



Our Tax Strategy 2018



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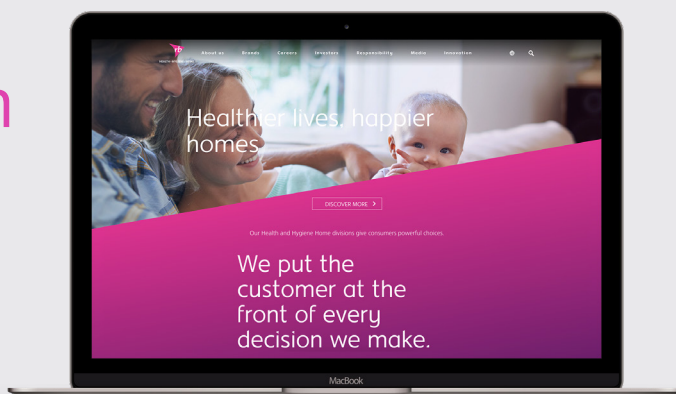
About RB

We are the global leading consumer health, hygiene and home company. Driven by a purpose of giving people innovative solutions for healthier lives and happier homes, we have operations in over 60 countries.

From the foundations of wellness and infant nutrition, to the fundamentals of a hygienic home, we have world leading Powerbrands including household names such as Enfamil, Nutramigen, Nurofen, Strepsils, Gaviscon, Mucinex, Durex, Scholl, Clearasil, Lysol, Dettol, Veet, Harpic, Cillit Bang, Mortein, Finish, Vanish, Calgon, Woolite and Air Wick. Our unique culture is at the heart of our success. Our drive to achieve, passion to outperform and commitment to quality and scientific excellence are manifested in the work of over 40,000 employees worldwide.

More information
can be found at:

rb.com



Front cover image:

Some of the brands that make us the leading consumer health, hygiene and home company globally.



RB's 2018 Tax Strategy

Our better Business strategy encapsulates everything we do at RB. Financially, socially and environmentally we act responsibly and sustainably. We believe passionately in doing things the right way.

Welcome to our second Tax Strategy publication. Our comments regarding tax in this report apply to all of the taxes we are responsible for including UK taxes. RB is a responsible tax payer and welcomes the requirement for large UK companies to publish their tax strategies. We fully agree with HMRC's policy objective of improving tax transparency.

Part of increasing trust in the tax system is through better understanding. We hope this publication aids understanding of our business and our approach to tax.

While RB's corporate headquarters are in the UK, we operate in more than 60 countries globally. This Tax Strategy therefore applies equally to all of RB's operations worldwide.

Over the following pages, we outline RB's approach to:

- Tax transparency
- Tax risk management and governance
- Tax planning
- Tax Principles
- Working with the UK and other tax authorities

On pages 02 and 03 we also detail how from 1 January 2018 we split into two independent business units – RB Health and RB Hygiene Home. As well as the commercial rationale for this decision, we explain the work our tax team is undertaking to support this change.

Taxation highlights 2017¹

23%

Adjusted effective tax rate

£679m

Adjusted income tax expense

£2,949m

Adjusted profit before tax

£11.5bn

Revenue



Adrian Hennah
Chief Financial Officer

We consider that this publication satisfies our duty under paragraph 16(2), Schedule 19 Finance Act 2016 to publish the Group tax strategy for the financial year ending 31 December 2018.

¹ Reference 2017 Annual Report <https://www.rb.com/media/3355/rb-annual-report-2017.pdf>

Changes we have seen in our business – RB 2.0 reorganising for growth

The role of the tax team in supporting the separation of RB into two independent business units.

RB 2.0 – Five guiding principles

- Frontline obsession: devolving responsibility to in-country teams, to serve our consumers and customers better
- Category focus and expertise: building out differentiated models to suit the needs of each category
- Entrepreneurship and ownership: encouraging initiative and new ideas
- Ready to disrupt: creating new categories, exploiting technology and new channels, and developing new models
- Radical simplification: creating a more focused and agile organisation

Benefits

- Closer to our customers and consumers
- Faster decision making and speed to market
- Increased resources to invest for growth
- More focused innovations
- Opportunities for our teams to learn and leverage their expertise

In October 2017, RB announced a strategic reorganisation of the global business, from a geographical focus to a brand focus known as “RB 2.0”.

