"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.

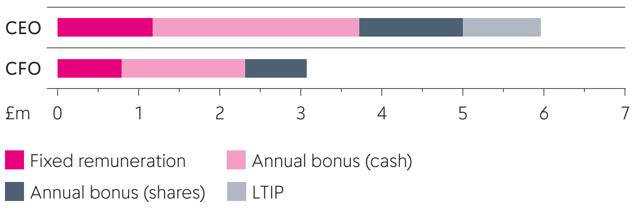
As set out in more detail on page 172, the Committee also evaluated the performance of both the Group and the CEO (the CFO is not a participant in this LTIP award cycle) in the round using the performance assessment framework and concluded that the total vesting level of 21.5% is justified and appropriate 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:

Singe 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

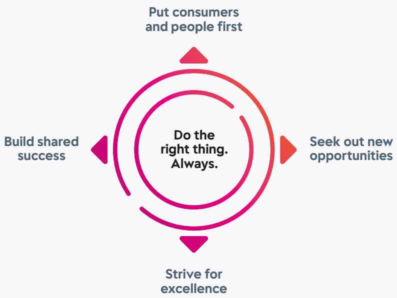
RECKITT'S REMUNERATION AT A GLANCE

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



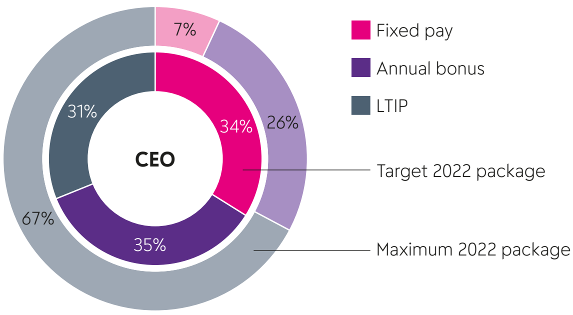
Reckitt's strategic priorities

- 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.

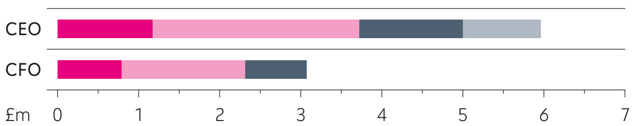
	Base salary	Target	Multiplier	Delivery: Cash	Delivery: Shares
CEO	£979,000	120%	3.26	2/3	1/3
CFO	£700,000	100%			

Long Term Incentive Plan

	Performance share options	Performance shares	Vesting as a percentage of maximum	Delivery: Options	Delivery: Shares
CEO	150,000	75,000	21.5%	32,250	16,125

2021 single figure

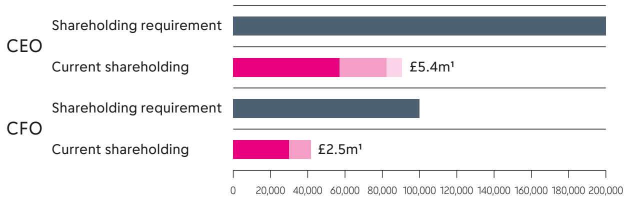
The single figure for 2021 is comprised of the elements in the graph below.



Fixed remuneration
Annual bonus (cash)
Annual bonus (shares)
LTIP

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.



Shares held[2]
Shares deferred from annual bonus[3]
2022 vesting[4]

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.

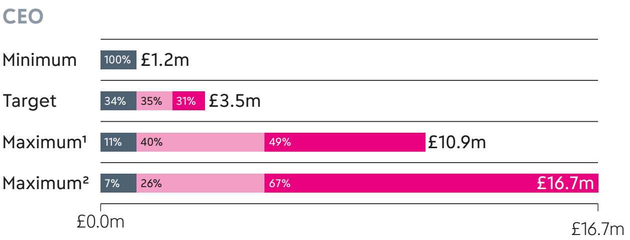
It is the policy of the Board of Directors that Non-Executive Directors are not eligible to participate in any of the company's bonus, share option, long-term incentive or pension schemes. An element of the basic fee is, however, paid in Reckitt shares.

