio saw a 9% portfolio turnover, including the strategic disposal of IFCN China and Scholl and the acquisition of Biofreeze – a major step forward in our strategy to rejuvenate sustainable growth. This activity to strengthen the portfolio has meant that the targets set at the beginning under the APP needed to be reviewed to ensure they remained appropriate. In line with our current shareholder-approved Remuneration Policy and shareholder views on adjusting targets, the APP targets were adjusted where needed to ensure that participants are no better or worse off and in line with shareholder expectations.

The Committee resolved to include the performance of disposed assets within the performance of the year assessment until the closing date of sale. In order to ensure we assessed performance on a fair and consistent basis the targets were adjusted to include performance of disposed assets to the date of sale and exclude them for the period of the year that Reckitt no longer owned them. In respect of acquisitions, we included the performance from the closing date of acquisition and also increased the targets accordingly. The Committee considers that these revised targets maintain the same levels of stretch and that participants were no worse or better off.

2021 financial performance against APP targets

As stated earlier in the Annual Report, 2021 marked a year of growth ahead of expectations and a strong year in terms of revenue. LFL net revenue growth was 3.5%, outperforming market expectations of approximately -0.4% at the time targets were set, and building on the outstanding growth of last year gives a two-year stacked growth of 17.4%, significantly ahead of the peer group average. For the purpose of annual bonus calculations, after the adjustments for the acquisitions and disposals, net revenue growth was 2.2% to £13.95 billion (on a constant foreign exchange basis). This strong year reflects market share growth with 62% of our core CMUs holding or gaining share.

For 2021, operating margin (excluding IFCN China) was 22.9%, in line with guidance, resulting in the bonus metric of adjusted profit before income tax (on a constant foreign exchange basis) of £2.84 billion which reflects performance towards the top end of the target range set by the Committee at the start of the year.

The chart below illustrates this performance compared to the targets.

Performance Measure	Threshold (zero bonus)	Achieved	Maximum (3.57 x target)	Actual
Net revenue	£13.22bn	£13.95bn	£14.06bn	1.77x
Adjusted profit before income tax	£2.58bn	£2.84bn	£2.85bn	1.84x

Achieved

As illustrated above, 2021 net revenue and adjusted profit before income tax both approached the maximum level of the performance ranges set for the 2021 annual bonus resulting in a formulaic bonus multiplier of 3.26x of target (91.3% of maximum).

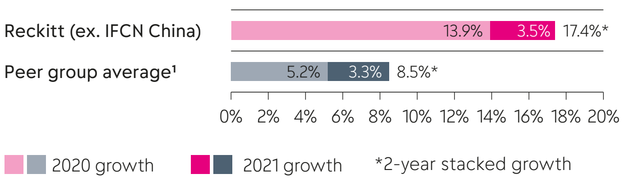
These results reflect the strong 2021 performance ahead of expectations, the strengthened portfolio and strong momentum. For example, brands less sensitive to COVID-19 dynamics, representing c.70% of the portfolio grew, on average by mid-single digits in each quarter of 2021. We are firmly on track with our transformation programme to achieve our target of mid-single digits net revenue growth and adjusted operating margins in the mid-20s by the mid-2020s.

Overall Group performance taken into consideration

As it does every year, the Committee thoroughly evaluated the performance of both the Group and the Executive Directors in the round to assess whether the level of annual bonus payout is both appropriate and justified. The framework that the Committee applies is set out on page 156 and more details are set out overleaf.

Competitor performance

Top-line performance significantly better than peers



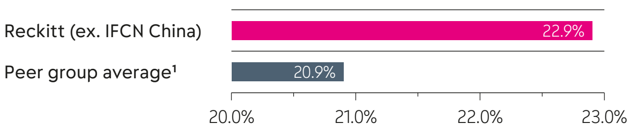
1. Peer group data based on latest data publicly available for FY 2021. Where this data was not available, comparison is based on latest results covering Q3 2021 or later

Portfolio performance and mid-single-digit growth

c.70% of portfolio* **already growing** at >5%

* Excluding brands more impacted by COVID-19 – Lysol, Dettol and cold and flu brands

Adjusted operating margin ahead of peers



1. Peer group data based on latest data publicly available for FY 2021. Where this data was not available, comparison is based on latest results covering Q3 2021 or later

Strong market share performance

+62% of core CMUs holding/gaining share

The Remuneration Committee also reviewed the progress on delivery of the strategy and wider people, culture and sustainability, a summary of which is provided below.

Strategic delivery

- **Strong progress in repositioning our business towards higher growth:** We entered the important US analgesic market with the acquisition of the high growth Biofreeze business, whilst divesting our lower growth businesses, of IFCN China, Argentina, Scholl and E45. Approximately 9% of the portfolio repositioned
- **Strong market share performance:** 62% of our Core Category Market Units (CMUs), held or gained share
- **New corporate brand launched in March 2021:** Reflects our refreshed outlook and Purpose. The redevelopment of the corporate identity from RB to Reckitt is a key milestone for the company's ongoing journey of transformation towards sustainable growth and reflects our renewed Purpose and strategy. The new brand is built on how stakeholders recognise the brand; it is more powerful, consistent, and impactful. The launch saw high levels of engagement across all stakeholder groups, and was met by almost universal acclaim
- **Drove new business and channels:** Our Global Business Solutions (GBS) has further developed its channel and geographic footprint through partnerships with operators such as Diversey. E-commerce net revenue, excluding IFCN China, grew by 17% in 2021, resulting in a two-year stacked growth of 85% and now accounts for 12% of group net revenue
- **Improvement in regulatory capability:** Our regulatory capability has improved in both the quality and the speed with which we operate. Our innovation pipeline value is 50% higher than the previous year and our investment in digital has driven continued high growth in our e-commerce platforms
- **Stronger R&D function:** We launched the Innovation Council to harmonise innovation across each GBU, market and functions including Marketing, R&D and Supply. The Global R&D function now includes Regulatory, Global Safety Assurance (GSA) and Operational Excellence, driving greater partnerships and operational efficiencies. Frontline resources have been deployed in-market to drive proximity to consumers

People and culture

- **Significant focus on embedding Diversity and Inclusion:**
  - Since launching our five-year commitment in June 2020, the Stronger Together conversation series has continued to create opportunities for sharing inspiring and challenging stories from our colleagues across the world. Seven live global events in 2021 reached almost 30,000 people
  - Employee Resource Groups (ERGs) are employee networks that aim to raise the profile of underrepresented people. Three global ERGs have all made progress in their respective areas with a focus on gender balance, the LGBTQ+ community, and race and ethnicity. The ERGs are represented on the Global Inclusion Board and provide input on consumer perspectives which informs our innovation process
  - Initiated the Conscious Inclusion programme in order to promote the benefits of conscious inclusion. Almost 90% of our senior managers have attended these sessions so far
- **Focus on employee wellbeing:**
  - All through the pandemic we have focussed on 'Doing the right thing' and 'Putting our Consumers and People first'. In every country we took necessary steps to help our colleagues with the consequences of the pandemic (e.g. facilitating vaccination drives in many emerging markets, EAP support etc.)
  - In March 2021 we launched our global wellbeing programmes for leaders at all levels in partnership with global leaders in this field. Together, we delivered bespoke wellbeing resources including one-to-one and group performance coaching, training, social learning events and access to resources via digital apps
  - Embedded our hybrid working model, taking into consideration direct feedback received from our employees through surveys. Launched our 'Future of Work' approach, providing greater flexibility and creating a seamless, inclusive and consistent experience in a hybrid world. Our approach is underpinned by the 4 Cs – Connect, Create, Coach and Collaborate – which will help to guide choices around where employees work
- **Rolled out Leadership Behaviours:** These behaviours are a key part of our leadership development programme and annual review process. In the June 2021 Glint survey, colleagues scored leadership highly in all categories. The highest scores registered were for decisiveness, purpose and speaking direct with respect and over 75% of employees feel a positive impact of Leadership Behaviours launched in 2021

Sustainability

- **Launch of our Sustainability Ambitions, '*For a Cleaner, Healthier World*':**
  - Launched in March 2021, this sets out our 2030 ambitions and is backed by more than £1 billion of planned investment over the next ten years to ensure we meet our goals
  - Achieved 66% reduction in absolute carbon in operations since 2015, 100% renewable electricity purchased for our manufacturing operations and 24.9% of 2021 net revenue from more sustainable products
  - Ongoing development of our Sustainable Innovation Calculator, now used in each GBU's product innovation programme to enable more sustainable products in the future
- **Sustained commitments to aid programmes:** Including investments worth over £38 million via the Reckitt Fight for Access Fund and distributing 24 million products to worthy causes such as the Red Cross with 3.4 million people across 50 countries measurably impacted by our social impact work
- **Hygiene partner of the United Nations COP26 conference:** Partnered to deliver a safe conference that furthered climate action. Co-authored a white paper with EcoHealth Alliance and the London School of Hygiene and Tropical Medicine, setting out the risks to human health of unabated climate change and presented recommendations to address these potentially existential threats
- **Strengthened sustainable sourcing activity, supporting more sustainable livelihoods and working conditions for our suppliers**: Focus on key ingredients including palm oil and latex through various initiatives, and collaboration with, for example, Consumer Goods Forum members and our own partner, Earthworm Foundation, on landscape programmes; initiated certification of latex through the Fair Rubber Association and currently working with plantations in Malaysia and smallholder farmers in Thailand to certify latex production, protect ecosystems and support sustainable livelihoods and communities
- **Early signatory and the first consumer packaged goods company to join Amazon's Climate Pledge:** This commits us to net-zero emissions by 2040. We now sell over 60 products which are labelled as Climate Pledge Friendly on Amazon
- **External benchmarks of progress:** Reckitt retained its position in the FTSE4Good Index with ongoing delivery through our ESG agenda and Sustainability Ambitions, coupled with transparent reporting of our progress and systems. We re-joined the Dow Jones Sustainability Index and were also awarded a Gold Class 2022 Sustainability Award from S&P Global. We have an improved MSCI ESG rating from A to AA, and a Sustainalytics score at 22.9, positioning Reckitt in the top 15% of our industry group

Decision on 2021 bonus outcomes
Taking into account the very strong year of financial performance, ahead of expectations, the management to strengthen the portfolio and the wider assessment of performance as described above, which sees the transformation firmly on track, the Committee concluded that the formulaic APP payout based on performance against targets is justified and no discretion will 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	£979,000	x	120%	x	3.26	=	£3,829,848	=	£2,553,232	£1,276,616
Jeff Carr	£700,000	x	100%	x	3.26	=	£2,282,000	=	£1,521,333	£760,667

Vesting of the 2019 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. The 2019 LTIP awards were made following the approval of the Group's Remuneration Policy in May 2019. The award was made to Laxman Narasimhan on 5 August 2019. Jeff Carr was not with the Group at the time these awards were made.

2019 performance targets
Vesting of awards under the 2019 LTIP was dependent on the performance conditions set out in the table below.

	Threshold (20% vesting)	Maximum (100% vesting)
EPS growth (3-year CAGR) (50% weighting – 25% actual FX; 25% constant FX)	4%	9%
LFL net revenue growth (3-year CAGR) (25% weighting)	2%	6%
ROCE (final year) (25% weighting)	10.8%	12.8%

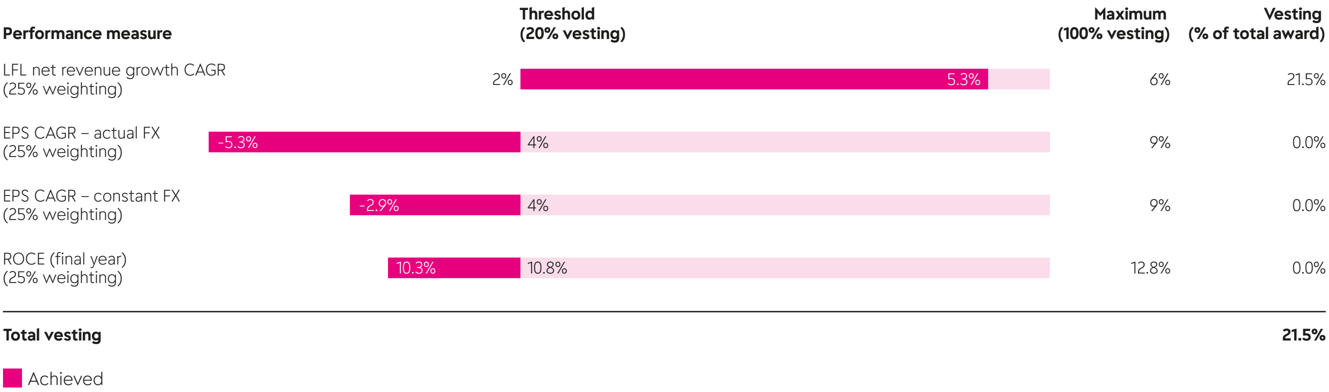
The performance assessment is provided below:

Assessment of performance versus targets
As discussed under the 'Remuneration decisions in relation to portfolio management' section of the Chair's letter, the Remuneration Committee decided that for the 2019-2021 LTIP award, given the timing of the IFCN China sale is such that it was under the Group's ownership for most of the performance period, no adjustments were to be made to the LTIP targets set at the start of the performance period.

For the portion of the LTIP awards subject to ROCE performance, as stated in our 2018 Annual Report, ROCE is measured in the final year of the performance period and is measured using the same principles as the ROCE figure disclosed elsewhere in the Annual Report, other than the fact that ROCE for LTIP purposes is measured on a constant currency basis. This is on a consistent basis in line with the definition agreed when targets were set. This means that capital employed has been calculated on a monthly average basis including IFCN China for the period of ownership by Reckitt of January through to August 2021. IFCN China is also included in the adjusted operating profit after tax for the whole period of ownership ensuring that the numerator and denominator of the ROCE calculation are on a consistent basis.

Similarly, no adjustments have been made to targets for the adverse impact on ROCE of other acquisitions and disposals, e.g. the acquisition of Biofreeze or the sale of Scholl. Finally, as disclosed in the 2020 Annual Report, we have ensured that the goodwill impairment in respect of IFCN did not lead to an increase in vesting in respect of the proportion of the LTIP related to ROCE by adjusting the capital employed accordingly.

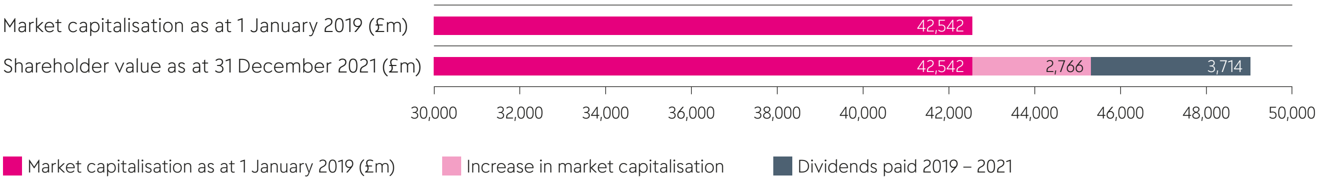
The chart below illustrates performance compared to the targets. As set out below, the strong LFL net revenue growth over the three-year performance period results in 21.5% vesting in respect of this element of the award. The remainder of the award related to EPS growth and ROCE will not vest as performance was below the stretching targets set.



Overall Group performance taken into consideration

As it does every year, the Committee thoroughly evaluated the performance of both the Group and the Executive Directors in the round to assess whether the level of vesting under the LTIP is both appropriate and justified. The framework that the Committee applies is set out on page 156. The Committee took into account the progress on delivery of the strategy and wider people, culture and sustainability in 2021 as disclosed on page 170 of this report and over the performance period of the 2019 LTIP, as disclosed in previous Annual Reports as well as the shareholder experience.

Delivery of shareholder value: £6,480 million of shareholder value generated



Decision on 2019 LTIP vesting outcome

The Committee is satisfied that this outcome is aligned with the shareholder experience and the wider assessment of performance over the last three years and concluded that the overall vesting level is justified and appropriate in this context and that no discretion will be applied.

Based on the performance assessment above, the 2019 LTIP award to the CEO will vest as detailed below. These awards did not accrue dividends during the vesting period.

	Interests held	Exercise price	Vesting %	Interests vesting	Share price[1]	Estimated value
CEO awards – Laxman Narasimhan						
Performance shares	75,000	n/a	21.5%	16,125	£59.84	£964,920
Performance share options	150,000	£63.72	21.5%	32,250	£59.84	£0

1. As the share price on the date of vesting is unknown at the time of reporting, the value is estimated using the average market value over the last quarter of 2021 of £59.84. The actual value at vesting will be disclosed in the 2022 Annual Report

There is a further two-year holding period attached to Laxman Narasimhan's LTIP award which means that vested performance shares (net of tax withholding) will not be released to the CEO until 1 January 2024, and the resultant shares (net of any tax withholding and the exercise cost as appropriate) from the exercise of any vested performance share options will not be released to Mr Narasimhan until 1 January 2024.

Single total figure of remuneration for Executive Directors (audited)

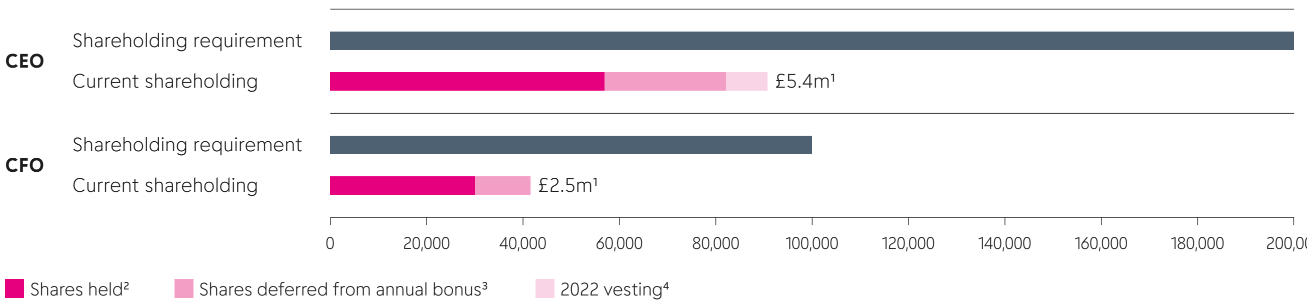
The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2021, based on the information set out in the previous sections. This is compared to the prior year figure:

	Executive Directors			
	Laxman Narasimhan		Jeff Carr[1]	
	2021 £	2020 £	**2021 £**	2020 £
Base salary	**979,000**	950,000	**700,000**	494,545
Taxable benefit[2]	**95,322**	251,689	**16,756**	12,201
Pension benefit[3]	**97,900**	95,000	**70,000**	49,455
Annual bonus[4]	**3,829,848**	4,069,800	**2,282,000**	1,765,526
LTIP[5]	**964,920**	n/a	**n/a**	n/a
Buyout arrangements[6]		3,067,845		
Fixed remuneration	**1,172,222**	1,296,689	**786,756**	556,201
Variable remuneration	**4,794,768**	4,069,800	**2,282,000**	1,765,526
Total	**5,966,990**	8,434,334	**3,068,756**	2,321,727

1. Joined the Board and was appointed as CFO on 9 April 2020
2. Benefits for Laxman Narasimhan in 2021 primarily consist of car, healthcare, and tax filing support as a result of his relocation. For Jeff Carr the benefits include car allowance and healthcare. Where relevant the costs above include a gross-up for tax
3. 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 a defined contribution basis, with no defined benefit accrual
4. Annual bonus reflects financial performance approaching the maximum level of the performance ranges set for the 2021 bonus; the Committee's assessment of performance of both the company and the Executive Directors in the round; and the Committee's determination of the level of annual bonus payout at 91.3% of the maximum level in line with the formulaic outcome is appropriate as set out on pages 168 to 171. One-third of this is deferred into share awards for three years
5. Reflects the estimated value of LTIP performance share options and performance shares granted to Laxman Narasimhan in August 2019, which are due to vest on 20 May 2022 at 21.5% of maximum. Valued using an average share price over Q4 2021 of £59.84. See the relevant section on pages 171 and 172 for more details. 0.2% is attributable to share price growth over the vesting period. The Committee did not apply discretion in determining the remuneration resulting from the 2019 LTIP vesting as a result of share price appreciation
6. The buyout includes awards made to Laxman Narasimhan, related to legacy arrangements implemented by his previous employer. The value of this buyout was estimated in the 2020 Annual Report. The long-term share award vested at 52.6% of target on 25 March 2021 and the long-term cash award was paid at 110% of target in March 2021. The value has been restated to reflect this and the actual closing Reckitt share price on the date of vesting of £64.12 for the long-term share award, including accumulated dividends. 6.63% of the value of the share award included in the buyout is attributable to share price growth over the vesting period

Shareholding of Executive Directors compared to requirements

The bar chart below illustrates the Executive Directors' shareholding compared to 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. Current shareholding value based on the average closing share price in Q4 2021 of £59.84
2. Includes shares owned outright and shares subject to post-vesting holding restrictions
3. This is the estimated number of shares under the Deferred Bonus Plan, after tax, including those to be deferred from the 2021 annual bonus
4. For Laxman Narasimhan this is an estimate of the number of shares vesting in May 2022 under the 2019 LTIP, after tax

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, with a portion required to be retained post-employment as described below.

These shareholding requirements (200,000 shares for the current CEO and 100,000 shares for the current CFO) are the most demanding in the market and are equivalent to c.1200% and c.850% of salary for the CEO and CFO, respectively (based on a share price of £59.84). These requirements are also more than double the current annual LTIP award (using a Black-Scholes valuation of 10% for the performance share options).

We also have post-employment shareholding requirements for a further two years. The 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 from his previous employer and shares purchased by the Executive Directors.

The two-year post-employment shareholding requirement is 50% of the shareholding requirement (or actual shareholding on leaving if lower). This represents more than c.600% of salary for the CEO and c.425% for the CFO and is more stretching than almost all other UK companies' in-employment shareholding requirements; it is also greater than the current annual LTIP award.

The table below shows the current shareholding of each Executive Director against their respective shareholding requirements as of 31 December 2021:

				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 2022[3]	Unvested, subject to performance	Vested but not exercised	To vest in 2022	Unvested, subject to performance
Laxman Narasimhan	200,000	56,917	25,199	8,546	150,000	0	32,250	300,000
Jeff Carr	100,000	30,000	11,592	n/a	80,000	0	n/a	160,000

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 2021 annual bonus
3. This is an estimate of the number of shares vesting to Laxman Narasimhan in May 2022 under the 2019 LTIP, after tax as detailed on page 172

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 187.

2021 LTIP awards (audited)

The table below sets out the LTIP awards which were made to Laxman Narasimhan and Jeff Carr on 28 May 2021. 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. In line with the Directors' Remuneration Policy, for Executive Directors there is a further two-year holding period commencing after the end of the three-year performance period.

	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	28 May 2021	75,000	£63.68	n/a	£4,776,000	1 Jan 2021–31 Dec 2023	May 2024	1 Jan 2026
Jeff Carr	28 May 2021	40,000	£63.68	n/a	£2,547,200	1 Jan 2021–31 Dec 2023	May 2024	1 Jan 2026
Performance share options								
Laxman Narasimhan	28 May 2021	150,000	£63.68	£64.67	£0	1 Jan 2021–31 Dec 2023	May 2024–May 2031	1 Jan 2026
Jeff Carr	28 May 2021	80,000	£63.68	£64.67	£0	1 Jan 2021–31 Dec 2023	May 2024–May 2031	1 Jan 2026

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 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 £9,552,000 for Laxman Narasimhan and £5,094,400 for Jeff Carr if calculated as the number of shares multiplied by the market price at date of award

As disclosed in the 2020 Annual Report, the performance measures and weightings used for the 2021 LTIP were unchanged from the 2020 LTIP award, being 50% based on net revenue, 25% based on ROCE and 25% based on EPS (split equally between actual exchange rate and constant exchange rate).

Net revenue continues to be measured as LFL 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 elsewhere in the Annual Report as it is measured on a constant currency basis. 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. The Committee disclosed the targets which apply to these LTIP awards in June 2021.

As discussed in the Chair's letter and set out in further detail on page 181, during 2021, the active management of the portfolio saw a 9% portfolio turnover, including the disposals of IFCN China and Scholl and the acquisition of Biofreeze, a major step forward in our strategy to rejuvenate sustainable growth. This activity to strengthen the portfolio has meant that the targets set at the beginning of each award under the LTIP needed to be reviewed to ensure they remained appropriate. In line with our current shareholder-approved Remuneration Policy and shareholder views on adjusting targets, the LTIP targets were adjusted where needed to ensure that participants are no better or worse off and in line with shareholder expectations. Further detail on these adjustments and the vesting schedule that applies to awards granted under the 2021-2023 LTIP are presented on page 181.

Wider workforce pay arrangements

Reckitt cascades its 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 reviewed by the Remuneration Committee includes salary structures, bonus design and targets, the LTIP, share ownership, our International Transfer Policy, provision of benefits and Reckitt's 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. In addition, as part of the wider review of remuneration arrangements and in the development of the Directors' Remuneration Policy over the past year, the Committee took into account views of senior management and other employees. The company commissioned external independent consultants to undertake detailed stakeholder interviews with senior management on remuneration arrangements which apply to them and their teams, and internally, Reckitt operated focus groups with employees to understand views on incentives. 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; giving employees the opportunity to ask any questions on these topics.

As mentioned in the Chair's letter, in March 2021 we launched our global wellbeing programmes for leaders at all levels in partnership with Hintsa and Tignum, global leaders in this field. We have also provided a rich bank of resources for all employees to access including global wellbeing sessions, focusing on balance, burnout and the importance of mental energy and attracting over 3,000 participants each time. In July 2021 we launched a global employee pulse survey, focusing on understanding our employee demographics and getting insights on our Leadership Behaviour and diversity topics.

As discussed in the Strategic Report our employment policies drive gender equality in our teams. We have mentoring schemes for female employees, gender-balanced shortlists and proportional targets at senior management level. We have also continued with several initiatives that were launched in 2020, 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. During 2021, another seven virtual global sessions have been held, reaching almost 30,000 people, with more watching the sessions later on demand. Our Global Inclusion Board comprises senior leaders and sponsors of our Employee Resource Groups (ERGs) and is chaired by the CEO, who leads the D&I strategic agenda across Reckitt.

As set out earlier in the Annual Report, we continue to focus on maintaining an open, transparent culture by promoting continuing dialogue across the company. During 2021 Mary Harris's 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 round-table 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 Section 172 Statement, which can be found on pages 68 to 73.