Under RB 2.0, as of 1 January 2018, RB created two focused and fully accountable independent global business units – Health and Hygiene Home.

Both businesses make independent decisions to enhance innovation and maximise their individual growth.

They are led by separate dedicated global leadership teams, which speeds up in-market innovation and decision making.





Why the change?

- Over the past decade, RB has grown significantly, in large part through health-related brand/ company acquisitions.
- In June 2017, RB acquired Mead Johnson Nutrition, owning globally-recognised consumer health brands which are a natural extension of the existing RB Health brand portfolio.
- Creating a single, dedicated Health business unit with focused Health management allows the Health business and the Mead Johnson Nutrition business to grow and capture synergies.
- On the Hygiene Home side, there is untapped potential as the business adapts to changes in the market such as digital media and e-commerce, emergence of nimbler and more focused competitors, and an overall dynamic macro-economic environment.
- RB's new organisational structure, with its sharp focus on the frontline, will enable us to respond quickly and effectively to the needs of local consumers and to prioritise investments in the areas of greatest opportunity, making us a more powerful competitor in our markets.



What does this mean for Tax?

- In most countries, the Health and Hygiene Home businesses are currently operating within the same legal entity, therefore entities are being split in each jurisdiction into two separate businesses.
- The business is being restructured with two separate holding companies, which will allow Health and Hygiene Home management to have a clearer understanding of - and accountability for - the overall performance of each business. This includes increased transparency around each business's earnings, cash flows and assets, both from a local country and global perspective.
- The RB 2.0 project encompasses a number of different workstreams. Examples of these are:
 - Applying for local tax, legal and regulatory approvals (as required).
 - Amending existing and/or creating new legal agreements, e.g. for licensing trademarks.
 - Setting up new systems for finance, payroll and expenses.
 - Transferring employees, assets and liabilities to the correct legal entities.
- The RB tax team has been diligently working through the tax implications of the business unit split, to ensure that any tax risk is minimised and that RB continues to be fully compliant with local tax laws.
- Our work on RB 2.0 is a good example of our Tax Principles, in particular 2 and 5 in action. Please see RB's Tax Principles on the following page.

RB's Tax Principles

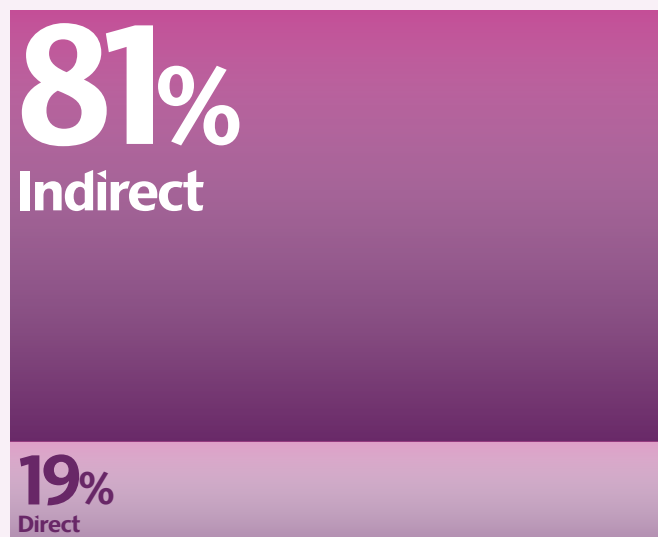
Our approach to tax.

RB's indirect tax contribution

Our business generates a significant amount of tax revenues for the governments of the countries in which we operate. This includes not just corporate taxes, but also employment taxes, sales taxes, duties and other levies.

The graphic below summarises data from the five countries where RB collected the highest amount of VAT (value added tax), GST (goods and services tax) or equivalent in 2017 and compares this with the direct corporation tax paid in the same period. These five countries were India, Brazil, Germany, Australia and China.

