FINANCIAL HIGHLIGHTS

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

3.5%
LFL net revenue growth[1]

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

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

174.6p
full-year dividend
2020: 174.6p

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

-6.1%
IFRS operating margin
2020: 15.4%

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

STRATEGIC HIGHLIGHTS

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

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

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

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

SUSTAINABILITY HIGHLIGHTS

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

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

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

66%
absolute reduction in carbon emissions from operations since 2015

£38.2m
invested in Fight for Access Fund in 2021

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

BUILDING ON FIRM FOUNDATIONS

Chris Sinclair
Chair

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

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

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

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

BUSINESS PERFORMANCE

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

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

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

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

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

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

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

Consistent with the expectations we set out last year, the Directors have proposed a final dividend of 101.6 pence per share, which, when added to the interim dividend of 73 pence, gives a full-year dividend of 174.6 pence per share. Subject to shareholder approval at the Annual General Meeting (AGM), this will be paid on 9 June 2022 to shareholders who were on the register on 29 April 2022.

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

3.5%

LFL revenue growth

174.6p

full-year recommended dividend

£1.1bn

productivity savings to date

IMPLEMENTING OUR STRATEGY

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

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

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

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

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

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

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

TALENT AND CULTURE

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

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

CHANGES TO THE BOARD

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

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

CONCLUSION

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

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

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

STRONG GROWTH WITH A STRENGTHENED PORTFOLIO

Laxman Narasimhan
Chief Executive Officer

Our journey to rejuvenate sustainable growth is well on track.

OVERVIEW

In February 2020, we set out our strategy for rejuvenating sustainable growth and outlined our medium-term financial targets. Our objective is to rebuild like-for-like revenue growth to the mid-single-digit range, and to deliver adjusted operating margins in the mid-20s by the mid-2020s.

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

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

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

STRONG TOP-LINE MOMENTUM THROUGHOUT 2021

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

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

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

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

EXECUTING WITH EXCELLENCE

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

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

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

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

17.4%

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

c.50%

employee share ownership

AA

upgraded MSCI ESG rating

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

WE ARE EVOLVING OUR ALREADY STRONG CULTURE

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

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

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

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

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

RELENTLESS PURSUIT FOR A CLEANER, HEALTHIER WORLD

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

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

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

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

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

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

CREATING VALUE FOR SHAREHOLDERS

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

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

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

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

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

LOOKING FORWARD

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

ADDRESSING FOUR OF THE WORLD'S LARGEST PROBLEMS

1 HOW CAN HYGIENE BE THE FOUNDATION FOR HEALTH?

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

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

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

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

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

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

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

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

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

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

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

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

CAPITALISING ON THE BROAD AND RISING IMPACT OF DIGITAL AND SUSTAINABILITY

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

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

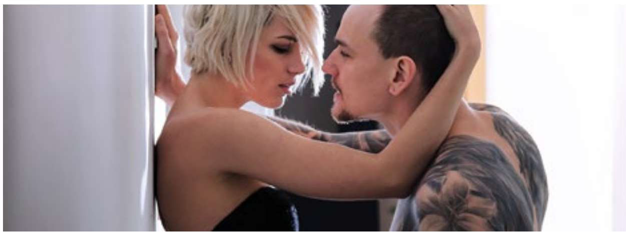
73%

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

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

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

Maintaining sexual health and protecting young people in a challenging era



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

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

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

Growing demand for specialised infant and adult nutrition products

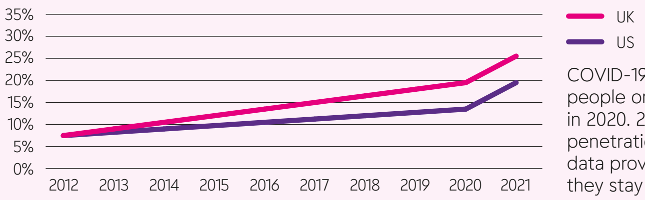
Infants deserve the best possible start to life, and a key part of that is the nutrition they receive. This is particularly the case for those suffering from allergies, or other conditions for which more specialised nutrition is needed. With birth rates relatively stable, demand for such products is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

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

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

Digital is transforming consumer behaviour and purchasing decisions, affecting what people buy and how they buy it. This has implications for the way we develop and market our products, the value we can offer consumers, and how we manage our supply chain. The disruption brought about by COVID-19 has accelerated these trends, with a step-change in virtual appointments, remote prescriptions and e-commerce transactions.

Online share of retail sales



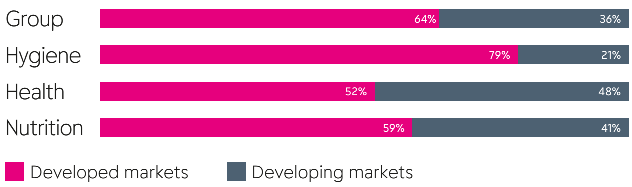
COVID-19 pushed people online in 2020. 2021 penetration data proves they stay online.

OUR GEOGRAPHICAL FOOTPRINT

OVERVIEW

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

Split of developed and developing[1] markets



US

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

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

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

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

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

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

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

CHINA

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

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

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

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

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

1. Excluding IFCN China

INDIA

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

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

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

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

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

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

Durex: making Invisible visible

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

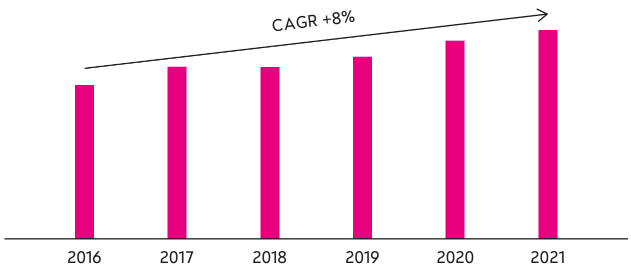
Durex recognised that several category segments were underserved and launched superior offerings to meet that untapped demand. Its Mutual Climax condom emphasised performance, while Durex Invisible, India's thinnest condom, stressed intimacy.

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

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

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

LFL net revenue growth in India



Leading brand positions

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

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

HOW WE CREATE VALUE

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

OUR PURPOSE

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

OUR ASSETS

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

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

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

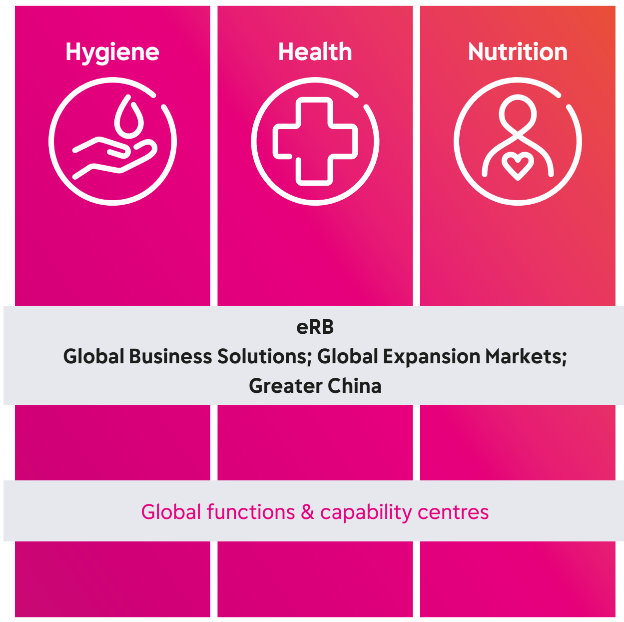
Our partnerships
We develop strong, trusted relationships with our customers, consumers, suppliers, communities and other partners to allow us to extend our impact.

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

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

WHERE WE PLAY

BUSINESS STRUCTURE



OUR FIGHT

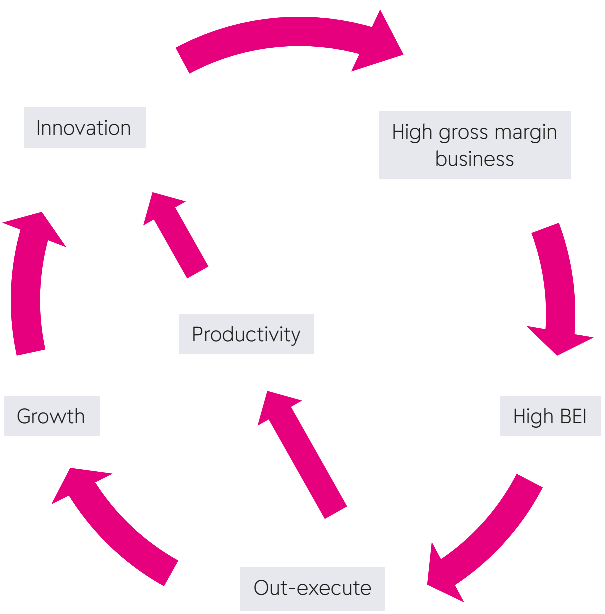
We have a fight on our hands. A fight to make access to the highest quality hygiene, wellness and nourishment a right and not a privilege.

MID-TERM TARGETS

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

HOW WE WIN

EARNINGS MODEL



BEI = Brand Equity Investment

VALUE WE CREATE

>80

products now labelled as Climate Pledge Friendly on Amazon

For customers see page 52

>20m

Reckitt products sold every day

For consumers see page 54

c.50%

of employees are shareholders

For our people see page 55

c.3,200

direct material suppliers

For suppliers see page 57

>3,000

scientists, engineers, technologists and experts work at Reckitt

For expert knowledge see page 58

>£80m

invested in over 15 startups to date

For innovators see page 58

WE SUPPORT

For collaboration and partnerships see page 59

288.5p

total adjusted diluted EPS

For our investors see page 60

2bn

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

For communities see page 61

29.3%

net revenue from more sustainable products excluding IFCN

For our environment see page 63

FOR A CLEANER, HEALTHIER WORLD

OUR 2030 SUSTAINABILITY AMBITIONS

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

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

We aim to:

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

PARTNERSHIPS

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

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

PURPOSE-LED BRANDS

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

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

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

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

By 2025
- 100% plastic packaging recyclable or reusable
- 25% recycled content in plastic packaging

By 2030
- 50% of net revenue from more sustainable products
- 50% reduction in our carbon footprint
- 65% reduction in our chemical footprint
- 50% reduction of virgin plastic in packaging

By 2040
- 50% reduction in our water footprint

baseline: 2015

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

1.8bn

people engaged through our partnerships, programmes and campaigns since 2013

49%

gender balance at all management levels

A HEALTHIER PLANET

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

By 2030

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

By 2040

- Net zero across our value chain

66%

reduction in absolute carbon emissions in our operations since 2015

100%

renewable electricity purchased for our manufacturing operations

A FAIRER SOCIETY

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

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

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

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

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

Key Performance Indicators

FINANCIAL

LFL Net Revenue Growth[1]

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

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

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

Adjusting Operating Profit Margin[1]

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

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

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

Adjusted diluted EPS[1]

KPI: An overall indicator of success.

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

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

HEALTHIER PLANET

GHG emissions in our operations

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

2021	66%
2020	36%
2015	0%

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

Water use per unit of production

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

2021	3%
2020	6%
2015	0%

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

Sending zero waste to landfill

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

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

Target to 2030: 100%.

PURPOSE-LED BRANDS

Product innovation

KPI: Total net revenue from more sustainable products.

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

Target to 2030: 50% of net revenue.

Purpose-led brands

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

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

Target to 2025: one billion people.

Social impact investment

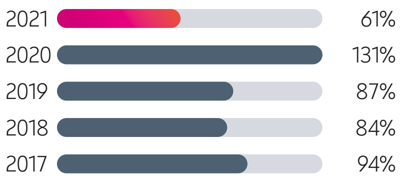
KPI: Total value of cash contributed, employee time in working hours and in-kind product donations valued at cost to the business.

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

Target to 2025: £20 million per year.

FCF Conversion[1]

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



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

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

FAIR SOCIETY

Gender diversity

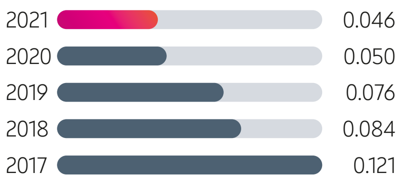
KPI: Gender balance at all management levels.

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

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

Lost Work Day Accident Rate (LWDAR)

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



Target: Continued decrease in LWDAR rate.