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 2021 to all employees across the Group is £48,445 and we review pay ratios of the Chief Executive Officer's total remuneration to the remuneration of UK employees, as set out on page 178 of this report. In the UK, Reckitt has been voluntarily paying the Living Wage for a number of years and is accredited by the Living Wage Foundation as paying a living wage to employees and contractors. This certifies our commitment to employees and staff that they will receive a wage that not only exceeds the minimum wage but also recognises the actual cost of living in the UK. We are developing our global Sustainable Livelihood Framework (of which living wage is a component) to outline our approach and will be piloting it within selected factories in Thailand and India.	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 16,000 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, typically related to 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 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, in 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 incentives	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 2022 awards will continue to use the same performance measures and three-year performance period as for the Executive Directors. Awards are made as a fixed number of share options and shares, 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 comprise performance share options and performance share awards (based on a fixed number), which for the 2022 awards will vest subject to the achievement of LFL net revenue, ROCE, Relative TSR and ESG performance targets. In addition to the LTIP's three-year performance period, Executive Directors are subject to an additional two-year holding period commencing at 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. As well as ensuring individuals feel a sense of ownership, Reckitt is keen to ensure that the plans are inclusive and accessible to all colleagues, with the plan being offered on equivalent terms to all eligible employees globally, subject to local regulation. Around 50% of Reckitt employees have signed up to one of our three share plans with total savings of around £171 million across all cycles. Over the last three-year period, 2019-2021, just over 6,900 employees saved in one of our plans, making a gain of around 10% over the period.[1] In order to encourage take-up and ensure that the plans are inclusive and accessible to all employees, we utilise around 100 local champions and provide communications in 28 languages. Champions are responsible for local communications throughout the offices and factories. Examples include desk drops, webinars, virtual drop-in sessions with specific contacts at each site for support. Further, in line with Reckitt's commitment to diversity and inclusiveness, Reckitt has included and promoted a 12-month savings sabbatical for employees on maternity leave.	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 the 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 £42 million[1] and the aggregate actual holding is currently £15 million[1] which reflects good progress towards the requirement given the changes to the Group Executive Committee over the past two years. Overall the total shareholding requirement for all employees with requirements is £80 million,[1] with the current actual holding being £48 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 UK market[2]. These are equivalent to c.1200% and c.850% 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 174 sets out the progress of the Executive Directors towards their shareholding requirements.
Pension	A pension/gratuity scheme is offered to more than 80% 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 at least 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 it provides in each country to ensure they remain appropriate, equally inclusive 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. All of our employees are insured for at least two times base salary • 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 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 adequately 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. In a number of markets this also extends to cover spouse and/or children 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. Depending on the type of international move additional benefits such as international healthcare, international pension, school fees, tax return support and home leave may be provided to foster ongoing mobility.	Executive Directors receive benefits which consist primarily of the provision of a company car/allowance, pension scheme, risk insurances and healthcare. In addition, Executive Directors are eligible for the benefits available to the wider UK workforce, as described in this table.

1. Based on the average closing share price in Q4 2021 of £59.84
2. Compared against constituents of the FTSE 30

Gender pay gap

The Board reviews the company's gender pay gap and publishes an annual gender pay report that can be found on our website under the People and Communities heading of our Sustainability section. To increase transparency on this issue Reckitt voluntarily discloses the gender pay gap for our ten largest markets by workforce size, including the UK, which together make 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 gender pay gap in the UK for the year to April 2021 is -7.4% at median and 5.0% at mean
- This compares to the year to April 2020 when the gender pay gap was -6.1% at median and 5.1% at mean

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, the pay ratio reflects the actual buyout awards to Laxman that are in respect of legacy arrangements from his previous employer and which vested in March 2021. This is disclosed in the 2020 column of the single figure table on page 173 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
	2021	Option A	1:170	1:121	1:78
	2020	Option A	1:244	1:177	1:100
	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 Group'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 decreased in line with the reduction in the CEO's single total figure of remuneration as set out on page 173.

In calculating the ratio we have used Option A, in line with shareholder guidelines. The employees used in the calculations were selected on 23 February 2022, 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 2021 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 these to 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 2021:

	25th percentile	Median pay	75th percentile
Total employee pay and benefits	£35,045	£49,261	£76,581
Salary component	£28,268	£40,906	£67,771

In addition, Note 5 to the Financial Statements sets out the total employment costs and average number of employees globally, during 2021. Based on these, the average global pay during 2021 was £48,445 and consequently the pay ratio between the CEO and average global employee was 1:123.

IMPLEMENTATION OF DIRECTORS' REMUNERATION POLICY FOR 2022 OUTCOMES

Salary

As set out earlier in this report, there will be a 3% increase in salaries for 2022 for the CEO and the CFO in line with the budgeted average increase for the UK workforce. The CEO's salary will be £1,008,000 and the CFO's will be £721,000.

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 2022 performance

There are no changes to the bonus opportunity for the CEO and CFO, remaining at 120% and 100% of salary at target, respectively.

Bonuses for 2022 will remain based on Reckitt's net revenue 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. One-third of any bonus earned will be deferred into Reckitt shares for three years.

As previously noted in the Chair's letter, as it does every year the Committee will continue to evaluate the performance of both the Group 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 2022 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 2022.

2022 LTIP awards

Award levels

There are no changes to the LTIP award levels for the CEO or CFO for 2022. These have been reviewed in light of share price performance, Group performance and individual performance. Laxman Narasimhan's 2022 LTIP award will consist of 150,000 performance share options and 75,000 performance shares and Jeff Carr's award will be 80,000 performance share options and 40,000 performance shares. These awards are expected to be made following the May 2022 AGM.

Performance conditions

As disclosed in the Chair's letter, the Committee reviewed the performance measures with the aim of ensuring alignment with our strategy to rejuvenate sustainable growth. The 2022 LTIP performance conditions and weightings are as follows; each element is considered independently:

- LFL net revenue growth (40% weighting)
- ROCE (25% weighting)
- Relative TSR (25% weighting)
- ESG (10% weighting)

The Committee went through a robust process when setting these targets, taking into account a number of factors and different reference points, and the Committee considers that the targets set are very stretching. Awards granted in 2022 will vest in line with the descriptions below, which require significant outperformance of targets.

LFL net revenue growth

Net revenue is measured as LFL growth over three years. As previously stated, our guidance is for LFL net revenue growth of 1-4%, for 2022 with a longer-term target of mid-single-digit growth. In this context, the Remuneration Committee believes that the performance ranges are appropriately stretching and incentivise management to deliver outperformance. 20% of this element will vest for achieving 2.0% per annum growth increasing to full vesting for achieving 5.0% per annum growth. This represents an increased threshold compared to the 2021 LTIP target.

ROCE

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. 20% of this element will vest for achieving 13.2% increasing to full vesting for achieving 15.2%.

Relative TSR

Relative TSR directly aligns LTIP participants with the shareholder experience and will only reward for TSR outperformance against our peers. The Committee deliberated over the constituents of the Relative TSR peer group as part of the Committee's review of the Remuneration Policy. The proposed group of 19 companies represents companies that we compete with for capital and which shareholders compare us to and is also an appropriate group to incentivise LTIP participants to outperform.

Relative TSR will be measured against a group of 19 global companies that directly reflects shareholder feedback received during the consultation. The peer companies are primarily drawn from the constituents of the MSCI World House & Personal Products Index. The Committee determined to also include appropriate comparators that form part of the broader 'Fast Moving Consumer Goods' industry and are subject to similar industry dynamics and market challenges as Reckitt. The Committee was also keen to have a sufficient number of companies in the peer group so that the relative TSR comparison remains robust throughout the performance period. The constituents will be reviewed on an annual basis and, in particular, as new comparators come to the market. The TSR peer group for the 2022 LTIP award is set out below:

Beiersdorf	Danone	JDE	L'Oréal	Shiseido
Church & Dwight	Essity	Kao	Mondelēz	Unicharm
Clorox	Estée Lauder	Kimberly-Clark	Nestlé	Unilever
Colgate Palmolive	Henkel	Lindt	Procter & Gamble	

Under the Relative TSR measure, 20% of the award will vest for TSR at the median of the peer group, increasing to full vesting for upper quartile performance or above. In line with shareholder guidance, a common currency will be used for TSR purposes.

ESG

The introduction of ESG measures aligns participants with, and incentivises delivery of, our 2030 sustainability ambitions. There are two equally weighted metrics for the 2022 LTIP award. The ESG targets are based on rigorous methodology, are independently assured and, in the case of our carbon emissions, support our delivery of externally validated science-based targets on emissions reduction. Targets are based on achievement in the final year of the performance period and take into account the plans that we have to achieve the sustainability ambitions. The measures and targets are as follows:

i. **Percentage of net revenue from more sustainable products** – this has been an annual reporting KPI since 2012 and supports our ambition of 50% of net revenue being from more sustainable products by 2030. This is measured using our Sustainable Innovation Calculator (SIC). The calculator evaluates the sustainability impact of every new product versus existing products and established benchmarks. It helps measure carbon, water, plastics, ingredients and packaging footprints in new products for our global brands, targeting their reduction to enable more sustainable products in the future. It includes Scope 3 product emissions (including the carbon and water impact from consumer use) which is the most impactful lifecycle stage of our products. We achieved 24.9% of net revenue from more sustainable products in 2021 and have set the targets for this measure based on the Plan to 2030, such that 20% of this element will vest for achieving 30% of net revenue from more sustainable products increasing to full vesting for achieving 33%.

ii. **Percentage reduction in GHG emissions in operations** – this supports the delivery of our externally validated science-based targets for 2030 to help maintain global warming at less than 1.5°C, including a 65% reduction in GHG emissions in operations against our 2015 baseline. For the purposes of reward outcomes, any offsetting activities will not count towards achievement of these targets. A total of 20% of this element will vest for achieving a 65% reduction in GHG emissions in operations increasing to full vesting for achieving a 69% reduction. The threshold of a 65% reduction is in line with the goal that we set for ourselves by 2030, with the maximum target of a 69% reduction significantly beyond this, requiring us to exceed our 2030 science-based target ahead of schedule.

Summary of 2022 LTIP targets

Performance will be assessed for each measure, at the end of the three-year performance period. Performance will be assessed on a sliding scale as set out below:

	Threshold (20% vesting)	Maximum (100% vesting)
LFL net revenue growth (3-year CAGR) (40% weighting)	2.0%	5.0%
ROCE (final year) (25% weighting)	13.2%	15.2%
Relative TSR (25% weighting)	Median	Upper quartile
ESG: % of net revenue from more sustainable products (final year) (5% weighting)	30%	33%
ESG: % reduction in GHG emissions in operations (final year) (5% weighting)	65%	69%

REMUNERATION DECISIONS IN RELATION TO PORTFOLIO MANAGEMENT

During 2021, the active management of the portfolio saw a 9% portfolio turnover, including the disposals of IFCN China and Scholl and the acquisition of Biofreeze, a major step forward in our strategy to rejuvenate sustainable growth. This activity to strengthen the portfolio has meant that the targets set at the beginning of each award under the APP and LTIP needed to be reviewed to ensure they remained appropriate. In line with our current shareholder-approved Remuneration Policy and shareholder views on adjusting targets, the LTIP targets were adjusted where needed to ensure that participants are no better or worse off and in line with shareholder expectations as follows.

Adjusting in-flight LTIP performance measures

For the 2020-2022 and 2021-2023 awards, the Committee has determined to adjust the targets for the disposal of IFCN China, given the size of this transaction, to ensure that the new targets are no harder or easier to achieve than the original targets.

A consistent approach has been taken across all three performance measures and the adjustments are in line with generally accepted shareholder principles where there has been material portfolio management.

- The original EPS targets were set as final year EPS values, based on a plan which included IFCN China at the time the targets were set. These targets have been reduced to recognise the impact of the reduced profit expected in the final year of the LTIP cycle due to the disposal of IFCN China
- The LFL net revenue targets have been reduced slightly to recognise that the expected revenue growth for IFCN China when the targets were set was higher than the remaining portfolio. The challenge in the new targets for the remaining portfolio remains equal to the original targets
- The ROCE targets have been increased to reflect that IFCN China was a lower return business than the remaining portfolio and again the new targets contain the same level of challenge as was contained in the original targets when set

The tables below show the original targets, the impact of IFCN China and the new targets for the remaining period of the in-flight awards. The Committee will continue to monitor future portfolio activity across the Group, if any, and may decide to adjust the targets again, if appropriate.

2020 LTIP targets

	Original targets		Adjusted targets for portfolio management	
	Threshold (20% vesting)	Maximum (100% vesting)	Threshold (20% vesting)	Maximum (100% vesting)
LFL net revenue growth (3-year CAGR) (50% weighting)	2.0%	5.0%	1.9%	4.9%
ROCE (final year) (25% weighting)	11.8%	13.1%	13.5%	14.8%
EPS (final year) on a constant foreign exchange basis (12.5% weighting)	323 pence	360 pence	304 pence	341 pence
EPS (final year) on an actual foreign exchange basis (12.5% weighting)	302 pence	337 pence	283 pence	318 pence

2021 LTIP targets

	Original targets		Adjusted targets for portfolio management	
	Threshold (20% vesting)	Maximum (100% vesting)	Threshold (20% vesting)	Maximum (100% vesting)
LFL net revenue growth (3-year CAGR) (50% weighting)	1.0%	5.0%	0.9%	4.9%
ROCE (final year) (25% weighting)	12.3%	14.0%	13.7%	15.4%
EPS (final year) on a constant foreign exchange basis (12.5% weighting)	327 pence	401 pence	308 pence	382 pence
EPS (final year) on an actual foreign exchange basis (12.5% weighting)	308 pence	379 pence	289 pence	360 pence

ADDITIONAL REMUNERATION DISCLOSURES

Percentage change in the remuneration of Directors

Following 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 2020 and 2021 populations.

	2020/21			2019/20		
	Salary/fee	**Benefits**	**Bonus**	Salary/fee	Benefits	Bonus
All UK employees[1]	**5.9%**	**6.2%**	**-8.9%**	4.5%	1.5%[2]	505.4%
Andrew Bonfield	**2.4%**	**n/a**	**n/a**	4.1%	n/a	n/a
Olivier Bohuon[3]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
Jeff Carr (CFO)[4]	**41.5%**	**37.3%**	**29.3%**	n/a	n/a	n/a
Nicandro Durante	**1.9%**	**n/a**	**n/a**	14.1%	n/a	n/a
Mary Harris	**2.0%**	**n/a**	**n/a**	14.4%	n/a	n/a
Mehmood Khan	**2.7%**	**n/a**	**n/a**	4.7%	n/a	n/a
Pam Kirby	**2.0%**	**n/a**	**n/a**	7.3%	n/a	n/a
Sara Mathew[5]	**2.7%**	**n/a**	**n/a**	109.3%	n/a	n/a
Laxman Narasimhan (CEO)[6]	**3.1%**	**-62.1%**	**-5.9%**	117.3%	−23.4%	1747.2%
Chris Sinclair (Chair of the Board)	**3.6%**	**n/a**	**n/a**	10.0%	n/a	n/a
Elane Stock	**2.7%**	**n/a**	**n/a**	4.7%	n/a	n/a
Margherita Della Valle[7]	**105.4%**	**n/a**	**n/a**	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 between 2019 and 2020 and similarly between 2020 and 2021. It only includes colleagues employed in both years in the comparison
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. Olivier Bohuon was appointed to the Board on 1 January 2021 and so no comparison is shown for 2020 to 2021
4. Jeff Carr joined on 9 April 2020 so no comparison is shown for 2019 to 2020. The percentage change shown for 2020 to 2021 reflects actual remuneration received during 2020 for service from Jeff Carr's appointment on 9 April 2020 to 31 December 2020
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. Similarly, the salary/fee, benefits and bonus for Jeff Carr and Margherita Della Valle (where applicable) for 2020 reflects the time served on the Board
6. Laxman Narasimhan received no increase to his annual salary during 2020. The percentage change shown in 2019 to 2020 above reflects actual salary received during 2019 for service from his appointment on 16 July to 31 December 2019
7. Margherita Della Valle joined on 1 July 2020 so no comparison is shown for 2019/2020

The change in annual bonus for all UK employees reflects the performance of the company in 2021 which resulted in lower bonuses in 2021 compared to 2020. For reference, the 2020 annual bonus for UK employees was 505.4% higher than that paid in 2019 due to performance of the company in 2020 compared to 2019.

Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends) and total employee pay expenditure for 2020 and 2021, along with the percentage change in both.

	2021 £m	2020 £m	% change 2020/21
Total shareholder distribution[1]	**1,246**	1,241	0.4%
Total employee expenditure[2]	**2,276**	2,302	-1.1%

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

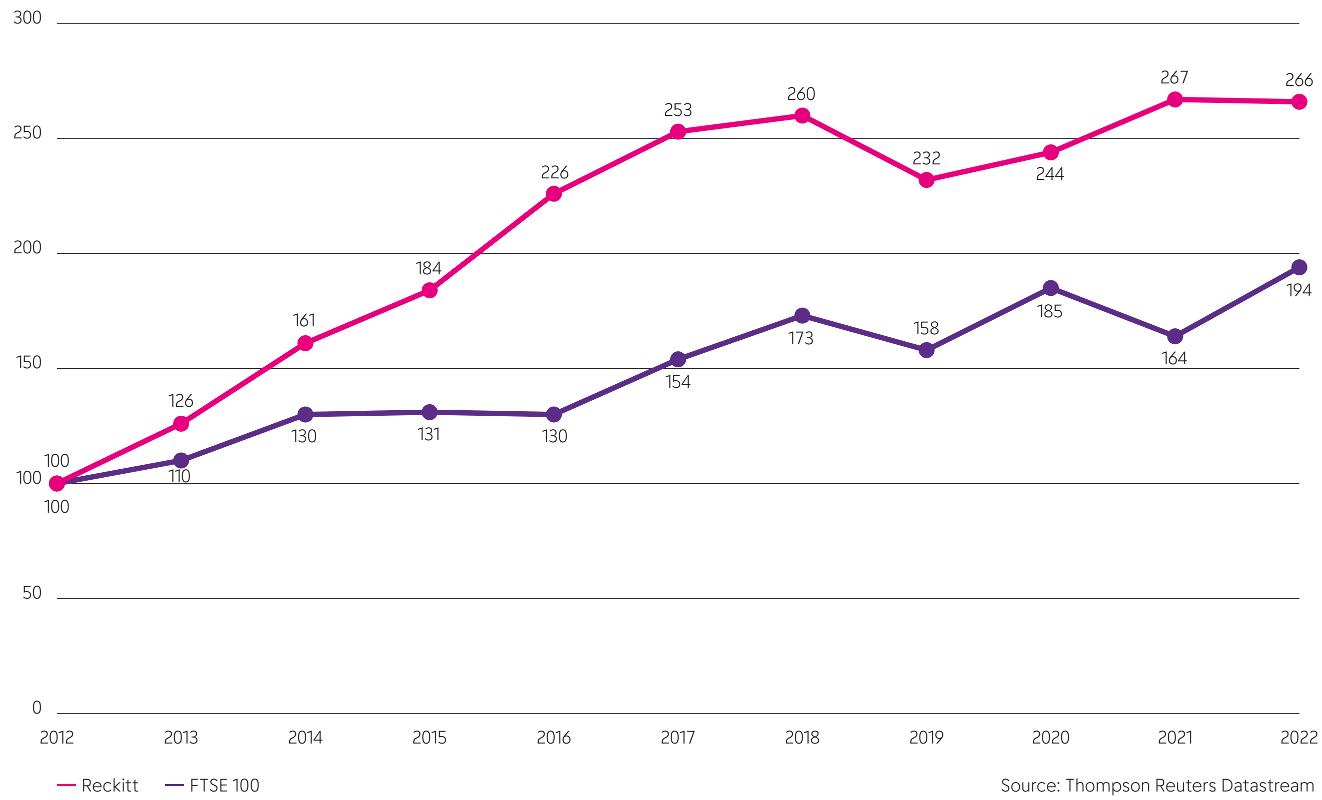
Exit payments made in the year (audited)
No exit payments were made to Executive Directors during the year.

Payments to past Directors (audited)
No other 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 2012. This shows the growth in the value of a hypothetical holding of £100 invested on 31 December 2011. The FTSE 100 Index was selected on the basis that it contains companies of a comparable size, in the absence of an appropriate industry peer group in the UK.

Total Shareholder Return since 1 January 2012

£ value of £100 invested at 1 January 2012



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)	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
CEO single figure of remuneration										
Laxman Narasimhan								£4,599[1]	£8,434[1]	**£5,967**
Rakesh Kapoor	£8,411	£6,840	£12,787	£25,527	£15,289	£8,999	£14,314	£938		
Annual bonus (as a percentage of maximum)	53%	100%	72%	100%	0%	0%	84%	12%[2]	100%	**91%**
LTIP vesting (as a percentage of maximum)	100%	40%	40%	80%	50%	50%	65%	0%[3]	n/a[3]	**21.5%**

1. Includes buyouts in respect of legacy arrangements from previous employer, restated, and reflects the actual value of the buyout award that vested
2. Zero for Rakesh Kapoor
3. Laxman Narasimhan was not with the Group at the time these awards were granted

Single total figure of 2021 remuneration for Non-Executive Directors and implementation for 2022 (audited)

The following Non-Executive Director fee policy was in place for the year ended 31 December 2021. The table also sets out the fees that will apply from 1 January 2022.

	2021 fees		2022 fees	
Role	**Cash fee**	**Fee delivered in Reckitt shares**	Cash fee	Fee delivered in Reckitt shares
Base fees				
Chair of the Board	**£427,500**	**£142,500**	£470,250	£156,750
Non-Executive Director	**£71,250**	**£23,750**	£73,500	£24,500
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 Chair of the Board has been increased to £627,000, an increase of 10%. 25% of the fee continues to be paid in shares. As disclosed in last year's Remuneration Report the Committee reviewed the Chair of the Board's fee during 2021 to reflect the enlarged scope of the role and time commitment required over recent years and ensure that the fee remains broadly competitive and aligned to the market. The new fee level remains below the median of the FTSE 30.

The base fee for NEDs has been increased to £98,000, an increase of 3%, broadly in line with the salary increase budget across the UK workforce. In line with last year, the proportion delivered in Reckitt shares continues to be 25% of the base fee (£24,500).

In addition, subject to shareholder approval of the new Remuneration Policy, NEDs will become eligible to receive support from the company to complete a UK tax return, if required. Under the current Remuneration Policy, the Chair of the Board and NEDs are not eligible to receive benefits and so the flexibility to provide this benefit has been included in the revised Remuneration Policy that is presented for approval. Any benefits provided to NEDs will be disclosed in the 2022 Directors' Remuneration Report.

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 December 2021 and the prior year:

	2021 fees			2020 fees		
	Cash	**Shares**	**Total**	Cash	Shares	Total
Chris Sinclair	**£427,500**	**£142,500**	**£570,000**	£412,500	£137,500	£550,000
Andrew Bonfield	**£106,250**	**£23,750**	**£130,000**	£105,250	£21,750	£127,000
Olivier Bohuon[1]	**£91,250**	**£23,750**	**£115,000**	–	–	–
Nicandro Durante	**£141,250**	**£23,750**	**£165,000**	£140,250	£21,750	£162,000
Mary Harris	**£126,250**	**£23,750**	**£150,000**	£125,250	£21,750	£147,000
Mehmood Khan	**£91,250**	**£23,750**	**£115,000**	£90,250	£21,750	£112,000
Pam Kirby	**£126,250**	**£23,750**	**£150,000**	£125,250	£21,750	£147,000
Sara Mathew	**£91,250**	**£23,750**	**£115,000**	£90,250	£21,750	£112,000
Elane Stock	**£91,250**	**£23,750**	**£115,000**	£90,250	£21,750	£112,000
Margherita Della Valle[2]	**£91,250**	**£23,750**	**£115,000**	£45,125	£10,875	£56,000

1. Olivier Bohuon was appointed to the Board on 1 January 2021
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 2021 AGM

The following table shows the results of the voting on the 2020 Directors' Remuneration Report at the 2021 AGM and 2019 Directors' Remuneration Policy at the 2019 AGM:

	Votes for	For %	Votes against	Against %	Total	Votes withheld
Approve the 2020 Directors' Remuneration Report	434,137,976	82%	92,915,499	18%	527,053,475	7,630,753
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 has had extensive dialogue with shareholders during 2021 on the proposed changes to the Remuneration Policy, including engaging with shareholders representing more than 50% of our shareholder register. The majority of shareholders providing input were supportive of the changes we are making to our Remuneration Policy to even further align with the strategic priorities of the Group. We are grateful to shareholders and their advisory bodies for the time taken and their feedback, which has provided valuable input and assisted the Committee in developing the proposals.

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 2021	
Name	Date of appointment	Years	Months
Chris Sinclair	10 February 2015 (appointed Chair of the Board on 3 May 2018)	6	11
Olivier Bohuon	1 January 2021	1	0
Andrew Bonfield	1 July 2018	3	6
Nicandro Durante	1 December 2013	8	1
Mary Harris	10 February 2015	6	11
Mehmood Khan	1 July 2018	3	6
Pam Kirby	10 February 2015	6	11
Sara Mathew	1 July 2019	2	6
Elane Stock	1 September 2018	3	4
Margherita Della Valle	1 July 2020	1	6

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 of and signatory to the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. During 2021, Deloitte LLP also provided the Group with advice in numerous areas, including corporate, indirect and employment taxes, 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 £412,500 on the basis of time and materials. It should be noted that although we are only required to 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 1.1.21	Granted during the year	Exercised/ vested during the year (including dividend shares)[2]	Lapsed during the year	At 31.12.21	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 2022-Aug 2029
	01.05.20	150,000	0	–	–	150,000	65.20			May 2023-May 2030
	28.05.21		150,000	–	–	150,000	64.67			May 2024-May 2031
Performance-based share awards	05.08.19	75,000	0	–	–	75,000		59.72		May 2022
	01.05.20	75,000	0	–	–	75,000		65.70		May 2023
	28.05.21		75,000	–	–	75,000		63.68		May 2024
Buyout awards[2]	05.08.19	84,717	0	26,354	59,254	0		59.72	64.12	Mar 2021
Jeff Carr										
Performance-based share options	01.05.20	80,000	–	–	–	80,000	65.20			May 2023-May 2030
	28.05.21		80,000	–	–	80,000	64.67			May 2024-May 2031
Performance-based share awards	01.05.20	40,000	–	–	–	40,000		65.70		May 2023
	28.05.21		40,000	–	–	40,000		63.68		May 2024

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 891 dividends accrued on vested shares

Directors' interests in shares in the Deferred Bonus Plan[1] (audited)

	Grant date	At 1.1.21	Granted during the year	Exercised/ vested during the year	Lapsed during the year	At 31.12.21	Option price (£)	Market price at date of award (£)	Market price at date of vesting (£)	Vesting period
Laxman Narasimhan										
Deferred Bonus Plan	23.03.20	1,259	0	–	–	1,259		58.35	–	Mar 2023
Deferred Bonus Plan[2]	23.03.20	3,832	0	–	–	3,832		58.35	–	Mar 2023
Deferred Bonus Plan	25.03.21	0	21,124	–	–	21,124		64.22	–	Mar 2024
Jeff Carr										
Deferred Bonus Plan	25.03.21	0	9,163	–	–	9,163		64.22	–	Mar 2024

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 1.1.21	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.21	Option price (£)	Market price at exercise (£)	Exercise period
Laxman Narasimhan	02.09.19	379	0	–	–	379	47.44	–	Feb 23-Jul 23
Jeff Carr	31.08.21	0	403	–	–	403	44.56	–	Feb 25-Jul 25

There have been no changes to the Directors' interests as set out in the above tables between 31 December 2021 and 13 April 2022.