A comparison of indirect tax collected vs. direct tax paid in 2017



The comparison above illustrates that in many jurisdictions our indirect tax contribution is significantly higher than the direct contribution. So, although the Group paid £543m in corporation tax in 2017, we should remember that corporate tax is only one element of the total tax that RB pays.

As a company, we are guided by the following seven Tax* Principles:

- 1 We support efforts to increase trust and understanding of the tax system. We encourage greater tax transparency by businesses.
- 2 We act in accordance with and seek to comply with all relevant tax laws and obligations in all the countries in which we do business.
- 3 We abide by tax laws, guidelines and standards (including both those determined by countries' laws in which we operate and by international treaties and conventions). We monitor, adjust and review our Tax Policy on a regular basis to ensure we remain compliant as tax laws change.
- 4 We are committed to paying the taxes determined by the laws in each country where we do business. The taxes we pay are in accordance with where value is created considering agreed transfer pricing principles.
- 5 We do not engage in tax evasion, nor planning that aims to achieve results that are contrary to the clear intention of legislation. We do not engage in transactions that are artificial or contrived nor seek to exploit shortcomings within the relevant legislation.
- 6 We believe in an open and constructive dialogue with tax authorities and we seek to maintain co-operative and trusted relationships at all times. We are transparent in all our dealings with tax authorities and other regulators.
- 7 We take appropriate steps to demonstrate that we are a compliant business with effective tax management processes and controls. The Group works with tax authorities in a timely and constructive manner to resolve disputes should they arise.

*Tax includes corporation taxes, duties, payroll and employment taxes and also indirect taxes such as sales tax and VAT levied on products sold to customers.

How we work with tax authorities

Ensuring co-operative and trusted relationships.

Given the increasing complexity of tax regulation around the world, local tax authorities may challenge some of the judgements RB has made or our interpretation of local tax legislation.

We therefore believe in an open and constructive dialogue with tax authorities.



In the UK, our dealings with HMRC are professional and based on mutual respect. RB engages openly and regularly with HMRC, and aims wherever possible to consult with HMRC in advance of any major UK transactions and on areas of significant uncertainty, e.g. due to a new piece of legislation. We also meet

our Customer Compliance Manager formally at least once a year to review our business activities, and use this as an opportunity to openly discuss any current, future and past tax risks across all relevant taxes and duties.

RB's goal is to have a professional working relationship with the Customer Compliance Manager and other HMRC technical experts, and to ensure that RB remains fully compliant with statutory and legislative tax requirements.

Our objective of working collaboratively with HMRC on a real-time basis helps to deliver benefits for both parties. For HMRC, early resolution of issues ensures the right amount of tax is paid at the right time, improving cash flow for the funding of vital public services, and

avoiding costly investigations. For RB, real-time working provides greater clarity over our tax position, helping to reduce the risk of unexpected surprises later down the line.

RB also looks to engage with the wider business community and trade bodies, so we can play a constructive role in the ever-evolving tax debate. A good example of this is our work with the Confederation of British Industry (CBI) on key business topics including tax.



“We believe in an open and constructive dialogue with tax authorities.”



Richard Greensmith
Group Tax Director

Increasing trust and understanding in the tax system

We recognise the increasing complexity of tax regulation around the world.

RB supports efforts to increase trust and understanding in the global tax system. We are open to a dialogue with all those who seek to better understand our business policies. For example, when Oxfam published a report on our tax affairs in 2017 we immediately engaged with them to explain our approach to tax and worked together on our 2017 RB Tax strategy.

In accordance with the OECD's reporting requirement, RB filed its first Country by Country Report (CbCR) in respect of the year ended 31 December 2016 with HMRC in December 2017. This report is shared by HMRC with

other tax authorities through an automatic exchange of information mechanism. The submitted report disclosed key components of our profit and loss accounts, including revenues earned, taxes paid, and the number of employees we have in all the markets in which we do business. We are currently compiling our CbCR for the year ended 31 December 2017, which we will submit before the end of 2018.

RB supports the establishment of a globally consistent framework for universal CbCR and the automatic sharing of information between tax authorities. We believe that CbCR

is an effective way to improve tax transparency, build trust in the international tax system and tackle international tax avoidance.