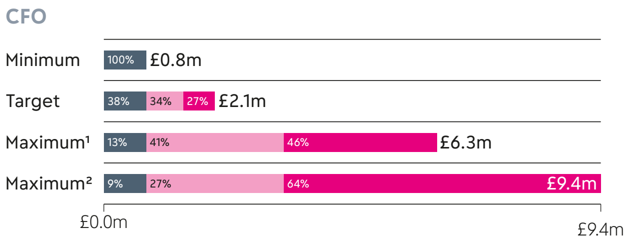
Details of the policy on fees paid to our Non-Executive Directors are set out in the table below:

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.





Long-term incentives | Annual bonus | Salary, pension and benefits

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

Delivery

Performance multiplier x Target bonus = Final bonus outcome ▶ 2/3 (Cash) + 1/3 (Shares)

- 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).

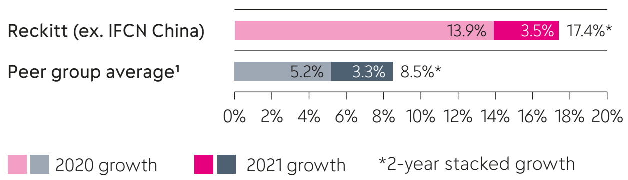
These results reflect the strong 2021 performance ahead of expectations, the strengthened portfolio and strong momentum. For example, brands less sensitive to COVID-19 dynamics, representing c.70% of the portfolio grew, on average by mid-single digits in each quarter of 2021. We are firmly on track with 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



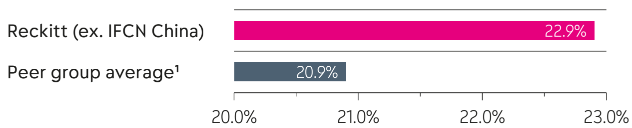
1. Peer group data based on latest data publicly available for FY 2021. Where this data was not available, comparison is based on latest results covering Q3 2021 or later

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.

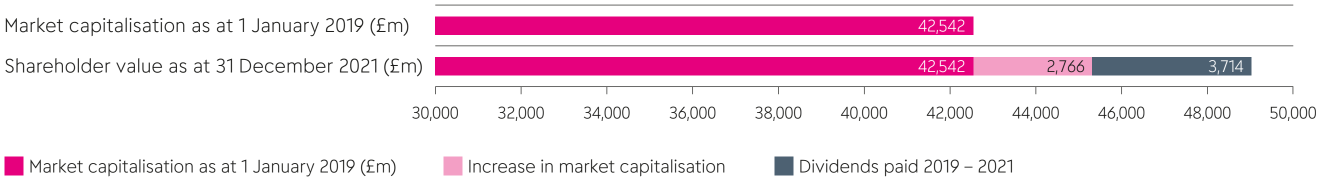
Performance measure	Achieved	Threshold (20% vesting)	Maximum (100% vesting)	Vesting (% of total award)
LFL net revenue growth CAGR (25% weighting)	5.3%	2%	6%	21.5%
EPS CAGR – actual FX (25% weighting)	-5.3%	4%	9%	0.0%
EPS CAGR – constant FX (25% weighting)	-2.9%	4%	9%	0.0%
ROCE (final year) (25% weighting)	10.3%	10.8%	12.8%	0.0%
Total vesting				**21.5%**

Achieved

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)

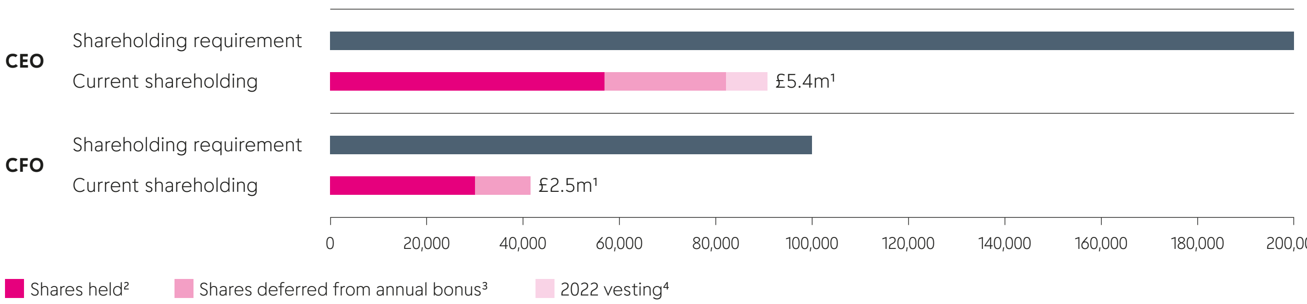
The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2021, based on the information set out in the previous sections. This is compared to the prior year figure:

	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)

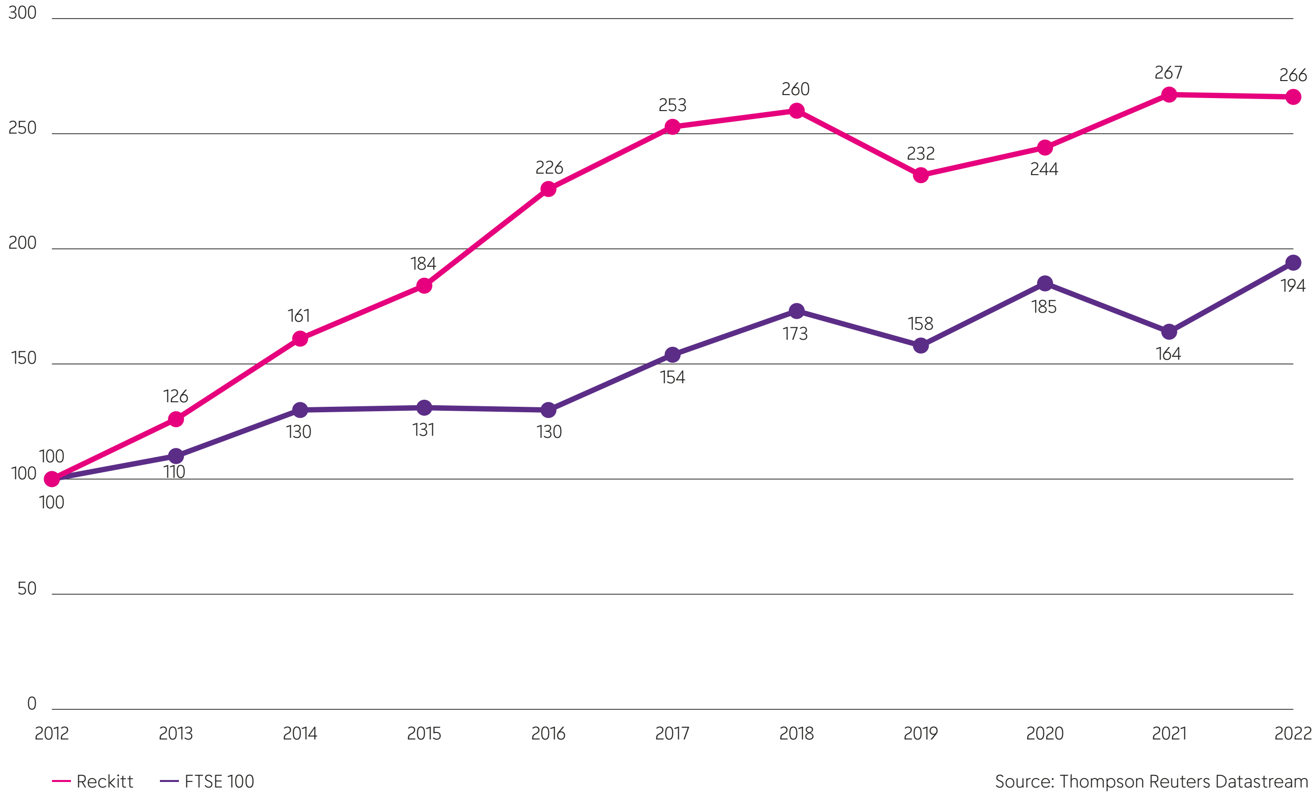
No other benefits or payments were delivered to former Directors in the year in excess of the minimum threshold of a pre-tax value of £15,000 set by the Remuneration Committee for this purpose.

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



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