Product footprint

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

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

Focus on: COP26

TIME TO TURN WORDS INTO ACTION

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

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

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

SAFE AND SUSTAINABLE

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

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

ENGAGING WITH STAKEHOLDERS

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

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

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

YOUNG PEOPLE'S VOICES

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

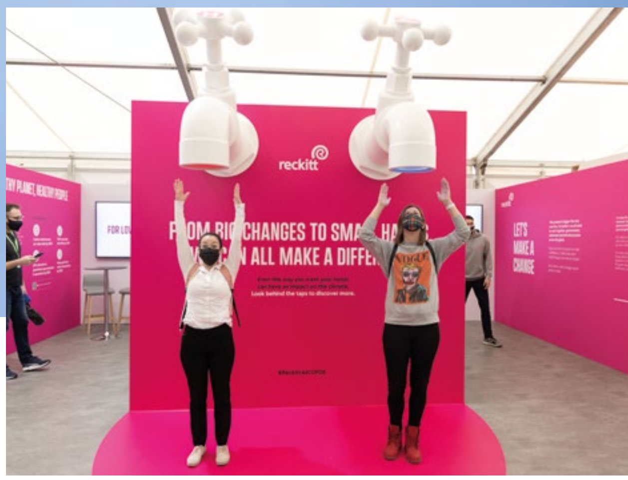
26,000
hygiene kits for delegates

600+
handwashing stations

8,000
litres of Dettol

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

1,300+
sustainable pledges made at our exhibition stand



MATCHING PERSONAL PLEDGES

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

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

THOUGHT LEADERSHIP

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

A CLEANER, HEALTHIER WORLD

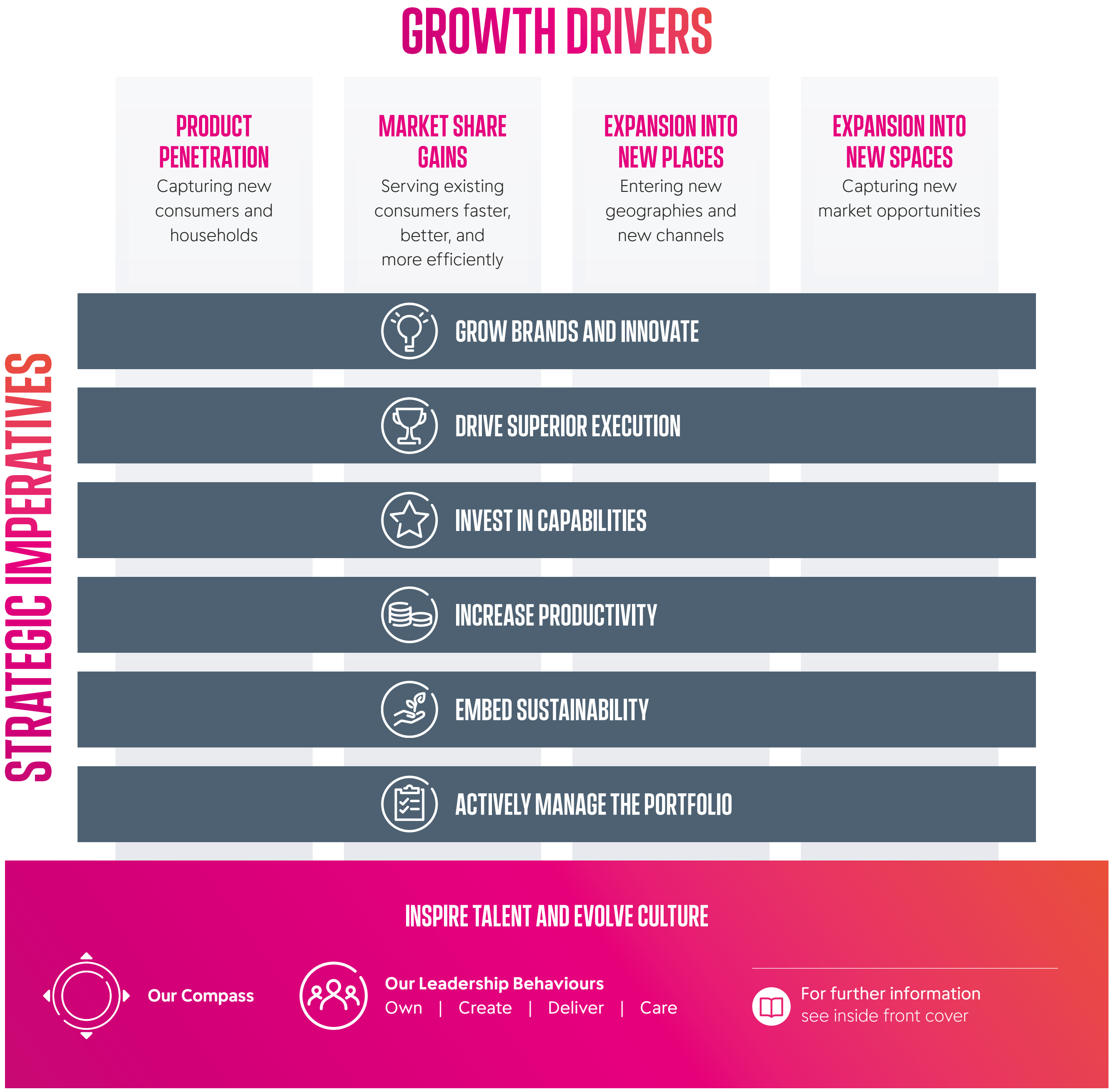
Our white paper 'The Impact of Climate Change on Health: Reducing Risks and Increasing Resilience in the Era of COVID-19', co-authored with the London School of Hygiene & Tropical Medicine and EcoHealth Alliance, was published at the summit. This set out the wide-ranging risks to human health of unabated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

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

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

OUR GROWTH STRATEGY

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



For further information see inside front cover

GROWTH DRIVERS

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

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

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

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

CONSUMER-LED CATEGORY GROWTH

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

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

STRATEGIC IMPERATIVES

INVESTMENTS SUPPORTING SUSTAINABLE GROWTH

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

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

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

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

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

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

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

INSPIRE TALENT AND EVOLVE CULTURE

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

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

HYGIENE

Volker Kuhn
President Hygiene

OVERVIEW

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

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

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

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

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

OUR REVENUE GROWTH ALGORITHM

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

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

CASE STUDIES

PENETRATION

FINISH

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

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

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

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

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

MARKET SHARE GAINS

LYSOL US

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

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

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

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

NEW SPACES

AIR WICK BOTANICA AUSTRALIA

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

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

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

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

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

HEALTH

Kris Licht
President Health

OVERVIEW

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

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

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

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

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

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

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

OUR REVENUE GROWTH ALGORITHM

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

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

CASE STUDIES

MARKET SHARE GAINS
GAVISCON

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

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

NEW SPACES
QUEEN V

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

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

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

NEW PLACES
NUROMOL AND LUFTAFEM BRAZIL

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

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

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

NUTRITION

Pat Sly
President Nutrition

OVERVIEW

Our Nutrition business seeks to protect heal and nurture through providing the highest quality nutrition to those at all stages of life – from infancy to old age. With products spanning infant formula, allergy nutrition and vitamins minerals and supplements (VMS), we seek to build and develop relationships with consumers with personalised solutions delivered at scale.

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

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

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

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

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

OUR REVENUE GROWTH ALGORITHM

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

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

CASE STUDIES

PENETRATION
NEURIVA US

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

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

MARKET SHARE
IFCN US

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

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

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

NEW PLACES
VMS

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

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

STRATEGIC IMPERATIVES

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

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

GROW BRANDS AND INNOVATE

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

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

BRAND EQUITY GROWTH

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

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

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

DRIVE SUPERIOR EXECUTION

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

AWARDS FROM CUSTOMERS

Walmart
US
Supplier of the Year in consumables 2021

Superdrug
UK
Supplier of the Year 2021

Woolworths
Australia
Everyday Needs Large Supplier of the Year 2021

Dollar General
US
Strategic Partner Summit winner 2021

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

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

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

INVEST IN CAPABILITIES

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

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

INVESTING IN KEY CAPABILITIES

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

INCREASE PRODUCTIVITY

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

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

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

PRODUCTIVITY EXAMPLES

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

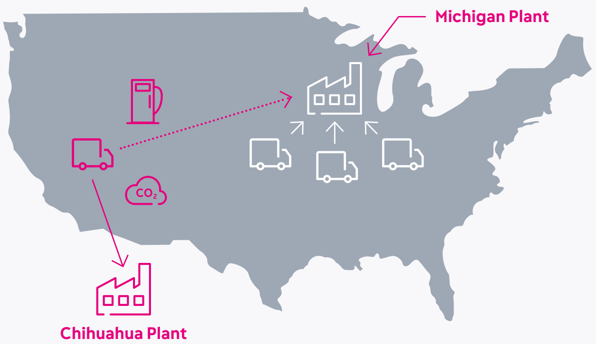
70%
reduction in carbon dioxide emissions

65%
reduction in freight costs

Relevant sustainability targets:

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

Improving efficiency through reconfiguration of network



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

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

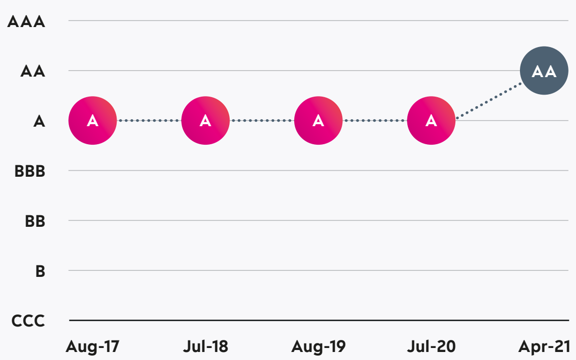
Relevant sustainability targets:

- 25% waste reduction

EMBED SUSTAINABILITY

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

ESG rating history



ACTIVELY MANAGE THE PORTFOLIO

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

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

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

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

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

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

DIVESTING

Slower growth or less scalable brands

IFCN China

EnfaBebe

Scholl

E45

3-year CAGR[1]

-14%

ACQUIRING

Higher growth or strategically important brands

Important strategic entry into the world's largest analgesics market

3-year CAGR

+10%

INSPIRE TALENT AND EVOLVE CULTURE

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

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

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

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

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

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

INNOVATION IS A KEY ENABLER FOR SUSTAINABLE GROWTH

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

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

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

SUPPORTING INNOVATION THROUGH FOCUSED R&D

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

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

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

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

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

OUR INNOVATION CAPABILITY ENABLERS

Consumer insights

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

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

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

CASE STUDY

MICROBIOME SCIENCE PLATFORM

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

Our microbiome science team targets six biome areas:

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

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

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

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

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

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

Science and knowledge

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

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

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

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

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

Science and technology platforms:

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

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

External partnerships

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

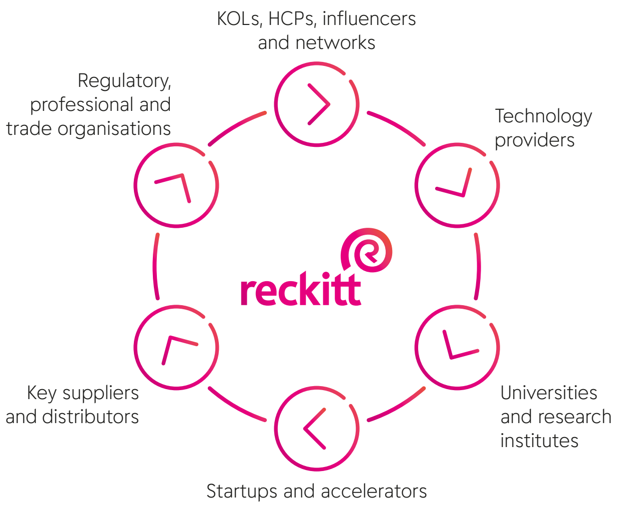
Building scale at pace, launching in multiple markets and creating superior product experiences are key differentiators for Reckitt. Our ecosystem is diverse. We draw on the latest developments, scientific inventions and capabilities. Our strategic supplier programme gives us access to innovative new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

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

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

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

Diverse ecosystem of partnerships



Sustainable innovation

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

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

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

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

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

CASE STUDY

NUROFEN 12HR

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

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

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

STRATEGIC TRANSFORMATION IN THE DIGITAL ARENA

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

DIGITAL TRANSFORMATION

There are four components to our Digital transformation opportunity:

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

CASE STUDY

AMAZON CENTRE OF GLOBAL EXCELLENCE

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

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

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

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

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

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

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

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

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

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

OUR DIGITAL BACKBONE

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

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

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

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

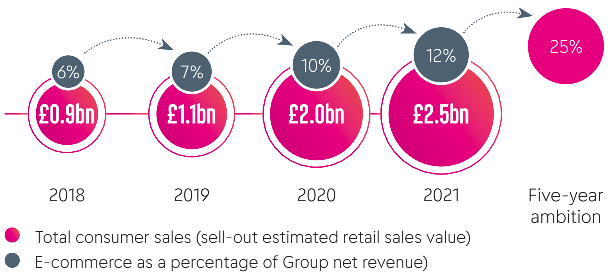
In 2021, we built a machine learning model using more than 200 internal and external real-time data signals to predict consumer demand in the US for our key categories. We've used this to inform strategic, commercial and supply planning. This marks a step-change in capability. We're far more able to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

A DEEP DIVE ON E-COMMERCE

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

Our digital growth[1]

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



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

Our strategic approach

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

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

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

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

End-to-end digital capabilities

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

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

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

Driving best-in-class demand creation

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

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

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

The key drivers of growth

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

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

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

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

Growing market share through superior execution

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

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

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

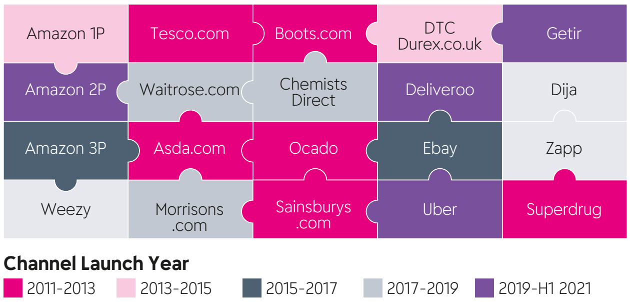
Our unique operating model

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

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

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

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



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

CASE STUDY

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

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

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

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

Oxwash: Decarbonising laundry

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

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

Kinsa: Making thermometers smart

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

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

MANAGING GLOBAL SUPPLY

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

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

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

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

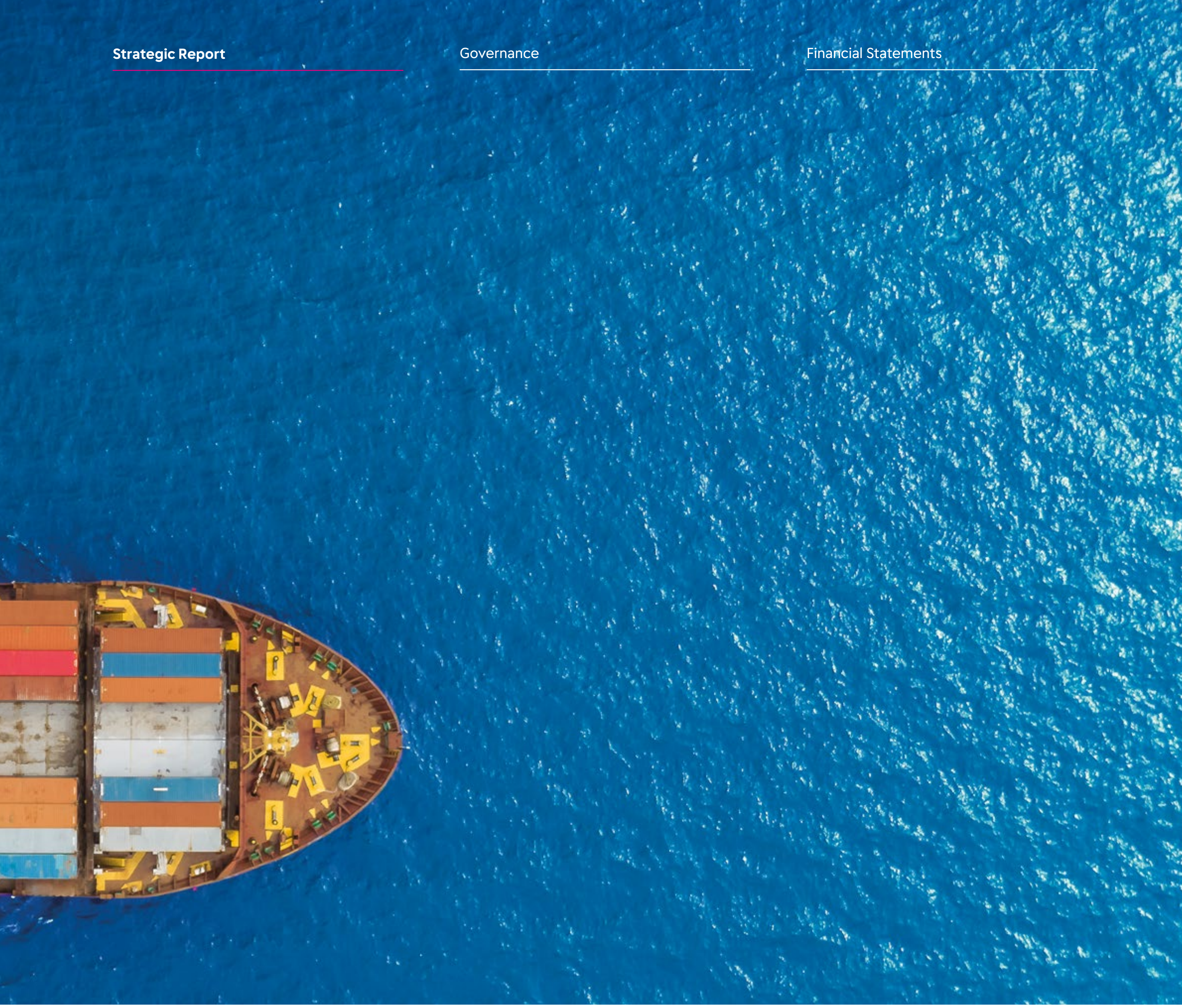
COMPLEXITY AND SCALE

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

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

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

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



Global supply pursues five strategic priorities:

1. EMBRACING OUR PURPOSE, FIGHT AND COMPASS IN EVERYTHING WE DO
2. PROTECTING OUR PEOPLE, OUR CONSUMERS AND OUR BRANDS
3. FUELLING GROWTH THROUGH PRODUCTIVITY AND UNLOCKING VALUE
4. BUILDING A SUSTAINABLE AND RESILIENT END-TO-END SUPPLY CHAIN
5. ENABLING THE ORGANISATION WITH SPEED AND AGILITY

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

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

QUALITY PERFORMANCE

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

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

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

11%
reduction in Time to Release[1]

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

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

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

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

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

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

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

BUILDING THE FACTORY OF THE FUTURE

CASE STUDY

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

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

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

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

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

THE FOURTH INDUSTRIAL REVOLUTION

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

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

CUSTOMER EXCELLENCE

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

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

CASE STUDY

WALMART SUPPLIER OF THE YEAR

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

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

MOVING FORWARD

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

EVOLVING OUR CULTURE

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

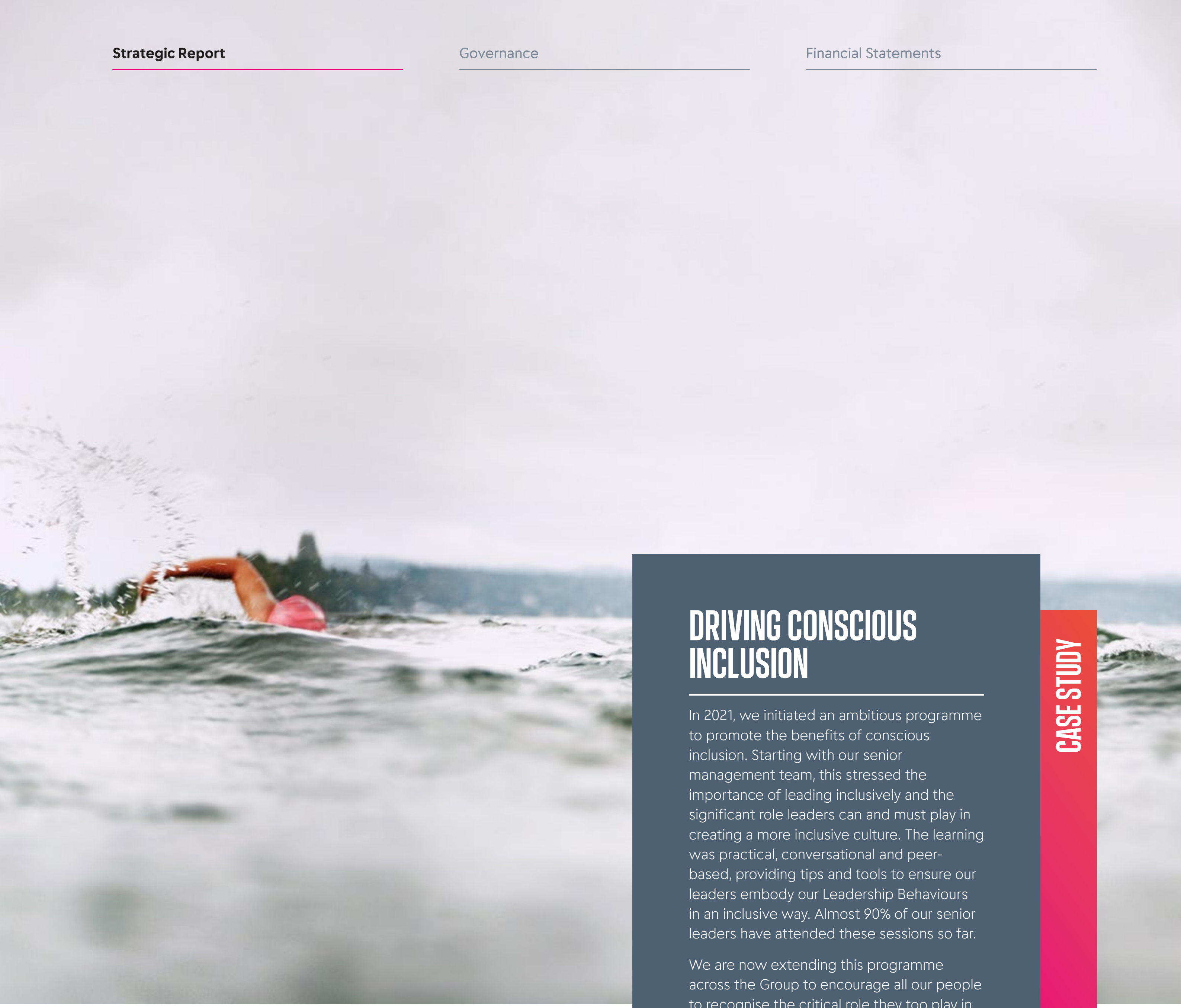
The cultural change underway at Reckitt builds on our best qualities. We've always been known for our dynamic culture, united by a shared sense of ownership and focused on action and achievement. Reckitt has long been recognised as a place where people take responsibility for making things happen. That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

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

LEADERSHIP AT RECKITT

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

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



DRIVING CONSCIOUS INCLUSION

CASE STUDY

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

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

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

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

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

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

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

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

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

GENDER PAY REPORTING

CASE STUDY

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

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

A DIVERSE, INCLUSIVE CULTURE

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

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

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

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

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

STRONGER TOGETHER

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

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

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

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

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

EMPLOYEE RESOURCE GROUPS (ERGS)

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

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

SUPPORTING AND ENHANCING OUR COLLEAGUES' WELLBEING

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

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

US achieves top ranking in Corporate Equality Index

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

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

CASE STUDY

FUTURE OF WORK GUIDANCE

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

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

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

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

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

MAPPING WHAT MATTERS

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

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

OUR 2021 MATERIALITY ASSESSMENT

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

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

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

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

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

RECKITT'S 2021 MATERIALITY MATRIX

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

1. Climate change
2. Product quality & safety
3. Packaging & waste
4. Advancing global health & hygiene
5. Ethical business conduct
6. Sustainable product innovation
7. Public health challenges
8. Labour & human rights
9. Supply chain management
10. Employee health, safety & wellbeing
11. Water
12. Diversity, equity & inclusion
13. Responsible governance
14. Ingredients
15. Biodiversity & ecosystems impacts
16. Talent management & employee development
17. Data privacy & cybersecurity
18. Contributing to local communities
19. Sales & marketing practices

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

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

KEY FINDINGS

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

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

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

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

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

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

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

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

SUSTAINABLE DEVELOPMENT GOALS

In 2015, UN Member States adopted the 17 Sustainable Development Goals (SDGs) as part of the 2030 Agenda for Sustainable Development. At Reckitt, we recognise the impact we can have for society on many of these goals. There are five SDGs where our impact can be greatest. These embody the work of our brands and our business as a whole, through our value chains and in our partnerships.

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

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

SDG2: Zero hunger

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

SDG3: Good health and well-being

This goal is closely aligned with our Purpose and, as the Business Avenger for SDG3, we are championing swifter progress in the private sector. Many of our brands play a role in promoting health and wellbeing. They include Durex, Dettol, Gaviscon and Mucinex, as well as Lysol and our Mortein insecticide products. The pandemic has ensured this has been a focus throughout 2021.

SDG5: Gender equality

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

SDG6: Clean water and sanitation

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

SDG13: Climate action

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

BUILDING PARTNERSHIPS WITH STAKEHOLDERS

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

ALIGNING PURPOSE AND STRATEGY WITH OUR CUSTOMERS

HOW WE ENGAGE WITH CUSTOMERS

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

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

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

CUSTOMER PARTNERSHIPS

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

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

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

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

Refreshing our approach to responsible marketing

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

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

PARTNERING ON SUSTAINABILITY WITH PURPOSE-LED BRANDS

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

1. Packaging innovation

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

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

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

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

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

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

2. Better ingredients

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

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

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

3. Climate action and responsible sourcing.

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

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

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

4. Purpose-led brands

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

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

PUTTING CONSUMERS FIRST

HOW WE ENGAGE WITH CONSUMERS

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

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

86%

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

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

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

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

PURPOSE-LED BRANDS

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

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

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

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

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

VANISH – HELPING CLOTHES LIVE MANY LIVES

CASE STUDY

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

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

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

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

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

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

INSPIRING TALENT AND EVOLVING OUR CULTURE

HOW WE ENGAGE WITH OUR PEOPLE

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

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

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

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

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

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

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

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

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

WHAT THEY TELL US

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

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

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

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

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

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

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

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

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

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

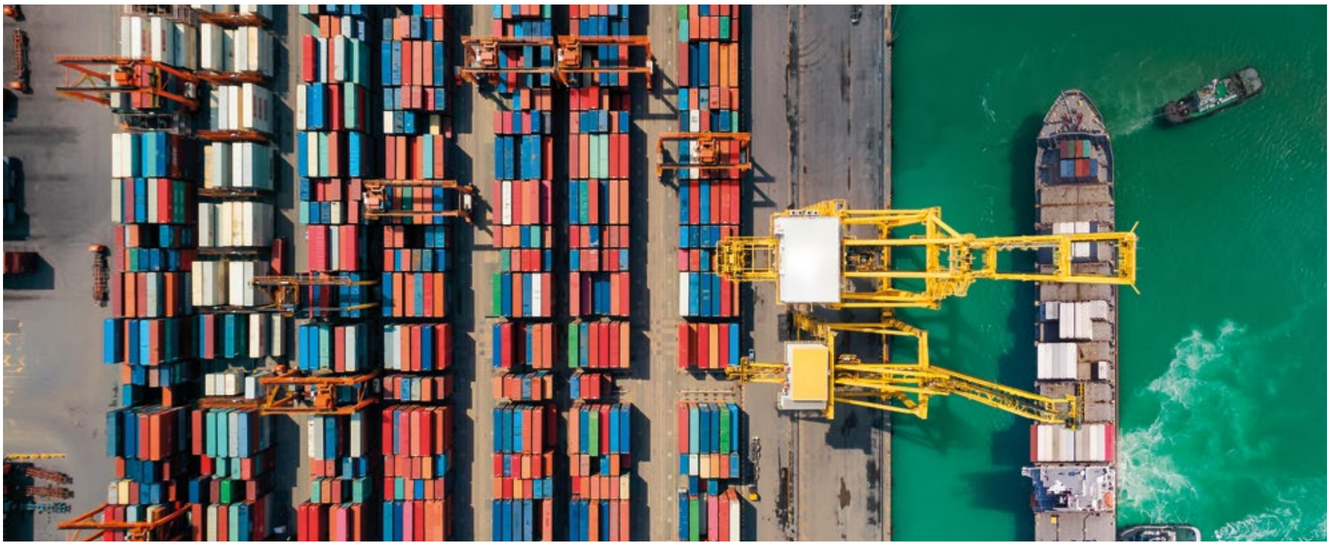
I and the full Board elicit employees' perspectives through a combination of formal and informal channels that exist in the Business. For example, the Board reviewed the 2021 all-employee survey, along with other talent and culture metrics.

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

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

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

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



BUILDING A RESPONSIBLE AND RESILIENT SUPPLY CHAIN

HOW WE ENGAGE WITH SUPPLIERS

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

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

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

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

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

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

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

CASE STUDY

FAIR RUBBER AND THE BUSINESS/COMMUNITY BENEFITS

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

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

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

EXPERT KNOWLEDGE

HOW WE ENGAGE WITH EXPERTS

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

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

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

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

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

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

We engage with healthcare professionals internationally to exchange information, share best clinical practice and sponsor research. We manage numerous educational partnerships, including with Harvard School of Public Health, the Royal Children's Hospital in Melbourne and SickKids in Canada. We also share our expertise in professional journals and at presentations for international symposiums and congresses.

PARTNERING WITH INNOVATORS

COLLABORATIVE PROJECTS AND VENTURES

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

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

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

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

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

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

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

COLLABORATION AND PARTNERSHIPS

WORKING WITH GOVERNMENTS, INDUSTRY PARTNERS AND NGOS

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

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

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

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

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

We are also members of AISE, Europe's International Association for Soaps, Detergents and Maintenance Products, where we actively support its agenda for sustainable cleaning. These help inform our own approach on aligning product development with policy and regulatory development.

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

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

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

ENGAGING WITH INVESTORS

OUR INVESTMENT COMMUNITY

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

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

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

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

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

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

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

INVESTOR PRIORITIES

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

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

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

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

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

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

INVESTING IN COMMUNITIES

HOW WE ENGAGE WITH COMMUNITIES

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

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

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

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

SEED, SCALE & SUSTAIN

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

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

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

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

ACTIVE WHERE WE MAKE THE BIGGEST IMPACT

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

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

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

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

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

CLEAN WATER, HYGIENE AND SANITATION

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

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

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

CASE STUDY

ACCESS TO CLEAN WATER THROUGH AFFORDABLE MICROFINANCE

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

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

SEXUAL RIGHTS AND EQUALITY

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

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

MATERNAL AND CHILD HEALTH

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

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

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

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

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

EMERGENCY RELIEF

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

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

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

CASE STUDY

IMPROVING ACCESS TO NUTRITIOUS, AFFORDABLE FOOD

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

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

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

OUR SHARED PLANET

ENABLING CIRCULARITY

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

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

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

DEVELOPING CIRCULAR ECONOMY MODELS

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

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

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

PLASTICS AND PACKAGING

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

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

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

REDUCING WASTE IN MANUFACTURING

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

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

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

CHEMICALS AND INGREDIENTS

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

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

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

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

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

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

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

PROTECTING PLANETARY HEALTH

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

OUR ACTION ON CLIMATE CHANGE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CASE STUDY

WWF PARTNERSHIP

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

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

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

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

We've started to make great progress:

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

ECOSYSTEMS, BIODIVERSITY AND NATURE-BASED SOLUTIONS

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

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

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

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

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

OUR TCFD SUMMARY

CLIMATE CHANGE AND OUR BUSINESS

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

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

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

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

OUR APPROACH

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

Compliance Statement

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

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

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

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

GOVERNANCE

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

LEARNINGS TO DATE

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

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

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

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

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

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

OUR SECTION 172 STATEMENT

This statement shows how our Directors have acted in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to stakeholders, including matters under section 172(1)(a)-(f) of the Companies Act 2006, during 2021. The statement has been prepared in response to the obligations set out in the Companies (Miscellaneous Reporting) Regulations 2018, and the UK Corporate Governance Code 2018.

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

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

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

DECISION-MAKING IN PRACTICE AND TAKING STAKEHOLDER VIEWS INTO ACCOUNT

SALE OF IFCN CHINA

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

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

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

RB REBRANDING AS RECKITT

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

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

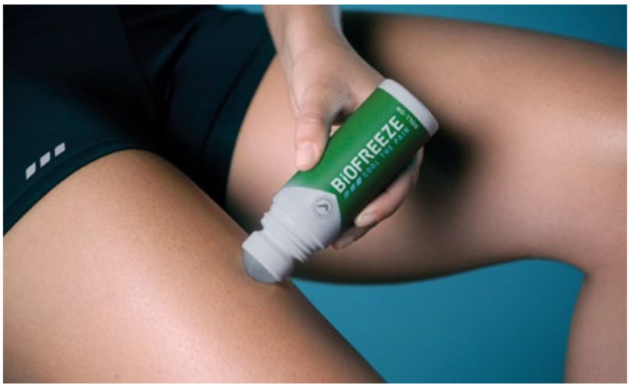
performance, influencing opinions and decision-making about our products, as well as whether to invest in, partner with, or work for Reckitt. In addition, the Board considered that stakeholders expect heightened levels of transparency and that in attracting talent and potential employees, they look for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

NEW SUSTAINABILITY AMBITIONS TO 2030

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

By 2030, our bold ambitions are to reach half the world with products that contribute to a cleaner, healthier world; engage two billion people through our programmes, partnerships, and campaigns; create a lasting impact in communities; and, together with our partners, contribute to delivering the UN Sustainable Development Goals (SDGs). Our sustainability ambitions are broken down into three focus areas, reflective of our Purpose, and include: purpose-led brands; healthier planet; and fairer society, addressing our commitment to ESG factors. The Board considered the interests and expectations of our stakeholders in the sustainability and ESG fields, including: market and benchmarking assessments of competitor, customer and consumer positions; consideration of investor focus and ESG metrics; external stakeholder implications, including SDGs; internal evaluation including business strategy development and leadership perspectives; and input from investors. The Board discussed the need for clear targets, outcomes for the business, the importance of measurability to enable reporting and what it meant to be carbon neutral by 2040.