We continue to support the call on governments to take the necessary steps to accelerate public country by country reporting and to create a level playing field for all businesses irrespective of where they are headquartered. We would encourage the UK Government to play a leading role in this respect.

Some of our tax team



(Left to right):

Rachel Bell (International Tax Director)

Kirn Gill (International Tax Specialist)

Gareth Williams (Head of International Tax and Transfer Pricing)

Mike Jackson (Tax Reporting and Analytics Senior Manager)

Our Tax Policy

All of the countries in which we operate have different tax regimes and practices. Potential tax risks may arise in these markets due to unclear legislation and differing interpretations of laws and regulations.

We operate in accordance with a Tax Policy agreed by our Board of Directors. The policy is in line with the overall strategy and operation of our business and applies to all the taxes we incur – including not just corporate taxes but also employment taxes, VAT and sales taxes, duties and other levies.

Our goal is to ensure that:

- full consideration is given to all potential taxes which may impact on a transaction before the transaction is entered into
- local tax legislation is fully complied with and all appropriate documentation is prepared at the required time and filed with the respective authorities in advance of any deadlines
- the International Accounting Standards on tax, in particular IAS 12, are complied with and the reporting of tax (Current and Deferred) is coherent, timely and accurate
- accurate and timely information on the tax status of all entities in the Group is communicated to the RB Corporate Headquarters (CHQ) tax department so the Group’s overall tax position is fully understood
- RB’s reputation for the highest level of corporate governance and responsibility is maintained

At RB, the CHQ tax team based in Slough, UK, is part of the Group finance function and reports to the Chief Financial Officer (CFO). The CFO receives frequent updates throughout the year from the tax team. RB’s Senior Vice President (SVP) Tax leads a team of in-house tax professionals, who hold a combination of accounting, tax and legal qualifications. The CHQ tax team comprises specialists in VAT and custom duties, international taxes, transfer pricing, and compliance and reporting. We also have a significant tax team in New Jersey, USA.

The RB team includes a growing range of specialists, who ensure that the team is equipped to deal with the rapidly evolving international tax landscape.

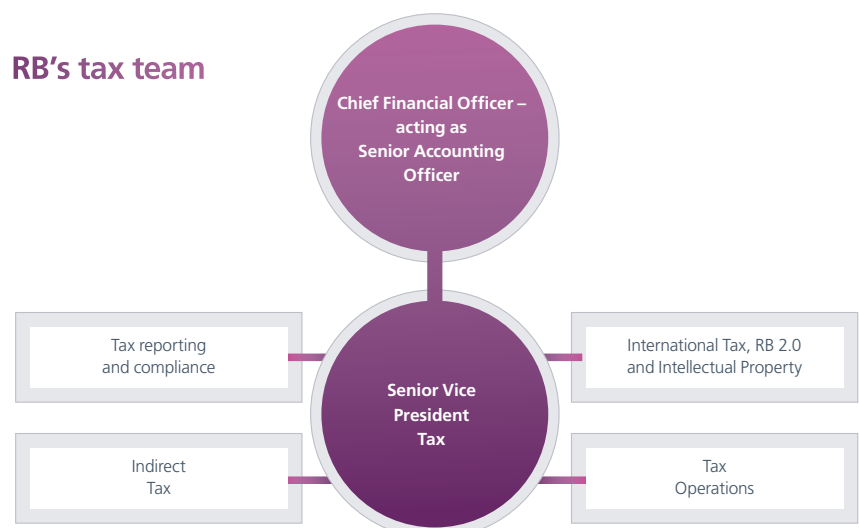
In certain jurisdictions, for example Brazil, where we have significant operations or local tax law is complex, local finance teams may also include tax professionals who work closely with the CHQ tax team to ensure RB is fully tax compliant.

Our CFO acts as the Senior Accounting Officer (SAO) in the UK and each year signs off the SAO obligations as required under UK tax legislation.

The Group Audit Committee receives a quarterly report from the Group’s Corporate Controller, including tax matters. Further updates are provided by RB’s tax function to the Audit Committee as required.