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 13 April 2022 had the following beneficial interests in the ordinary shares of the company:

	13 April 2022	31 December 2021	31 December 2020
Olivier Bohuon[1]	711	711	–
Andrew Bonfield	639	639	403
Jeff Carr	30,000	30,000	20,000
Nicandro Durante	1,105	1,105	883
Mary Harris	2,784	2,784	2,554
Mehmood Khan	594	594	399
Pam Kirby	4,998	4,998	3,768
Sara Mathew[2]	487	487	244
Laxman Narasimhan	56,917	56,917	42,104
Chris Sinclair	11,328	11,328	9,906
Elane Stock	2,487	2,487	2,246
Margherita Della Valle	296	296	74

1. Olivier Bohuon was appointed to the Board on 1 January 2021
2. Sara Mathew held her shares in the form of 2,436 American Depositary Receipts (ADR). Each ADR is equivalent to five ordinary shares at 10 pence each in the company
3. No person who was a Director (or a Director's connected person) on 31 December 2021 and at 13 April 2022 had any notifiable share interests in any subsidiary
4. 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

13 April 2022

REPORT OF THE DIRECTORS

Introduction

The Directors present their report, together with the Financial Statements of the Group for the year ended 31 December 2021, in accordance with section 415 of the Companies Act 2006 (CA 2006). In accordance with section 414C (11) of CA 2006 certain matters required to be included in this Directors' Report are included in the Strategic Report on pages 2 to 103. 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 104 to 127 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 2021, and are incorporated into this Directors' Report by reference:

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Information on the Board's stakeholder engagement and activities is set out in the s172 Statement, which can be found on pages 68 to 71.

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 205. The loss for the year attributable to equity shareholders of the company amounted to £32 million.

The Directors resolved to pay an interim dividend of 73.0 pence per ordinary share (2020: 73.0 pence), which was paid to shareholders on 14 September 2021.

The Directors recommend a final dividend for the year of 101.6 pence per share (2020: 101.6 pence) which, together with the interim dividend, makes a total dividend for the year of 174.6 pence per share (2020: 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 (AGM) of the company, will be paid on 9 June 2022 to shareholders on the register at the close of business on 29 April 2022.

Directors

Details of the company's Directors who served during the financial year ended 31 December 2021 can be found on pages 108 to 113.

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 2022 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 2022 Notice of AGM. Information on the service agreements of Executive Directors can be found in the Directors' Remuneration Report on pages 148 to 187. 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 section 236 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 2021 at the company's expense.

Directors' interests
A statement of Directors' interests in the share capital of the company is shown on page 187 of the Directors' Remuneration Report. Details of Executive Directors' options to subscribe for shares in the company are included on page 186 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 148 to 187.

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 2021.

Share capital
As at 31 December 2021, the company's issued share capital consisted of 736,535,179 ordinary shares of 10 pence each of which 714,412,199 were with voting rights and 22,122,980 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)
- 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 2021 AGM, authority was granted to the Directors under section 551 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 2022 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 section 561 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 2021 AGM for the purposes of section 701 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 2021.

At the 2022 AGM, the Directors will seek to renew the authority granted to them. Such authority, if approved, will be limited to a maximum of 71,480,000 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 2021, the Group employed an average of 41,800 (2020: 43,500) employees worldwide, of whom 4,670 (2020: 4,328) 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, disability, sexual orientation or any other protected characteristics.

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, disability, sexual orientation, or any other protected characteristics. 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 career progression. Further details of our Inclusion and Anti-Harassment policies can be found at www.reckitt.com.

It is essential to the continued improvement in performance, 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 organisational performance management process. The Group operates multi-dimensional two-way 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 46 to 49 and pages 55 to 56.

A continuing programme of training and development reinforces the Group's commitment to employee development. The Group provides all employees with equal opportunities and the freedom to succeed at work and recognises the importance of employee health and well-being. Reckitt's Leadership Behaviours 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 14 to 15.

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. 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 50% 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 from page 245 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 section 366 and section 376 of CA 2006 to approve, on a precautionary basis, for the company and its subsidiaries to make political donations and incur political expenditure for period ending 31 December 2022.

Financial instruments and risk
The financial risk management objectives and policies of the Group are set out in Note 15, from page 229 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 and 2021. 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 2022, will be proposed at the forthcoming AGM. In accordance with section 418(2) of the 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 2021, pursuant to DTR 5 of the FCA's Disclosure Guidance and Transparency Rules and in accordance with section 13(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 section 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 13 April 2022, 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 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 104 to 127.

Annual General Meeting (AGM)
The forthcoming AGM of Reckitt Benckiser Group plc will be held on 20 May 2022 at 2.00pm at London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex, UB3 5AN.

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

Catheryn O'Rourke
Company Secretary
Reckitt Benckiser Group plc
103-105 Bath Road
Slough, Berkshire SL1 3UH

Company registration number: 6270876

Legal Entity Identifier: 5493003JFSMOJG48V108

13 April 2022

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 (CA 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 IFRS 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
- 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 CA 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
- 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

Catheryn O'Rourke
Company Secretary
Reckitt Benckiser Group plc
103-105 Bath Road
Slough, Berkshire SL1 3UH

13 April 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECKITT BENCKISER GROUP PLC

1 Our opinion is unmodified

We have audited the Financial Statements of Reckitt Benckiser Group plc ("the Company") for the year ended 31 December 2021 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 2021 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with UK-adopted international accounting standards;
- 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.

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 UK-adopted international accounting standards, 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 four financial years ended 31 December 2021. The Group lead engagement partner is required to rotate after five years. This is Richard Broadbelt's fourth year as lead engagement partner. 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	£135 million (2020: £150 million) 5.2% (2020: 5.1%) of normalised Group profit/loss before tax as defined in section 3	
Coverage	76% (2020: 79%) of Group Net Revenue 83% (2020: 83%) of total profits and losses that made up Group loss/profit before tax 84% (2020: 87%) of Group total assets	
Key audit matters		**vs 2020**
Recurring risks	Revenue recognition in relation to trade spend arrangements and associated accruals	◀▶
	Recoverability of goodwill and indefinite life intangible assets relating to the IFCN Cash Generating Unit (CGU)	▼
	Provisions for uncertain tax positions (UTPs)	◀▶
	Contingent liabilities arising from the amendment to the South Korean Humidifier Sanitiser (HS) law	◀▶
	Recoverability of the Parent Company's investment in Reckitt Benckiser Limited	◀▶
Event driven	**New:** Allocation of consideration between the Biofreeze brand intangible and goodwill	

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 include 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.

Revenue recognition in relation to trade spend arrangements and associated accruals

Trade spend accruals: (£1,137 million; 2020: £1,275 million)

Refer to page 136 (Audit Committee Report), Note 1 on page 216 (accounting policy) and Note 21 on page 240 (financial disclosures).

The risk: 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. These estimates can be subjective and require the use of assumptions that are susceptible to management bias and fraud.

The Group operates a variable compensation scheme with outturns directly linked to financial performance against targets. Strong financial performance could create an incentive to defer revenues into the next financial year by overstating trade spend accruals. Conversely, weaker financial performance may create a bias to understate trade spend accruals. Whilst the risk of a material misstatement in an individual market is remote, there is a risk that unacceptable judgements in multiple markets may, in aggregate, 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 assessed the accuracy of the Group's accruals by comparing, for a selection of the more judgemental accruals, those recognised in the prior year to the actual trade spend incurred.

With the assistance of KPMG Forensic specialists, we assessed the results of the investigation performed by management to assess evidence supporting the creation, utilisation and release of certain accruals within the Hygiene GBU. Where we identified significant differences between the expected and final quantum of outflow, we considered whether such differences were as a result of a change in estimate or error. We performed an assessment of whether an overstatement of accruals identified through these procedures was material.

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.

Incorporating unpredictability into our audit: A requirement of auditing standards is that we undertake procedures which are deliberately unexpected and could not have reasonably been predicted by management. We performed unpredictable procedures over certain trade spend accruals in seven out of scope components in different geographic locations in the current year.

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 resulting amount of trade spend deducted in determining Net Revenue.

We performed the detailed tests above rather than seeking to rely on any of the Group's controls because the detailed testing described 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 (2020 result: acceptable).

2 Key audit matters: our assessment of risks of material misstatement continued

Recoverability of goodwill and indefinite life intangible assets relating to the IFCN CGU IFCN goodwill and indefinite life intangible assets (£5,668 million; 2020: £9,849 million) Impairment charge (£nil million; 2020: £985 million) Refer to page 136 (Audit Committee Report), Note 1 on page 216 (accounting policy) and Note 9 on pages 222 to 225 (financial disclosures).	**The risk: 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"). The disposal of IFCN China in 2021, and the resulting impact on the composition of the CGU has reduced the risk around the recoverability of goodwill and indefinite life intangible assets. Nonetheless, the model remains highly sensitive to changes in key assumptions, both in relation to forecast financial performance, in particular, Net Revenue growth and margin improvements, as well as external factors such as discount rates and terminal growth rates. The specific assumptions considered most critical are the impact of long term birth rate trends, future category growth, the commercial success of new product launches including adult nutrition, the expansion of specialty nutrition, the ability to pass on inflationary pressures through price rises, and the delivery of margin improvements through productivity initiatives. While the current year carrying amount of the IFCN CGU is supported by the value of the model, the recoverable amount of the IFCN CGU is subject to a high degree of estimation uncertainty. When conducting an impairment assessment, there is an inherent risk of fraud that the Group may use assumptions that are overly optimistic and which could result in no impairment charge being recognised. 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 change to the IFCN valuation 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.

2 Key audit matters: our assessment of risks of material misstatement continued

Our procedures included:

Sensitivity analysis: We considered the sensitivity of the recoverable amount of the IFCN CGU to reasonably possible changes in key 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.

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 the impact on our evaluation of forecast growth. We critically challenged the margin projections by reference to those achieved historically, forecast volume trends, forecast and realised savings from the productivity programme and the Group's historic ability to pass on cost inflation through price rises.

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. We critically challenged the Group on its assumptions relating to the expectations of long term birth rates and inflationary effects including through comparison 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.

Personnel interviews: We compared judgements made centrally to direct discussions with Nutrition GBU leadership, country General Managers and Finance Directors. We considered and challenged the Group's assumptions with reference to any alternative views provided.

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 own 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, including the Group's disposal of IFCN China in 2021, and stockbrokers' reports with the assistance of our own 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 the transparency of the sensitivity disclosures, including that they appropriately reflect uncertainty inherent in the assessment of recoverable amount, as well as the impact of reasonable changes in key assumptions.

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.

Our results:

We found the Group's conclusion that there is no impairment of goodwill and indefinite life intangible assets relating to the IFCN CGU to be acceptable (2020 result: we found the goodwill and indefinite life intangible assets, and the related impairment charge, to be acceptable).

2 Key audit matters: our assessment of risks of material misstatement continued

Provisions for uncertain tax positions (UTPs) (£770 million; 2020: £950 million) Refer to page 136 (Audit Committee Report), Note 1 on page 216 (accounting policy) and Note 22 on page 240 (financial disclosures).	**The risk: 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; • 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 the Group's internally derived key assumptions such as the risk rating applied to a certain jurisdiction and the consequential 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 has 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 Group's 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 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 (2020 result: acceptable).

2 Key audit matters: our assessment of risks of material misstatement continued

Contingent liabilities arising from the amendment to the South Korean Humidifier Sanitiser (HS) law

Refer to page 136 (Audit Committee Report), Note 1 on page 216 (accounting policy) and Note 20 on page 239 (financial disclosures).

The risk: dispute outcome

The Group is involved in an ongoing litigation relating to the HS issue in South Korea. The HS law amendment enacted on 25 September 2020 significantly altered the legal framework under which HS claims were previously made and settled. As a result, judgement is needed to assess whether the recognition criteria for a provision have been met for additional litigation 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.

Our procedures included:

Enquiry of lawyers: We enquired of the Group's internal and external counsel to obtain an understanding of this year's developments, in particular the progress of litigations and the establishment of a mediation panel between HS companies and claimant groups.

We made inquiries of the Group's external legal counsel to understand developments in the matter. We requested and received formal correspondence 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 corroborated the consistency of the judgement made by management to inquiries with both internal and external legal counsel.

Assessing transparency: We assessed the adequacy of the Group's disclosures of contingent liabilities related to the HS law amendment in Note 20 of the Group Financial Statements, particularly the uncertainties relating to the amount and timing of outflow.

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.

Our results:

We found the Group's treatment of the impact of the HS law amendment as contingent liabilities to be acceptable (2020: acceptable).

Allocation of consideration between the Biofreeze brand intangible and goodwill

Biofreeze brand intangible asset £564 million; goodwill £271 million.

Refer to page 136 (Audit Committee Report), Note 1 on page 211 (accounting policy) and Note 29 on pages 250 to 252 (financial disclosures).

The risk: forecast based valuation

On 12 July 2021, the Group purchased the Biofreeze and TheraPearl brands from Performance Health for cash consideration of £766 million. The acquisition was accounted for as a business combination with net identifiable acquired assets of £495 million – substantially comprising of the Biofreeze brand intangible of £564 million – and goodwill of £271 million being recognised.

The Biofreeze brand intangible is recognised at fair value at the date of acquisition. To estimate fair value, the Directors use a discounted forecast cash flow model ('the model'), which requires the application of complex valuation techniques and is sensitive to changes in key assumptions. Any changes in identifiable asset valuation would impact the value of goodwill recognised.

Key assumptions in the model include forecast financial performance, in particular net revenue and margin growth; as well as external factors such as forecast growth of the topical analgesic category as a whole and discount rates.

As part of our risk assessment, we therefore determined that the allocation of consideration between the Biofreeze brand intangible and goodwill is dependent upon a number of key assumptions. There exists a reasonably possible set of changes in such assumptions that could result in a material change to value of consideration allocated to the Biofreeze brand intangible.

2 Key audit matters: our assessment of risks of material misstatement continued

	Our procedures included: **Sensitivity analysis:** We considered the sensitivity of the Biofreeze brand intangible valuation to reasonably possible changes in assumptions and focused our attention to those assumptions which we considered the most critical to the valuation. **Benchmarking assumptions:** We evaluated the Net Revenue growth assumptions in the model with reference to historic Biofreeze performance and external market data relating to projected growth for the product category as a whole. **Personnel interviews:** We compared judgements made centrally to direct discussions with the relevant Finance Directors and Sales Managers. We considered and challenged the Group's assumptions with reference to any alternative views provided in-market. **Valuation expertise:** With the assistance of our own valuation specialist we evaluated the basis used by the Group to value the acquired intangible assets. We challenged the appropriateness of the key assumptions underlying the Biofreeze brand intangible valuation, including the discount rate used. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balances is such that we would expect to obtain audit evidence primarily through the detailed procedures described.
	Our results: We found the Group's valuation of the Biofreeze brand intangible and the consequential goodwill balance at the acquisition date to be acceptable (2020 result: n/a).
Recoverability of the Parent Company's investment in the subsidiary, Reckitt Benckiser Limited (£15,001 million, 2020: £14,975 million) Refer to page 257 (accounting policy) and page 258 (financial disclosures).	**The risk: low risk, high value** The carrying amount of the Parent Company's investment in its subsidiary, Reckitt Benckiser Limited, represents 99.5% (2020: 99.6%) 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: **Comparing valuations:** We performed a reconciliation of the carrying amount of the investment to the market capitalisation of the Group as Reckitt Benckiser Limited, either directly or indirectly, owns all other subsidiaries of the Group. 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 (2020 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 £135 million, determined with reference to a benchmark of normalised Group loss before tax, of which it represents 5.2%. In 2020 materiality for the Group Financial Statements as whole was set at £150 million with reference to a benchmark of normalised Group profit before tax (PBT), of which it represented 5.1%.

We normalised PBT (2020: PBT) by adding back adjustments that do not represent the normal, continuing operations of the Group. The items we adjusted for were acquisition advisor costs, inventory fair value adjustments, losses on disposal of brands, reclassified foreign exchange translation on liquidation of subsidiaries and other individually material items of income or expense as defined on pages 85 to 86 totalling £2,854 million (2020: £1,061 million).

Materiality for the Parent Company Financial Statements as a whole was set at £65 million (2020: £75 million) determined with reference to a benchmark of Parent Company total assets of £15,071 million (2020: £15,034 million) of which it represents 0.4% (2020: 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 was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £100 million (2020: £110 million) for the Group and £49 million (2020: £55 million) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

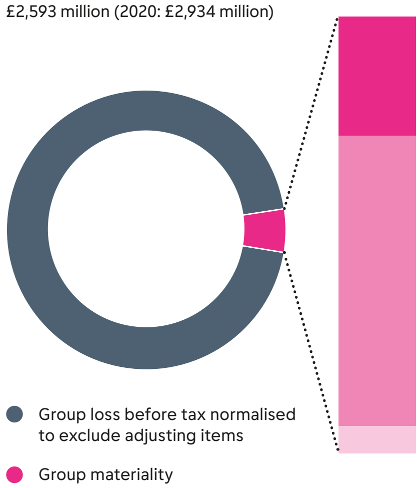
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £6.0 million (2020: £7.0 million) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Scope

The Group operates in more than 60 countries across six continents with the largest market being the United States of America. The Group is organised into three Global Business Units being Hygiene, Health and Nutrition.

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 loss/profit before tax and Group total assets. Of the Group's 422 (2020: 429) reporting components, as instructed by us, component teams in 20 countries (2020: 21 countries) subjected 47 (2020: 54) to full scope audits for Group purposes and 1 (2020: 1) 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 loss before tax normalised to exclude adjusting items
£2,593 million (2020: £2,934 million)



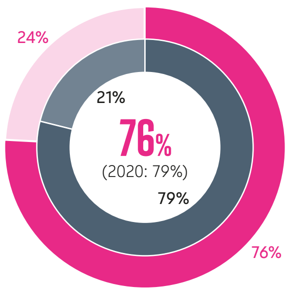
Group Materiality
£135 million
(2020: £150 million)

£135 million
Whole financial statements materiality
(2020: £150 million)

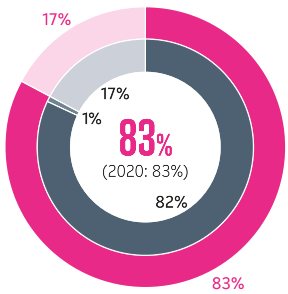
£100 million
Range of materiality at 48 components
(£8 million to £100 million)
(2020: 54 components
(£8 million to £100 million))

£6.0 million
Misstatements reported to the Audit Committee
(2020: £7 million)

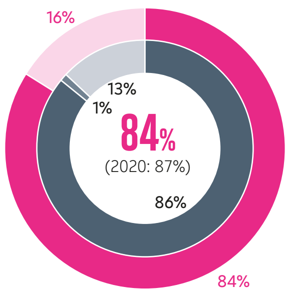
Group Net Revenue



Group profits and losses that made up Group loss before tax



Group total assets



Key:
- Full scope for Group audit purposes 2021
- Audit of account balances 2021
- Residual components 2021
- Full scope for Group audit purposes 2020
- Specified risk-focused procedures 2020
- Residual components 2020

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 loss before tax (2020: Group profit before tax).

The remaining 24% (2020: 21%) of Group Net Revenue, 17% (2020: 17%) of total profits and losses that made up Group loss/profit before tax and 16% (2020: 13%) of Group total assets is represented by a number of other reporting components, none of which individually represented more than 1% (2020: 3%) of any of Group Net Revenue, total profits and losses that made up Group profit before tax or Group total assets. For these residual 374 (2020: 375) components, we performed analysis at an aggregated Group level to re-examine our assessment that no significant risks of material misstatement exist in those components.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

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 continuation of travel restrictions imposed as a result of COVID-19, the Group audit team was again unable to physically visit any overseas components in 2021 (2020: no components). Instead, the virtual communication and oversight strategy implemented in 2020 remained in place between the Group audit team and component auditors. This included:

- Virtual global planning conferences 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 (2020: £8 million to £100 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 senior members of 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 1 out-of-scope component locations, the latter to incorporate an element of unpredictability into our audit and to reconfirm our risk;
- Risk assessment and challenge sessions with each component audit team in the planning and final phases of the audit led by a senior member of the Group audit team;
- Attendance by members of 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.

The work on 46 of the 48 components (2020: 52 of the 54 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group audit team.

4 The impact of climate change on our audit

In planning our audit, we have considered the potential impact of risks arising from climate change on the Group's business and its financial statements. This included considering the Group's exposure to supply chain risks, physical risks, regulatory risks, market risks, and consumer preference risks. We considered that the key estimate or judgement contained within the financial statements for which climate change could have the greatest impact was the recoverability of goodwill and indefinite life intangible assets relating to the IFCN CGU and considered the adequacy of the Group's sensitivity disclosures in relation to the impact of climate change on the impairment test. We concluded that, given the likely impact of the Group's current climate plans, climate-related risks were not a key assumption in the value in use calculation.

While the impact of climate change on the Group is inherently uncertain, our risk assessment was therefore that the impact of climate change does not currently have a material impact on the financial statements. Climate change therefore only had a limited impact on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

We have read the Group's TCFD Summary on pages 66 to 67 of the Strategic Report and considered the consistency of this disclosure with the financial statements and our audit knowledge.

5 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.

5 Going Concern continued

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 192 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.

6 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, 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 and reports to the Group's whistleblowing hotline and the responses to those reports, including those concerning investigations;
- Consideration of the Group's results against performance targets and the Group's remuneration policies;
- 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 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 manipulated to alter the timing of recognition of revenue and profit; 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 since the disposal of IFCN China in 2021.

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:

- For all components within scope, 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.

We discussed with the audit committee matters related to actual or suspected fraud, which included the results of an investigation commissioned by management to assess evidence supporting the creation, utilisation and release of certain operational expenditure and trade investment accruals within the Hygiene GBU (page 137), and considered any implications for our audit.

Identifying and responding to risks of material misstatement related to 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 inquiries with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence, relevant discussion with the Group's external legal counsel and inspection of the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations 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 the Group level.

6 Fraud and breaches of laws and regulations – ability to detect continued

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 impact 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, reflecting that the Group operates in a number of countries where there is an 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, reflection 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 the effect of ongoing litigation relating to the HS issue in South Korea is set out in the key audit matter disclosures in section 2 of this report.

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.

7 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 103) 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.

7 We have nothing to report on the other information in the Annual Report continued

We are also required to review the Viability Statement, set out on page 103 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.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and 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 the 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.

8 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.

9 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 192, 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.

10 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

13 April 2022

GROUP INCOME STATEMENT

For the year ended 31 December	Note	**2021 £m**	2020 £m
CONTINUING OPERATIONS			
Net Revenue	2	**13,234**	13,993
Cost of sales		**(5,558)**	(5,558)
Gross profit		**7,676**	8,435
Loss on disposal of intangible assets and related businesses	29	**(3,518)**	–
Impairment of goodwill and other intangible assets	9	**–**	(985)
Other net operating expenses	3	**(4,962)**	(5,290)
Total net operating expenses		**(8,480)**	(6,275)
Operating (loss)/profit	2	**(804)**	2,160
Foreign exchange net gains on liquidation of subsidiaries	6	**766**	–
Other net finance expense	6	**(219)**	(286)
Net finance income/(expense)	6	**547**	(286)
Share of loss of equity-accounted investees, net of tax		**(3)**	(1)
(Loss)/profit before income tax		**(260)**	1,873
Income tax credit/(charge)	7	**208**	(720)
Net (loss)/income from continuing operations		**(52)**	1,153
Net income from discontinued operations	30	**31**	50
Net (loss)/income		**(21)**	1,203
Attributable to non-controlling interests		**11**	16
Attributable to owners of the parent company		**(32)**	1,187
Net (loss)/income		**(21)**	1,203
Basic (loss)/earnings per ordinary share			
From continuing operations (pence)	8	**(8.8)**	160.0
From discontinued operations (pence)	8	**4.3**	7.0
From total operations (pence)	8	**(4.5)**	167.0
Diluted (loss)/earnings per ordinary share			
From continuing operations (pence)	8	**(8.8)**	159.3
From discontinued operations (pence)	8	**4.3**	7.0
From total operations (pence)	8	**(4.5)**	166.3

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2021 £m	2020 £m
Net (loss)/income		**(21)**	1,203
Other comprehensive expense			
Items that have or may be reclassified to the Income Statement in subsequent years			
Net exchange losses on foreign currency translation, net of tax	7	**(374)**	(207)
Reclassification of foreign currency translation reserves on disposal or liquidation of foreign operations, net of tax	26	**(550)**	–
Gains/(losses) on net investment hedges, net of tax	7	**84**	(75)
Gains/(losses) on cash flow hedges, net of tax	7	**30**	(17)
		(810)	(299)
Items that will not be reclassified to the Income Statement in subsequent years			
Remeasurements of defined benefit pension plans, net of tax	7	**133**	(60)
Revaluation of equity instruments – FVOCI	7	**(1)**	19
		132	(41)
Other comprehensive expense, net of tax		**(678)**	(340)
Total comprehensive (expense)/income		**(699)**	863
Attributable to non-controlling interests		**11**	16
Attributable to owners of the parent company		**(710)**	847
Total comprehensive (expense)/income		**(699)**	863
Total comprehensive (expense)/income attributable to owners of the parent company arising from:			
Continuing operations		**(741)**	797
Discontinued operations		**31**	50
		(710)	847

GROUP BALANCE SHEET

As at 31 December	Note	2021 £m	2020 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	9	**18,868**	22,979
Property, plant and equipment	10	**2,178**	2,233
Equity instruments	11, 15	**194**	136
Deferred tax assets	12	**197**	258
Retirement benefit surplus	23	**355**	226
Other non-current receivables	14	**149**	146
Total non-current assets		**21,941**	25,978
Current assets			
Inventories	13	**1,459**	1,592
Trade and other receivables	14	**1,926**	1,921
Derivative financial instruments	15	**61**	30
Current tax recoverable	22	**155**	125
Cash and cash equivalents	16	**1,261**	1,646
Total current assets		**4,862**	5,314
Assets held for sale		**143**	–
Total assets		**26,946**	31,292
LIABILITIES			
Current liabilities			
Short-term borrowings	17	**(2,485)**	(763)
Provisions for liabilities and charges	18	**(191)**	(243)
Trade and other payables	21	**(5,267)**	(5,742)
Derivative financial instruments	15	**(52)**	(118)
Current tax liabilities	22	**(93)**	(72)
Total current liabilities		**(8,088)**	(6,938)
Non-current liabilities			
Long-term borrowings	17	**(7,078)**	(9,794)
Deferred tax liabilities	12	**(2,806)**	(3,562)
Retirement benefit obligations	23	**(318)**	(372)
Provisions for liabilities and charges	18	**(44)**	(49)
Non-current tax liabilities	22	**(826)**	(1,021)
Other non-current liabilities	21	**(333)**	(397)
Total non-current liabilities		**(11,405)**	(15,195)
Total liabilities		**(19,493)**	(22,133)
Net assets		**7,453**	9,159
EQUITY			
Capital and reserves			
Share capital	24	**74**	74
Share premium		**253**	252
Merger reserve		**(14,229)**	(14,229)
Other reserves	26	**(1,189)**	(379)
Retained earnings		**22,490**	23,397
Attributable to owners of the parent company		**7,399**	9,115
Attributable to non-controlling interests		**54**	44
Total equity		**7,453**	9,159

The Financial Statements on pages 205 to 252 were approved by the Board of Directors and signed on its behalf on 13 April 2022 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 2020		**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**
Comprehensive income									
Net (loss)/income		–	–	–	–	(32)	(32)	11	(21)
Other comprehensive (expense)/income		–	–	–	(810)	132	(678)	–	(678)
Total comprehensive (expense)/ income		**–**	**–**	**–**	**(810)**	**100**	**(710)**	**11**	**(699)**
Transactions with owners									
Treasury shares reissued	24	–	1	–	–	79	80	–	80
Purchase of ordinary shares by employee share ownership trust		–	–	–	–	(5)	(5)	–	(5)
Issuance of shares to non-controlling interest		–	–	–	–	–	–	7	7
Share-based payments	25	–	–	–	–	30	30	–	30
Cash dividends	28	–	–	–	–	(1,246)	(1,246)	(17)	(1,263)
Transactions with non-controlling interests	27	–	–	–	–	135	135	–	135
Disposal of non-controlling interest in IFCN China	29	–	–	–	–	–	–	9	9
Total transactions with owners		**–**	**1**	**–**	**–**	**(1,007)**	**(1,006)**	**(1)**	**(1,007)**
Balance at 31 December 2021		**74**	**253**	**(14,229)**	**(1,189)**	**22,490**	**7,399**	**54**	**7,453**

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	**2021 £m**	2020 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating (loss)/profit from continuing operations		**(804)**	2,160
Losses on sale of property, plant and equipment and intangible assets		**3,442**	3
Depreciation, amortisation and impairment		**481**	1,457
Share-based payments		**30**	15
Increase in inventories		**(57)**	(317)
(Increase)/decrease in trade and other receivables		**(130)**	94
(Decrease)/increase in payables and provisions		**(126)**	1,145
Cash generated from continuing operations		**2,836**	4,557
Interest paid		**(251)**	(323)
Interest received		**29**	56
Tax paid		**(915)**	(762)
Net cash flows attributable to discontinued operations	29	**(2)**	(10)
Net cash generated from operating activities		**1,697**	3,518
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(373)**	(394)
Purchase of intangible assets		**(77)**	(92)
Proceeds from the sale of property, plant and equipment		**9**	10
Proceeds from sale of intangible assets and related businesses, net of cash disposed		**1,622**	–
Acquisition of businesses		**(915)**	–
Purchase of equity instruments and convertible notes		**(27)**	(36)
Net cash generated from / (used in) investing activities		**239**	(512)
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasury shares reissued	24	**80**	131
Purchase of ordinary shares by employee share ownership trust		**(5)**	(4)
Proceeds from borrowings	17	**38**	2,903
Repayment of borrowings	17	**(1,044)**	(4,583)
Dividends paid to owners of the parent company	28	**(1,246)**	(1,241)
Dividends paid to non-controlling interests		**(17)**	(16)
Other financing activities		**(92)**	(47)
Net cash used in financing activities		**(2,286)**	(2,857)
Net (decrease) / increase in cash and cash equivalents		**(350)**	149
Cash and cash equivalents at beginning of the year		**1,644**	1,547
Exchange losses		**(35)**	(52)
Cash and cash equivalents at end of the year		**1,259**	1,644
Cash and cash equivalents comprise:			
Cash and cash equivalents	16	**1,261**	1,646
Overdrafts	17	**(2)**	(2)
		1,259	1,644

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 the recognition, measurement and presentation requirements of UK-adopted International Accounting Standards and in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

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 during the year ending 31 December 2021. These amended standards and interpretations have not had a significant impact on the Group Financial Statements.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

A number of new standards are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated Financial Statements.