BIOFREEZE ACQUISITION



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

The Biofreeze brand serves our consumers through tapping into the growing consumer global trend for wellness and self-care, and aligns with our strategy to build a US Health footprint in new spaces and places. The acquisition presents benefits for Reckitt's stakeholders, who are highly interested in safe and effective alternatives, consistent with Biofreeze's positioning. Biofreeze has a history of being used by athletes and professionals, and has a strong clinical foundation, placing the brand in a trusted position to serve our consumers. In addition, the Board's review of Biofreeze identified that the brand has strong existing partnerships in place and a number one position on Amazon. These factors, and the value the brand will provide for Reckitt's stakeholders, contributed to the Board's decision to approve the acquisition.

Non-Financial Information Statement

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

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

1. Information not in the public domain
2. Detailed TCFD disclosure can be found in our Climate Change Insight

Most of our reporting on these topics and KPIs are contained in our Strategic Report under the sections entitled Our 2030 Sustainability Ambitions, Our Sustainability Performance and Building partnerships with stakeholders and Risk Management (or are incorporated into the Strategic Report by reference for these purposes from the pages noted). Reckitt has formulated appropriate policies and due diligence procedures regarding all the non-financial information presented in this Annual Report. We make it our responsibility to follow legislation and policy diligently. Insights into key policies and due diligence procedures, and the basis and methodological principles for the collation of our key sustainability metrics, can be found online at www.reckitt.com/sustainability/policies-and-reports/.

GENDER DIVERSITY[1]

Definition: the percentage of women in our global workforce.

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

Board Directors	All managers	Other employees[2]
7 (2020: 7) male	7,913 (2020: 8,596) male	20,491 (2020: 21,611) male
5 (2020: 5) female	7,715 (2020: 8,286) female	16,172 (2020: 17,300) female

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

GREENHOUSE GAS (GHG) EMISSIONS AND ENERGY CONSUMPTION

Metric	Unit	**2021**	2020[3]
Total Scope 1 GHG emissions	tCO_2e	**120,346**	131,496
Total Scope 2 GHG emissions	tCO_2e	**13,289**	117,297
Total Scope 1 and Scope 2 GHG emissions	tCO_2e	**133,635**	248,793
Emissions intensity[1]	tCO_2e per unit of production	**0.0390**	0.0701[4]
Energy consumption resulting in above GHG emissions	kWh	**1,287,371,165**	1,373,207,532
Proportion of GHG emissions arising from UK operations	%	**14**	10
Proportion of energy consumption arising from UK operations	%	**11**	12

We reported the above emissions on a market-based approach in line with the WRI/WBSCD Greenhouse Gas Protocol, Scope 2 Guidance and our Reporting Criteria. Following a location-based approach, our Scope 2 emissions for 2021 were 254,801 tonnes of CO_2e (2020: 266,072[3]) and our total Scope 1 and 2 tonnes of CO_2e were 375,147 (2020: 397,568[3]).

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

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

Our policies

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

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

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

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

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

Sourcing for sustainable growth policy
The policy sets out Reckitt's human rights, health & safety, environment and sourcing requirements we expect our business partners to meet. It encompasses principles of the International Bill of Human Rights and the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work. We also follow the UN Guiding Principles on Business and Human Rights and Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. The policy details the Framework which sets out standards to drive us to conduct business with honesty and integrity, respect human rights, provide a safe and healthy working environment, use safe and sustainable ingredients, source raw materials responsibly and protect the environment.

CONTINUED STRONG FINANCIAL PERFORMANCE

Jeff Carr
Chief Financial Officer

We delivered another strong performance in 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.5%

LFL net revenue growth[1]

22.9%

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

-5.4%

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

-6.1%

IFRS operating margin
2020: 15.4%

HYGIENE

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

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

2021 PERFORMANCE

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

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

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

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

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

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

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

HEALTH

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

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

2021 PERFORMANCE

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

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

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

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

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

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

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

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

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

NUTRITION

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

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

2021 PERFORMANCE

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

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

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

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

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

IFCN China

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

ADDITIONAL FINANCIAL COMMENTARY

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

GROUP OPERATING PROFIT

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

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

NET FINANCE EXPENSE

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

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

TAX

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

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

DISCONTINUED OPERATIONS

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

EARNINGS PER SHARE (EPS)

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

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

BALANCE SHEET

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

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

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

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

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

NET WORKING CAPITAL

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

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

CASH FLOW

Free cash flow

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

Free cash flow (FCF) is the amount of cash generated from continuing operating activities after net capital expenditure on property, plant and equipment and intangible software assets. Free cash flow reflects cash flows that could be used for payment of dividends, repayment of debt or to fund acquisitions or other strategic objectives.

Free cash flow as a percentage of continuing adjusted net income was 61% (2020: 131%). The lower free cash conversion in 2021 was expected, principally resulting from the partial unwind of significant working capital favourability experienced in the prior year. Free cash flow in 2021 includes £203 million of transaction costs and cash tax relating to the disposal of IFCN China. Excluding cash outflows relating to the disposal of IFCN China, free cash flow conversion was 71% in 2021.

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

Net debt

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

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

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

DIVIDENDS

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

RETURN ON CAPITAL EMPLOYED (ROCE)

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

CAPITAL RETURNS POLICY

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

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

Repatriating cash to shareholders through a growing dividend remains a long-term goal of the business. As a result of the investments being made during 2021, which will benefit long-term sustainable growth, our pay-out for 2021 is in excess of our policy of paying an ordinary dividend equivalent to c.50% of total adjusted net income.

As set out in February 2020, we will maintain the dividend pay-out per share at 2019 levels until we rebuild dividend cover to target levels, at which time we will be able to resume growth in dividends in line with the growth in adjusted net income.

We will return surplus cash to shareholders as appropriate.

ALTERNATIVE PERFORMANCE MEASURES

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

Financial information presented on an adjusted basis excludes certain cash and non-cash items. These items have a pattern of recognition that is largely uncorrelated with the trading performance of the business. Management reviews the business on this basis for the purpose of making operating decisions and showing these adjusted measures in addition to the IFRS measures provides useful additional information on trading performance to the users of the financial statements. These adjusted measures should not be considered in isolation from, substitutes for, or superior to the financial measures prepared in accordance with IFRS.

The following items (adjusting items) are excluded from IFRS earnings in calculating adjusted earnings.

- **Impact of business combinations** where IFRS accounting results in the recognition of certain costs that are not comparable with those for internally generated assets, (although the net revenues and other costs of these business combinations are not adjusted for):
  - Amortisation of (a) acquired brands, trademarks and similar assets and (b) certain other intangible assets recorded as the result of a business combination; Inventory fair value adjustments;
  - Professional and advisor costs recorded as the result of a business combination; and
  - Changes to deferred tax liabilities relating to (a) acquired brands, trademarks and similar assets and (b) certain other intangible assets recorded as the result of a business combination as the amortisation or profit on disposal of these brands would be treated as an adjusting item.
- **Profits or losses relating to the sale of brands and related intangible assets** as the continued active management of our portfolio results in the recognition of profits or losses relating to disposals of brands and related intangible assets which are largely uncorrelated with the trading performance of the business.
- **Re-cycled foreign exchange translation reserves** upon the sale, liquidation, repayment of share capital or abandonment of a subsidiary previously controlled by the Group, as the gain or loss relates to mainly exchange movements in previous periods rather than the current period.
- **The reclassification of finance expenses on tax balances into income tax expense,** to align with the Group's tax guidance. As a result, these expenses are presented as part of income tax expense on an adjusted basis.
- **Other individually material items of expense or income.** Some of these items are resolved over a period of time such that the impact may affect more than one reporting period.

In the prior year, for presentational purposes adjusting items were split into exceptional items, other adjusting items and the reclassification of finance expenses on tax balances. The change to presentation of these items in the current year is to provide a clearer view of the nature of the Group's adjusting items. There has been no change in individual items classified as adjusting items.

ADJUSTED MEASURES

- **Adjusted Operating Profit and Adjusted Operating Profit margin:** Adjusted operating profit reflects the IFRS operating (loss)/profit excluding items in line with the Group's adjusted items policy. See page 84 for details on the adjusting items and a reconciliation between IFRS operating (loss)/profit and adjusted operating profit. The adjusted operating profit margin is the adjusted operating profit expressed as a percentage of net revenue.
- **Adjusted tax rate:** The adjusted tax rate is defined as the Adjusted continuing income tax expense as a percentage of Adjusted profit before tax.
- **Adjusted diluted EPS:** Adjusted diluted EPS is the IFRS diluted EPS excluding items in line with the Group's adjusting policy. See page 84 for details on the adjusting items and a reconciliation between IFRS net (loss)/income and adjusted net income. The weighted average number of shares for the period is the same for both IFRS EPS and adjusted EPS.
- **Adjusted EBITDA (earnings before interest depreciation and amortisation):** Adjusted operating profit less depreciation and amortisation (excluding adjusting items).

OTHER NON-GAAP MEASURES

- **Like-for-like (LFL):** Net revenue growth or decline at constant exchange rates (see below) excluding the impact of acquisitions, disposals and discontinued operations. Completed disposals are excluded from LFL revenue growth for the entirety of the current and prior years. Acquisitions are included in LFL revenue growth twelve months after the completion of the relevant acquisition. LFL growth also excludes countries with annual inflation greater than 100% (Venezuela).
- **Constant exchange rate (CER):** Net revenue and profit growth or decline adjusting the actual consolidated results such that the foreign currency conversion uses the same exchange rates as were applied in the prior period.
- **Brand Equity Investment (BEI):** BEI is the marketing support designed to capture the voice, mind and heart of our consumers.
- **Net working capital (NWC):** NWC is the total of inventory, trade and other receivables and trade and other payables. NWC is calculated as a % of last twelve months net revenue to compare changes in NWC to the growth of the business.
- **Net Debt:** The Group's principal measure of net borrowings being a total of cash and cash equivalents, short-term and long-term borrowings, lease liabilities and derivative financial instruments on debt.
- **Free Cash Flow and Free Cash Flow Conversion:** The Group's principal measure of cash flow defined as net cash generated from continuing operating activities less net capital expenditure. A reconciliation of cash generated from operations to Free Cash Flow is shown on page 83. The Group tracks Free Cash Flow as a % of adjusted net income to understand the conversion of adjusted profit into cash.

OTHER DEFINITIONS AND TERMS

- **Stacked Net Revenue Growth:** The summation of the like-for-like net revenue growth for the relevant period in 2021 and 2020 (excluding IFCN China), to provide visibility of growth versus periods prior to the start of the COVID-19 pandemic.
- **Category Market Unit (CMU):** Reckitt analyses its market share by CMUs, which represent country and either brand or category, e.g. US Lysol. This allows us to analyse the components of market share growth taking into account both geography and brand/category. Management has identified those Core CMUs that are the most strategically important. The list of Core CMUs is kept under continual review and will change over time based on strategic decisions. Currently, Core CMUs cover c.70% of Group net revenue and between c.65% to c.80% of each GBU's net revenue. As a measure of competitiveness, management tracks the percentage of Core CMUs holding or gaining market share, weighted by net revenue.
- **E-commerce:** E-commerce channel net revenue is direct sales from Reckitt to online platforms or directly to consumers. Estimates of total e-commerce sales as a percentage of Group net revenues are calculated by adding e-commerce channel net revenue to an estimate of e-commerce sales achieved by our brands through omnichannel distributors and retailer websites.
- **Discontinued operations:** Includes credits or charges related to the previously demerged RB Pharmaceuticals business that became Indivior plc. Net income from discontinued operations is presented as a single line item in the Group Income Statement.
- **Return on capital employed (ROCE):** Is defined as adjusted operating profit after tax divided by monthly average capital employed. Capital employed comprises total assets less current liabilities other than borrowings-related liabilities. Total assets exclude cash, retirement benefit surplus, current tax and a technical gross-up to goodwill that arises because of deferred tax liabilities recorded against identified assets acquired in business combinations. Total assets has been adjusted to add back impairments of Goodwill except where the impaired asset has been disposed or partially disposed. Current liabilities exclude legal provisions recorded as a result of exceptional items and current tax.
- **Net revenue attributable to 'more sustainable' products:** A product is defined as 'more sustainable' when it scores 'better' on one of the five parameters (carbon, water, plastics, packaging and ingredients) at time of launch using our Sustainable Innovation Calculator (a streamlined Lifecycle Assessment tool that models the environmental impacts of products). The net revenue from 'more sustainable' products is expressed as a percentage of total net revenue. The calculation is done on the basis of a 12 month period ending September (to allow assembling the related data). This percentage does not apply to infant formula.