International tax laws are often unclear and subject to a broad range of interpretations. Where uncertainty arises, we will from time-to-time seek advisory and technical tax support from either large accounting firms or specific law firms. In such instances, the use of any given advisor is assessed on a case by case basis in compliance with the Group’s audit independence policy. This approach ensures that the ongoing independence of our external auditor is not compromised.

RB’s tax team



Meeting our tax obligations

RB is committed to paying the taxes determined by the laws in each country where we do business.

The RB CHQ tax team partners with company colleagues in the countries where we do business to provide timely, appropriate advice and guidance on all aspects of tax. This allows tax risks to be managed, enables full compliance with local tax laws and facilitates good investment decisions in line with future associated tax costs.

RB may consider different tax outcomes when deciding how to structure commercial transactions, but does not undertake artificial tax planning for the purpose of tax avoidance. Nor does RB wilfully engage in tax arrangements that go against the intent of tax laws.

As a global organisation, the RB Group contains over 380 subsidiary companies. The full list of entities can be found in our Annual Report¹ along with their country of incorporation. In accordance with our Tax Principle No.5, we do not engage in artificial tax planning and therefore we do not have business operations in “Tax havens” or low tax jurisdictions without a commercial purpose. For example, we have a Group insurance company located in Bermuda. This company fulfils an important commercial purpose and is located there as it is a world leading centre for the insurance industry.

Most of our companies located in “Tax havens” are tax resident in the UK, which means that they file tax returns and pay tax in the UK in accordance with UK tax legislation. In addition, as a UK headed group all of these entities are subject to disclosure and tax (where appropriate) under the UK controlled foreign company rules.

Transfer pricing

As a large multinational group, RB has companies incorporated in a significant number of countries and there are many cross-border transactions within the Group. These transactions are priced in accordance with the standards established under the relevant Organisation for Economic Co-operation and Development (OECD) Transfer Pricing guidelines.

The OECD standards guide multinational groups, such as RB, on the application of the “arm’s length principle”, which represents the international consensus on how to price transactions between members of the same multinational group.

These standards seek to ensure that the taxable profits of multinational groups are not artificially shifted out of a given jurisdiction and that the tax base reported by multinational groups in each country reflects the economic activity undertaken there.

As the correct interpretation and application of these standards is not always clear, a tax authority may from time-to-time challenge RB’s judgement or interpretation of these rules. In these circumstances, we will actively and constructively engage with the relevant authority to resolve the situation.

Tax incentives

RB may consider the use of tax and other types of available incentives when deciding where to invest its capital resources. These incentives are only one of a wide range of economic factors we assess when making such business decisions.



¹ Reference 2017 Annual Report <https://www.rb.com/media/3355/rb-annual-report-2017.pdf>

Case study – Thailand

Working with tax incentives

The Board of Investment (BOI) in Thailand provides tax incentives for companies involved in the manufacture of medical devices and medicines. The availability of tax incentives has been a consideration when deciding to expand our factories in Thailand.

These facilities manufacture several of RB's Powerbrands including Strepsils, Durex and KY products. Under an incentive granted by the BOI, a lower rate of tax may be payable on the profits generated from the sale of products arising from the increased factory capacity. Relief may also be available from duty on the import of raw materials and machinery for the facility. Additional incentives were approved by the government in 2018.

How RB assesses and manages tax risk

Our tax governance framework.

We are committed to responsible corporate behaviour. RB recognises the need for processes and procedures to govern the way we undertake our business. This includes the reporting and payment of tax. Therefore, the Group's tax governance works through a set of documented standards and procedures, which cover our Tax Strategy, Tax Policy, and the operational aspects of tax.

Under our Tax Policy, the CHQ tax team is required to be notified in advance of specific types of transaction in order that the tax consequences and risks can be fully considered.

In an increasingly complex international business environment, a degree of tax risk and uncertainty is inevitable. RB manages and controls these risks in a proactive manner and seeks appropriate advice from accountancy or law firms where appropriate.