- 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).
- Annual Improvements to IFRS Standards 2018–2020
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

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, exposure to principal risks and future business forecasts. At 31 December 2021, the Group had cash and cash equivalents of £1.3 billion. The Group also had access to committed borrowing facilities of £4.5 billion, which were undrawn at year-end and are not subject to renewal until 2024 onwards. Further detail is contained within the Viability Statement on page 103.

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.

1 Accounting Policies continued

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.

The results of the subsidiaries and businesses acquired are included in the consolidated Financial Statements from the acquisition date.

Assets held for sale and disposal groups

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale and presented separately in the balance sheet when the following criteria are met: the Group is committed to selling the asset or disposal group, it is available for immediate sale in its current condition, an active plan of sale has commenced and approved in line with Group policy, and in the judgement of Group management it is highly probable that the sale will be completed within 12 months.

Immediately before the initial classification of the assets and disposal groups as held for sale, the carrying amounts of the assets (or all the assets and liabilities in the disposal groups) are measured in accordance with the applicable accounting standards. Goodwill (including cost and accumulated impairment) is allocated to the disposal group using a relative value approach, unless a different method better reflects goodwill associated with the disposal.

Assets held for sale and disposal groups are subsequently measured at the lower of their carrying amount and fair value less costs of disposal. Impairment losses on initial classification as held-for-sale, and subsequent gains and losses on remeasurement to fair value less costs of disposal, are recognised in the Income Statement. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Disposals of intangible assets and 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. Intangible assets not disposed of through the sale of shares in subsidiaries are treated as disposed at the point that the Group ceases to control the asset.

The difference between the fair value of the consideration (net of costs) and the carrying value of the assets and liabilities disposed is recognised as a gain or loss in the Income Statement. Any amounts previously recognised in other comprehensive income in respect of that subsidiary or asset, 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 and included within the Loss on disposal of intangible assets and related businesses.

Where the assets and liabilities disposed represent a partial disposal of a cash generating unit to which goodwill has been allocated, goodwill is allocated using a relative value approach to the disposal group, unless a different method better reflects goodwill associated with the disposal.

Where the tax base will not be transferred with the disposed assets, the deferred tax balances relating to the intangible assets are not considered part of the assets disposed and are instead credited or charged to the Income Statement within Income tax expense.

Liquidation of subsidiaries

The Group liquidates subsidiaries that are no longer required in order to simplify the group structure. As part of this process, the Group ensures any outstanding matters relating to the subsidiary are resolved. Once this is completed, control is passed to the liquidator and any amounts previously recognised in other comprehensive income in respect of that subsidiary, including exchange gains or losses on foreign currency translation, are reclassified to the Income Statement, and included within net finance income/(expense).

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.

1 Accounting Policies continued

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, and that are separately identifiable are recognised at fair value and amortised over their useful economic life as determined at the acquisition date (up to 20 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 continuing 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 its remaining estimated useful economic life.

(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.

(vi) Customer relationships

Customer relationships are shown at cost less accumulated amortisation and impairment. Customer relationships acquired as part of a business combination, and that are separately identifiable are recognised at fair value and amortised over their useful economic life as determined at the acquisition date (up to 10 years).

1 Accounting Policies continued

(vii) Acquired intellectual property

Intellectual property rights acquired as part of the business and that are separately identifiable are recognised at fair value and amortised over their useful economic life as determined at the acquisition date (up to 20 years).

Amortisation of intangible assets in (ii) to (vii) 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 30 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. Low value leases are those with an underlying asset value of US$5,000 or less. 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 CGUs and GCGUs are tested for impairment if there is an event or circumstance that indicates that their carrying value may not be recoverable. If the carrying value exceeds its recoverable amount an impairment loss is recognised in the Income Statement. The recoverable amount is the higher of the CGU or GCGU'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 each CGU or GCGU (or group of assets where cash flows are not identifiable to specific assets). The discount rates used in the 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 prepared 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.

1 Accounting Policies continued

Trade and other receivables

Trade and other receivables are initially recognised at the fair value of consideration 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.

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.

1 Accounting Policies continued

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.

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 an outflow of resources may be required to settle the obligation 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).

1 Accounting Policies continued

- 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.

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 2021, the Group recognised impairment losses of £nil (2020: £985 million, all of which related to IFCN goodwill). In addition to the estimates outlined above, the IFCN impairment assessment incorporated estimates relating to future birth rates and future WIC tendering in the US. Refer to Note 9 for further information, including details on the sensitivity of IFCN value-in-use 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 difference 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 2021 are £770 million (2020: £950 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. As there is a timing difference between that initial estimation and final settlement of trade spend with our customers, differences can result on final settlement. As at 31 December 2021, the Group recognised total accruals of £1,137 million (2020: £1,275 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 are 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% (2020: 12%) difference between those initial estimates and final settlement would cause a material adjustment in 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.

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 2021, the Group recognised legal provisions of £180 million (2020: £232 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. 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.

The segment information for the operating segments for the year ended 31 December 2021 and 31 December 2020 is as follows:

Year ended 31 December 2021	**Hygiene £m**	**Health £m**	**Nutrition[1] £m**	**Adjusting Items £m**	**Total £m**
Net Revenue	**5,911**	**4,646**	**2,677**	**–**	**13,234**
Depreciation & amortisation	**(111)**	**(146)**	**(105)**	**(61)**	**(423)**
Operating profit/(loss)	**1,401**	**1,187**	**289**	**(3,681)**	**(804)**
Net finance Income					**547**
Share of loss from associates					**(3)**
Loss before income tax					**(260)**
Income tax credit					**208**
Net loss from continuing operations					**(52)**

1. Following the start of the strategic review of IFCN China, the CODM also reviewed financial information for net revenue and adjusted operating profit excluding IFCN China. In 2021, Nutrition net revenue excluding IFCN China was £2,294 million (2020: £2,426 million) and Nutrition adjusted operating profit excluding IFCN China was £356 million (2020: £377 million)

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					(720)
Net income from continuing operations					1,153

Financial information for the Hygiene, Health and Nutrition operating segments is presented on an adjusted basis which excludes certain cash and non-cash items. These items have a pattern of recognition that is largely uncorrelated with the trading 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. Further details on adjusting items is included in pages 81 to 87.

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:

2021	**UK £m**	**US £m**	**Greater China[1] £m**	**All other countries £m**	**Total £m**
Net Revenue	**739**	**3,873**	**1,112**	**7,510**	**13,234**
Goodwill and other intangible assets	**1,843**	**9,905**	**393**	**6,727**	**18,868**
Property, plant and equipment	**316**	**669**	**164**	**1,029**	**2,178**
Other non-current receivables	**29**	**63**	**–**	**57**	**149**

1. Greater China represents mainland China, Hong Kong and Taiwan

2 Operating Segments continued

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

Major customers are typically large grocery chains, mass markets and multiple retailers. The Group's customer base is diverse with only one customer (2020: none) accounting for more than 10% of net revenue. This customer accounts for £1,337 million (2020: £1,351 million) and has revenue across all segments.

3 Analysis of Other Net Operating Expenses

	2021 £m	2020 £m
Distribution costs	**(3,460)**	(3,611)
Research and development	**(313)**	(288)
Other administrative expenses	**(1,190)**	(1,393)
Other net operating income	**1**	2
Other net operating expenses	**(4,962)**	(5,290)

A net foreign exchange loss of £2 million (2020: £5 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.

	2021 £m	2020 £m
Audit services pursuant to legislation		
Audit of the Group's Annual Report and Financial Statements	**6.4**	4.4
Audit of the Financial Statements of the Group's subsidiaries	**9.5**	7.5
Audit-related assurance services	**0.5**	0.6
Total audit and audit-related services	**16.4**	12.5
Fees payable to the company's Auditor and its associates for other services		
Other Assurance services	**0.1**	0.2
Total non-audit services	**0.1**	0.2
	16.5	12.7

5 Employees Staff Costs

The total employment costs, including Directors, were:

	Note	**2021 £m**	2020 £m
Wages and salaries		**1,935**	1,970
Social security costs		**251**	263
Other pension costs	23	**60**	54
Share-based payments	25	**30**	15
Total staff costs		**2,276**	2,302

Executive Directors' aggregate emoluments are disclosed in the Directors' Remuneration Report.

Compensation awarded to key management (the Group Executive Committee) was:

	2021 £m	2020 £m
Short-term employee benefits	**25**	26
Share-based payments	**9**	9
	34	35

5 Employees Staff Costs continued

Staff numbers

The monthly average number of people employed by the Group, including Directors, during the year was:

	2021 '000	2020 '000
North America	**5.0**	4.7
Europe/ANZ	**14.8**	14.1
Rest of world	**22.0**	25.1
	41.8	43.9

6 Net Finance Income/(Expense)

	2021 £m	2020 £m
Foreign exchange net gain on liquidation of subsidiaries		
Gains on liquidation	**1,048**	–
Losses on liquidation	**(282)**	–
Total foreign exchange net gain on liquidation of subsidiaries	**766**	–
Other finance income		
Interest income on cash and cash equivalents	**29**	61
Movement on put option liability	**14**	–
Finance income on tax balances	**1**	–
Other finance income	**1**	16
Total other finance income	**45**	77
Other finance expense		
Interest payable on borrowings	**(244)**	(276)
Finance expense on tax balances	**–**	(26)
Movement on put option liability	**–**	(9)
Other finance expense	**(20)**	(52)
Total other finance expense	**(264)**	(363)
Other net finance expense	**(219)**	(286)
Net finance Income/(expense)	**547**	(286)

During 2021, as a result of the simplification of the Group's legal entity structure, a number of entities were liquidated and the cumulative foreign exchange reserves were recycled to the Income Statement, resulting in a net foreign exchange gain of £766 million, principally from the liquidation of intermediate financing and holding companies.

7 Income Tax Expense

	2021 £m	2020 £m
Current tax	**711**	740
Adjustment in respect of prior periods	**53**	(45)
Total current tax	**764**	695
Origination and reversal of temporary differences	**(1,089)**	(56)
Impact of changes in tax rates	**185**	81
Total deferred tax	**(904)**	25
Cumulative foreign exchange on deferred tax balances reclassified to the Income Statement	**(68)**	–
Income tax (credit)/charge	**(208)**	720

Current tax includes tax incurred by UK entities of £133 million (2020: £135 million). This is comprised of UK corporation tax of £55 million (2020: £85 million) and overseas tax suffered of £78 million (2020: £50 million). UK current tax is calculated at 19% (2020: 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 £915 million (2020: £762 million). The variance from the current tax charge of £711 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.

7 Income Tax Expense continued

Origination and reversal of temporary differences includes adjustments in respect of prior periods of £86 million benefit (2020: £22 million expense).

Cumulative foreign exchange on deferred tax balances reclassified to the Income Statement relates to deferred tax on assets disposed in the year (see note 29).

The total tax charge on the Group's (loss)/profit for the year can be reconciled to the notional tax charge calculated at the UK tax rate as follows:

Continuing operations	**2021 £m**	2020 £m
(Loss)/profit before income tax	**(260)**	1,873
Tax at the notional UK corporation tax rate of 19% (2020: 19%)	**(49)**	356
Effect of:		
Overseas tax rates	**112**	43
Movement in provision related to uncertain tax positions	**(43)**	41
Net impact of divestments and assets reclassified to held for sale	**(264)**	–
Unrecognised tax losses, other unrecognised tax assets and deferred tax liability on unremitted earnings	**68**	(38)
Cumulative foreign exchange on deferred tax balances reclassified to the Income Statement	**(68)**	–
Withholding and local taxes	**43**	31
Reassessment of prior year estimates	**(33)**	(23)
Impact of changes in tax rates	**185**	81
Non-taxable foreign exchange gain arising from legal entity simplification (Note 6)	**(146)**	–
Permanent differences	**(13)**	229
Income tax (credit)/charge	**(208)**	720

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. In December 2021 the OECD published the Pillar Two GloBE rules, which seek to ensure multinationals pay a minimum tax of 15% in each jurisdiction. The Group is examining the detail of the Pillar Two rules and the tax accounting impact will be considered when the rules are translated into UK domestic legislation. Pillar Two is expected to be effective from 1 January 2023.

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.

The net impact of divestments and assets reclassified to held for sale represents the net tax effect of the sale of IFCN China, Scholl, EnfaBebé and the reclassification of E45 to held for sale. The bases on which tax charges are calculated differ from the accounting bases.

Other movements on deferred tax assets and liabilities relates to the impairment of deferred tax assets previously recognised on losses and the recognition of deferred tax liabilities on unrepatriated earnings (Note 12) (2020: previously unrecognised losses).

Withholding and local taxes suffered in the year are adjusted for previously accrued deferred tax liabilities on unremitted earnings.

The reassessment of prior year estimates includes settlements reached following conclusion of tax authority review and differences between final tax return submissions and liabilities accrued in these financial statements.

The impact of changes in tax rates in 2021 primarily results from the revaluation of deferred tax liabilities relating to intangible assets following substantive enactment of the increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) on 24 May 2021.

UK deferred tax assets and liabilities have been calculated based on the substantively enacted rate of 25% after factoring in the expected timing of reversal of the related temporary differences (2020: 19%). This tax rate change will increase the company's future tax charge on profits arising in the UK.

Permanent differences in 2020 principally related to the non-deductible impairment of 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 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

During the year the European Commission's (EC) challenge that the UK Controlled Foreign Company (CFC) Legislation up to 31 December 2018 partially represented state aid was heard before the General Court. The Group's application to annul the EC decision on the CFC Group Financing Exemption was registered in the General Court on 4 November 2019 and our application was stayed pending the outcome of this hearing which is expected in 2022. Management's continued assessment is that no uncertain tax provision is required for this potential exposure. Further, the EC's challenge to certain aspects of the Gibraltar tax system was heard in front of the General Court during 2021. This impacts a former MJN subsidiary and a preliminary judgement was received in April 2022 which is currently under review.

7 Income Tax Expense continued

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2021			2020		
	Before tax £m	**Tax (charge)/ credit £m**	**After tax £m**	Before tax £m	Tax (charge)/ credit £m	After tax £m
Net exchange (losses) on foreign currency translation	**(374)**	**–**	**(374)**	(207)	–	(207)
Reclassification of foreign currency translation reserves on disposal or liquidation of foreign operations	**(550)**	**–**	**(550)**	–	–	–
Gains/(losses) on cash flow and net investment hedges	**118**	**(4)**	**114**	(95)	3	(92)
Remeasurement of defined benefit pension plans (Note 23)	**179**	**(46)**	**133**	(75)	15	(60)
Revaluation of equity instruments – FVOCI	**(1)**	**–**	**(1)**	31	(12)	19
Other comprehensive loss	**(628)**	**(50)**	**(678)**	(346)	6	(340)
Current tax		**–**			1	
Deferred tax (Note 12)		**(50)**			5	
		(50)			6	

The tax credited/(charged) directly to the Statement of Changes in Equity during the year is as follows:

	2021 £m	2020 £m
Current tax	**4**	6
Deferred tax (Note 12)	**(4)**	(2)
	–	4

8 Earnings Per Share

	2021 pence	2020 pence
Basic (loss)/earnings per share		
From continuing operations	**(8.8)**	160.0
From discontinued operations	**4.3**	7.0
Total basic (loss)/earnings per share	**(4.5)**	167.0
Diluted (loss)/earnings per share		
From continuing operations	**(8.8)**	159.3
From discontinued operations	**4.3**	7.0
Total diluted (loss)/earnings per share	**(4.5)**	166.3

Basic

Basic earnings per share is calculated by dividing the net (loss)/income attributable to owners of the Parent Company from continuing operations (2021: £63 million loss, 2020: £1,137 million income) and discontinued operations (2021: £31 million income; 2020: £50 million income) by the weighted average number of ordinary shares in issue during the year (2021: 713,758,909; 2020: 710,907,200)

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 2021 there were 10,683,109 (2020: 1,865,524) 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.

	2021 Average number of shares	2020 Average number of shares
On a basic basis	**713,758,909**	710,907,200
Dilution for Executive Share Awards[1]	**–**	61,251
Dilution for Employee Sharesave Scheme Options outstanding[1]	**–**	2,778,499
On a diluted basis	**713,758,909**	713,746,950

1. As there was a loss in 2021, 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 2020	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**
Additions	5	–	72	–	77
Arising on business combinations	596	370	–	76	1,042
Disposals	(4,494)	(1,543)	(2)	–	(6,039)
Reclassifications to held for sale	(112)	(28)	–	–	(140)
Exchange adjustments	(220)	5	(13)	5	(223)
At 31 December 2021	**13,448**	**10,212**	**547**	**266**	**24,473**
Accumulated amortisation and impairment					
At 1 January 2020	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**
Amortisation and impairment	39	–	66	27	132
Disposals	(143)	(1,176)	(2)	–	(1,321)
Exchange adjustments	(3)	21	(2)	1	17
At 31 December 2021	**342**	**4,884**	**252**	**127**	**5,605**
Net book value					
At 31 December 2020	**17,224**	**5,369**	**300**	**86**	**22,979**
At 31 December 2021	**13,106**	**5,328**	**295**	**139**	**18,868**

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 £28 million (2020: £37 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	**2021 £m**	2020 £m
Indefinite life assets		
Brands	**12,983**	16,857
Goodwill	**5,328**	5,369
Other	**39**	36
Total indefinite life assets	**18,350**	22,262
Finite life assets		
Brands	**123**	367
Software	**295**	300
Other	**100**	50
Total finite life assets	**518**	717
Total net book value of intangible assets	**18,868**	22,979

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 Health, Hygiene and IFCN, with the Group's CGUs being VMS and Biofreeze.

An analysis of the net book value of indefinite life assets and goodwill by GCGU/CGU is shown below:

	2021		
GCGU/CGU	**Indefinite life assets £m**	**Goodwill £m**	**Total £m**
Health	**5,455**	**3,350**	**8,805**
Hygiene	**1,760**	**45**	**1,805**
IFCN	**4,260**	**1,408**	**5,668**
VMS	**971**	**248**	**1,219**
Biofreeze	**576**	**277**	**853**
	13,022	**5,328**	**18,350**

	2020		
GCGU/CGU	Indefinite life assets £m	Goodwill £m	Total £m
Health	6,028	3,354	9,382
Hygiene	1,780	45	1,825
IFCN	8,124	1,725	9,849
VMS	961	245	1,206
	16,893	5,369	22,262

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 2021 are shown below.

Indefinite life assets excluding goodwill	**2021 £m**
Intimate Wellness	**2,124**
Oriental Pharma	**51**

Indefinite life assets excluding goodwill	2020 £m
Intimate Wellness (previously called Sexual Wellbeing)	2,170
Oriental Pharma	49

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 terminal growth rates. These rates do not exceed the long-term average growth rate for the products and markets in which the GCGU or CGU operates.

The cash flows are discounted back to their present value using a pre-tax discount rate considered appropriate for each GCGU and CGU. These rates have been derived from management's views on the relevant weighted average cost of capital, subsequently converted to the pre-tax equivalent discount rate.

9 Goodwill and Other Intangible Assets continued

For the Health and Hygiene GCGUs as well as the Intimate Wellness and VMS CGUs, any reasonably possible change in the key valuation assumptions would not imply possible impairment. The recoverable amount for these GCGUs and CGUs was determined utilising a pre-tax discount rate of 9% (Health, Hygiene and Intimate Wellness) or 10% (VMS) and a terminal growth rate of either 2.5% (Health, Intimate Wellness or VMS) or 2% (Hygiene).

For the Biofreeze CGU, following acquisition on 12 July 2021, the recoverable amount was calculated using the income approach on a fair value less costs of disposal basis utilising a post-tax discount rate of 11% representative of the geographical spread and product portfolio. An eight year cash flow model was used with a terminal growth rate of 2.5%. The key assumptions in determining the recoverable amount include net revenue growth rates, gross margins and discount rates. The fair value measurement of Biofreeze is categorised within level 3 of the fair value hierarchy, based on inputs into the valuation technique used. At 31 December 2021, the fair value was determined to be consistent with the acquisition price for Biofreeze, such that there was no headroom between the recoverable amount and the net book value of £762 million. As there is no headroom between recoverable amount and net book value, if future trading was to fall below the model this would result in an impairment in the associated goodwill in the Biofreeze CGU given the recent acquisition of the business.

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.

Following impairment losses of £5,037 million in 2019 and £985 million in 2020, at 31 December 2020 IFCN was recorded at its then recoverable amount of £8,810 million. Following these impairment losses, no headroom remained between the IFCN recoverable amount and net book value at 31 December 2020.

On 5 June 2021, the Group announced the definitive agreement to sell IFCN China to Primavera Capital Group for an implied enterprise value of $2.2 billion. On announcement of the definitive agreement to sell IFCN China, the global IFCN CGU was split into two CGUs, being IFCN and IFCN China (the disposal group). The disposal of IFCN China completed on 9 September 2021, with the Group recognising a pre-tax loss on disposal of £3.3 billion in the year to 31 December 2021, see Note 29.

The recoverable amount for the remaining IFCN business has been determined on a value-in-use basis. The value-in-use of IFCN was determined using a discounted cash flow approach with future cash flows derived from a detailed five-year plan. Cash flows beyond the five-year plan have been projected using a steady or progressively declining terminal growth rate. At 31 December 2021, management has determined that the recoverable amount of IFCN is higher than its carrying value, such that no impairment is required.

The determination of the recoverable amount for IFCN at 31 December 2021 incorporates certain key assumptions, some of which are subject to considerable uncertainty. These assumptions include but are not limited to the effects of the COVID-19 pandemic, the estimation of future birth rates, the commercial success of new product launches, including adult nutrition, and the expansion of specialty nutrition. Although there is headroom between the IFCN recoverable amount and its carrying value, changes to these assumptions, or any deterioration in other macro or business-level assumptions supporting the IFCN recoverable amount could reduce this headroom or could necessitate the recognition of impairment losses in future periods.

The key assumptions used in the estimation of value in use within the 2021 impairment assessment of the remaining IFCN business are outlined below. Following the disposal of IFCN China, the 2021 key assumptions are not directly comparable to those of the 2020 impairment assessment that related to the global IFCN CGU.

	2021
Pre-tax discount rate	**9.7%**
Terminal growth rate	**2%**
Annual growth in Net Revenue between 2022 and 2026[1]	**3% to 4%**
Annual growth in Gross Margin between 2022 and 2026[1]	**4% to 6%**

	2020
Pre-tax discount rate	9.6%
Terminal growth rate	2.5%
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%

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 in 2021 are summarised below:

Key estimates	Commentary
Market	In the US, management expects market conditions to be relatively stable, with birth-rates steadily returning to pre-COVID trends. Tendering for WIC contracts continues to remain highly competitive. Within ASEAN and LATAM, management expects conditions to remain relatively stable, with net revenue growth broadly in line with regional inflation.
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 4% per annum. This is expected to be achieved through a mix of ongoing premiumisation, price increases, 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 IFCN realises benefits from Reckitt's on-going productivity programme, and operational leverage from the growth of adult nutrition. Cost inflation in the short term is expected to be offset with price increases.
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 2021 to reflect 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 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.