RECONCILIATION OF IFRS TO LIKE-FOR-LIKE NET REVENUE BY GBU

Net Revenue 31 December 2021	Hygiene £m	Health £m	Nutrition £m	Group £m
2020 IFRS	**5,816**	**4,890**	**3,287**	**13,993**
Disposals	–	(176)	(885)	(1,061)
2020 Like-for-like	**5,816**	**4,714**	**2,402**	**12,932**
2021 IFRS	**5,911**	**4,646**	**2,677**	**13,234**
M&A	–	(142)	(403)	(545)
Exchange	340	207	143	690
2021 Like-for-like	**6,251**	**4,711**	**2,417**	**13,379**
Like-for-like growth	**7.5%**	**(0.1)%**	**0.6%**	**3.5%**
2020 Like-for-like[1]	**19.5%**	**12.1%**	**0.0%**	**11.8%**
Impact of IFCN China	–	–	5.4%	2.1%
2020 Like-for-like excl. IFCN China[1]	**19.5%**	**12.1%**	**5.4%**	**13.9%**
2021 2 year stack	**27.0%**	**12.0%**	**6.0%**	**17.4%**

1 See page 87 for reconciliation to IFRS

RECONCILIATION OF ADJUSTED EBITDA TO NET DEBT

Adjusted EBITDA/Net debt	31 Dec 2021 £m	31 Dec 2020 £m
Operating (loss)/profit	**(804)**	2,160
Less: Adjusting items	**3,681**	1,141
Adjusted Operating Profit	**2,877**	3,301
Less: Adjusted Depreciation and Amortisation	**362**	392
Adjusted EBITDA	**3,239**	3,693

Net Debt	31 Dec 2021 £m	31 Dec 2020 £m
Cash and cash equivalents including overdrafts	**1,259**	1,644
Financing liabilities	**(9,637)**	(10,598)
Net Debt	**(8,378)**	(8,954)
Adjusted EBITDA/Net Debt	**2.6x**	2.4x

DIVIDEND COVER

	31 Dec 2021 £m	31 Dec 2020 £m
Interim dividend paid in year	**521**	520
Final dividend proposed	**726**	725
Total dividends	**1,247**	1,245
Adjusted Net Income	**2,059**	2,334
Dividend cover	**1.7**	1.9

RECONCILIATION OF OPERATING CASH FLOW TO FREE CASH FLOW

	31 Dec 2021 £m	31 Dec 2020 £m
Cash generated from continuing operations	**2,836**	4,557
Less: net interest paid	**(222)**	(267)
Less: tax paid	**(915)**	(762)
Less: purchase of property, plant & equipment	**(373)**	(394)
Less: purchase of intangible assets	**(77)**	(92)
Plus: proceeds from the sale of property, plant & equipment	**9**	10
Free Cash Flow	**1,258**	3,052
Free Cash Flow Conversion	**61%**	131%

ROCE CALCULATION

	31 Dec 2021 £m	31 Dec 2020 £m
Adjusted Operating Profit	**2,877**	3,301
Less: Taxation on adjusted operating profit	**(633)**	(750)
Adjusted Net Operating Profit after Tax	**2,244**	2,551
IFRS total assets	**26,946**	31,292
IFRS total current liabilities	**(8,088)**	(6,938)
IFRS total assets less current liabilities	**18,858**	24,354
Less IFRS items not included in capital employed:		
Short-term borrowings	**2,485**	763
Current tax liabilities	**93**	72
Legal provisions	**86**	127
Cash and cash equivalents	**(1,261)**	(1,646)
Current tax recoverable	**(155)**	(125)
Retirement benefit surplus	**(355)**	(226)
IFRS balances included in capital employed	**19,751**	23,319
Add impact back unrealised impairments	**3,143**	5,116
Less Goodwill due to deferred tax on intangibles	**(4,133)**	(5,301)
Impact of average in year vs closing balance	**3,442**	2,023
Average capital employed	**22,203**	25,157
Return on Capital Employed	**10.1%**	10.1%

Group Financial Review (Continued)

The table below reconciles the Group's reported IFRS measures to its adjusted measures for the year ended 31 December 2021.

		Adjusting Items					
	IFRS £m	Impact of business combinations £m	Losses on disposal of brands £m	Reclassified foreign exchange translation on liquidation of subsidiaries £m	Finance expense reclass £m	Other individually material items of income and expense £m	Adjusted £m
Net Revenue	13,234	–	–	–	–	–	13,234
Cost of sales	(5,558)	14	–	–	–	–	(5,544)
Gross profit	**7,676**	**14**	**–**	**–**	**–**	**–**	**7,690**
Net operating expenses	(8,480)	77	234	–	–	3,356	(4,813)
Operating (Loss)/profit	**(804)**	**91**	**234**	**–**	**–**	**3,356**	**2,877**
Net finance income/(expense)	547	–	–	(766)	(1)	–	(220)
Share of loss of associate	(3)	–	–	–	–	–	(3)
(Loss)/profit before income tax	**(260)**	**91**	**234**	**(766)**	**(1)**	**3,356**	**2,654**
Income tax credit/(charge)	208	170	(117)	–	1	(846)	(584)
Net (loss)/income from continuing operations	**(52)**	**261**	**117**	**(766)**	**–**	**2,510**	**2,070**
Less: Attributable to non-controlling interest	(11)	–	–	–	–	–	(11)
Net (loss)/income for the year attributable to owners of the parent	**(63)**	**261**	**117**	**(766)**	**–**	**2,510**	**2,059**
Net income from discontinued operations	**31**	**–**	**–**	**–**	**–**	**(31)**	**–**
Total net (loss)/income for the year attributable to owners of the parent	**(32)**	**261**	**117**	**(766)**	**–**	**2,479**	**2,059**
Earnings per share (EPS) from continuing operations							
Basic	(8.8)	36.6	16.4	(107.3)	–	351.6	288.5
Diluted	(8.8)	36.6	16.4	(107.3)	–	351.6	288.5
Earnings per share (EPS) from discontinued operations							
Basic	4.3	–	–	–	–	(4.3)	–
Diluted	4.3	–	–	–	–	(4.3)	–
Earnings per share (EPS) from total operations							
Basic	(4.5)	36.6	16.4	(107.3)	–	347.3	288.5
Diluted	(4.5)	36.6	16.4	(107.3)	–	347.3	288.5

Earnings per share (EPS) is calculated using 713.8 million shares (basic) and 713.8 million shares (diluted).

Impact of business combinations is composed of:

- Amortisation of acquired intangibles of £61 million relates to the amortisation of certain intangible assets recognised as a result of historical business combinations. Included within income tax expense is a £14 million tax credit in respect of this amortisation.
- Acquisition advisor costs relate to acquisition related costs of £19 million as a result of acquisitions in 2021, £3 million of which has been charged to Cost of Sales. Included within income tax expense is a £4 million tax credit in relation to these costs.
- Inventory fair value adjustment of £11 million relates to the amount charged to cost of sales for the fair value step-up of acquired inventories as these inventories are sold. Included within income tax expense is a £1 million tax credit in relation to these charges.
- Changes to deferred tax liabilities of £189 million relate principally to the revaluation of deferred tax liabilities for acquired intangible assets due the change in the UK corporate tax rate, which was substantively enacted during the year.

Losses related to disposals of brands and related intangible assets: the pre-tax loss of £234 million relates to the disposal of Scholl (£165 million) and the disposal of EnfaBebé (£69 million). Included within income tax expense are associated tax credits of £94 million in relation to these disposals, and a deferred tax credit of £23 million on classification of the E45 brand as held for sale at 31 December 2021.

Reclassified foreign exchange translation on liquidation of subsidiaries of £766 million is the net gain following the liquidation of legal entities as part of simplification of the Group's legal entity structure.

Reclassification of finance expenses of £1 million relates to the net interest charge on tax liabilities that is shown within the adjusted tax charge.

Other individually material items of income and expense principally relate to charges in relation to the strategic review of IFCN China, which resulted in the disposal of the IFCN China business, the closure of factories in Australia dedicated to IFCN China and the subsequent re-organisation of the remaining Reckitt Nutrition business.

Amounts charged to IFRS operating loss in relation to the IFCN China strategic review include:

- Loss on disposal of IFCN China of £3,284 million;
- Impairment of the Australian factory assets, £48 million along with associated termination fee £3 million; and
- Costs of £18 million relating to the subsequent restructuring of the Reckitt Nutrition business.

Included within income tax expenses is a £846 million net tax credit in relation to the IFCN strategic review.

Also included within IFRS operating loss is a charge of £3 million in relation to the Korea HS issue. Income from discontinued operations of £31 million relates to amounts agreed with Indivior plc to settle indemnity claims relating to the DoJ settlement in 2019.

Group Financial Review (Continued)

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

		Adjusting Items					
	IFRS £m	Impact of business combinations £m	Losses on disposal of brands £m	Reclassified foreign exchange translation on liquidation of subsidiaries £m	Finance expense reclass £m	Other individually material items of income and expense £m	Adjusted £m
Net Revenue	13,993	–	–	–	–	–	13,993
Cost of sales	(5,558)	–	–	–	–	–	(5,558)
Gross profit	**8,435**	**–**	**–**	**–**	**–**	**–**	**8,435**
Net operating expenses	(6,275)	80	–	–	–	1,061	(5,134)
Operating profit	**2,160**	**80**	**–**	**–**	**–**	**1,061**	**3,301**
Net finance expense	(286)	–	–	–	26	–	(260)
Share of loss of associate	(1)	–	–	–	–	–	(1)
Profit before income tax	**1,873**	**80**	**–**	**–**	**26**	**1,061**	**3,040**
Income tax expense	(720)	59	–	–	(26)	(3)	(690)
Net income from continuing operations	**1,153**	**139**	**–**	**–**	**–**	**1,058**	**2,350**
Less: Attributable to non-controlling interest	(16)	–	–	–	–	–	(16)
Net (loss)/income for the year attributable to owners of the parent	**1,137**	**139**	**–**	**–**	**–**	**1,058**	**2,334**
Net (loss)/income from discontinued operations	**50**	**–**	**–**	**–**	**–**	**(50)**	**–**
Total net income for the year attributable to owners of the parent	**1,187**	**139**	**–**	**–**	**–**	**1,008**	**2,334**
Earnings per share (EPS) from continuing operations							
Basic	160.0	19.6	–	–	–	148.7	328.3
Diluted	159.3	19.5	–	–	–	148.2	327.0
Earnings per share (EPS) from discontinued operations							
Basic	7.0	–	–	–	–	(7.0)	–
Diluted	7.0	–	–	–	–	(7.0)	–
Earnings per share (EPS) from total operations							
Basic	167.0	19.6	–	–	–	141.7	328.3
Diluted	166.3	19.5	–	–	–	141.2	327.0

Earnings per share (EPS) is calculated using 710.9 million shares (basic) and 713.7 million shares (diluted).

Acquisition related items are composed of:

- Amortisation of acquired intangibles of £80 million relates to the amortisation of certain intangible assets recognised as a result of historical business combinations. Included within income tax expense is a £19 million tax credit in respect of this amortisation
- Changes to deferred tax liabilities of £78 million relate to principally to the change in the UK corporate tax rate which was substantively enacted during the year (which is netted against the £19 million tax credit)

Reclassification of finance expenses of £26 million relates to the net interest charge on tax liabilities that is shown within the adjusted tax charge.

Other individually material items of income and expense include:

- £985 million impairment in relation to IFCN goodwill;
- £69 million charge relating to the Korea HS issue; and
- £7 million relating to previously announced restructuring projects (principally RB 2.0 costs).

Income tax expense is a £3 million tax credit for these items.

ADJUSTED MEASURES EXCLUDING IFCN CHINA

The table below reconciles the Group's reported IFRS measures to its adjusted measures excluding IFCN China for the years ended 31 December 2021 and 31 December 2020.

Year ended 31 December 2021	IFRS £m	Adjusting Items £m	Adjusted £m	IFCN China £m	Adjusted excl. IFCN China £m
Net Revenue	13,234	–	13,234	(383)	12,851
Cost of sales	(5,558)	14	(5,544)	214	(5,330)
Gross profit	**7,676**	**14**	**7,690**	**(169)**	**7,521**
Net operating expenses	(8,480)	3,667	(4,813)	236	(4,577)
Operating (loss)/profit	**(804)**	**3,681**	**2,877**	**67**	**2,944**
Operating margin	–6.1%				22.9%
Operating margin vs PY	(2,150 bps)				(160 bps)

Year ended 31 December 2020	IFRS £m	Adjusting Items £m	Adjusted £m	IFCN China £m	Adjusted excl. IFCN China £m
Net Revenue	13,993	–	13,993	(861)	13,132
Cost of sales	(5,558)	–	(5,558)	375	(5,183)
Gross profit	**8,435**	**–**	**8,435**	**(486)**	**7,949**
Net operating expenses	(6,275)	1,141	(5,134)	401	(4,733)
Operating profit	**2,160**	**1,141**	**3,301**	**(85)**	**3,216**
Operating margin	15.4%				24.5%

RECONCILIATION OF PRIOR YEAR IFRS TO LIKE-FOR-LIKE NET REVENUE

Net Revenue 31 December 2020	Hygiene £m	Health £m	Nutrition £m	Group £m
2019 IFRS & like-for-like	**5,031**	**4,462**	**3,353**	**12,846**
IFCN China disposal	–	–	(991)	(991)
2019 Like-for-like (excl. IFCN China)	**5,031**	**4,462**	**2,362**	**11,855**
2020 reported	**5,816**	**4,890**	**3,287**	**13,993**
Exchange	194	114	65	373
2020 Like-for-like	**6,010**	**5,004**	**3,352**	**14,366**
2020 IFCN China disposal	–	–	(863)	(863)
2020 Like-for-like (excl. IFCN China)	**6,010**	**5,004**	**2,489**	**13,503**
Like-for-like growth	**19.5%**	**12.1%**	**0.0%**	**11.8%**
Like-for-like growth (excl. IFCN China)	**19.5%**	**12.1%**	**5.4%**	**13.9%**

OUR APPROACH TO INTEGRATED RISK MANAGEMENT AT RECKITT

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

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

Our approach to the principal and emerging risk assessment

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

Identification of risks	Control strategy	Assessment of net risk and prioritisation	Management action
What could impact Reckitt and the achievement of its objectives?	**What are we doing to manage the risk?**	**How comfortable are we with the level of risk?**	**What more do we need to do?**

• Identifies the most significant principal and emerging risks with potential to impact the Group
• One-to-one meetings are held with all GEC members, Group functional and assurance heads, external advisors and NEDs
• Functional, Global Business Unit and corporate risk assessments feed into this process
• Identifies sources of risk, key drivers and areas of impact
• Completed annually in advance of the Global Business Unit strategic planning process
	• Control strategy is reviewed to establish if it is appropriate and operating as intended
	• Where we identify control gaps, what more do we need to do?
		• Considering the controls we have in place to manage each risk:
		  ◦ What is the probability that the risk will materialise?
		  ◦ If it did, what would the likely impact be?
		  ◦ How comfortable are we with how the risk is being managed?
		  ◦ Is the risk within an acceptable level of appetite?
		• Assessment identifies those risks and controls where management should focus its effort
		• The decision to act will be based on which risks are no longer acceptable
			• Having identified areas of highest risk that require attention, action plans are developed by management to:
			  ◦ Address any control gaps identified
			  ◦ Improve the effectiveness of existing controls, thereby reducing the probability and impact to an acceptable level
			• GEC owners and their principal and emerging risks are circulated to the Board for final review, sign-off and ongoing monitoring
			• Principal and emerging risks are disclosed in the Annual Report