Levels of acceptable tax risk are judged on an individual case-by-case basis, taking into account factors such as the materiality of the amounts involved and the technical knowledge and experience of local country tax specialists. Part of the risk of any transaction is the possibility that a tax authority's judgement or interpretation of local legislation may differ from RB's interpretation.

There are processes in place which ensure that decision making goes through the appropriate levels of review within the tax team. Where necessary, the Group CFO and in turn the wider Board of Directors will be consulted to ensure the most appropriate course of action is taken. In determining the level of acceptable risk, it is always of paramount importance to maintain RB's reputation of being a responsible tax payer.

All uncertain tax positions are assessed on an ongoing basis and form part of RB's formal internal quarterly reporting process. Each potential tax uncertainty is separately evaluated by the CHQ tax team and the CFO, who place the relevant provisions alongside it.



Strepsil production in Thailand

Hong Kong case study

Our local tax contribution and social impact investment in Hong Kong.

Our tax contribution in Hong Kong

Our business operations in Hong Kong align with the Group's Tax Policy. The local finance teams work closely with RB's CHQ tax team to ensure full tax compliance, both locally and at Group level.

Companies in Hong Kong are subject to a corporate tax rate of 16.5%. Hong Kong does not have VAT, good and services tax, sales tax or any payroll taxes. Hong Kong does not levy a tariff on general imports, and excise duties are only levied on a limited number of commodities. Between 2015 and 2017, RB made a total tax contribution in Hong Kong of more than £10m.

Included in this amount is withholding tax paid in Hong Kong on royalty payments made to another RB Group entity.

RB works constructively with the local tax authorities on the ground, which is consistent with RB's goal of maintaining professional relationships with all of the tax authorities in the 60 plus countries where RB operates.

RB Hong Kong has over 150 permanent employees in the country, who make further tax contributions via the personal income tax regime.

16%

2017 effective tax rate

1981

RB established operations in Hong Kong

£10.4m

tax contribution

Enfamil

our infant formula is our best selling brand in Hong Kong

26

brands sold in Hong Kong

The numbers above are taken from RB's local statutory filings in Hong Kong for 2017.



Our social impact work in Hong Kong

As well as the economic contribution we make in Hong Kong – via the tax RB pays and the employment it creates – we actively support communities there too. We believe that every child is unique and precious, regardless of their background and health conditions. We are proud to be able to help and support those in need so that every child has the best start in life, through proper early life nutrition, quality parental care and nurturing.

Our initiatives include:

The Mead Johnson Feeding Hope Programme: we partner with The Boys' & Girls' Club Association of Hong Kong to support under-privileged children and their families on nutrition and development. We have also added new parental education elements to the programme such as "character building", "positive parenting" and "emotion management". Interactive games and seminars have been designed by education experts to pass on these parenting tips.

- A total of 100,000 people have participated in the Feeding Hope Programme
- Over 1,200 education activities and workshops have been organised
- The programme has helped more than 6,500 families

Premature Baby Support Programme:

an average of 60,000 babies are born in Hong Kong every year, and approximately 4,000 among them are born prematurely. We have partnered with Heep Hong Society to provide information for parents with premature babies via a special website, a premature baby care handbook and premature baby care workshops hosted by healthcare professionals. Over 1,000 parents have attended premature baby care seminars and workshops under the programme.

Our VITAL STEP Programme: one in every 4,000 Hong Kong newborn babies suffers from inborn error of metabolism (IEM). Although it is rare for a child to have IEM, every child is at risk. By completing simple screening within the first seven days of a child's birth, parents are able to detect fatal health risks and determine appropriate treatments at an early age. To raise awareness of IEM screening in Hong Kong, we partnered with The Joshua Hellmann Foundation for Orphan Diseases to launch the VITAL STEP programme. Over 2 million people watched the campaign videos via social media platforms.



For more information on our overall approach to social impact investment, see page 12.

Our overall approach to social impact investment

RB's four focus areas.

RB's social impact investment

As a purpose-led company, we recognise the role we must play in making a positive impact and transforming the health and lives of communities around the world. Our social impact investment strategy focuses on four areas directly connected to our business and where we identify the greatest unmet needs (see right).