	2021 £m
Expected Net Revenue growth rates (2022 to 2026[1]) adjusted by 100bps	**+510 / -500**
Expected EBIT growth rates (2022 to 2026[1]) adjusted by 100bps	**+/- 190**
Terminal growth rate (applied from 2027) adjusted by 50bps	**+490 / -410**
Pre-tax discount rate adjusted by 50bps	**+410 / -360**

	2020 £m
Expected Net Revenue growth rates (2021 to 2030[1]) adjusted by 100bps	+/-900
Expected EBIT growth rates (2021 to 2030[1]) adjusted by 100bps	+/- 600
Terminal growth rate (applied from 2031) adjusted by 50bps	+600 / -500
Pre-tax discount rate adjusted by 50bps	+700 / -600

The table below shows the percentage movement in the 2021 key assumptions that (individually) would be required to reach the point at which the IFCN value in use approximates its carrying value. In 2020, the global IFCN CGU had no headroom between the recoverable amount and the net book value.

	2021
Expected Net Revenue growth rates (2022-2026[1])	**140bps decrease**
Expected EBIT growth rates (2022-2026[1])	**390bps decrease**
Terminal growth rate	**90bps decrease**
Pre-tax discount rate	**100bps decrease**

1. At constant exchange rates, excluding the impact of future foreign exchange movements

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 2020	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**
Additions	20	61	110	292	483
Arising on business combinations	5	15	–	–	20
Disposals	(81)	(210)	(50)	(8)	(349)
Reclassifications (Including held for sale)	51	151	–	(207)	(5)
Exchange adjustments	(20)	(45)	(8)	(1)	(74)
At 31 December 2021	**1,220**	**2,073**	**461**	**408**	**4,162**
Accumulated depreciation and impairment					
At 1 January 2020	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**
Charge for the year	58	168	71	–	297
Disposals	(33)	(105)	(34)	–	(172)
Impairment	38	8	1	5	52
Reclassifications (including held for sale)	(2)	1	(1)	–	(2)
Exchange adjustments	(10)	(32)	(3)	–	(45)
At 31 December 2021	**482**	**1,341**	**156**	**5**	**1,984**
Net book value					
As at 31 December 2020	**814**	**800**	**287**	**332**	**2,233**
As at 31 December 2021	**738**	**732**	**305**	**403**	**2,178**

At 31 December 2021, the Group's right of use assets included land & buildings of £284 million (2020: £267 million) and other assets of £21 million (2020: £19 million). The Group recognised depreciation of £58 million (2020: £66 million) on the land & buildings and depreciation of £13 million (2020: £14 million) on the other assets.

The Group has commitments to purchase property, plant and equipment of £80 million (2020: £96 million).

11 Equity Instruments

	2021 £m	2020 £m
Equity investments – fair value other comprehensive income[1]	**171**	114
Investments in associates accounted for using the equity method	**23**	22
Total equity instruments	**194**	136

1. Equity investments is composed of £114 million (2020: £94 million) representing 13% of the outstanding units in Packable Holdings LLC (previously Pharmapacks LLC), £33 million representing 8% of issued shared capital in Jadestone One Cayman Limited which was received as part of the consideration for the sale of IFCN China (see note 29), £14 million (2020: £16 million) representing less than 1% of the issued share capital of China Pharmaceutical Resources Limited and £10 million (2020: £4 million) of other equity investments

Investments accounted for using the equity method predominantly relates to the Group's investment in Your.MD AS (trading as Healthily). The Group has recognised a loss of £3 million (2020: £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 the Group's associates.

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 2021	**(55)**	**(3,766)**	**427**	**52**	**38**	**(3,304)**
Credited/(charged) to the Income Statement	**3**	**864**	**59**	**(24)**	**2**	**904**
(Charged) to other comprehensive income	**–**	**–**	**(4)**	**–**	**(46)**	**(50)**
(Charged) directly to equity	**–**	**–**	**(4)**	**–**	**–**	**(4)**
Arising on business acquisitions/ disposals	**4**	**(151)**	**(31)**	**–**	**–**	**(178)**
Exchange differences	**(1)**	**30**	**(5)**	**(1)**	**–**	**23**
At 31 December 2021	**(49)**	**(3,023)**	**442**	**27**	**(6)**	**(2,609)**

2021	**Accelerated capital allowances £m**	**Intangible assets £m**	**Short-term temporary differences £m**	**Tax losses £m**	**Retirement benefit obligations £m**	**Total £m**
Deferred tax assets	**(2)**	**(37)**	**189**	**24**	**23**	**197**
Deferred tax liabilities	**(47)**	**(2,986)**	**253**	**3**	**(29)**	**(2,806)**
Deferred tax	**(49)**	**(3,023)**	**442**	**27**	**(6)**	**(2,609)**

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 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 £2,091 million (2020: £1,534 million) have not been recognised at 31 December 2021 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

	2021 £m	2020 £m
Raw materials and consumables	**383**	352
Work in progress	**70**	87
Finished goods and goods held for resale	**1,006**	1,153
Total inventories	**1,459**	1,592

The total cost of inventories recognised as an expense and included in cost of sales amounted to £5,292 million (2020: £5,309 million). This includes inventory write-offs and losses of £191 million (2020: £187 million).

The Group inventory provision at 31 December 2021 was £151 million (2020: £119 million).

14 Trade and Other Receivables

Amounts falling due within one year	2021 £m	2020 £m
Trade receivables	**1,587**	1,584
Less: Provision for impairment of receivables	**(36)**	(27)
Trade receivables – net	**1,551**	1,557
Other receivables	**291**	290
Prepayments and accrued income	**84**	74
Trade and other receivables	**1,926**	1,921

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

Currency analysis	2021 £m	2020 £m
US dollar	**574**	477
Euro	**302**	281
Sterling	**167**	155
Brazilian Real	**128**	117
Other currencies	**755**	891
Trade and other receivables	**1,926**	1,921

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	2021 £m	2020 £m
Not overdue	**1,318**	1,346
Up to 3 months overdue	**219**	193
Over 3 months overdue	**50**	45
Trade receivables	**1,587**	1,584

At 31 December 2021, a provision of £36 million (2020: £27 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 2021, trade receivables of £233 million (2020: £211 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 £212 million (2020: £213 million). This contains £2 million (2020: £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 2021 of £149 million (2020: £146 million) includes non-current indirect tax, long-term prepayments, and non-current derivatives of £1 million (2020: £19 million)

d. Financial instruments (Note 15)
At 31 December 2021 £1,926 million (2020: £1,918 million) of the current and non-current receivables totalling £2,075 million (2020: £2,067 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 2021	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	**1,926**	–	–	–	**1,926**
Derivative financial instruments – FX forward exchange contracts	17	–	**41**	**21**	–	**62**
Equity instruments – FVOCI	11	–	–	–	**171**	**171**
Cash and cash equivalents		**1,261**	–	–	–	**1,261**
Liabilities as per the Balance Sheet						
Borrowings (loans and overdrafts)[1]		**37**	–	–	–	**37**
Lease obligations		**328**	–	–	–	**328**
Bonds		**7,969**	–	–	–	**7,969**
Senior notes		**1,229**	–	–	–	**1,229**
Derivative financial instruments – FX forward exchange contracts		–	**16**	**36**	–	**52**
Derivative financial instruments – Interest rate swaps	21	–	**22**	–	–	**22**
Derivative financial instruments – Cross currency interest rate swaps	21	–	**49**	–	–	**49**
Current and non-current trade and other payables	21	**5,193**	–	–	–	**5,193**

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

   Lease obligations are outside the scope of IFRS 9, but they remain within the scope of IFRS 7, and therefore have been shown separately

15 Financial Instruments and Financial Risk Management continued

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).

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.

At 31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets as per the Balance Sheet				
Derivative financial instruments – FX forward exchange contracts	**–**	**62**	**–**	**62**
Equity instruments – FVOCI	**14**	**114**	**43**	**171**
Liabilities as per the Balance Sheet				
Derivative financial instruments – FX forward exchange contracts	**–**	**52**	**–**	**52**
Derivative financial instruments – Interest rate swaps	**–**	**22**	**–**	**22**
Derivative financial instruments – Cross currency interest rate swaps	**–**	**49**	**–**	**49**

At 31 December 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
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

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 and the fair value of the investment in Packable Holdings LLC (previously Pharmapacks) was calculated using a publicly available valuation from the latest funding round (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 2021 is a liability of £8,238 million (2020: £8,562 million) and the fair value of the senior notes as at 31 December 2021 is a liability of £1,400 million (2020: £1,445 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 enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not currently have any legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default event.

15 Financial Instruments and Financial Risk Management continued

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

At 31 December 2021	Gross amounts of recognised financial assets/ liabilities in the Balance Sheet £m	Related financial instruments that are not offset £m	Net amount £m
Financial assets			
FX forward exchange contracts	**62**	**(32)**	**30**
Other financial assets	**1,261**	**–**	**1,261**
	1,323	**(32)**	**1,291**
Financial liabilities			
FX forward exchange contracts	**(52)**	**32**	**(20)**
Other financial liabilities	**(73)**	**–**	**(73)**
	(125)	**32**	**(93)**
At 31 December 2020			
Financial assets			
FX forward exchange contracts	30	(27)	3
Other financial assets	1,665	–	1,665
	1,695	(27)	1,668
Financial liabilities			
FX forward exchange contracts	(118)	27	(91)
Other financial liabilities	(2)	–	(2)
	(120)	27	(93)

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. The GT function 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.

It is the Group's policy to monitor and, 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.

15 Financial Instruments and Financial Risk Management continued

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2021 was £7,036 million receivable (2020: £6,146 million) and £7,027 million payable (2020: £6,234 million).

The Group held forward foreign exchange contracts designated as cash flow hedges primarily in Euro, Sterling, US dollar, Canadian dollar, Australian dollar, Philippine peso and Mexican peso. The notional value of the payable leg resulting from these financial instruments was as follows:

Cash Flow Hedge Profile	**2021 £m**	2020 £m
Euro	**327**	444
Sterling	**310**	423
US dollar	**273**	438
Canadian dollar	**113**	84
Australian dollar	**107**	92
Philippine peso	**54**	46
Mexican peso	**51**	53
Other	**422**	708
	1,657	2,288

These forward foreign exchange contracts are mainly expected to mature over the period January 2022 to December 2022 (2020: January 2021 to December 2021). Of the total amount, £11 million (2020: nil) is due between January 2023 and January 2024.

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 (2020: immaterial).

Gains and losses recognised in other comprehensive income and the hedging reserve on forward exchange contracts in 2021 of £30 million gain, net of tax (2020: £17 million loss, net of tax) are recognised in the Income Statement in the periods in which the hedged forecast transaction affects the Income Statement.

At 31 December 2021, the Group had forward contracts used for cash flow hedging with total fair value of £15 million asset (2020: £26 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 £6 million (2020: £8 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, Euro/Sterling, US dollar/Canadian dollar, and Euro/Australian dollar.

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 2021, the Group had designated a 2023 US dollar bond totalling $500 million (2020: $500 million), 2030 Euro bond totalling €850 million (2020: €850 million) and forward currency swap contracts totalling €750 million (2020: nil) as the hedging instruments in a net investment hedge relationship. During the year commercial paper of €750 million (2020: €750 million) was also in a hedge relationship,. As the commercial paper was repaid during the year, this relationship was ended as it was replaced with the forward currency swap contracts. 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 2021 was a £84 million gain (2020: £75 million loss). 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 bond/ swaps would be £19 million loss and £51 million loss respectively.

In 2020, the Group issued a €850 million bond due in 2026. 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 a difference in credit ratings between the counterparties and modifications to the terms of either hedged item or instrument. At 31 December 2021 no material ineffectiveness (2020: no material ineffectiveness) has been recognized in the Income Statement as the effect 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 2021, was a £6 million gain (2020: £2 million loss).

15 Financial Instruments and Financial Risk Management continued

(b) Cost inflation risk

Due to the nature of its business the Group is exposed to commodity, freight and other inflation risks. Short term volatility in pricing of these products is mitigated through medium-term contracts, inventories of key materials and financial hedging. Over the medium and long term, the Group mitigates the impact of inflation through: implementing pricing and revenue growth management, identifying productivity and efficiencies and improving sales mix.

(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.

In 2020 the Group issued two €850 million bonds due in 2026 and 2030. 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 cross currency interest rate swap with reference to LIBOR, and the interest rate swap with reference to EURIBOR). 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 2021 no material ineffectiveness (2020: no material ineffectiveness) has been recognised in the Income Statement.

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 £10 million (2020: £14 million) or decrease of £10 million (2020: £14 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.

(d) Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

The Group's main exposure to IBOR reform is through cross currency interest rate swaps that reference a floating Sterling LIBOR. The swaps were executed as hedging instruments of the €850 million bond maturing in 2026 in which the Group pays interest on a floating sterling rate based on 3-month GBP LIBOR. As the swap agreements are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements, by adhering to the ISDA LIBOR Fallback Protocol during the year ended 31 December 2021, the Group amended contractual terms of financial instruments indexed to the relevant LIBORs, such that these will be replaced by risk-free rates after IBOR cessation, thereby removing IBOR reform-related uncertainty.

During 2021, the Group's committed bank facilities totalling £4,500 million (2020: £5,500 million) were amended or renewed to include rate switch provisions, thus addressing IBOR reform, predominantly in the form recommended by the Loan Market Association. These committed facilities were undrawn at 31 December (2020: undrawn).

At 31 December, the Group had contracts of cross currency interest swap liabilities with a carrying value of £49 million referenced to GBP LIBOR but with appropriate fallback clauses (2020: Unreformed contracts of cross currency interest swap asset of £12 million)

On 5 March 2021, the FCA confirmed that certain LIBOR benchmark settings – including the 3-month USD benchmark – would continue to be published until 30 June 2023. Consequently, the Group expects that the $750 million floating rate note maturing in June 2022 that references 3-month USD LIBOR will not be affected by IBOR reform. The Group's EURIBOR interest rate swap is unaffected as EURIBOR is not impacted by IBOR reform.

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.

15 Financial Instruments and Financial Risk Management continued

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. For risk management purposes the Group assesses the exposure to major financial institutions by looking at the deposits, cash and cash equivalents and a percentage of the nominal amount of derivative contracts taking into account the time to maturity and the nature of the product. The following table summarises the Group's assessment of its exposure. The financial institutions listed in the tables are not comparable year on year.

	2021		
Counterparty	**Credit rating**	**Limit £m**	**Exposure £m**
Financial institution A	**A+**	**250**	**210**
Financial institution B	**A+**	**250**	**160**
Financial institution C	**A+**	**250**	**147**
Financial institution D	**A+**	**250**	**127**
Financial institution E	**A+**	**250**	**115**
Financial institution F	**A**	**200**	**115**
Financial institution G	**A**	**200**	**102**
Financial institution H	**AAA**	**300**	**83**
Financial institution I	**A**	**200**	**70**
Financial institution J	**A+**	**250**	**54**

	2020		
Counterparty	Credit rating	Limit £m	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

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 bond and senior note principal repayments due between 2022 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 2021, the Group had long-term debt excluding lease liabilities of £6,812 million (2020: £9,553 million), of which £6,445 million (2020: £6,889 million) is repayable in more than two years. In addition, the Group has committed borrowing facilities totalling £4,500 million (2020: £5,500 million), of which £4,500 million (2020: £3,500 million) expires after more than two years. These facilities were undrawn at year end. The committed borrowing facilities, 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 2021 calculated in accordance with the Articles of Association was £22,197 million (2020: £27,345 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 2021	Total £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Bonds	**(8,642)**	**(2,552)**	**(496)**	**(2,430)**	**(3,164)**
Senior notes	**(1,855)**	**(53)**	**(53)**	**(690)**	**(1,059)**
Trade payables	**(2,064)**	**(2,064)**	**–**	**–**	**–**
Other payables	**(3,129)**	**(3,048)**	**(81)**	**–**	**–**

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)
Trade payables	(2,159)	(2,159)	–	–	–
Other payables	(3,643)	(3,418)	(53)	(172)	–

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 2021	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	**(7,016)**	**(10)**	**(1)**	**–**
Inflow	**7,024**	**11**	**1**	**–**
Cross currency interest rate swap				
Outflow	**(9)**	**(9)**	**(770)**	**–**
Inflow	**3**	**3**	**723**	**–**
Interest rate swap				
Outflow	**(3)**	**(3)**	**(9)**	**(10)**
Inflow	**5**	**5**	**16**	**21**

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
Interest rate swap				
Outflow	(3)	(3)	(10)	(16)
Inflow	5	5	17	29

15 Financial Instruments and Financial Risk Management continued

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 above.

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	**2021 £m**	2020 £m
Cash and cash equivalents including overdrafts		**1,259**	1,644
Financing liabilities	17	**(9,637)**	(10,598)
Net debt		**8,378**	8,954
Total equity		**7,453**	9,159
		15,831	18,113

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 2021, 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 £8,378 million (2020: £8,954 million). The Group seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

Supply chain finance

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 £372 million (2020: £392 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, being payments for the purchase of goods and services.

16 Cash and Cash Equivalents

	2021 £m	2020 £m
Cash at bank and in hand	**587**	499
Short-term bank deposits	**674**	1,147
Cash and cash equivalents	**1,261**	1,646

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, £66 million (2020: £136 million) 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	2021 £m	2020 £m
Bank loans and overdrafts[1]		**22**	20
Commercial paper		**–**	671
Bonds		**2,401**	–
Lease liabilities	19	**62**	72
Total short-term borrowings		**2,485**	763
Bonds		**5,568**	8,041
Senior notes		**1,229**	1,221
Term loans		**–**	291
Other non-current borrowings		**15**	–
Lease liabilities	19	**266**	241
Total long-term borrowings		**7,078**	9,794
Total borrowings		**9,563**	10,557
Derivative financial instruments		**76**	43
Less overdrafts presented in cash and cash equivalents in the cash flow statement		**(2)**	(2)
Total financing liabilities		**9,637**	10,598

1. Bank loans are denominated in a number of currencies: all are unsecured and bear interest based on market short term interest rates

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**	
2021 (£m)	**Current**	**Non-Current[1]**	**Current**	**Non-Current[2]**
Derivative financial instruments (financing liabilities)	**31**	**–**	**(36)**	**(71)**
Derivative financial instruments (non-financing liabilities)	**30**	**1**	**(16)**	**–**
At 31 December 2021	**61**	**1**	**(52)**	**(71)**

1. Included within Other non-current receivables on the Balance Sheet
2. Included within Other non-current liabilities on the Balance Sheet

	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

Reconciliation of movement in financing liabilities to cash flow statement	2021 £m	2020 £m
At 1 January	**10,598**	12,298
Proceeds from borrowings	**38**	2,903
Repayment of borrowings	**(1,044)**	(4,583)
Other financing cash flows	**(92)**	(47)
Total financing cash flows	**(1,098)**	(1,727)
New lease liabilities	**109**	86
Exchange, fair value and other movements	**28**	(59)
Total non-cash financing items	**137**	27
At 31 December	**9,637**	10,598

17 Financial Liabilities – Borrowings continued

Maturity of borrowings (excluding lease liabilities)	**2021 £m**	2020 £m
Bank loans and overdrafts repayable:		
Within one year or on demand	**22**	20
Other borrowings repayable:		
Within one year:		
Commercial paper	**–**	671
Bonds	**2,401**	–
After one year and in less than five years:		
Bonds	**2,546**	4,194
Senior notes	**572**	569
Term loans	**–**	291
After five years or longer:		
Bonds	**3,022**	3,847
Senior notes	**657**	652
Other non-current borrowings	**15**	–
	9,213	10,224
Gross borrowings (unsecured)	**9,235**	10,244

18 Provisions for Liabilities and Charges

	Legal provisions £m	Other provisions £m	Total provisions £m
At 1 January 2020	151	83	234
Charged to the Income Statement	160	19	179
Utilised during the year	(13)	(13)	(26)
Released to the Income Statement	(61)	(27)	(88)
Reclassifications	(2)	2	–
Exchange adjustments	(3)	(4)	(7)
At 31 December 2020	**232**	**60**	**292**
Charged to the Income Statement	**39**	**10**	**49**
Utilised during the year	**(69)**	**(4)**	**(73)**
Released to the Income Statement	**(15)**	**(11)**	**(26)**
Exchange adjustments	**(7)**	**–**	**(7)**
At 31 December 2021	**180**	**55**	**235**

Provisions have been analysed between current and non-current as follows:

	2021 £m	2020 £m
Current	**191**	243
Non-current	**44**	49
	235	292

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 2021, the Group recognised legal provisions of £180 million (2020: £232 million) in relation to a number of historical regulatory and other matters in various jurisdictions. These provisions relate to matters where the Group is currently involved with, or potentially will be involved in litigation. The provision represents the Group's best estimate of the likely settlement. Due to the uncertain nature of the resolution of majority of these matters, £144 million (2020: £192 million) is recorded as a current provision as it is possible the matter could be settled in the next 12 months, however, it is possible that they may not be. Legal provisions includes £75 million (2020: £83 million) relating to the Humidifier Sanitiser (HS) issue in Korea (see Note 20).

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	**2021 £m**	2020 £m
Within one year	**64**	86
Later than one and less than five years	**222**	176
After five years	**140**	122
Total undiscounted lease liabilities at 31 December	**426**	384
Lease liabilities included in the statement of financial position at 31 December	**328**	313
Current	**62**	72
Non-current	**266**	241

1. Interest on lease liabilities amounted to £13 million (2020: £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. On 29 October 2021, the South Korean Government published a report that concluded epidemiological correlation exists between HS use and asthma, ILD and pneumonia. Our expert advisors have reviewed the report and concluded that it does not clearly support causation between HS use and the above injuries.

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 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 have seen 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 HS mediation committee (HSMC) was established in October 2021 and has been meeting with claimant groups and industry companies to discuss various issues related to designing a comprehensive mediation plan to cover all HS victims. It is our current understanding that the HSMC plans to announce a mediation proposal in the second quarter of 2022. Reckitt Korea will not be bound to accept its mediation proposal and could not do so without financial support from the Group.

The Group currently has a provision of £75 million (2020: £83 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.

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

	2021 £m	2020 £m
Trade payables	**2,064**	2,159
Other payables	**100**	92
Other tax and social security payable	**155**	164
Accruals	**2,948**	3,327
Trade and other payables	**5,267**	5,742

Included within accruals is £1,137 million (2020: £1,275 million) in respect of amounts payable to trade customers and government bodies for trade spend.

Other Non-current Liabilities

	2021 £m	2020 £m
Financial liability in respect of put option to non-controlling interest[1]	**–**	148
Interest accrued on tax balances	**135**	157
US employee related payables	**46**	39
Derivative financial instruments	**71**	–
Other	**81**	53
Other non-current liabilities	**333**	397

1. In 2020, this liability was 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 this option has lapsed in the year to 31 December 2021 and has accordingly been credited to equity

Financial instruments (Note 15)
At 31 December 2021 £5,193 million (2020: £5,777 million) of the current and non-current payables totalling £5,600 million (2020: £6,139 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 Assets and Liabilities

	2021 £m	2020 £m
Current tax liabilities	**93**	72
Non-current tax liabilities	**826**	1,021
Total current and non-current tax liabilities	**919**	1,093

Included in total current and non-current tax liabilities is an amount of £770 million (2020: £950 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 accrual from 31 December 2017. Members have a normal retirement age of 65. 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 of the defined benefit section and compliance with regulations. The defined benefit section of the plan is funded by the payment of contributions as required, following each Triennial Valuation.

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 agreed that its aim was 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 £nil. It is expected that contributions to the UK defined benefit plan in 2022 will be £nil (2021: £nil).

The Group continues to monitor the impact of UK High court rulings clarifying the requirements to equalise the Guaranteed Minimum Pension element of benefits for men and women within the UK Pension schemes from Guaranteed Minimum Pension accrued from post 17 May 1990 pensionable service. Discussions are ongoing with the pension trustees from all defined benefit schemes in the UK, but no final agreement has yet been reached.

23 Pension and Post-Retirement Commitments continued

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 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 2022. For the Mead Johnson & Company, LLC Medical Plan, the most recent valuation was carried out at 1 January 2022. 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 2022 will be £7 million (2021: £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 2021. The UK plans have a weighted average duration of the deferred benefit obligation of 17.0 years (2020: 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:

	2021		2020	
	UK %	**US (Medical) %**	UK %	US (Medical) %
Rate of increase in pensionable salaries	**5.4**	**–**	5.1	–
Rate of increase in deferred pensions during deferment	**3.4**	**–**	3.1	–
Rate of increase in pension payments	**3.25**	**–**	2.9	–
Discount rate	**1.9**	**2.7**	1.5	2.3
Inflation assumption – RPI	**3.4**	**–**	3.1	–
Annual medical cost inflation	**–**	**5.0-8.0**	–	5.0-8.5

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:

	2021		2020	
	UK years	**US years**	UK years	US years
Number of years a current pensioner is expected to live beyond 60:				
Male	**27.5**	**25.1**	27.5	25.3
Female	**28.9**	**27.2**	28.7	27.3
Number of years a future pensioner is expected to live beyond 60:				
Male	**28.7**	**26.8**	28.8	27.0
Female	**30.2**	**28.8**	30.0	28.9

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 2020 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

No adjustment has been made for the impact of COVID-19 on mortality assumptions as it is too early to conclude on any evidence to support the impact.

23 Pension and Post-Retirement Commitments continued

Amounts recognised on the Balance Sheet

The amounts recognised on the Balance Sheet are as follows:

	2021 £m	2020 £m
Balance Sheet liability for:		
US (Medical)	**(107)**	(125)
Other	**(211)**	(247)
Liability on Balance Sheet	**(318)**	(372)
Balance Sheet assets for:		
UK	**298**	188
Other	**57**	38
Asset on Balance Sheet	**355**	226
Net pension asset/(liability)	**37**	(146)

The funded and unfunded amounts recognised on the Balance Sheet are determined as follows:

	2021				2020			
	UK £m	**US (Medical) £m**	**Other £m**	**Total £m**	UK £m	US (Medical) £m	Other £m	Total £m
Present value of funded obligations	**(1,486)**	**–**	**(481)**	**(1,967)**	(1,547)	–	(538)	(2,085)
Fair value of plan assets	**1,788**	**–**	**496**	**2,284**	1,754	–	510	2,264
Surplus/(liability) of funded plans	**302**	**–**	**15**	**317**	207	–	(28)	179
Present value of unfunded obligations	**–**	**(107)**	**(169)**	**(276)**	–	(125)	(181)	(306)
Irrecoverable surplus	**(4)**	**–**	**–**	**(4)**	(19)	–	–	(19)
Net pension surplus/(liability)	**298**	**(107)**	**(154)**	**37**	188	(125)	(209)	(146)

The UK surplus of £298 million (2020: £188 million) relates mainly to the Reckitt Benckiser Pension Fund. This surplus has been recognised as the Group has concluded it has an unconditional right to a refund of any surplus once all member benefits have been paid. The Group's judgement is based on legal advice that the trustees would be unable to unconditionally wind up the plan or enhance members benefits without the Group's consent.