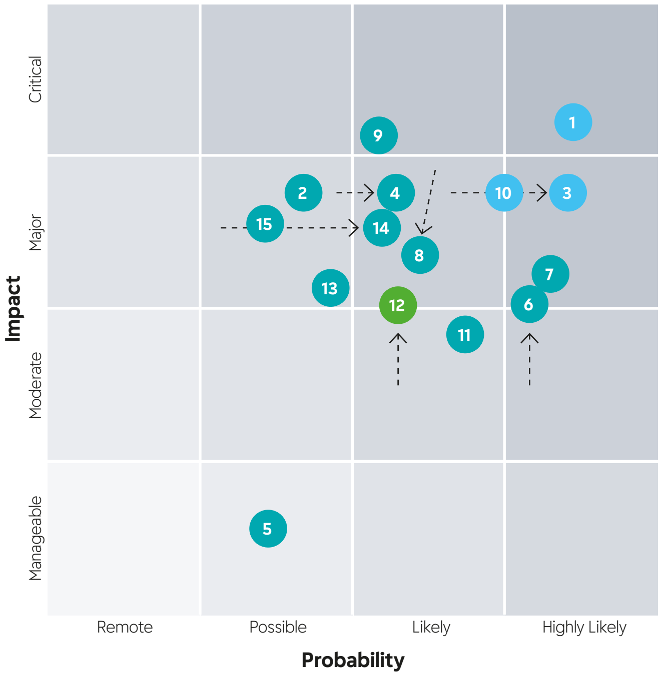
OUR PRINCIPAL & EMERGING RISKS, AS AT 31 DECEMBER 2021

Key to principal risks

Category	ID	Risk title	Risk statement
Operational	1	**COVID-19**[1]	COVID-19 continues to cause disruption in key markets and creates significant volatility and uncertainty across the portfolio, impacting our ability to accurately predict consumer demand, and execute growth plans.
	2	**Product Safety**	Robust process, systems, data and culture for the development and assessment of product safety are not in place or operating effectively, leading to safety risk to consumers.
	3	**Supply Disruption**[1]	Disruption to the continuity of supply as a result of: ongoing disruptions to material supply, freight and labour availability; ongoing market volatility and unpredictability; remaining capacity gaps; and reliance on single factories for key products and/or source for key materials without qualified contingencies in place.
	4	**Cyber Security**	As a complex global organisation, there is a risk that Reckitt falls victim to increasingly sophisticated cyber-attacks aimed at causing disruption to our information assets by destruction, or by circumventing confidentiality, integrity or availability controls.
	5	**Employee Health & Safety**	Work accidents leading to death, injury or illness of Reckitt employees wherever they are working; and other workers on Reckitt premises or premises under Reckitt supervision, in case of outsourced operations.
	6	**Sustainability**[1]	Failure to address existing and emerging environmental and social risks and opportunities (including climate change), and changing societal expectations of businesses in addressing these, creates underlying risk to business resilience, growth and share price performance.
	7	**Adherence to Product Quality Standards**[1]	Non-compliance with applicable quality regulations, guidelines and internal/external standards across the product lifecycle governing how we produce and supply product.
Strategic	8	**Innovation**[1]	The current innovation pipeline does not meet the changing needs of our consumers and new go-to-market channels, or is not sufficient to achieve organic growth ambitions and drive gross margin accretion.
	9	**Disruption**[1]	Inability to respond to, adapt and evolve both our products and processes to disruptive market forces including e-commerce, digital, new formats, applying AI and machine learning, and increasing data challenges, impacting our ability to effectively service our customers and consumers with the required agility.
	10	**China**[1]	Risk in China of economic uncertainty, changing regulations and changes in current or new partners impacting growth and business performance.
People	11	**People**[1]	We do not achieve our strategic objectives due to our reduced ability to attract, develop at accelerated pace and retain talent in a highly competitive market, further enhanced by a changing workplace environment. We lose momentum to drive the organisation's transformation if we do not attract and retain a diverse and capable workforce.
Financial	12	**Tax Disputes**	Increasing global tax rates, alongside tax authority challenges in key markets, impact our global operating model and tax footprint.
Compliance	13	**Product Regulations**	Non-compliance with product classification regulations, guidelines, internal standards and/or registrations across the supply chain and throughout the product lifecycle.
	14	**Legal & Compliance**[1]	We are not fully compliant with relevant laws and regulations, including anti-corruption laws, data privacy laws and global competition laws.
	15	**South Korea Humidifier Sanitiser (HS)**	Financial and reputational risk as a result of the health issues caused by consumers inhaling a humidifier sanitiser previously sold by Oxy, which Reckitt acquired in 2001. The product was withdrawn in 2011.
Other	BS	**Black Swan Event**	We define a Black Swan event as an unforeseen reputational incident impacting multiple brands. The Board considers the possibility of a Black Swan event throughout the course of the year.

1. See Viability Statement on page 103

Principal risks



Mitigation activity

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

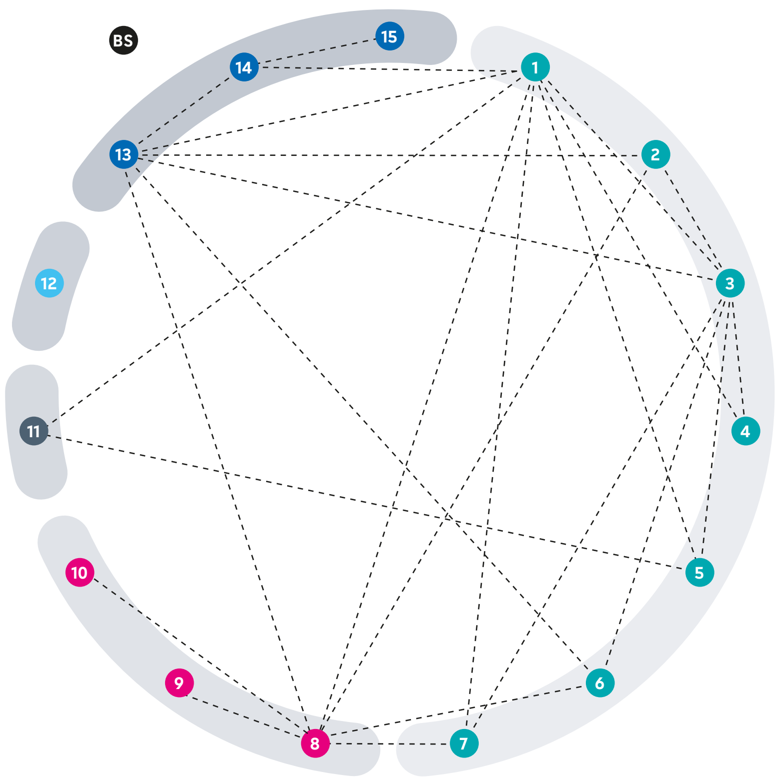
- All significant mitigating actions are in place and operating effectively
- Some significant actions remain in progress
- Significant and urgent actions remain under way

Risk movement

Arrows indicate movement from prior year position.

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

Interconnectivity of risks



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

- Operational
- Strategic
- People
- Financial
- Compliance

MAPPING PRINCIPAL & EMERGING RISKS TO STRATEGIC IMPERATIVES

Consideration of principal and emerging risks, and how we are managing them, is an important part of building our strategy and demonstrating our longer-term viability. The chart below shows the linkage between our current principal and emerging risks and our strategy, specifically our six strategic imperatives. Further information on each of the strategic imperatives can be found on page 22.

	Risk	Grow brands and innovate	Drive superior execution	Invest in capabilities	Increase productivity	Embed sustainability	Actively manage the portfolio
Principal risks	1. COVID-19		●				
	2. Product Safety		●			●	
	3. Supply Disruption		●	●	●	●	
	4. Cyber Security		●	●			
	5. Employee Health & Safety		●				
	6. Sustainability	●		●	●	●	
	7. Adherence to Product Quality Standards		●				
	8. Innovation	●		●	●	●	●
	9. Disruption	●	●	●			●
	10. China	●					●
	11. People		●	●			
	12. Tax Disputes		●				
	13. Product Regulations		●				
	14. Legal & Compliance		●				
	15. South Korea Humidifier Sanitiser (HS)						●
Emerging risks	1. Geopolitical		●				
	2. Economic Volatility in post-COVID World		●				
	3. Sector Consolidation						●
	4. Emergence of Environmental Tax Instruments					●	
	5. Science and Technology 'Disruptors'	●		●			

1. COVID-19

Risk movement:
No change

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

The risk: COVID-19 continues to cause disruption in key markets and creates significant volatility and uncertainty across the portfolio, impacting our ability to accurately predict consumer demand, and execute growth plans.

Potential impact
In 2020, the impact of the COVID-19 principal risk was focused on supply chain disruption and the health and wellbeing of our people. As we emerge from the pandemic, we are now facing significant demand volatility across the portfolio and higher levels of uncertainty over the medium- to long-term impact on consumer behaviours. Such volatility may impact our ability to accurately forecast and affect the planning and strategic investments required to execute growth plans.

Mitigation progress in 2021
Return-to-work policies, additional site-specific protocols and safety measures have now been rolled out across our sites. These protocols outline the measures we are taking to keep our people safe and are overseen by the Global Advisory Group, who continue to monitor and respond to changing work practices.

Across the Supply organisation, additional supply continuity responses were activated which included engagement of new suppliers for critical materials, daily reviews of manufacturing capacity across our network of factories and manufacturing partners, and partnership with logistics providers and regulatory authorities to ensure we could move products across closed borders. Across the R&D organisation, additional lab procedures, including enhanced safety protocols, were also activated to ensure we could continue to support the safety and efficacy of current products in market and in the development pipeline.

Current control strategy
Strategic capacity plans for sourcing, manufacturing and logistics are being reviewed to respond to the COVID-19-related surge in demand for specific products. Our sales and operations planning and execution processes are being strengthened, allowing us to better respond to the amplified demand volatility we are seeing.

As the pandemic continues into 2022, return-to-work protocols have been established to ensure both compliance with local government requirements and respect for each individual's personal situation. Manufacturing and R&D activities are ongoing, and the safety of our people across our sites remains our first priority. Additionally, we continue to support our people through regular updates and a programme of global and local wellbeing initiatives.

We have launched our 'Future of Work' approach, providing greater flexibility and creating a seamless, inclusive and consistent experience in a hybrid world. Our approach is underpinned by the four Cs – Connect, Create, Coach and Collaborate – which will help to guide choices around where we work.

Activity impact for 2022
The Group monitors the impact of COVID-19 across all areas, continually reviewing our guidance to ensure it remains appropriate and reflects any further developments. It is anticipated that while some disruption will continue into 2022, this will reduce as our 'Future of Work' approach becomes further embedded. Target rating from current Red to Amber by the end of 2022, provided that there is no escalation in pandemic-related circumstances and/or geopolitical events.

2. PRODUCT SAFETY

Risk movement:
No change

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

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

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

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

Mitigation progress in 2021
Several product-safety-related programmes have been completed or remain on plan for completion. Our Product Integrity Review (PIR) programme is now complete and PLM (Product Lifecycle Management) implementation is ongoing. Continued focus on data governance and systems is required to modernise data flow and compliance. A strategic review of our data governance is underway and further learnings made will be applied to the programme moving forward.

Our Global Safety Assurance (GSA) transformation project, led by our Chief Safety Officer, is underway with forecast completion in Q1 2023. The programme will elevate Reckitt's global safety approach into the leading group of peer organisations and includes safety culture, processes, systems and data.

Product safety training has been rolled out to all employees, as well as specific training for relevant employees to understand their role in ensuring safety, quality and regulatory compliance for all Reckitt products.

We have made investments in Consumer Relations to improve consumer data insights and awareness of social media to identify emerging trends, themes and safety concerns.

Current control strategy
The GSA team operates as part of the Global R&D function, further embedding product safety into each of the Global Business Units through proximity to markets whilst providing centralised oversight and assurance services. GSA is accountable to the Risk, Sustainability & Compliance Committee (RSCC) and thereafter to the Corporate Responsibility, Sustainability, Ethics & Compliance (CRSEC) Committee.

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

Activity impact for 2022
2022 will see the continued rollout of key safety programmes including Product Lifecycle Management (PLM), QualityOne and the Global Safety Assurance transformation. Innovation and business processes are continuously adapted to ensure safety diligence requirements are fully implemented. We will continue to proactively engage with regulators to ensure we are staying abreast of emerging safety concerns. Target rating to remain Amber at the end of 2022. This is a multi-year deliverable to replace current systems.

3. SUPPLY DISRUPTION

Risk movement:
Increasing

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

The risk: Disruption to the continuity of supply as a result of: ongoing disruptions to material supply, freight and labour availability; ongoing market volatility and unpredictability; remaining capacity gaps; and reliance on single factories for key products and/or source for key materials without qualified contingencies in place.

Potential impact
Disruption to the continuity of supply may result in supply shortages and importation barrier issues, leading to loss of sales and market share. Increased levels of cost pressure across commodities, freight and labour may impact our ability to serve customers and erode our cost competitive advantage. Network and capacity constraints, combined with higher levels of market volatility, may also impact the availability of product in market.

Mitigation progress in 2021
Progress has been made across a number of areas to address the varying causes of supply disruption. We continue to de-risk our supply of critical materials by reducing the total value of monosourced spend across each Global Business Unit. Strategic capacity plans have been developed and are being executed for the sourcing of high-risk materials, critical manufacturing sites and logistics centres.

The Reckitt Production System, developed to drive sustainable manufacturing performance, is being rolled out across all manufacturing sites. An equivalent Logistics System is currently in pilot phase.

In 2021 we established a dedicated e-commerce Supply team that will focus on planning, e-commerce ready packaging and logistics execution.

Current control strategy
Set-up and qualification of multiple manufacturing locations for critical products is ongoing with a target completion date of 2025. Portfolio harmonisation and increased regionalisation of manufacturing will allow us to improve our agility, proximity and responsiveness to any unforeseen disruptions. A reset of our sales and operations planning and execution processes is underway and will be deployed across the business in 2022.

We are mitigating increasing cost pressures through our Group-wide productivity programme which includes procurement excellence, manufacturing and logistics pillars. The development and rollout of our end-to-end supply digitisation programme will also help increase cost and operational efficiencies across the supply chain.

We continue to improve our level of asset protection, and factories considered key or strategic have received investment to attain Highly Protected Risk (HPR) status by our insurers.

A Group-wide business continuity programme is underway to strengthen business continuity processes across products and sites. Robust Employee Health & Safety (EH&S), quality, sustainability and human rights programmes have been developed and are being rolled out across all of our facilities and suppliers.

Activity impact for 2022
2022 will see the continued rollout of the end-to-end Supply Chain Planning programme. This will help to strengthen the resilience of our supply chain through investments in: upstream supply resilience; alternative sites of manufacture; adequate manufacturing capacity; robust products; improved manufacturing processes; and holistic packaging design. Target rating to remain Amber at the end of 2022.

4. CYBER SECURITY

Risk movement:
Increasing

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

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

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

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

Mitigation progress in 2021
Phase 1 of the Cyber Transformation Programme was successfully completed in early 2020 and included: removal of legacy platforms; increased IT security team headcount; new cyber response playbooks and processes; advanced threat protection; and continued improvements to system recovery speed and capability. It also covered areas such as improving baseline identity and access management for some financial systems as well as multi-factor authentication to protect Reckitt system identities.

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

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

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

Activity impact for 2022
Phase 2 of the Cyber Transformation Programme commenced in 2021 and will continue over the next three to four years, investing in and embedding cyber security processes across the Group.

These include: enhancements to operational technology in critical factories; identity and access management for critical business applications; digital security; building stronger cyber defence detection and response capabilities to cover our multi-cloud strategy; and uplifting Reckitt colleague cyber awareness and education. This risk is dynamic and constantly evolving, and as such target rating to remain Amber at the end of 2022.

5. EMPLOYEE HEALTH & SAFETY

Risk movement:
No change

Oversight accountability
Executive ownership resides directly with the CEO, Global Business Unit Presidents and Chief Supply Officer. Board oversight is provided by the CRSEC Committee.

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

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

Mitigation progress in 2021
COVID-19 health and safety policies, standards and return-to-work protocols have been published and adopted across our sites, with key messages cascaded through the Global Business Unit and Supply leadership teams. Local audits were completed where required by regulators to comply with COVID-19 regulations.

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

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

Activity impact for 2022
We will continue to roll out the programme of culture surveys and safety days to increase awareness; and continue with the rigour of auditing, including supporting the business through supply, commercial and R&D site visits. Target rating to remain Amber at the end of 2022.

6. SUSTAINABILITY

Risk movement:
Increasing

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

The risk: Failure to address existing and emerging environmental and social risks and opportunities (including climate change), and changing societal expectations of businesses in addressing these, creates underlying risk to business resilience, growth and share price performance.