Fighting HIV/AIDS in Africa

Image credit (RED)/Jonx Pillemer

Evaluating this social investment

We are results-driven and outcomes-focused. This means we run our social investment like any other part of the business – with a focus on impact. In 2017, our social impact investment benefited more than 8.9 million people around the world.

2,000,000

People have better health and hygiene knowledge

505,000

People positively changed their health and hygiene behaviours

540,000

People have access to cleaner water

1. Sexual Health and Rights



Sexual Health

36.7 million people worldwide live with HIV, and every year 1 million people die from HIV-related causes

2. Malnutrition and Stunting



Undernutrition

Around 45% of deaths among children under five are linked to undernutrition



Stunting

155 million children under five are stunted worldwide (low height-for-age)

3. Health and Hygiene



Diarrhoea

Each year diarrhoea kills around 525,000 children under five



Mosquito-borne diseases

There are 390 million dengue infections per year, and 3.9 billion people are at risk from contracting dengue



Water and Sanitation

844 million people do not have clean water. 2.3 billion people do not have access to a decent toilet

4. Environment



- Plastics
- Ingredients
- Energy

Glossary

In discussions around tax there are common misunderstandings which can hinder an informed dialogue. To help aid such conversations, we have set out a number of definitions below.

Corporate income tax	All taxes that are based on the taxable profits of a company. Note that corporate taxes are generally levied on profits and not revenues (or sales).
Deferred tax	The corporate income tax due in respect of temporary differences between accounting values and tax bases, as defined in International Accounting Standard 12.
Effective tax rate (ETR)	The rate at which a taxpayer would be taxed if its tax liability were taxed at a constant rate rather than progressively. This rate is computed by determining what percentage the taxpayer's tax liability is of their profit before tax.
Government	Any governing body of a nation, state, region or district but not including any commercial enterprises or financial institutions that may be controlled by a government.
Group	Includes all directly or indirectly owned subsidiaries of RB Group plc.
HMRC	HMRC stands for Her Majesty's Revenue and Customs – a non-ministerial department of the UK government responsible for administering and collecting taxes.
Indirect tax	Taxes such as VAT or sales taxes and custom duties, which are levied on the consumption of specified goods rather than on income.
OECD	The OECD (Organisation for Economic Co-operation and Development) is a multilateral organisation. Founded in 1961, the OECD provides a forum for representatives of countries to discuss and attempt to coordinate economic and social policies. It has a very significant role in international tax matters, www.oecd.org .
Tax	The OECD working definition of a tax is a compulsory unrequited payment to the government. This includes corporate income tax, excise duties, property taxes, employment taxes, sales taxes, stamp duties and any other required payments.
Tax haven	"Tax haven": The OECD defines a Tax haven as a country which imposes low or no tax and is used by corporations to avoid tax which otherwise would be payable in a high-tax country. Tax havens are seen by the OECD to have the following key characteristics; no or only nominal taxes, a lack of effective exchange of information, and a lack of transparency in the operation of the legislative, legal or administrative provisions.
Transfer pricing	A transfer price is the price charged by a company for goods, services or intangible property to a subsidiary or other related company.
Withholding tax	Tax on income at source, i.e. the payor is charged with the task of deducting tax from certain kinds of payments and remitting that amount to the government. Withholding taxes are found in practically all tax systems and are widely used in respect of dividends, interest, royalties and similar tax payments.

To find out more about RB, please visit RB.com where you can download our Annual, Sustainability and Gender Pay reports.



To read more about our Annual report visit: annualreport2017.rb.com



To read more about our Sustainability report visit: sustainabilityreport2017.rb.com



To read more about our Gender Pay Gap report visit: www.rb.com/responsibility/gender-pay/

We hope you have found this document useful. If you have any questions or feedback, please get in touch with us at: TaxStrategy.2018@rb.com

Our better**RB**usiness strategy
encapsulates everything we do.

Financially, socially and
environmentally we act
responsibly and sustainably.
We believe passionately
in doing things the right way.



HEALTH ▸ HYGIENE ▸ HOME

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