Group plan assets are comprised as follows:

	2021				2020			
	UK £m	**US (Medical) £m**	**Other £m**	**Total £m**	UK £m	US (Medical) £m	Other £m	Total £ m
Equities	**178**	**–**	**202**	**380**	182	–	217	399
Government bonds	**215**	**–**	**230**	**445**	682	–	137	819
Corporate bonds	**356**	**–**	**25**	**381**	395	–	92	487
Real Estate/property – unquoted	**113**	**–**	**19**	**132**	110	–	51	161
Insurance contracts	**388**	**–**	**–**	**388**	350	–	–	350
Other assets – unquoted	**538**	**–**	**20**	**558**	35	–	13	48
Fair value of plan assets	**1,788**	**–**	**496**	**2,284**	1,754	–	510	2,264

In 2021, the Trustees of two of the UK pension plans entered into an annuity buy-in agreement which covers, in aggregate, £48 million of pension liabilities (valued under IAS19 at 31 December 2021). The buy-in involved the purchase of a bulk annuity policy under which the insurer will pay the UK pension funds amounts equivalent to the benefits payable to members. This purchase was conducted by the trustees to ensure the pension fund had an asset that would match its obligation to members. The pension liabilities remain with, and the matching annuity policies are held within, the UK pension funds. As this was an investment decision by the trustees the immaterial reduction in the valuation of plan assets (due to the difference between the purchase price of the annuity policy and the accounting value of the buy-in asset) is recorded within Other comprehensive income.

In 2020 the trustees of the principle UK pension plan entered into a similar arrangement, a similar immaterial downward remeasurement of pension assets was recorded within Other comprehensive income. At 31 December 2021 this arrangement covered £340 million (2020: £350 million) of pension liabilities (valued under IAS19).

At 31 December 2021 the Group has not committed to any Buy-out arrangements in respect of any of the UK pension schemes.

23 Pension and Post-Retirement Commitments continued

Included in Other assets are £466 million (2020: nil) relating to liability driven investment funds. This is a bespoke pooled investment vehicle with underlying listed bonds and structured notes. The trustees have purchased these investments during the year to lower risk within the portfolio without reducing potential returns. The remaining other assets are cash.

The present value of obligations for the combined UK plans and the US Medical plans at last valuation date is attributable to participants as follows:

	2021		2020	
	UK £m	**US (Medical) £m**	UK £m	US (Medical) £m
Active participants	**(1)**	**(45)**	–	(50)
Participants with deferred benefits	**(646)**	**(1)**	(687)	(2)
Participants receiving benefits	**(839)**	**(62)**	(860)	(73)
Present value of obligation	**(1,486)**	**(107)**	(1,547)	(125)

The movement in the Group's net surplus/(deficit) is as follows:

	Present value of obligation				Fair value of plan assets			
	UK £m	US (Medical) £m	Other £m	Total £m	UK £m	US (Medical) £m	Other £m	Total £m
At 1 January 2020	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)**
Current service cost	**–**	**1**	**9**	**10**	**–**	**–**	**–**	**–**
Administrative costs	**2**	**–**	**–**	**2**	**–**	**–**	**–**	**–**
Interest expense/(income)	**23**	**3**	**9**	**35**	**(26)**	**–**	**(5)**	**(31)**
	25	**4**	**18**	**47**	**(26)**	**–**	**(5)**	**(31)**
Remeasurements:								
Return on plan assets, excluding amounts included in interest income	**–**	**–**	**–**	**–**	**(76)**	**–**	**(30)**	**(106)**
Losses/(gains) from changes in demographic assumptions	**1**	**(6)**	**4**	**(1)**	**–**	**–**	**–**	**–**
(Gains) from change in financial assumptions	**(27)**	**(5)**	**(33)**	**(65)**	**–**	**–**	**(1)**	**(1)**
Experience (gains)/losses	**8**	**(3)**	**4**	**9**	**–**	**–**	**–**	**–**
	(18)	**(14)**	**(25)**	**(57)**	**(76)**	**–**	**(31)**	**(107)**
Exchange differences	**–**	**–**	**(5)**	**(5)**	**–**	**–**	**4**	**4**
Contributions – employers	**–**	**–**	**–**	**–**	**–**	**(8)**	**(11)**	**(19)**
Payments from plans:	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Benefit payments	**(68)**	**(8)**	**(57)**	**(133)**	**68**	**8**	**57**	**133**
As at 31 December 2021	**1,486**	**107**	**650**	**2,243**	**(1,788)**	**–**	**(496)**	**(2,284)**

23 Pension and Post-Retirement Commitments continued

Amounts recognised in the Income Statement

The charge for the year ended 31 December is shown below:

	2021 £m	2020 £m
Defined contribution plans	**48**	45
Defined benefit plans (net charge excluding interest)		
UK	**2**	4
US (Medical)	**1**	1
Other	**9**	4
Total pension costs included in operating profit (Note 5)[1]	**60**	54
Income Statement charge included in finance expense	**–**	–
Income Statement charge included in profit before income tax	**60**	54
Remeasurement losses/(gains) for[2]:		
UK	**94**	34
US (Medical)	**14**	1
Other	**56**	39
	164	74

1. The Income Statement charge recognised in operating profit includes current service cost, past service cost and administrative costs
2. Remeasurement (gains) excludes £15 million (2020: £1 million) 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:

2021	**Change in assumption**	**Change in defined benefit obligation**
Discount rate	**Increase 0.1%**	**Decrease by 1.6%**
RPI increase	**Increase 0.1%**	**Increase by 0.9%**
Life expectancy	**Members live 1 year longer**	**Increase by 4.0%**

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%

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

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.

23 Pension and Post-Retirement Commitments continued

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. In 2020 the principle UK scheme reduced its exposure by purchasing an insurance product that will pay the pensions of some of the scheme's pensioners. In 2021 two other UK pension schemes purchased a similar insurance policy.

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 majority of their assets to low cost investment funds in consultation with the Group whilst maintaining a prudent diversification and appropriate interest and inflation hedging.

24 Share Capital

Issued and fully paid	Equity ordinary shares number	Nominal value £m
At 31 December 2020	736,535,179	74
At 31 December 2021	**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 (2020: nil ordinary shares) were allotted and 1,677,112 ordinary shares were released from Treasury (2020: 2,988,443) to satisfy vestings/exercises under the Group's various share schemes as follows:

	2021		2020	
Ordinary shares of 10p	**Number of shares**	**Consideration £m**	Number of shares	Consideration £m
Executive Share Options – exercises	**860,697**	**41**	2,774,400	120
Restricted Shares Awards – vesting	**164,867**	**–**	5,804	–
Total under Executive Share Option and Restricted Share Schemes	**1,025,564**	**41**	2,780,204	120
Senior Executives Share Ownership Policy Plan – vesting	**–**	**–**	–	–
Savings-Related Share Option Schemes – exercises	**651,548**	**39**	208,239	11
Total	**1,677,112**	**80**	2,988,443	131

In 2021, 1,677,112 Treasury shares were released (2020: 2,988,443), leaving a balance held at 31 December 2021 of 22,122,980 (2020: 23,800,092). Proceeds received from the reissuance of Treasury shares to exercise share options were £80 million (2020: £131 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. All schemes are equity-settled. The total charge for share-based payments for the year was £30 million (2020: £15 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 and continued employment.

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%

25 Share-Based Payments continued

For awards granted in May 2019:

	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:

	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%

For awards granted in May 2021 and thereafter:

	Weighting	Threshold (20% vesting)	Maximum (100% vesting)
Adjusted EPS at actual FX rates (in final year)	12.5%	308p	379p
Adjusted EPS at constant FX rates (in final year)	12.5%	327p	401p
Net Revenue growth (three-year CAGR)	50%	1%	5%
Return on capital employed (in final year)	25%	12.3%	14.0%

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, for awards granted prior to 2021, 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. For awards granted in May 2021 and thereafter, vesting conditions must be met over the three-year period and are not retested.

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.

Summary of shares outstanding

All outstanding Executive and Other share awards as at 31 December 2021 and 31 December 2020 are included in the tables following which analyse the charge for 2021 and 2020. 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										
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
2021	28 May 2021	64.67	64.67	2021–23	63.68	22	2.1	4	0.20	7.84
Restricted shares										
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
2021	28 May 2021	–	–	2021-23	63.68	22	2.1	4	0.20	58.65

Table 2: Share awards movements 2021

		Movement in number of options			
Award	**Options outstanding at 1 January 2021 number**	**Granted/ adjustments number**	**Lapsed number**	**Exercised/ vested number**	**Options outstanding at 31 December 2021 number**
Share options[1]					
2012	**151,411**	**–**	**(2,057)**	**(149,354)**	**–**
2013	**247,750**	**–**	**–**	**(79,343)**	**168,407**
2014	**457,296**	**–**	**(13,350)**	**(159,136)**	**284,810**
2015	**742,966**	**–**	**(15,000)**	**(295,000)**	**432,966**
2016	**1,120,802**	**–**	**(383,399)**	**(169,850)**	**567,553**
2017	**573,907**	**–**	**(82,376)**	**(850)**	**490,681**
2018	**1,837,548**	**–**	**(839,095)**	**–**	**998,453**
2019	**2,086,058**	**–**	**(261,796)**	**–**	**1,824,262**
2020	**2,595,052**	**–**	**(378,529)**	**–**	**2,216,523**
2021	**–**	**3,075,575**	**(205,846)**	**–**	**2,869,729**
Restricted shares[1]					
2016	**124,863**	**–**	**(124,863)**	**–**	**–**
2017	**175**	**–**	**(175)**	**–**	**–**
2018	**849,859**	**16,997**	**(389,368)**	**(30,033)**	**447,455**
2019	**1,114,886**	**(13,884)**	**(177,664)**	**(57,737)**	**865,601**
2020	**1,404,377**	**7,242**	**(195,882)**	**(84,995)**	**1,130,742**
2021	**–**	**1,738,153**	**(126,265)**	**(22,836)**	**1,589,052**
Other share awards					
UK SAYE	**738,410**	**383,424**	**(148,654)**	**(102,653)**	**870,527**
US SAYE	**672,995**	**439,679**	**(95,794)**	**(65,747)**	**951,133**
Overseas SAYE	**2,302,103**	**930,727**	**(673,300)**	**(482,826)**	**2,076,704**
SOPP	**156,000**	**92,800**	**(33,403)**	**(14,597)**	**200,800**
Weighted average exercise price (share options)	**£60.97**	**£64.67**	**£64.05**	**£47.80**	**£62.58**

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 2020

Award	Options outstanding at 1 January 2020 number	Granted/ adjustments number	Lapsed number	Exercised/ vested number	Options outstanding at 31 December 2020 number
	Movement in number of options				
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

For options outstanding at the year end the weighted average remaining contractual life is 4.58 years (2020: 5.42 years). Options outstanding at 31 December 2021 that could have been exercised at that date were 1,946,341 (2020: 3,427,971) with a weighted average exercise price of £57.03 (2020: £53.38).

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 £61.60 (2020: £68.19).

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 2022 and 2027 are as follows:

	Price to be paid £	Number of shares under option
Executive share option and restricted share schemes		
Reckitt Benckiser Long-term Incentive Plan – share options	64.67	3,075,575
Reckitt Benckiser Long-term Incentive Plan – restricted shares	–	1,738,153
Reckitt Benckiser Group Senior Executive Share Ownership Policy Plan	–	92,800
Total		**4,906,528**
Savings-related share option schemes		
UK Scheme	44.56	383,424
US Scheme	44.56	439,679
Overseas Scheme	44.56	930,727
Total		**1,753,830**

Options and restricted shares outstanding at 31 December 2021

Options and restricted shares which have vested or may vest at various dates between 2022 and 2027 are as follows:

	Price to be paid £		Number of shares under option	
	From	To	**2021**	2020
Executive share option and restricted share schemes				
Reckitt Benckiser Long-term Incentive Plan – Annual Grant – options	38.06	78.00	**9,853,384**	9,812,790
Reckitt Benckiser Long-term Incentive Plan – Annual Grant – restricted shares	–	–	**4,032,850**	3,494,160
Reckitt Benckiser Senior Executives Share Ownership Policy Plan	–	–	**200,800**	156,000
Total			**14,087,034**	13,462,950
Savings-related share option schemes				
UK Scheme	44.56	62.44	**870,527**	738,410
US Scheme	44.56	62.44	**951,133**	672,995
Overseas Scheme	44.56	62.44	**2,076,704**	2,302,103
Total			**3,898,364**	3,713,508

26 Other Reserves

	Hedging Reserve £m	Foreign currency translation reserve £m	Total other reserves £m
Balance at 1 January 2020	(2)	(78)	(80)
Other comprehensive income/(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)
Other comprehensive income/(expense)			
Gains on cash flow hedges, net of tax	30	–	30
Net exchange losses on foreign currency translation, net of tax	–	(374)	(374)
Gains on net investment hedges, net of tax	–	84	84
Reclassification of foreign currency translation reserves on disposal or liquidation of foreign operations, net of tax	–	(550)	(550)
Total other comprehensive income/(expense) for the year	**30**	**(840)**	**(810)**
Balance at 31 December 2021	**11**	**(1,200)**	**(1,189)**

26 Other Reserves continued

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.

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.

During the year ended 31 December 2021 a net gain of £550 million was reclassified to the income statement from foreign currency reserves following the disposal or liquidation of foreign operations, of which a net gain of £766 million related to the liquidation of subsidiaries (see Note 6 for further details) offset by a loss of £216 million, made up of a £284 million arising from the disposal of certain businesses (see Note 29), less related tax credits of £68 million (see Note 7).

27 Related Party Transactions

The Group has symmetrical put and call options over the non-controlling shareholdings of RB & Manon Business Co. Ltd, RB & Manon Business Limited, RB (China Trading) Limited, RB (Hygiene Home) HK Limited, RB & Manon Hygiene Home (HK) Limited and RB & Manon Hygiene Home (Shanghai) Limited.

During the year ended 31 December 2021, the options were measured at fair value and as a result £14 million was credited to the income statement during the year (see Note 6).

On 31 December 2021, notice to exercise the put and call options was not provided. As a result of the option notice not being received, this option expired. As a result of the expiry of these options, the related liabilities of £135 million were de-recognised with their carrying value credited to equity.

Other

The Group has related party relationships with its Directors and key management personnel (Note 5). Other related party relationships are acknowledged in Note 11.

28 Dividends

	2021 £m	2020 £m
Cash dividends on equity ordinary shares:		
2020 Final paid: 101.6p (2019: Final 101.6p) per share	**725**	721
2021 Interim paid: 73p (2020: Interim 73p) per share	**521**	520
Total dividends for the year	**1,246**	1,241

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2021 of 101.6p per share which will absorb an estimated £726 million of Shareholders' funds. If approved by Shareholders it will be paid on 9 June 2022 to Shareholders who are on the register on 29 April 2022, with an ex-dividend date of 28 April 2022.

29 Acquisitions, Disposals and Held for Sale

During the year ended 31 December 2021, the Group completed several acquisitions, accounted for as business combinations, and disposals. In each case, 100% of the businesses were acquired or disposed unless stated otherwise. The Group did not have business disposals or acquisitions during the year ended 31 December 2020.

Acquisitions

Acquisition of Biofreeze

On 12 July 2021, the Group acquired 100% of the equity interests in Lanai Holdings, owner of the Biofreeze and TheraPearl brands, for cash consideration of $1,060 million (£766 million). Biofreeze is a leader in over-the-counter topical pain relief, with a strong footprint in the North America retail and clinical channels and a growing international presence. The acquisition of Biofreeze and TheraPearl has been accounted for as a business combination.

Included within the identifiable assets acquired are brands of £596 million, comprising Biofreeze (£564 million) and TheraPearl (£32 million), customer relationships of £24 million and inventories of £26 million.

Goodwill of £271 million has been recorded on the acquisition, of which £151 million is a consequence of the requirement to record deferred tax liabilities for certain acquired assets. Goodwill represents the future value which the Group believes it will obtain from innovation arising from combining the acquired business with the Group's existing businesses, which has not been recognised as an intangible asset at the acquisition date. None of the goodwill is deductible for income tax purposes.

The Biofreeze acquisitions contributed £55 million to Group net revenue and £9 million to Group operating profit since acquisition, with transaction costs of £12 million. If the acquisition had taken place at the beginning of the year, Group net revenue would have been increased by circa £50 million and the impact on Group net income would have been immaterial.

29 Acquisitions, Disposals and Held for Sale continued

Other acquisitions

The Group also completed the following acquisitions during 2021 for cash consideration, all of which have been accounted for as business combinations:

- 1 April 2021, the Maple Island USA dry processing plant, previously a co-packer for Enfagrow stage 3 and Metabolics, as an asset purchase.
- 4 May 2021, through a trade and asset purchase, a business distributing Reckitt products in the United Arab Emirates.
- 31 May 2021, a Chinese PU condom business through an acquisition of an 80% equity interest in Lanzhou Keshi Xixili Healthcare Technologies Co Ltd.

The results of other acquisitions have been included in the Group's financial statements since the relevant acquisition dates. The effect of these other acquisitions was immaterial to the Group.

The following table summarises the consideration paid and the fair values of assets acquired and liabilities assumed. The amount of consideration transferred in excess of the value of total identifiable net assets is recorded as goodwill.

	Biofreeze £m	Others £m	Total £m
Brands and other intangible assets	620	52	672
Property, plant and equipment	–	20	20
Inventories	26	–	26
Deferred tax liabilities	(151)	–	(151)
Total identifiable net assets	**495**	**72**	**567**
Goodwill	271	99	370
Total	**766**	**171**	**937**
Cash consideration	766	149	915
Deferred consideration	–	22	22
Total consideration	**766**	**171**	**937**

Disposals

The Group completed three disposals in 2021, for a total consideration, net of disposal costs, of £1,704 million, resulting in a total pre-tax loss on disposal of £3,518 million reported within total net operating expenses. None of the disposals meets the definition of a discontinued operation under IFRS as each disposal does not represent the disposal of either a separate major line of business or a geographical area of operations for Reckitt. As such, the results of the disposed businesses are included in the continuing operations up to their date of disposal.

IFCN China

On 9 September 2021, the Group completed the sale of IFCN China to Primavera Capital Group for total cash consideration, net of disposal costs, of £1,436 million. The consideration was principally represented by cash of £1,513 million and an 8% shareholding in the purchaser's acquisition entity. The disposal followed a comprehensive strategic review of IFCN China announced by the Group in February 2021. The transaction was structured as a sale of the entirety of IFCN China (China, Hong Kong and Taiwan), including the manufacturing plants in Nijmegen, the Netherlands and Guangzhou, China. The disposal included a royalty-free perpetual and exclusive license of the Mead Johnson and Enfa family of brands in China. Reckitt continues to own the Mead Johnson and Enfa family of brands globally and operates these brands in the rest of the world. On completion of the disposal, the Group recognized a pre-tax loss on disposal of £3,284 million included within total net operating expenses. IFCN China formed part of the Nutrition segment.

29 Acquisitions, Disposals and Held for Sale continued

Other disposals

In 2021 the Group completed two other transactions:

- On 1 June 2021 the Group completed the sale of Scholl and certain other brands to Yellow Wood Partners, for cash consideration of £272 million. Scholl formed part of the Health operating segment.
- On 1 November 2021 the EnfaBebé brand was sold to the Roemmers Group. EnfaBebé formed part of the Nutrition operating segment.

The following table sets out the effect of the disposals completed in the year ended 31 December 2021:

	IFCN China £m	Others £m	Total £m
Cash consideration	**1,513**	**279**	**1,792**
Non-cash consideration:			
– Fair value of equity instrument	33	–	33
– Fair value of seller's indemnities	(48)	–	(48)
Disposal costs	(62)	(11)	(73)
Total consideration, net of disposal costs	**1,436**	**268**	**1,704**
Goodwill and other intangible assets	4,276	442[1]	4,718
Property, plant and equipment	173	–	173
Inventories	154	24	178
Cash and cash equivalents	168	2	170
Trade receivables and other assets	97	8	105
Trade payables and other liabilities	(408)	(7)	(415)
Net Assets disposed	**4,460**	**469**	**4,929**
Non-controlling interest	(9)	–	(9)
Cumulative foreign exchange reclassified to the Income Statement	(251)	(33)	(284)
Loss on disposal, before tax	**(3,284)**	**(234)**	**(3,518)**

1 The £442 million comprises of £374 million relating to Scholl, and £68 million relating to EnfaBebé

Assets held for sale

On 24 December 2021, the Group entered into an agreement for the sale of the E45 brand and related sub-brands to Karo Pharma AB for £200 million and the sale completed on 1 April 2022. Associated intangible assets of £140 million (including £28 million of Goodwill) have accordingly been presented within assets held for sale at the balance sheet date. The E45 brand and related sub-brands form part of the Health operating segment.

Assets held for sale at 31 December 2021 also includes the carrying value of certain property assets which are being actively marketed for sale.

30 Discontinued Operations

In the year ended 31 December 2021, the Group recorded income of £31 million (2020: £50 million income) in discontinued operations, in relation to an agreement with Indivior plc to settle indemnity claims related to the Group's previous settlement with the Department of Justice (DoJ), and related matters. The income in 2020 relates to the partial release of a provision relating to the 2019 settlement with the DoJ in relation to Indivior plc matters, following a review of outstanding items relating to the DoJ settlement.

31 Post Balance Sheet Events

On 13 April 2022, it was announced that Reckitt has begun a process aimed at transferring ownership of its Russian business, which may include a transfer to a third party or to local employees. The net assets of the Russian business as at 13 April 2022 were c.£130 million and on disposal foreign exchange losses of c.£140 million would be recycled to the income statement. Any loss on disposal would be primarily non cash and the Russian business contributed 2% to the Group's revenue in 2021.

FIVE YEAR SUMMARY

The five-year summary below is presented on an IFRS basis. The years ending 31 December 2017, 31 December 2018, 31 December 2019, 31 December 2020, and 31 December 2021 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	**2021 £m**	2020 £m	2019 £m	Restated[1] 2018 £m	Restated[2] 2017 £m
Net Revenue	**13,234**	13,993	12,846	12,597	11,449
Operating (loss)/profit	**(804)**	2,160	(1,954)	3,058	2,737
Net finance income/(expense)	**547**	(286)	(153)	(338)	(238)
Share of loss of equity-accounted investees, net of tax	**(3)**	(1)	–	–	–
(Loss)/profit before income tax	**(260)**	1,873	(2,107)	2,720	2,499
Income tax credit/(charge)	**208**	(720)	(665)	(536)	894
Attributable to non-controlling interests	**(11)**	(16)	(13)	(20)	(17)
Net (loss)/income attributable to owners of the parent company from continuing operations	**(63)**	1,137	(2,785)	2,164	3,376
Balance Sheet					
Net assets	**7,453**	9,159	9,407	14,771	13,557
Key Statistics – Reported basis					
Operating margin	**(6.1%)**	15.4%	(15.2%)	24.3%	23.9%
Diluted earnings per share, continuing	**(8.8p)**	159.3p	(393.0p)	305.2p	474.7p
Declared total dividends per ordinary share	**174.6p**	174.6p	174.6p	170.7p	164.3p

1. Restated for the adoption of IFRS 16. The 2017 balances have not been restated
2. Restated for the adoption of IFRS 15

PARENT COMPANY BALANCE SHEET

As at 31 December	Note	2021 £m	2020 £m
Fixed assets			
Investments	2	**15,001**	14,975
Current assets			
Debtors due within one year	3	**45**	56
Debtors due after more than one year	4	**25**	3
		70	59
Current liabilities			
Creditors due within one year	5	**(10,898)**	(9,652)
Net current liabilities		**(10,828)**	(9,593)
Total assets less current liabilities		**4,173**	5,382
Creditors due after more than one year	5	**(42)**	(30)
Provisions for liabilities and charges	6	**(41)**	(43)
Net assets		**4,090**	5,309
EQUITY			
Share capital	7	**74**	74
Share premium		**253**	252
Retained earnings		**3,763**	4,983
Total equity		**4,090**	5,309

The Financial Statements on pages 254 to 267 were approved by the Board of Directors on 13 April 2022 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 2020	**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**
Comprehensive income				
Loss for the financial year	–	–	(78)	(78)
Total comprehensive loss	**–**	**–**	**(78)**	**(78)**
Transactions with owners				
Treasury shares reissued	–	1	79	80
Share-based payments	–	–	4	4
Capital contribution in respect of share-based payments	–	–	26	26
Purchase of ordinary shares by employee share ownership trust	–	–	(5)	(5)
Cash dividends	–	–	(1,246)	(1,246)
Total transactions with owners	**–**	**1**	**(1,142)**	**(1,141)**
Balance at 31 December 2021	**74**	**253**	**3,763**	**4,090**

Reckitt Benckiser Group plc has £3,102 million (2020: £4,347 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.

NOTES TO THE PARENT COMPANY 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 269. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 2 to 103.

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 103 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.

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.

1 Parent Company Accounting Policies continued

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.

(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.

1 Parent Company Accounting Policies continued

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.

Legal provisions:

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 2021, the Company recognised legal provisions of £41 million (2020: £43 million) in relation to a number of historical regulatory matters. Refer to Note 6 of the Company Financial Statements for further information.

Tax:

Creditors due after more than one year include management judgements and estimates of the amount of tax payable on uncertain tax positions. The exposure recognised is calculated based on the expected value method and the most likely amount method. The accounting estimates and judgements considered include:

- Status of the unresolved matter;
- Clarity of relevant legislation and related guidance;
- Advice from related party specialists and unrelated third parties;
- Range of possible outcomes; and
- Statute of limitations.

The Company's Directors are of the opinion that there are no other judgements and no further key sources of estimation uncertainty in applying the Company's accounting policies.

2 Investments

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2020	14,963
Additions during the year	12
At 31 December 2020	**14,975**
Additions during the year	26
At 31 December 2021	**15,001**
Provision for impairment	
At 1 January 2020	–
At 31 December 2021	**–**
Net book amounts	
At 31 December 2020	14,975
At 31 December 2021	**15,001**

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The subsidiary undertakings as at 31 December 2021, all of which are included in the Group Financial Statements, are shown in Note 11 of the Company Financial Statements.

With the exception of Reckitt Benckiser Limited, 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 (in liquidation) which have a year ending 31 March; Lloyds Pharmaceuticals which has a year ending 24 August; Reigate Square Holdings Sàrl which has a year ending 31 August; 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 2020, 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

	2021 £m	2020 £m
Amounts owed by Group undertakings	**36**	54
Other debtors	**9**	2
	45	56

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand (2020: same).

4 Debtors Due After More Than One Year

	2021 £m	2020 £m
Deferred tax assets	**1**	3
Other receivables	**24**	–
	25	3

Deferred tax assets consist of short-term timing differences.

5 Creditors

Creditors due within one year:

	2021 £m	2020 £m
Amounts owed to Group undertakings	**10,896**	9,647
Taxation and social security	**1**	4
Other creditors	**1**	1
	10,898	9,652

Included in the amounts owed to Group undertakings is an amount of £10,889 million (2020: £9,548 million) which is unsecured, carries interest at the 3M LIBOR equivalent fallback rate and is repayable on demand (2020: 3M LIBOR). All other amounts owed to Group undertakings are unsecured, non-interest bearing and are repayable on demand (2020: same).