Potential impact
Failure to increase the sustainability of our environmental and social footprint may lead to increased scrutiny from consumers, customers, NGOs and ESG-focussed investors. The impacts of this are broad in range and include: reputational damage; adverse public perception; resource inefficiency; loss of market share as consumers shift towards 'greener' products; omission from established sustainability indices impacting future investment; and potential regulatory penalties. Climate change also has the potential to significantly disrupt Reckitt's operations through an increased number of extreme weather events, water crises and ecosystem loss.

Mitigation progress in 2021
In 2021 we launched our Sustainability Ambitions, which will be underpinned with £1 billion investment over the next ten years. We continue to focus on strengthening our processes, programmes and controls alongside our external stakeholder relationships, through partnerships with NGOs, academia, and critical opinion-formers.

We have partnered with Risilience and Cambridge Centre for Risk Studies (CCRS) within the Judge Business School at the University of Cambridge to model the impact of climate risk (both physical and transition) on our global operations, with the output from this analysis supporting our financial and operational planning, and our Task Force on Climate-related Financial Disclosures (TCFD) reporting. We also launched a partnership with the Nature-Based Insetting team at the University of Oxford to better understand the impact of our footprint on biodiversity and support our contribution to the Task Force on Nature-related Financial Disclosures (TNFD). More information about these partnerships can be found on page 66.

A holistic packaging strategy is in development, supporting both e-commerce and traditional retail channels with levels of packaging use. The expansion of our human rights programme beyond our supply chain, using the societal impact framework to assess and address human rights impacts along the full value chain, is on track. Our sustainability and governance capability has been enhanced through the establishment of the Group Risk, Sustainability & Compliance Committee (RSCC).

Current control strategy
We continue to embed the plans and resources required to deliver an environmental strategy in the supply chain in support of climate change and water efficiency, with capital expenditure plans, environmental project identification, local and global capabilities, and capacity to support environmental performance improvement.

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

Activity impact for 2022
Internal and external initiatives, along with greater transparency on non-financial sustainability indicators, will help to drive increased awareness of our sustainability agenda across our global network. Target rating to remain Amber at the end of 2022. This is a multi-year deliverable to build and embed the significant actions required.

7. ADHERENCE TO PRODUCT QUALITY STANDARDS

Risk movement:
No change

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

The risk: Non-compliance with applicable quality regulations, guidelines and internal/external standards across the product lifecycle governing how we produce and supply product.

Potential impact
Impacts are wide-ranging and may include a consumer safety incident, regulatory failures, loss of sales (including product recall) and adverse reputational impact, a supply disruption or factory closure, or potential civil/criminal actions against individuals. The risk is heightened by the increasing scrutiny, complexity, frequency and stringent audit requirements enforced on our factories by regulators.

Mitigation progress in 2021
As part of the evolution of our product quality processes, the Quality team has been integrated into the Supply function. This restructure will help to further embed product quality into each of the Global Business Units by driving proximity to markets whilst also providing centralised oversight and assurance services.

We have made significant investment in ensuring the highest quality of our products and compliance with all applicable regulations and standards. These measures include assurance programmes covering predictive quality, culture of quality, technology-enabled fail-safe controls, quality audit programmes across manufacturing sites and supplier facilities, and transformation of our Consumer Relations function.

The Product Integrity Review (PIR), an end-to-end quality review of the product portfolio, is now complete.

Current control strategy
Reckitt's Quality standards have been defined, communicated and embedded within our standard operating procedures. A quality audit programme to assess compliance with Reckitt's Quality standards across manufacturing sites has been established and is being delivered against.

Continued investment in key Quality transformation programmes including QualityOne and LabEx, and implementation of a systematised product safety and compliance programme through Product Lifecycle Management (PLM), is providing a live database of product data. COVID-19 impact assessments have been performed to identify risks to programme delivery and agreed timescales.

Quality KPIs and metrics are presented and discussed at each Global Business Unit, Risk, Sustainability & Compliance Committee (RSCC) and Corporate Responsibility, Sustainability, Ethics & Compliance (CRSEC) Committee meeting.

Activity impact for 2022
We continue to look for opportunities to optimise our quality assurance processes and the use of Quality data to drive continuous improvement across the product lifecycle. Target rating to remain Amber at the end of 2022.

8. INNOVATION

Risk movement:
Decreasing

Oversight accountability
Executive ownership resides directly with the CEO, Global Business Unit Presidents and the Chief R&D Officer. Board oversight is provided by the main Board.

The risk: The current innovation pipeline does not meet the changing needs of our consumers and new go-to-market channels, or is not sufficient to achieve organic growth ambitions and drive gross margin accretion.

Potential impact
Failure to understand and effectively respond to changing consumer wants, needs and behaviours (including in the context of COVID-19) may lead to loss of market share to small entrepreneurial companies leveraging new channels and digital media.

Inability to execute innovation may result in failure to achieve the necessary innovation rate hurdles in terms of growth contribution and gross margin accretion, impacting organic top-line growth.

Mitigation progress in 2021
In 2021 we implemented enhanced innovation pipeline reporting to provide greater visibility over our three-year innovation pipeline, and the resourcing required to achieve our targets.

We launched the Innovation Council to harmonise innovation across each Global Business Unit, market and function, including Marketing, R&D and Supply. The Innovation Council will report to the GEC on a quarterly basis.

The Global R&D function now includes the Regulatory, Global Safety Assurance (GSA) and Operational Excellence functions, driving greater partnerships and operational efficiencies. Dedicated teams are focused on delivering innovation for global brands and operational teams are focused on local brands. Frontline resources have been deployed in-market to drive proximity to consumers.

Current control strategy
We continue to invest in new tools and resources to enhance our innovation, brand purpose, packaging and design capability. Dedicated resourcing has been deployed to deliver on 'e-commerce first'-focused innovations.

IGNITE, our new external partnering platform to be launched in 2022, will enhance our partnership capability and drive co-creation of innovation through greater external orientation and new partnership opportunities across discovery, development and launch.

Our consumer data and insights capability has been strengthened with a dedicated team focused on insight generation and idea validation through new digital tools for faster and more accurate innovation modelling.

Activity impact for 2022
Continued strengthening of our technical capabilities, alongside the pursuit of new partnerships, improved harmonisation and enhanced reporting will help to drive improved innovation across the full product lifecycle, allowing us to better scale, leverage and accelerate our pipeline.

Innovation models will continue to evolve during 2022 and will broaden as additional drivers of innovation growth are identified. Target rating to remain Amber at the end of 2022. This is a multi-year deliverable to build and embed the significant actions required.

9. DISRUPTION

Risk movement: **No change**

Oversight accountability
Executive ownership resides with the Global Business Unit Presidents and the Chief Human Resources Officer. Board oversight is provided by the main Board.

The risk: Inability to respond to, adapt and evolve both our products and processes to disruptive market forces including e-commerce, digital, new formats, applying AI and machine learning and increasing data challenges, impacting our ability to effectively service our customers and consumers with the required agility.

Potential impact
We continue to see dramatic changes to the ecosystem and competitive landscape in which we operate, with many of these changes arising from COVID-19 and its impact around the globe. Some of the changes may not yet be fully known or understood and may either present significant future opportunity or disrupt our current operating model.

Failure to respond to these disruptions may result in share loss to insurgent brands that are more consumer-centric, and may reduce our ability to identify and exploit rapidly growing channels, impacting top-line growth.

Mitigation progress in 2021
Our eRB organisation is now operating to scale bigger, faster, bolder e-commerce and digital solutions, supporting each Global Business Unit with digital business development and strengthening capability through technology and infrastructure.

Our capability centres (Marketing Excellence, Sales Outperformance, Medical Sales and eRB) are now operating to share excellence, develop functional capabilities, drive economies of scale and scope, and provide tools and technology enabling best practice sharing.

Chief Customer and Chief Information & Digitisation Officers are now in role to strengthen customer relationships and drive new business models for our increasingly digital consumers.

Global Business Solutions launched in 2020 to support businesses with the expertise, knowledge and products they need to make their workplaces and outlets hygienically safe for both consumers and employees.

Current control strategy
Continued investment in capability and technology, enabling us to harness the power of all channels, all platforms, all brands, in all markets. Pursuit of external partnership opportunities to identify, incubate and launch new brands and ventures, driving future growth. Entering new growth spaces will also allow us to reach and acquire more consumers.

Activity impact for 2022
Internal and external initiatives will continue to increase capability and drive incremental growth across priority channels and segments. This includes the continued rollout of The Digital Factory, our venture to build e-commerce expertise across all markets. Target rating to remain Amber at the end of 2022. This is a multi-year deliverable to build and embed the significant actions required.

10. CHINA

Risk movement: **No change**

Oversight accountability
Executive ownership resides directly with the CEO and Global Business Unit Presidents. Board oversight is provided by the main Board.

The risk: Risk in China of economic uncertainty, changing regulations and changes in current or new partners impacting growth and business performance.

Potential impact
China is a critical market increasingly characterised by economic and regulatory uncertainty. The behaviours of Chinese consumers are also changing which, alongside other economic factors, has the potential to impact our operations and performance in this market.

Mitigation progress in 2021
In 2021 we finalised the sale of our China Infant Formula & Child Nutrition business to Primavera. Our operations in China are now supported through our focused China businesses, allowing us to better leverage our scale across the Greater China area while maintaining agility, boosting partnerships to support our growth ambitions, and driving China-centric innovation through bespoke design and innovation hubs.

Current control strategy
Our current China businesses will continue to be managed as independent units, with shared government affairs and regulatory capabilities supported by a quarterly governance model.

We maintain a strong network in China to understand both international and domestic economic developments that may impact our footprint. This includes active engagement with industry associations and regulators, external affairs capability and collaborative partnerships with government agencies.

China-based regulatory intelligence teams provide insight on any changes in regulation that may impact us, and we partner closely with local industry to ensure we are working within government-set parameters.

Activity impact for 2022
We will continue to focus on execution of our Greater China operating model, alongside continued delivery of China-centric innovation, consumer-centricity and close monitoring of global and regional economic developments. Target rating from current Red to realistically reduce to Amber by the end of 2022, though further disruptions can be anticipated which could extend this level of higher exposure.

11. PEOPLE

Risk movement:
No change

Oversight accountability
Executive ownership resides directly with the Chief Human Resources Officer, who drives activity through each of the Global Business Unit executive leadership teams. Board oversight is provided by the main Board.

The risk: We do not achieve our strategic objectives due to our reduced ability to attract, develop at accelerated pace and retain talent in a highly competitive market, further enhanced by a changing workplace environment. We lose momentum to drive the organisation transformation if we do not attract and retain a diverse and capable workforce.

Potential impact
Disruption to business performance attributed to churn across senior management positions and the risk of fatigue arising from a period of sustained business change.

Mitigation progress in 2021
Following the launch of the Rejuvenating Sustainable Growth strategy, a new leadership team is now in place and churn across senior management has stabilised.

A Senior Vice-President for Talent & Leadership Development is now in role and we have launched a Leadership Development and Talent Centre of Excellence to deliver greater value to the business by identifying, developing and scaling best practice HR processes that directly contribute to the attraction, retention and development of our people.

Current control strategy
Talent identification, mapping and calibration have been undertaken for critical senior management positions, helping to optimise both talent management and succession planning processes.

Retention measures and succession plans for key management positions are in place, and regular retention risk analysis is undertaken, including a review of turnover rates and active review of workforce planning to meet strategic objectives. The Group's total compensation programmes and employee value proposition (EVP) are also subject to annual review.

A number of initiatives are under way to promote Reckitt as an employer of choice. These include social impact and diversity and inclusion (D&I) programmes, and a global wellbeing programme has been launched focusing on equipping all employees with tools, techniques and strategies to sustain peak performance. A new Global Head of Wellbeing will lead this activity.

We offer a suite of tools to help our people get the most out of their careers at Reckitt, from learning and development, the annual performance review process and leadership development programmes that focus on how managers can inspire, empower and engage their teams.

Activity impact for 2022
We will continue to focus on unleashing the potential of our people, performance and Purpose by attracting the best talent, developing our people and enabling culture change, to shape and drive our future workplace to deliver sustainable outperformance. Target rating to remain Amber by the end of 2022.

12. TAX DISPUTES

Risk movement:
Increasing

Oversight accountability
Executive ownership resides directly with the Chief Financial Officer. Board oversight is provided by the Audit Committee.

The risk: Increasing global tax rates, alongside tax authority challenges in key markets, impact our global operating model and tax footprint.

Potential impact
Increasing global tax rates may result in an overall increase in our tax liability. Additionally, if our filing positions around transfer pricing are not considered in any country to be compliant or our operating model is not sufficiently communicated, implemented and embedded, both internally and externally, tax authorities may successfully challenge our tax return filings with a potentially significant financial impact on the Group.

Mitigation progress in 2021
Ongoing timely and robust responses to progress outstanding disputes and continual monitoring of progression in relation to Advanced Pricing Agreements (APAs) and subsequent operating model tax audits. Detailed and thorough advice and technical support from advisors is received.

Provisions are made at CHQ for anticipated exposures. The business will continue to review the provisioning strategy over the next five years to take account of any expected changes.

Current control strategy
Ongoing review by the Reckitt Tax function, country Finance Directors and external advisors with central provisioning for anticipated exposures. Regular tax reviews are undertaken with each Global Business Unit alongside continuous monitoring of information on EC State Aid investigations and possible application to Reckitt. We also monitor the impact of the Base Erosion and Profit Shifting (BEPS) initiative and other law changes to identify possible adverse impacts and put in place remedial strategies.

Activity impact for 2022
Timely and robust responses to progress outstanding disputes, continual monitoring of progression in relation to APAs and subsequent operating model tax audits, and increased prioritisation of projects and senior management overview are expected to maintain this risk as Green for 2022. Target rating to remain Green at the end of 2022.

13. PRODUCT REGULATIONS

Risk movement:
No change

Oversight accountability
Executive ownership resides directly with the Chief R&D Officer, who drives activity through the Global Business Unit executive leadership teams. Board oversight is provided by the CRSEC Committee.

The risk: Non-compliance with product classification regulations, guidelines, internal standards and/or registrations across the supply chain and throughout the product lifecycle.

Potential impact
Non-compliance with a product-related regulation may result in supply disruption, increased regulatory scrutiny, financial impact including product recall, damage to company reputation and potential civil/criminal liability.

Regulations impacting our products across the portfolio are continually evolving. If we do not anticipate these changes and are not ready to use them to drive innovation and competitive advantage, we may see an increase in costs and a loss of market share to competitors.

This risk is enhanced by the extensive range of product regulatory classifications across the portfolio, emerging regulations in key markets and fragmented IT systems lacking end-to-end integration.

Mitigation progress in 2021
As part of the evolution of our product safety and regulatory processes, the Regulatory team has been integrated into the Global R&D function. This restructure will help to further embed regulatory compliance into each of the Global Business Units by driving proximity to markets whilst also providing centralised oversight and assurance services.

We have increased our investment in medical and regulatory processes to ensure our product claims are more data-focused and substantiation is stronger. Enhanced metric-based reporting now allows us to focus on in-market issues and identification of any process improvements.

Current control strategy
Multiple control programmes are in place to manage regulatory compliance risks including resiliency mapping, our REACh compliance programme and updates to our company core datasheets.

Regulatory intelligence processes and systems have been strengthened and we have evolved how our regulatory KPIs are established, monitored and reported.

The Risk, Sustainability & Compliance Committee (RSCC) structure ensures appropriate regulatory KPIs are reported to all levels in the organisation. There is an appropriately resourced single system for consumer complaints in place and specialist audit teams providing independent assurance.