5 Creditors continued

Creditors due after more than one year:

	2021 £m	2020 £m
Non-current tax liabilities	**38**	30
Other creditors	**4**	–
	42	30

6 Provisions for Liabilities and Charges

	Legal provisions £m	Total provisions £m
At 1 January 2020	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
Charged to the Statement of Comprehensive Income	6	6
Utilised during the year	(8)	(8)
At 31 December 2021	**41**	**41**

Provisions have been analysed between current and non-current as follows:

	2021 £m	2020 £m
Current	**39**	43
Non-current	**2**	–
	41	43

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 2021	736,535,179	74
At 31 December 2021	**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 (2020: $8,250 million) (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 (2020: £500 million). 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 £4,500 million (2020: £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 (2020: $1,550 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.

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 (2020: two €850 million bonds). 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

There are no events subsequent to the balance sheet date that require disclosure.

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 2021, 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 2021, 14 legal entities and a partnership were placed into liquidation as part of the review (2020: nine 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.

11 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
103-105 Bath Road Limited	100.00%	9, 23
2309 Realty Corporation	59.00%	2, 143
Access VC Limited	100.00%	9, 23
Airwick Industrie SAS	100.00%	9, 81
Anhui Guilong Pharmaceutical Trading Company Limited	100.00%	1, 45
Apenas Boa Nutrição Indústria de Alimentos Ltda.	100.00%	9, 29
Beleggingsmaatschappij Lemore B.V.	100.00%	9, 130
Benckiser	100.00%	9, 176
Biofreeze IP Holdings, LLC	100.00%	8, 132
Blisa, LLC	100.00%	8, 73
Brand Acquisition Limited	100.00%	9, 110
Canterbury Square Holdings S.à.r.l.	100.00%	9, 120
Central Square Holding B.V.	100.00%	9, 130
Crookes Healthcare Limited*	100.00%	9, 104
Crookes Healthcare Limited	100.00%	9, 23
Cupal, Limited	100.00%	11, 23
Dakin Brothers Limited	100.00%	9, 23
Dorincourt Holdings (Ireland) Limited	100.00%	9, 104
Durex Limited	100.00%	9, 23
eRB Trading Limited	100.00%	9, 23
ERH Propack Limited*	100.00%	9, 96
Eros NewCo Limited	100.00%	9, 23
Exponential Health LLC	100.00%	9, 73
Fenla Indústria, Comércio e Administração Ltda	100.00%	9, 32
FF Homecare & Hygiene Limited	64.29%	11, 186
Gainbridge Investments (Cyprus) Limited	100.00%	9, 70
Glasgow Square Limited	100.00%	9, 23
Green, Young & Company Limited	100.00%	9, 23
Grosvenor Square Holding B.V.	100.00%	9, 130
Guilong Health Technology (Anhui) Co., Limited	100.00%	1, 45
Guilong Pharmaceutical (Anhui) Co. Ltd – Xiamen branch+	100.00%	1, 47
Guilong Pharmaceutical (Anhui) Company Limited	100.00%	1, 46
Hamol Limited	100.00%	9, 23
Hamol NL B.V.	100.00%	9, 130
Helpcentral Limited	100.00%	9, 23
Howard Lloyd & Company, Limited	100.00%	9, 23
Kukident GmbH	100.00%	4, 83
Lanai Holdings 1.5, Inc.	100.00%	9, 73
Lanzhou Keshi Xixili Healthcare Technologies Co. Ltd	80.00%	13, 199
LI Pensions Trust Limited	100.00%	9, 23
Linden Germany A Limited	100.00%	9, 23
Linden Germany B Limited	100.00%	9, 23
Lloyds Pharmaceuticals	100.00%	9, 23
London International Group Limited	100.00%	9, 23
London International Trading Asia Limited	100.00%	9, 88
LRC North America Inc.	100.00%	5, 73
LRC Products Limited	100.00%	9, 23
LRC Secretarial Services Limited	100.00%	9, 23
Maddison Square Holding B.V.	100.00%	9, 130
Manufactura MJN, S. de R.L. de C.V.	100.00%	9, 125
Mead Johnson & Company LLC	100.00%	8, 73
Mead Johnson do Brasil Comércio e Importação de Produtos de Nutrição Ltda.	100.00%	9, 33
Mead Johnson do Brasil Comércio e Importação de Produtos de Nutrição Ltda. – Itajaí Branch+	100.00%	1, 31
Mead Johnson Nutricionales de México, S. de R.L. de C.V.	100.00%	9, 126
Mead Johnson Nutrition (Asia Pacific) Pte. Ltd.	100.00%	9, 156
Mead Johnson Nutrition (Australia) Pty Ltd	100.00%	9, 20
Mead Johnson Nutrition (Canada) Co.	100.00%	4, 40
Mead Johnson Nutrition (Dominicana), S.A.	100.00%	4, 73
Mead Johnson Nutrition (Dominicana), S.A.+	100.00%	1, 190
Mead Johnson Nutrition (India) Private Limited	100.00%	9, 94
Mead Johnson Nutrition (Malaysia) Sdn Bhd	100.00%	9, 122
Mead Johnson Nutrition (Panama), S. de R.L.	100.00%	9, 140
Mead Johnson Nutrition (Philippines), Inc.	99.99%	9, 143
Mead Johnson Nutrition (Poland) Sp. z o.o	100.00%	14, 145
Mead Johnson Nutrition (Puerto Rico) Inc.	100.00%	9, 73
Mead Johnson Nutrition (Puerto Rico) Inc.+	100.00%	1, 150
Mead Johnson Nutrition (Singapore) Pte. Ltd.	100.00%	9, 156
Mead Johnson Nutrition (Thailand) Ltd.	100.00%	4, 169
Mead Johnson Nutrition (UK) Ltd*	100.00%	9, 177
Mead Johnson Nutrition (Venezuela) LLC	100.00%	8, 73
Mead Johnson Nutrition (Vietnam) Company Limited	100.00%	1, 189
Mead Johnson Nutrition Colombia Ltda	100.00%	9, 65
Mead Johnson Nutrition Company	100.00%	9, 73
Mead Johnson Nutrition Holdings (Singapore) Pte. Ltd.	100.00%	9, 156
Mead Johnson Nutrition Nominees LLC	100.00%	8, 73
Mead Johnson Nutrition Trading Poland Sp. z o.o	100.00%	14, 145
Mead Johnson Nutrition Venezuela, S.C.A.	100.00%	7, 187
Mead Johnson One C.V.^	100.00%	8, 192
Mead Johnson Two C.V.^	100.00%	8, 192

11 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
Medcom Marketing And Prodazha Ukraine LLC	100.00%	1, 89
MJ UK Holdings Limited	100.00%	9, 23
MJ USA Holdings LLC	100.00%	8, 73
MJN Asia Pacific Holdings LLC	100.00%	8, 73
MJN Global Holdings B.V.	100.00%	9, 130
MJN Holdings (Netherlands) B.V.	100.00%	9, 130
MJN Innovation Services B.V.	100.00%	9, 130
MJN International Holdings (UK), Ltd.	100.00%	9, 23
MJN U.S. Holdings LLC	100.00%	8, 73
New Bridge Holdings B.V.	100.00%	9, 130
Norwich Square Holding S.L.U.	100.00%	9, 161
Nurofen Limited	100.00%	9, 23
Optrex Limited	100.00%	9, 23
Oriental Medicine Company Limited	100.00%	9, 88
Oxy Reckitt Benckiser LLC	100.00%	1, 160
Performance Health, LLC	100.00%	8, 73
Pharmalab Limited	100.00%	9, 23
Propack Produkte für Haushalt und Körperpflege GmbH	100.00%	9, 84
PT Mead Johnson Indonesia	90.10%	9, 99
PT Reckitt Benckiser Hygiene Home Indonesia	100.00%	9, 100
PT Reckitt Benckiser Hygiene Home Trading Indonesia	100.00%	9, 100
Pt Reckitt Benckiser Indonesia	100.00%	9, 101
PT Reckitt Benckiser Trading Indonesia	100.00%	9, 102
Qingdao London Durex Co., Limited	100.00%	9, 48
Qingdao New Bridge Corporate Management Consulting Company Limited	100.00%	9, 48
R & C Nominees Limited	100.00%	9, 23
R & C Nominees One Limited	100.00%	9, 23
R & C Nominees Two Limited	100.00%	9, 23
RB & Manon Business Co., Limited	75.00%	1, 49
RB & Manon Business Limited	75.00%	9, 90
RB & Manon Hygiene Home (Shanghai) Limited*	100.00%	9, 50
RB & Manon Hygiene Home Limited	80.00%	9, 90
RB (China Trading) Limited	80.00%	2, 9, 23
RB (China) Holding Co. Limited	100.00%	1, 51
RB (Health) Colombia S.A.S	100.00%	9, 66
RB (Health) Malaysia Sdn Bhd	100.00%	9, 123
RB (Hygiene Home) Australia Pty Limited	100.00%	9, 21
RB (Hygiene Home) Czech Republic, spol s.r.o	100.00%	9, 71
RB (Hygiene Home) HK Limited	90.10%	2, 15, 38
RB (Hygiene Home) Hungary Kft	100.00%	9, 92

Name	Holding	Registered office and share class
RB (Hygiene Home) New Zealand Limited	100.00%	9, 134
RB (Hygiene Home) Poland Sp. z o.o	100.00%	9, 146
RB (Hygiene Home) Romania S.R.L.	100.00%	14, 151
RB (Hygiene Home) Slovakia spol. s.r.o	100.00%	9, 158
RB (Suzhou) Co. Ltd	100.00%	1, 64
RB Asia Holding Limited	100.00%	9, 23
RB Health (Canada) Inc.	100.00%	4, 41
RB Health (US) LLC	100.00%	8, 185
RB Health Ecuador Cía. Ltda	100.00%	9, 74
RB Health Manufacturing (US) LLC	100.00%	8, 185
RB Health México, S.A de C.V.	100.00%	2, 126
RB Health Nordic A/S	100.00%	9, 72
RB Health Nordic A/S sivuliike Suomessa†	100.00%	1, 79
RB Health Nordic A/S, filial†	100.00%	1, 165
RB Health Nordic, NUF†	100.00%	1, 137
RB Health Peru S.R.L.	100.00%	9, 141
RB Health Services, S.A de C.V.	100.00%	9, 126
RB Holding Europe Du Sud SAS	100.00%	9, 81
RB Holdings (Luxembourg) S.à.r.l.	100.00%	12, 120
RB Holdings (Nottingham) Limited	100.00%	9, 23
RB Holdings Luxembourg (2018) S.à.r.l.	100.00%	9, 120
RB Hygiene Home (Thailand) Limited	100.00%	9, 170
RB Hygiene Home Arabia FZE	100.00%	9, 179
RB Hygiene Home Austria GmbH	100.00%	9, 22
RB Hygiene Home Belgium SA/NV	100.00%	9, 27
RB Hygiene Home Deutschland GmbH	100.00%	1, 85
RB Hygiene Home France SAS	100.00%	9, 81
RB Hygiene Home India Private Limited	100.00%	9, 95
RB Hygiene Home Netherlands B.V.	100.00%	9, 130
RB Hygiene Home Nordic A/S	100.00%	9, 72
RB Hygiene Home Nordic A/S, filial†	100.00%	1, 165
RB Hygiene Home Nordic A/S, sivuliike Suomessa†	100.00%	1, 80
RB Hygiene Home Nordic NUF†	100.00%	1, 137
RB Hygiene Home Pakistan Limited	98.67%	9, 139
RB Hygiene Home Switzerland AG	100.00%	9, 167
RB Investment Co Limited	0.05%	9, 182
RB Ireland Hygiene Home Commercial Limited	100.00%	9, 105
RB LATAM Holding B.V.	100.00%	9, 130
RB Luxembourg (2016) Limited	100.00%	9, 23
RB Luxembourg (TFFC) S.à.rl.	100.00%	9, 120
RB Luxembourg Holdings (TFFC) Limited	100.00%	9, 23

11 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
RB Luxembourg Holdings (TFFC) Limited†	100.00%	1, 120
RB Manufacturing LLC	100.00%	8, 73
RB Mexico Investments Limited	100.00%	9, 23
RB NL Brands B.V.	100.00%	9, 130
RB Reigate (2019) Ltd	100.00%	9, 23
RB Reigate (Ireland) Unlimited Company*	100.00%	2, 104
RB Reigate (UK) Limited	100.00%	9, 23
RB Salute Mexico S.A de C.V.	100.00%	9, 127
RB Square Holdings Spain S.L.	100.00%	2, 161
RB UK Commercial Limited	100.00%	9, 23
RB UK Hygiene Home Commercial Limited	100.00%	9, 23
RB USA (2019) Ltd	100.00%	9, 23
RB USA Holdings LLC	100.00%	8, 73
RB Winchester (Ireland) Unlimited Company*	100.00%	9, 104
RBHCR Health Reckitt Costa Rica Sociedad Anónima	100.00%	4, 67
Reckitt & Colman (Jersey) Limited	100.00%	9, 111
Reckitt & Colman (Overseas) Health Limited	100.00%	9, 23
Reckitt & Colman (Overseas) Hygiene Home Limited	100.00%	9, 23
Reckitt & Colman (Overseas) Limited	100.00%	9, 23
Reckitt & Colman (UK) Limited	100.00%	11, 23
Reckitt & Colman Capital Finance Limited	100.00%	12, 111
Reckitt & Colman (Guangzhou) Limited	100.00%	9, 52
Reckitt & Colman Holdings Limited	100.00%	9, 23
Reckitt & Colman Management Services (Ireland) Limited*	100.00%	9, 104
Reckitt & Colman Pension Trustee Limited	100.00%	9, 23
Reckitt & Colman Sagrotan Verwaltungsgesellschaft GmbH	100.00%	4, 85
Reckitt & Sons Limited	100.00%	9, 23
Reckitt Benckiser (Australia) Pty Limited	100.00%	11, 21
Reckitt Benckiser (Bangladesh) PLC	82.96%	9, 25
Reckitt Benckiser (Belgium) SA/NV	100.00%	9, 27
Reckitt Benckiser (Brands) Limited	100.00%	9, 23
Reckitt Benckiser (Brasil) Comercial de Produtos de Hygiene, Limpeza e Cosméticos Ltda.	100.00%	9, 34
Reckitt Benckiser (Brasil) Comercial de Produtos de Hygiene, Limpeza e Cosméticos Ltda.†	100.00%	1, 194
Reckitt Benckiser (Brasil) Comercial de Produtos de Hygiene, Limpeza e Cosméticos Ltda.†	100.00%	1, 196
Reckitt Benckiser (Brasil) Comercial de Produtos de Hygiene, Limpeza e Cosméticos Ltda.†	100.00%	1, 197
Reckitt Benckiser (Brasil) Ltda	100.00%	9, 35
Reckitt Benckiser (Brasil) Ltda†	100.00%	1, 199
Reckitt Benckiser (BVI) No. 1 Limited*	100.00%	9, 37
Reckitt Benckiser (BVI) No. 2 Limited*	100.00%	9, 37
Reckitt Benckiser (BVI) No. 3 Limited*	100.00%	9, 37
Reckitt Benckiser (Canada) Inc.	100.00%	4, 42
Reckitt Benckiser (Cayman Islands) Limited	100.00%	9, 43
Reckitt Benckiser (Centroamérica) S.A.	100.00%	9, 67
Reckitt Benckiser (Channel Islands) Limited*	100.00%	9, 87
Reckitt Benckiser (Czech Republic), spol. s r.o.	100.00%	14, 71
Reckitt Benckiser (ENA) B.V.	100.00%	9, 133
Reckitt Benckiser (Granollers) SL	100.00%	9, 161
Reckitt Benckiser (Grosvenor) Holdings Limited	100.00%	9, 23
Reckitt Benckiser (Health) Holdings Limited	100.00%	9, 23
Reckitt Benckiser (Hygiene Home) Holdings Limited	100.00%	9, 23
Reckitt Benckiser (India) Private Limited	100.00%	9, 95
Reckitt Benckiser (Lanka) Limited	99.99%	9, 164
Reckitt Benckiser (Latvia) SIA	100.00%	9, 118
Reckitt Benckiser (Latvia) SIA Eesti filial†	100.00%	1, 78
Reckitt Benckiser (Latvia) SIA LT filialas†	100.00%	1, 119
Reckitt Benckiser (Malaysia) Sdn Bhd	100.00%	9, 124
Reckitt Benckiser (Near East) Limited	100.00%	9, 106
Reckitt Benckiser (New Zealand) Limited	100.00%	9, 135
Reckitt Benckiser (Pars) PJSC	100.00%	9, 103
Reckitt Benckiser (Poland) S.A.	100.00%	9, 147
Reckitt Benckiser (Portugal) S.A.	100.00%	9, 148
Reckitt Benckiser (Romania) S.R.L.	100.00%	13, 151
Reckitt Benckiser (RUMEA) Limited	100.00%	9, 23
Reckitt Benckiser (RUMEA) Limited – Dubai Branch†	100.00%	1, 180
Reckitt Benckiser (Singapore) Pte. Limited	100.00%	9, 157
Reckitt Benckiser (Slovak Republic), spol. s r.o.	100.00%	13, 158
Reckitt Benckiser (South America) Holding B.V.	100.00%	9, 130
Reckitt Benckiser (Spain) B.V.	100.00%	9, 130
Reckitt Benckiser (Switzerland) AG	100.00%	9, 167
Reckitt Benckiser (Thailand) Limited	45.00%	9, 171
Reckitt Benckiser (UK) Limited	100.00%	9, 23
Reckitt Benckiser (USA) Limited	100.00%	9, 23
Reckitt Benckiser AG	100.00%	9, 167
Reckitt Benckiser Arabia FZE	100.00%	9, 179
Reckitt Benckiser Arabia FZE†	100.00%	1, 181
Reckitt Benckiser Arabia Trading LLC	48.70%	9, 183
Reckitt Benckiser Argentina S.A.	100.00%	9, 18
Reckitt Benckiser Asia Pacific Limited†	100.00%	1, 23
Reckitt Benckiser Asia Pacific Limited	100.00%	9, 109

11 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
Reckitt Benckiser Austria GmbH	100.00%	9, 22
Reckitt Benckiser Bahrain W.L.L	100.00%	9, 24
Reckitt Benckiser Brands Investments B.V.	100.00%	9, 130
Reckitt Benckiser BY LLC	100.00%	1, 26
Reckitt Benckiser Calgon B.V.	100.00%	9, 130
Reckitt Benckiser Chartres SAS	100.00%	9, 82
Reckitt Benckiser Chile S.A.	100.00%	9, 44
Reckitt Benckiser Colombia S.A.	100.00%	9, 68
Reckitt Benckiser Commercial (Italia) S.r.l.	100.00%	16, 107
Reckitt Benckiser Corporate Services Limited	100.00%	9, 23
Reckitt Benckiser d.o.o	100.00%	9, 69
Reckitt Benckiser Detergents GmbH	100.00%	9, 85
Reckitt Benckiser Deutschland GmbH	100.00%	4, 85
Reckitt Benckiser East Africa Limited	99.99%	9, 115
Reckitt Benckiser Ecuador S.A.	100.00%	9, 75
Reckitt Benckiser Egypt Limited	100.00%	9, 76
Reckitt Benckiser España S.L.	100.00%	9, 161
Reckitt Benckiser Ev ve Hjyen Ürünleri A.Ş.	100.00%	1, 174
Reckitt Benckiser Expatriate Services Limited	100.00%	9, 23
Reckitt Benckiser Fabric Treatment B.V.	100.00%	9, 130
Reckitt Benckiser Finance (2005) Limited	100.00%	3, 9, 23
Reckitt Benckiser Finance (2007)	100.00%	9, 23
Reckitt Benckiser Finance (2010) Limited	100.00%	9, 23
Reckitt Benckiser Finance (Ireland) Unlimited Company*	100.00%	9, 104
Reckitt Benckiser Finance Company Limited	100.00%	9, 23
Reckitt Benckiser Finish B.V.	100.00%	9, 130
Reckitt Benckiser France SAS	100.00%	9, 81
Reckitt Benckiser FSIA B.V.	100.00%	9, 130
Reckitt Benckiser Global R&D GmbH	100.00%	4, 84
Reckitt Benckiser Health Argentina S.A.	100.00%	9, 18
Reckitt Benckiser Health Comercial Ltda	100.00%	9, 36
Reckitt Benckiser Health Comercial Ltda. – Itapevi Branch†	100.00%	1, 30
Reckitt Benckiser Health Kazakhstan LLP	100.00%	1, 113
Reckitt Benckiser Health Kenya Limited	100.00%	9, 116
Reckitt Benckiser Health Limited	100.00%	9, 23
Reckitt Benckiser Healthcare (Central & Eastern Europe) Limited	100.00%	9, 23
Reckitt Benckiser Healthcare (CIS) Limited	100.00%	9, 23
Reckitt Benckiser Healthcare (Ireland) Limited*	100.00%	9, 104
Reckitt Benckiser Healthcare (Italia) S.p.A	100.00%	9, 107

Name	Holding	Registered office and share class
Reckitt Benckiser Healthcare (MEMA) Limited	100.00%	9, 23
Reckitt Benckiser Healthcare (Philippines), Inc.	100.00%	5, 144
Reckitt Benckiser Healthcare (UK) Limited	100.00%	9, 23
Reckitt Benckiser Healthcare Australia Pty Limited	100.00%	9, 21
Reckitt Benckiser Healthcare B.V.	100.00%	9, 130
Reckitt Benckiser Healthcare France SAS	100.00%	9, 81
Reckitt Benckiser Healthcare India Private Limited	100.00%	9, 95
Reckitt Benckiser Healthcare International Limited	100.00%	9, 23
Reckitt Benckiser Healthcare LLC	100.00%	1, 153
Reckitt Benckiser Healthcare Manufacturing (Thailand) Limited	45.00%	11, 172
Reckitt Benckiser Healthcare, Ltda	100.00%	16, 148
Reckitt Benckiser Healthcare S.A.U.	100.00%	2, 161
Reckitt Benckiser Hellas Healthcare S.A.	100.00%	9, 86
Reckitt Benckiser Hellas Hygiene Home S.A.	100.00%	9, 86
Reckitt Benckiser HK Limited Taiwan Branch†	100.00%	1, 168
Reckitt Benckiser Holding (Thailand) Limited	45.00%	5, 169
Reckitt Benckiser Holding GmbH & Co KG	100.00%	1, 85
Reckitt Benckiser Holdings (Channel Islands) Limited	100.00%	9, 87
Reckitt Benckiser Holdings (Channel Islands) Limited†	100.00%	1, 23
Reckitt Benckiser Holdings (Italia) S.r.l.	100.00%	16, 107
Reckitt Benckiser Holdings (Luxembourg) Limited	100.00%	11, 23
Reckitt Benckiser Holdings (Overseas) Limited	100.00%	9, 23
Reckitt Benckiser Holdings (TFFC) Limited	100.00%	9, 23
Reckitt Benckiser Holdings (USA) Limited	100.00%	9, 23
Reckitt Benckiser Holdings (USA) Limited†	100.00%	1, 120
Reckitt Benckiser Home Chemical Products Trading (Shanghai) Co. Limited	100.00%	9, 53
Reckitt Benckiser Hong Kong Limited	100.00%	9, 88
Reckitt Benckiser Hong Kong Limited Taiwan Branch†	100.00%	1, 198
Reckitt Benckiser Household and Health Care Ukraine LLC	100.00%	1, 178
Reckitt Benckiser Household Products (China) Company Limited	100.00%	1, 54
Reckitt Benckiser Hygiene Home Brands B.V.	100.00%	9, 130
Reckitt Benckiser Hygiene Home Egypt Limited*	100.00%	9, 77
Reckitt Benckiser Hygiene Home Ukraine LLC	100.00%	1, 178
Reckitt Benckiser Investments (No. 1) S.à.r.l.	100.00%	9, 120
Reckitt Benckiser Investments (No. 2) S.à.r.l.	100.00%	9, 120
Reckitt Benckiser Investments (No. 4) S.à.r.l.	100.00%	9, 120
Reckitt Benckiser Investments (No. 5) S.à.r.l.	100.00%	9, 120
Reckitt Benckiser Investments (No. 7) S.à.r.l.	100.00%	9, 120
Reckitt Benckiser Investments (No. 8) S.à.r.l.	100.00%	9, 120

11 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
Reckitt Benckiser Investments Limited	100.00%	3, 9, 23
Reckitt Benckiser IP LLC	100.00%	1, 154
Reckitt Benckiser Ireland Limited	100.00%	9, 104
Reckitt Benckiser Italia S.p.A	100.00%	9, 107
Reckitt Benckiser Japan Limited	100.00%	9, 109
Reckitt Benckiser Jersey (No.1) Limited*	100.00%	9, 111
Reckitt Benckiser Jersey (No.1) Limited⁺*	100.00%	1, 23
Reckitt Benckiser Jersey (No.2) Limited*	100.00%	9, 111
Reckitt Benckiser Jersey (No.2) Limited⁺*	100.00%	1, 23
Reckitt Benckiser Jersey (No.3) Limited	100.00%	9, 111
Reckitt Benckiser Jersey (No.3) Limited⁺	100.00%	1, 23
Reckitt Benckiser Jersey (No.5) Limited	100.00%	9, 111
Reckitt Benckiser Jersey (No.5) Limited⁺	100.00%	1, 23
Reckitt Benckiser Jersey (No.7) Limited	100.00%	12, 111
Reckitt Benckiser Kazakhstan LLP	100.00%	1, 114
Reckitt Benckiser Kereskedelmi Kft	100.00%	14, 92
Reckitt Benckiser Laundry Detergents (No. 1) B.V.	100.00%	9, 130
Reckitt Benckiser Laundry Detergents (No. 2) B.V.	100.00%	9, 130
Reckitt Benckiser Lime-A-Way B.V.	100.00%	9, 130
Reckitt Benckiser Limited°	100.00%	9, 23
Reckitt Benckiser LLC	100.00%	8, 155
Reckitt Benckiser LLC	100.00%	8, 73
Reckitt Benckiser LLC in city Klin, Moscow region, Russia⁺	100.00%	8, 89
Reckitt Benckiser Luxembourg (2010) Limited	100.00%	9, 23
Reckitt Benckiser Luxembourg (No. 1) Limited	100.00%	9, 23
Reckitt Benckiser Luxembourg (No. 2) Limited	100.00%	9, 23
Reckitt Benckiser Luxembourg (No. 3) Limited	100.00%	9, 23
Reckitt Benckiser Luxembourg (No. 4) Limited	100.00%	9, 23
Reckitt Benckiser Management Services Unlimited Company	100.00%	3, 104
Reckitt Benckiser Marc B.V.	100.00%	9, 130
Reckitt Benckiser Mexico, S.A. de C.V.	100.00%	9, 126
Reckitt Benckiser Morocco Sarl AU	100.00%	9, 129
Reckitt Benckiser N.V.	100.00%	9, 130
Reckitt Benckiser N.V.⁺	100.00%	1, 120
Reckitt Benckiser Nigeria Limited	99.53%	9, 138
Reckitt Benckiser Oven Cleaners B.V.	100.00%	9, 130
Reckitt Benckiser Pakistan Limited	98.68%	9, 139
Reckitt Benckiser Peru S.A.	100.00%	9, 142
Reckitt Benckiser Pharmaceuticals (Proprietary) Limited	100.00%	9, 159

Name	Holding	Registered office and share class
Reckitt Benckiser Porto Alto Lda	100.00%	16, 149
Reckitt Benckiser Power Cleaners B.V.	100.00%	9, 130
Reckitt Benckiser Production (Poland) Sp. z.o.o.	100.00%	9, 147
Reckitt Benckiser S.à.r.l.	100.00%	12, 120
Reckitt Benckiser Scholl India Private Limited	100.00%	9, 97
Reckitt Benckiser Service Bureau Limited	100.00%	9, 23
Reckitt Benckiser Services S.A. de C.V.	100.00%	9, 128
Reckitt Benckiser Services (Kenya) Limited	100.00%	9, 117
Reckitt Benckiser South Africa Health Holdings (Pty) Limited	100.00%	9, 159
Reckitt Benckiser South Africa (Proprietary) Limited	100.00%	9, 159
Reckitt Benckiser Tatabanya Kft	100.00%	9, 92
Reckitt Benckiser Temizlik Malzemesi San. ve Tic. A.Ş.	100.00%	1, 175
Reckitt Benckiser Tiret B.V.	100.00%	9, 130
Reckitt Benckiser Treasury (2007) Limited	100.00%	11, 23
Reckitt Benckiser Treasury Services (Nederland) B.V.	100.00%	9, 133
Reckitt Benckiser Treasury Services plc	100.00%	9, 23
Reckitt Benckiser USA (2010) LLC	100.00%	8, 73
Reckitt Benckiser USA (2010) LLC⁺	100.00%	1, 23
Reckitt Benckiser USA (2012) LLC	100.00%	8, 73
Reckitt Benckiser USA (2013) LLC	100.00%	8, 73
Reckitt Benckiser USA (2013) LLC⁺	100.00%	1, 23
Reckitt Benckiser USA Finance (No.1) Limited	100.00%	9, 23
Reckitt Benckiser USA Finance (No.2) Limited	100.00%	9, 23
Reckitt Benckiser USA Finance (No.3) Limited	100.00%	9, 23
Reckitt Benckiser Vanish B.V.	100.00%	9, 130
Reckitt Benckiser Venezuela S.A.	100.00%	9, 188
Reckitt Colman Chiswick (OTC) Limited	100.00%	9, 23
Reckitt Piramal Private Limited	100.00%	9, 98
Reckitt Sanabil for Trading Co LLC	51.00%	13, 193
Reckitt Seton Limited	100.00%	11, 23
Reckitt Sonet (UK) Limited	100.00%	9, 23
Reigate Square Holdings S.à.r.l.	100.00%	9, 120
Relcamp Aie*	100.00%	9, 162
Scholl Latin America Limited*^	100.00%	9, 191
Servicios Nutricionales Mead Johnson, S. de R.L. de C.V.	100.00%	9, 126
Scholl Consumer Produdts Limited	100.00%	9, 23
Sonet Investments Limited	100.00%	9, 23
Sonet Overseas Investments Limited	100.00%	3, 9, 23
Sonet Prebbles Limited	100.00%	9, 23
Sonet Products Limited	100.00%	9, 23

11 Subsidiary Undertakings continued

Name	Holding	Registered office and share class
Sonet Seton UK Limited	100.00%	9, 23
Sphinx Holdings Company, Inc.	38.00%	5, 143
SSL (MG) Polymers Limited	100.00%	9, 23
SSL (RB) Products Limited	100.00%	9, 23
SSL Australia Pty Ltd	100.00%	6, 21
SSL Capital Ltd	100.00%	9, 112
SSL Healthcare (Shanghai) Ltd	100.00%	9, 55
SSL Healthcare Ireland Limited*	100.00%	9, 104
SSL Healthcare Manufacturing S.A.U.*	100.00%	9, 163
SSL Healthcare Sverige AB	100.00%	9, 166
SSL Holdings (USA) Inc.	100.00%	9, 73
SSL International plc	100.00%	9, 23
SSL Manufacturing (Thailand) Limited	45.00%	12, 173
SSL New Zealand Limited	100.00%	1, 135
SSL Products Limited	100.00%	3, 9, 23
Suffolk Finance Company Limited	100.00%	10, 23
Suffolk Insurance Limited	100.00%	4, 28
Tai He Tai Lai Culture Communication Co Ltd	100.00%	9, 56
TheraPearl LLC	100.00%	8, 184
Tubifoam Limited	100.00%	3, 9, 23
UpSpring LLC	100.00%	8, 93
W.Woodward, Limited	100.00%	9, 23

† Branch
* In liquidation
° Interest held directly by Reckitt Benckiser Group plc
^ Country of incorporation different to registered address

Footnotes for Note 11

Share Class

1 Capital Contribution/Charter Capital
2 A/B/C/D/E/F/G/H/I/K/J
3 Bonus
4 Common
5 Common/Preference
6 Cumulative Redeemable Preference/Ordinary
7 General Partner
8 Membership
9 Ordinary
10 Ordinary/Deferred
11 Ordinary/Preference
12 Ordinary A/B/C/D/E/F/G/H/I/K/J
13 Partnership
14 Partnership/Membership Interest
15 Preference
16 Quota

Registered Offices

17 Teniente General Richieri 15, Ciudad de Sunchales, Santa Fe, Argentina
18 Bucarelli 2609 PB A, Ciudad Autonoma de Buenos Aires, Argentina
19 Av Hipólito Alferez Bouchard, 4191 3°, Argentina
20 King & Wood Mallesons, 'Governor Phillip Tower' Level 61, 1 Farrer Place, Sydney NSW 2000, Australia
21 Level 47, 680 George Street, Sydney NSW 2000, Australia
22 Guglgasse 15, Vienna, 1110, Austria
23 103-105 Bath Road, Slough, SL1 3UH, Berkshire, United Kingdom
24 Building 330, Road 1506, Block 115, Bahrain International Investment Park, Hidd. Kingdom of Bahrain, Bahrain
25 58-59 Nasirabad Industrial Area, Chittagong 4209, Bangladesh
26 Of. 166, 66, K Liebknekhta st., Minsk, 220036, Belarus
27 20 Allée de la Recherche, Anderlecht, 1070 Brussels, Belgium
28 Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
29 Estrada Fukutaro Yida, n. 930, Bairro Cooperativa, Sao Bernardo Do Campo, Sao Paulo, 09852-060, Brazil
30 Av. Portugal, nº 1.100, Setor Rua 6 Parte A12, Bairro Itaqui, Itapevi, São Paulo, 06696-060, Brazil
31 Rodovia Antonio Heil, SC 486, Km 4, Bairro Itaipava, Armazém 1B, Itajaí, São Paolo, CEP 88316-003, Brazil
32 Rodovia Raposo Tavares, 8015 Km 18, 1º andar, Sala 2, Jardim Arpoador, Sao Paolo, CEP 05577-900, Brazil
33 Avenida Presidente Juscelino Kubitschek, nº 1909, 24º andar, Parte B, Torre Norte, Condomínio São Paulo Corporate Towers, Vila Nova Conceição, Sao Paolo – SP, CEP 04.543-907, Brazil
34 Avenida Presidente Juscelino Kubitschek, 1909 cj 24 e 25, Vila Nova Conceição, São Paolo/SP, Brazil
35 Rodovia Raposo Tavares, 8015 km 18, Jardim Arpoador, Sao Paolo, CEP 05577-900, Brazil
36 Avenida Presidente Juscelino Kubitschek, nº 1909, 24º andar, Parte C, Torre Norte, Condomínio São Paulo Corporate Towers, Vila Nova Conceição, Sao Paolo, CEP 04.543-907, Brazil
37 Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands
38 22/F W Square, 314-324 Hennessy Road, Wanchai, Hong Kong
39 Sofia City – 1407, Lozenets Region, 22, Zlaten rog Str, 3rd Floor, Office 4, Bulgaria
40 Suite 600, 1741 Lower Water Street, Halifax, NS B3J 0J2, Canada
41 Suite 2300, 550 Burard Street, Vancouver, BC V6C 2B5, Canada
42 1680 Tech Avenue, Unit 2, Mississauga, ON L4W 5S9, Canada
43 PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
44 Avenida Presidente Kennedy, Lateral 5454, Oficina 1602, Vitacura, Región Metropolitana, Chile
45 Intersection of Hongqi Road and Mingzhu Road, Dangtu Economic Development Zone, Maanshan City, Anhui Province, China
46 Intersection of Hongqi Road and Mingzhu Road, Dangtu Economic Development Zone, Maanshan City, Anhui Province, China
47 Unit 02, 11/F, Tower A Hedonic Center, 6 Songyue Road, Siming District, Xiamen, China
48 No.1-13 Shangma, Aodong Road, High-tech Industrial Development Zone, Qingdao City, Shandong Province, China
49 Room 1701, No. 1033, Zhao Jia Bang Road, Zuhui District, Shanghai, China
50 16/F, Xu Jia Hui International Plaza, No.1033 Zhao Jia Bang Road, Shanghai, China
51 Unit B01, Room 401, Tower 2, Parkview Green Fang Cao Di, No.9 Dongdaqiao Road, Chaoyang District, Beijing, China
52 No. 3, Canglian 1 Road, ETDZ, Guangzhou, China
53 C6-8 Site 6F, No.333 Futexi Road, Waigaoqiao Free Trade Zone, Shanghai City, China
54 No. 34 East Beijing Road, Jingzhou, Hubei, 434001, China

11 Subsidiary Undertakings continued

55 Room 1605, No.660, Shangcheng Road, Shanghai, China

56 Room 2109, Floor 2, No.10 Chaoyangmenwai Street, Chaoyang District, Beijing City, China

57 Unit B02-B04, Room 401, Unit 2, Building 9, Dongdaqiao Road, Chaoyang District, Beijing, China

58 Room 2202, Yanheng Land Plaza, No.1, Section 2, Renmin South Road, Jinjiang District, Chengdu, Sichuan Province, China

59 Room 11-13, 8/F, Global Plaza, 158 Wusi Road, Fuzhou City, Gulou District, China

60 707, Hisense Venture Center, 17 Shandong Road, Shinan District, Qingdao, Shandong Province, China

61 15/F, 755 Huaihai Middle Road, Huangpu District, Shanghai, China

62 Rooms 1408 and 1409, 14/F, Gaoxin No.9 Office Building, Gaoxin 4th Road, Hi Tech Zone, Xi'an City, Shanxi Province, China

63 #2, Xiayuan Road, Dongji Industry Zone of Economic and Technology District, Guangzhou, Guangdong, China

64 No. 99, Changjiang Da Road, Fuqiao Town, Taicang City, China

65 Calle 76, No. 11-17, Edificio Torre, Los Nogales Piso 2, Bogota, CO, Colombia

66 Calle 76 No 11-17, Oficina 301, Bogota, CO, Colombia

67 San Jose-Escazu En Escazu Corporate Center, Setimo Piso, Costado Sur De Multiplaza Escazu, Costa Rica

68 Calle 46, 5-76, Cali, Colombia

69 Ulica Grada Vukovara 269d, 10 000 Zagreb, Hrvatska, Croatia

70 1 Lampousas Street, P.C. 1095, Nicosia, Cyprus

71 Vinohradská 2828/151, 130 00 Praha 3-Žižkov, Czech Republic

72 Vandtårnsvej 83A, DK-2860 Søborg, Denmark

73 251 Little Falls Drive, Wilmington DE 19808, United States

74 Av. Coruña 27-88 y Av. Orellana, Edificio Coruña Plaza, Piso 7, Quito 170150, Ecuador

75 Oficina 4C, Av. 12 de Octubre, #26-48 y Orellana, Edificio Mirage, Piso 4, Quito, 170525, Ecuador

76 Polyium Building 22, Off Road 90, First District, 5th Settlement, New Cairo, Egypt

77 Building A1, Second Floor, Plot #A14b01, Cairo Festival City, First District, Fifth Settlement, New Cairo, Cairo, Egypt

78 Harju maakond, Rae vald, Rae küla, Raeküla tee 5, 75310, Estonia

79 Itsehallintokuja 6, 02600 Espoo, Finland

80 Självstyrelsevägen 6, Esbo, 02600, Finland

81 38 rue Victor Basch, 91300 Massy, France

82 102 rue de Sours, 28000 Chartres, France

83 Heinestrasse 9, 69469, Weinheim, Germany

84 Robert-Koch-Straße 1, 69115 Heidelberg, Germany

85 Darwinstrasse 2-4, 69115, Heidelberg, Germany

86 7 Taki Kavalieratou Street, Kifissia, 145 64, Greece

87 1st & 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, GY1 1EW, Guernsey

88 Rooms 2206-11, 22 Floor, Chubb Tower, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong

89 Klin City, Tereshkovoy Street, 1, 14160052/1, Moscow Region, Russian Federation

90 Room 2001, 20/F, Greenfield Tower, Concordia Plaza, No.1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong

91 40-Richchia Zhovtnia avenue, 120, 1 Block, Kyiv, 03127, Ukraine

92 Bocskai út 134-146, H-1113, Budapest, Hungary

93 4209 S. Industrial Drive, Suite 200, Austin TX 78744, United States

94 Unit No. 54, 5th Floor, Kalpataru Square, Andheri-Kurla Road, Maharashtra, Mumbai, 400059, India

95 Plot No. 48, Industrial Area, Sector 32, Gurgaon – 122001, Haryana, India

96 30 Finsbury Square London EC2A 1AG

97 F73 and 74, Sipcot Industrial Park, Irungattukottai, Sriperumbudur TK, Kancheepuram District, Tamilnadu, 602 117, India

98 Unit No. 54, 5th Floor, Kalpataru Square Andheri-Kurla Road, Andheri (East) Mumbai, Maharashtra, 400059, India

99 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

100 Treasury Tower 59th Floor, District 8, SCBD, Jalan Jendral Sudirman Kav 52-53, Jakarta, 12190, Indonesia

101 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

102 Jl. Raya Narogong, Chamber A.I, Kel. Pasirangin, Kec Cileungsi, Kab. Bogor. Prop. Jawa Barat, Indonesia

103 1st Floor, Unit 11, No. 88 Baran Building, Sayed Road, Opposite Mellat Park, Vali-e-Asr Avenue, Tehran, Islamic Republic of Iran

104 3rd Floor, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland

105 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland

106 6 Hangar Street, PO Box 6440, I.Z. Neve Nee'man B Hod Hasharon, 4527703, Israel

107 Via Spadolini 7, 20141, Milano, Italy

108 3-20-14 Higashi-Gotanda, Shinagawa-ku, Tokyo, 141-0022, Japan

109 Sumitomo Fudosan Takanawa Park Tower 14F, 3-20-14 Higashi-Gotanda, Shinagawa-ku, Tokyo, 141-0022, Japan

110 22 Grenville Street, St Helier, Jersey

111 IFC 5, St. Helier, JE1 1ST, Jersey

112 44 Esplanade, St Helier, JE4 9WG, Jersey

113 Bld. 15/A, Koktem-1, Almaty, 050040, Kazakhstan

114 Office 302, Building 15a, Koktem-1, Micro District, Almaty City, Kazakhstan

115 Plot 209/2462, Likoni Road, Nairobi, Kenya

116 14 Riverside Drive, Arlington Building, 3rd Floor, Nairobi, 209/19, Kenya

117 LR.NO.1870/1/569, 2nd Floor, Apollo Centre, Ring Road Westlands, Kenya

118 Strēlnieku iela 1A – 2, Rīga, LV-1010, Latvia

119 Vilniaus m. Olimpiečių g. 1A, Lithuania

120 1 rue de la Poudrerie, Leudelange, L-3364, Luxembourg

121 Avenida Son On, No.1040, Centre Indusrial Brilliant 2 Andar, Taipa, Macau

122 Suite 1005, 10th Floor, Wisma Hamzag Kwong Hing, No. 1 Leboh Ampang, 50100 W.P. Kuala Lumpur, Malaysia

123 Unit No. 50-8-1, 8th Floor, Wisma Uoa Damansara, 50 Jalan Dungun, Damansara Heights, 50490, Kuala Lumpur, Malaysia

124 Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490, Damansara Heights, Wilayah Persekutuan, Kuala Lumpur, Malaysia

125 Av de las Granjas 972, Col. Santa Barbara, Azcapotzalco, CDMX, 02230, Mexico

126 Av. Ejército Nacional Mexicano No.769, Corporativo Miyana Torre B, Piso 6, Alcaldía Miguel Hidalgo, Colonia Granada, CP 11520, Mexico

127 Calzada de Tlalpan No. 2996, Col. Ex Hacienda Coapa, Del. Coyoacán, Cd. de México, C.P. 04980, Mexico

128 Circuito Dr Gustavo Baz, 7, No. 7, Fracc Industrial El Pedregal, Atizapan de Zaragoza, Edomex, Mexico

129 59 Boulevard Zerktouni, Residence Les Fleurs 6eme étage, Casablanca, Morocco

130 Siriusdreef 14, 2132 WT, Hoofddorp, The Netherlands

131 225 North Canal Street, Floor 25, Chicago IL 60606, United States

132 112 North Curry Street, Carson City, NV, 89703, United States

133 Schiphol Boulevard 267, 1118 BH, Schiphol, The Netherlands

134 Level 1, 2 Fred Thomas Drive, Takapuna, Auckland, 0622, New Zealand

11 Subsidiary Undertakings continued

135 2 Fred Thomas Drive, Takapuna, Auckland, 0622, New Zealand

136 12 Montgomery Road, Yaba, Lagos, Nigeria

137 Henrik Ibsens gate 60A, 0255 Oslo, Norway

138 12, 11th Floor Heritage Place, 21 Lugard Avenue Ikoyi, Nigeria

139 Tenancy 04 & 05, 3rd Floor, Corporate Office Block, Dolmen City, HC, Block 4, Scheme 5, Clifton, Karachi, 75600, Pakistan

140 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

141 Calle Dean Valdivia No.148, Torre 1, Ofic. 501, Urb. Jardín, San Isidro, Lima, Peru

142 Av. Republica de Panama #2577, Urb. Santa Catalina, La Victoria, Lima, Peru

143 2309 Don Chino Roces Avenue Extension, Makati City, Philippines

144 3rd Floor Mead Johnson Nutrition Inc, 2309 Don Chino Roces Extension, Makati City, Philippines

145 Ul. Wołoska 22, 02-675, Warsaw, Poland

146 Nowy Dwór Mazowiecki, Ul. Okunin 1, 05-100, Poland

147 ul. Okunin 1, 05-100, Nowy Dwor, Mazowiecki, Poland

148 Rua D. Cristóvão da Gama, n.º 1, 1º, C/D, 1400-116, Lisboa, Portugal

149 Estrada Malhada dos Carrascos, 12, Porto Alto, 2135-061, Samora Correia, Portugal

150 Los Frailes Industrial Park, Ave. Esmeralda, Calle C # 475, Guaynabo, 00969, Puerto Rico

151 89-97 Grigore Alexandrescu street, Building A, 5th floor, Sector 1, Bucharest, Romania

152 Iancu de Hunedoara Boulevard, Nr. 48, 11th Floor, Crystal Tower Building, 1st District, Bucharest, 011745, Romania

153 4, Shluzovaya emb, 3rd Floor, 115114, Moscow, Russian Federation

154 14 Kozhevnicheskaya Str, 115114, Moscow, Russian Federation

155 52/1, Kosmodamianskaya emb, 115054, Moscow, Russian Federation

156 80 Robinson Road, #02-00, 068898, Singapore

157 12 Marina Boulevard, #19-01 Marina Bay Financial Centre, 018982, Singapore

158 Drieňová 3, 821 08 Bratislava, Slovakia

159 8 Jet Park Road, Gauteng, Elandsfontein, 1406, South Africa

160 24th Floor, Two IFC, 10 Gukjegeumyung-ro, Youngdeungpo-gu, Seoul, 07326, Republic of Korea

161 Carrer de Mataró, 28, 08403, Granollers, Barcelona, Spain

162 Fray Carbo, 24, 08400, Granollers, Spain

163 No.151, Avda. Can Fatjó, 08191, Rubí, Barcelona, Spain

164 No.25, Shrubbery Garden, Colombo-04, Sri Lanka

165 Vretenvägen 2, 4th Floor, 171 54 Solna, Sweden

166 Box 190, 101 23 Stockholm, Sweden

167 Richtistrasse 5, 8304, Wallisellen, Switzerland

168 6F., No. 136, Sec. 3, Ren'ai Road, Da'an Dist, Taipei City 1, R.O.C., 10657, Taiwan

169 No.388 Exchange Tower, 14th Floor, Sukhumvit Road, Klongtoey, Bangkok, TH 10110, Thailand

170 No. 388, Room No. 1903, Floor 19th Floor, Exchange Tower, Sukhumvit Road, Sub-District Klongtoey, District Klongtoey, Bangkok, 10110, Thailand

171 No.388 Exchange Tower, 14th Floor, Sukhumvit Road, Klongtoey, Bangkok, 10110, Thailand

172 65 Moo 12 Lardkrabang-Bangplee Road, Bangplee Samutprakarn, 10540, Thailand

173 100 Moo 5, Bangsamak Sub-District, Bangpakong District, Chachoengsao Province 24180, Thailand

174 Orta Mahallesi Demokrasi, Caddesi Benckiser Sitesi No.92, Tuzla, Istanbul, Turkey

175 Esentepe Mahallesi Büyükdere Caddesi Tekfen, Tower No: 209 A Blok D:2 34394 4., Levent, Şişli, İstanbul, Turkey

176 4th Floor, 115 George Street, Edinburgh, EH2 4JN, Scotland, United Kingdom

177 1020 Eskdale Road, Winnersh, Wokingham, RG41 5TS, United Kingdom

178 28A Stepana Bandery, Bld.G, Office 80, 04073, Kyiv, Ukraine

179 Level 27, Tower B, JAFZA One, Jebel Ali Free Zone, Dubai, PO Box 16834, United Arab Emirates

180 Office 1801, 1803, 1804, Emaar Real Estate Burj Khalifa, Dubai, United Arab Emirates

181 309, Floor 3, Dubai Science Park Labrotory Complex, Dubai, United Arab Emirates

182 Unit 05, Level 3, Gate Village Building 04, Dubai Investment Financial Centre, PO Box 677, Dubai, United Arab Emirates

183 Al Seer Corporate Office, Behind Al Tayer Motors, Sheikh Zayed Road, Al Quoz Industrial Area 3, Dubai, 31587, United Arab Emirates

184 4209 S. Industrial Drive, Suite 200, Austin TX 78744, United States

185 Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle County DE 19808, United States

186 Northcliffe House, Young Street, London, W8 5EH, United Kingdom

187 Urb. Las Mercedes, Av. Orinoco cruce con Mucuchies Torre Nordic, Piso 1, Oficina 1 y 2, Municipio Baruta Caracas, Bolivarian Republic of Venezuela

188 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

189 Unit 401, 4th Floor, Metropolitan Building, No.235 Dong Khoi Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam

190 Av. Winston Churchill No. 1099 Torre Acrópolis, Piso 12, Santo Domingo, Republic of Dominica

191 Incorporated: The Bahamas Registered office: 23

192 Incorporated: The Netherlands Registered office: 131

193 Office number 51, Fifth Floor, Mukmal Plaza Center, Al Hamra District Palestine Street, Jeddah City, Saudi Arabia, United Arab Emirates

194 Est Dona Maria Jose Ferraz Prado, 1481, Cond Dist. Park Embu II Modulo 06, Chacaras Bartira, CEP – 06.845-070, Embu/SP, Brazil

195 Estm Maria Margarida Pinto Dona Belinha, 742, GalpaoO3 Bloco I/A, Extrema/MG, Brazil

196 Rod Governador Mario Covas, 7270, KM 264 Parte RB, Serra/ES, Brazil

197 Rod Dom Gabriel Paulino Bueno Couto, 1606, Itupeva/SP, Brazil

198 6/F, No. 136, Sec. 3, Ren-ai Rd., Da-an Dist, Taipei 106, R.O.C., Taiwan

199 Ketian Aquatic Science and Technology Industrial Park, No. 3949 Kunlunshan Avenue, Lanzhou New Area, Lanzhou City, Gansu Province, China

SHAREHOLDER INFORMATION

Annual General Meeting
Our Annual General Meeting (AGM) will be held on Friday 20 May 2022 at 2.00pm at London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex, UB3 5AN.

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/investors/annual-general-meetings.

2022 Financial calendar and key dates

Announcement of Quarter 1 trading statement	29 April 2022
Annual General Meeting	20 May 2022
Record date for 2021 final dividend	29 April 2022
Payment of 2021 final ordinary dividend	9 June 2022
Announcement of 2022 interim results	27 July 2022
Record date for 2022 interim dividend	5 August 2022
Payment of 2022 interim ordinary dividend	14 September 2022
Announcement of Quarter 3 trading statement	26 October 2022

Dividend
The Directors have recommended a final dividend of 101.6 pence per share, for the year ended 31 December 2021. Subject to shareholder approval at the 2021 AGM, payment of the final dividend will be made on 9 June 2022 to all shareholders on the register as at 29 April 2022. The latest date for receipt of new applications to participate in the Dividend Reinvestment Plan (DRIP) in respect of the 2021 final dividend is 17 May 2022. Details on how to join the DRIP can be found in the DRIP section of this report.

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
- 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 join our DRIP. This is also available via Investor Centre.

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 for electronic communications by registering at www.investorcentre.co.uk. 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 2021 Annual Report and Notice of the 2022 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
- 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 made available by Reckitt's Registrar, Computershare; these include internet and postal 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 1.4%, subject to a minimum charge of £40. 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, you can place a sale instruction outside of market hours.

To access the service, log on to www.computershare.com/dealing/uk. 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.com/dealing/uk; select 'Share Dealing' and scroll down to access the 'Permitted Jurisdictions' form.

Postal share dealing service
The Postal Share Dealing Service offers a way to sell or purchase shares (subject to availability). In order to use the service, you must be a resident in the UK or one of the permitted jurisdictions (see Permitted Jurisdiction form). If you wish to use the service, download a postal dealing form and the Terms & Conditions at www.computershare.com/dealing/uk. The fee for this service is 1.4% of the value of each sale or purchase, and is subject to a minimum charge of £40. Stamp duty of 0.5% may be payable on purchases.

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 postal dealing are available upon request by calling +44 (0)370 702 0000.

Analysis of shareholders as at 31 December 2021

Distribution of shares by type of shareholder	No. of holdings	Shares
Nominees and institutional investors	4,890	727,462,979
Individuals	10,865	9,072,200
Total	**15,755**	**736,535,179**

Size of shareholding	No. of holdings	Shares
1 – 500	9,480	1,778,023
501 – 1,000	2,359	1,710,462
1,001 – 5,000	2,307	4,750,203
5,001 – 10,000	330	2,328,862
10,001 – 50,000	598	14,449,794
50,001 – 100,000	201	14,200,830
100,001 – 1,000,000	372	123,350,995
1,000,001 and above	108	573,966,010
Total	**15, 755**	**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
RKT.L.	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: +1 800 990 1135
Telephone number from outside the US: +1 651 453 2128

Company Secretary
Catheryn O'Rourke

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 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
- 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 2021 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

Notes

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