Activity impact for 2022
The Product Lifecycle Management (PLM) programme will systematise our product safety and compliance processes, aligning with the standards set within the Product Integrity Review (PIR) and Product Safety Evaluation Report (PSER) projects. PLM is due for completion in 2022. Review of the end-to-end artwork and label approval process is ongoing and continues to be a focus area for the business.

Our Regulatory teams partner with external regulators to credibly engage in regulation development and to assess the impact and opportunities of future regulations to drive readiness, innovation and competitive advantage. Target rating from current Amber to Green at the end of 2022. This is a multi-year deliverable to replace current systems.

14. LEGAL & COMPLIANCE

Risk movement:
Increasing

Oversight accountability
Executive ownership resides with the General Counsel & Company Secretary together with the Chief Ethics & Compliance Officer, with each Global Business Unit responsible for its respective deliverables. Board oversight is provided by a combination of the CRSEC and Audit Committees to ensure full and appropriate coverage of the Compliance programme.

The risk: We are not fully compliant with relevant laws and regulations, including anti-corruption laws, data privacy laws and global competition laws.

Potential impact
Non-compliance with relevant laws and regulations may damage Reckitt's reputation, leading to significant potential fines and possible criminal liability for Reckitt companies and/or senior management.

Stricter data privacy regulations in key markets, together with adoption of new technology and our growing e-commerce business, have impacted data handling practices across the Group. The COVID-19 pandemic has seen an increase in competition law and anti-trust compliance risk as we respond to a significant increase in demand for COVID-19 essential products.

Mitigation progress in 2021
The global Ethics & Compliance programme has been strengthened through the implementation of extensive controls across key compliance risk areas. For data privacy, this includes the establishment of a robust privacy framework under the oversight of the Group Data Protection Officer, a dedicated e-commerce privacy function, fully dedicated privacy resources in key countries, completion of Privacy Impact Assessments and adoption of stringent data protection safeguards across direct-to-consumer channels.

Competition law risk and control assessments were completed in key markets, with supporting mitigation plans agreed and implemented. Our third-party bribery, interaction with HCEs and HCPs, and grants, donations and charitable contributions processes have evolved through the introduction of an enhanced operating model supported by more robust systems and procedures.

Our third-party due diligence programme has been fortified and aligned across Global Business Units for consistency.

Our claims substantiation processes have also been strengthened in response to the settlement of a number of legacy cases.

Current control strategy
A Senior Vice-President Legal was appointed to each Global Business Unit in 2020, with dedicated ethics and compliance resources working alongside the Global Business Units to roll out the Compliance programme across all key markets. The programme of global compliance risk assessments will continue in 2022, alongside implementation of new policies and procedures, allowing us to effectively respond to any changes in the risk profile.

All employees are required to complete online Global compliance training modules every year. Core modules include Code of Conduct, anti-bribery, antitrust, data privacy, human rights, and (separately) product safety and cyber security.

The Group-wide Speak Up hotline is operational, widely communicated and reinforced through a robust, independent investigation process and follow-up procedure.

Activity impact for 2022
Continued advancement of the Ethics & Compliance programme through targeted risk assessments, enhanced analytics and expansion of the training programme will help to drive greater awareness of relevant laws, regulations and company policies. Expansion of the third-party risk management strategy will strengthen supply chain governance. Target rating to remain Amber at the end of 2022. This is an ongoing and dynamic programme.

15. SOUTH KOREA HUMIDIFIER SANITISER (HS)

Risk movement:
No change

Oversight accountability
Executive ownership of the risk at a Group level resides directly with the General Counsel & Company Secretary. Board oversight is provided by the main Board.

The South Korea Humidifier Sanitiser (HS) issue was a tragic event. The Group continues to make both public and personal apologies to victims.

The risk: Financial and reputational risk as a result of the health issues caused by consumers inhaling a humidifier sanitiser previously sold by Oxy, which Reckitt acquired in 2001. The product was withdrawn in 2011.

Potential impact
While a provision was made in 2016 to cover the initial government classification rounds and certain other costs, the risk of additional exposure remains. An amendment made to the HS Special Law in 2020 has led to an increased volume of civil claims against Reckitt Benckiser Korea (RBK). The South Korean Government has now decided to include asthma, toxic hepatitis and children's interstitial lung disease as HS injuries and there is potential further expansion of liability as the new amendment to the law reduces the burden of proof to establish that injury or illness is caused by HS exposure. Further, under the law amendment, the Korean Government can impose additional contributions to the Industry Relief Fund (IRF) up to the amount of the previously collected for the Special Relief Fund (SRF).

Mitigation progress in 2021
RBK has continued to work with the Government, victims and other businesses to progress settlement with existing category 1 and 2 claimants via its Compensation Plan, and address legal claims, as well as to restore trust among consumers in South Korea. RBK also made comments on the issues with the HS law amendment during the legislative process.

Current control strategy
Full public apology formally and repeatedly made by RBK to affected parties. Regular review meetings continue with the Group, to monitor issues as they arise. The Group has encouraged RBK to seek a broader resolution involving all responsible parties on a basis that provides fair compensation to legitimate victims, with each responsible party contributing its fair share. An HS mediation committee has been established and has been meeting with claimant groups and industry companies to discuss various issues related to designing a comprehensive mediation plan to cover all HS victims.

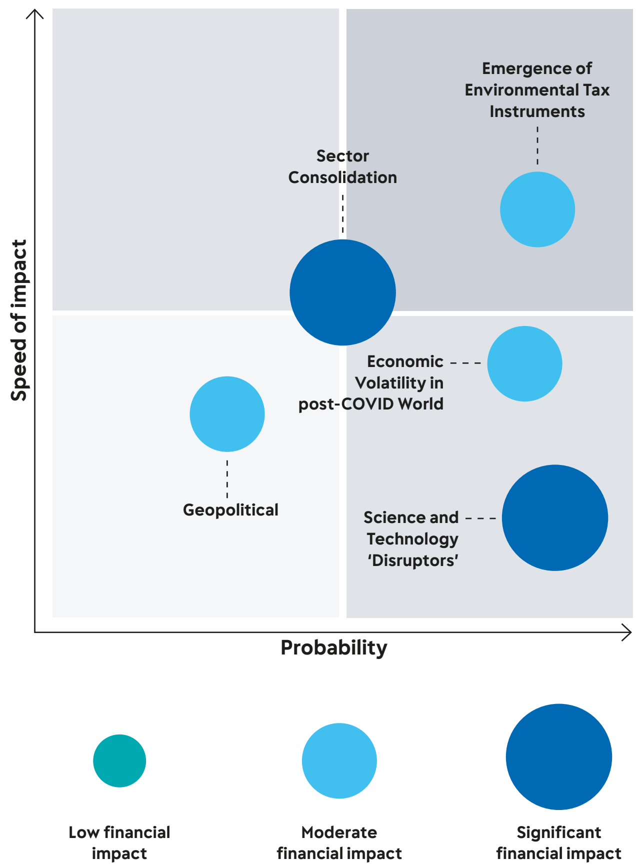
Activity impact for 2022
The Group will continue to encourage RBK to seek a broader resolution and will continue to evaluate options to do the right thing while limiting liability to fund compensation payments which are not anchored in proper standards of legal and scientific proof. Target rating likely to remain Amber.

EMERGING RISKS

The implementation of an effective risk management framework within an organisation remains a cornerstone of the corporate governance expectations contained within the 2018 revisions to the UK Corporate Governance Code.

We have defined an emerging risk as an event that has the potential to significantly impact Reckitt's financial position, competitiveness and reputation, specifically:

- when the nature and value of the impact is not yet fully known or understood, giving the emerging nature of the risk; and/or
- with an increasing impact and probability over a longer time horizon (i.e. five or more years).



Grow brands and innovate · Drive superior execution · Invest in capabilities · Increase productivity · Embed sustainability · Actively manage the portfolio

Category	ID	Risk title	Risk statement
Strategic	1	**Geopolitical**	Increasing geopolitical volatility with the potential to destabilise key markets and in some cases disrupt our operations. This includes domestic political developments and regional tensions, the longer-term impact of Brexit, fluctuations in oil prices, and changes to local regulations impacting imports and exports e.g. subsidies, duties etc.
	2	**Economic Volatility in post-COVID World**	Emerging from COVID-19, we are now faced with a highly volatile global economy. Some economies that have 'bounced back' are seeing increasing inflationary pressure and uncertainty whether such inflation is a structural or transitory issue, while other countries are moving further into recession. We are also seeing a surge in barriers to global trade, including COVID-19 restrictions and global freight shortages. This volatility impacts our commercial strategies, including pricing, and may expose the Group to high levels of instability. Further, the impact of COVID-19 on consumer behaviours is increasingly uncertain, impacting our ability to accurately plan and forecast.
	3	**Sector Consolidation**	Across the consumer products sector, we are seeing increasing levels of consolidation combined with the rise of private equity firms. Consolidation in the number of players together with higher levels of competition for potential acquisition targets may impact our ability to drive inorganic growth.
	4	**Emergence of Environmental Tax Instruments**	We see a potential increase in the use of taxes or other fiscal instruments in areas such as materials (e.g. plastics), packaging (e.g. single-use or non-recyclable), landfill disposal, as well as emerging water or carbon taxes as governments seek to encourage producer responsibility, promote behaviour change and fully cost externalities. This is particularly the case as governments seek to redress the financial impacts of COVID-19 and 'build back better'.
	5	**Science and Technology 'Disruptors'**	COVID-19 saw the development of the world's first mRNA vaccines, created using new technology that has significant potential to be applied in the fight against other diseases, including seasonal cold and flu. The use of mRNA technology and other emerging science to create new vaccines or novel therapies to fight seasonal cold and flu could significantly disrupt the traditional cold and flu category in the long term.

1. GEOPOLITICAL

The risk: Increasing geopolitical volatility with the potential to destabilise key markets and in some cases disrupt our operations. This includes domestic political developments and regional tensions, the longer-term impact of Brexit, fluctuations in oil prices, and changes to local regulations impacting imports and exports e.g. subsidies, duties etc.

Potential impact

The potential impacts of any geopolitical volatility are wide-ranging and include decreasing sales and revenue, fluctuations in corporate finance and treasury, and fewer opportunities for strategic growth. As we operate across a large global network, geopolitical instability can also impact our supply chain operations, workforce management practices and the safeguarding of our data and intellectual property.

Mitigation

We closely monitor the global geopolitical climate to ensure we understand any developments and their potential to impact our business. Key measures include monitoring and analysis of any political or regulatory uncertainty through our external affairs network, engagement of advisors in critical markets and identification of security threats facing the business through our Corporate Security programme.

2. ECONOMIC VOLATILITY IN POST-COVID WORLD

The risk: Emerging from COVID-19, we are now faced with a highly volatile global economy. Some economies that have 'bounced back' are seeing increasing inflationary pressure and uncertainty whether such inflation is a structural or transitory issue, while other countries are moving further into recession. We are also seeing a surge in barriers to global trade, including COVID-19 restrictions and global freight shortages. This volatility impacts our commercial strategies, including pricing, and may expose the Group to high levels of instability. Further, the impact of COVID-19 on consumer behaviours is increasingly uncertain, impacting our ability to accurately plan and forecast.

Potential impact

Economic volatility, including high inflation, may impact our pricing and margin strategies. Our commercial teams closely monitor economic trends, adapting commercial strategies to optimise our business appropriately. High levels of demand volatility may also adversely impact the accuracy of our planning and forecasting activities.

Mitigation

Whilst we cannot fully protect our business from recessionary or inflationary pressures, we take appropriate measures to maximise and protect it during such periods of volatility. Key actions include: portfolio rightsizing and review of pricing guidelines; adapting our channel strategy with disruptive value offerings and the acceleration of the e-commerce portfolio; ensuring we carefully balance price and volume-led growth through targeted costing programmes; maintaining prudent financial risk management through clear metrics for large investments; and accurate forecasting and cash flow management. In addition, a reset of our sales and operations planning processes is underway, together with a review of end-to-end planning processes and systems, to improve planning and forecasting accuracy.

3. SECTOR CONSOLIDATION

The risk: Across the consumer products sector, we are seeing increasing levels of consolidation combined with the rise of private equity firms. Consolidation in the number of players together with higher levels of competition for potential acquisition targets may impact our ability to drive inorganic growth.

Potential impact

Increasing sector consolidation and the associated increase in competition may impact our ability to successfully drive inorganic growth.

Mitigation

The Corporate Development team is responsible for identifying, evaluating and executing Reckitt's global M&A opportunities. This involves regularly scanning the competitive landscape to identify potential mergers, acquisitions, divestments, joint ventures or long-term partnerships. Corporate Development partners closely with each Global Business Unit and IMEX to help establish clear and prioritised inorganic business development objectives, so the business is focused on the right targets that will help create long-term value.

4. EMERGENCE OF ENVIRONMENTAL TAX INSTRUMENTS

The risk: We see a potential increase in the use of taxes or other fiscal instruments in areas such as materials (e.g. plastics), packaging (e.g. single-use or non-recyclable), landfill disposal, as well as emerging water or carbon taxes as governments seek to encourage producer responsibility, promote behaviour change and fully cost externalities. This is particularly the case as governments seek to redress the financial impacts of COVID-19 and 'build back better'.

Potential impact

Introduction of environmental taxes or other related fiscal instruments could impact our commercial strategies by increasing the overall cost of production. Failure to comply with such emerging regulations could also result in adverse financial or reputational impact.

Mitigation

Our Sustainability Ambitions have been designed to reduce our environmental footprint and allow us to respond to the Extended Producer Responsibility (EPR) and tax regulation we are seeing emerge across multiple geographies. Our ambitions include combating climate change by reducing greenhouse gas emissions, increasing our use of renewable energy sources and reducing our overall carbon footprint. We are increasing water efficiency and aim to be water positive in water-stressed areas through catchment management; and we have set a target of zero waste to landfill for all of our manufacturing sites. Progress in these areas is tracked through quarterly reporting.

A number of initiatives are underway to reduce our use of plastics and other non-recyclable packaging materials, including virgin plastic, as well as our overall chemical footprint. These projects have been built into product development pipelines across each Global Business Unit. A working group has been established to coordinate our response to emerging EPR and tax regulation across 45 products. This will include an initial review of the data required to support reporting and analysis, and subsequent strategic intervention through innovation to lower the potential cost burden.

5. SCIENCE AND TECHNOLOGY 'DISRUPTORS'

The risk: COVID-19 saw the development of the world's first mRNA vaccines, created using new technology that has significant potential to be applied in the fight against other diseases, including seasonal cold and flu. The use of mRNA technology and other emerging science to create new vaccines or novel therapies to fight seasonal cold and flu could significantly disrupt the traditional cold and flu category in the long term.

Potential impact

Failure to respond to disruptive science and technology may impact the longer-term demand for our products.

Mitigation

We engage in a number of external partnerships which allow us to participate in leading research around hygiene interventions, epidemiology, and the development of emerging treatments. These include our partnership with the Global Hygiene Council and establishment of the independent Reckitt Global Hygiene Institute. Our R&D and Science teams actively engage with the scientific community through participation in conferences, thought leadership and research projects. Working with this consortium of external experts helps us to stay abreast of leading developments in science and regulatory affairs, and the impact of emerging technology. Horizon-scanning activities are undertaken internally across a number of teams, including the Corporate Development team and individual brand teams, helping to identify threats and opportunities in each category.

OUR VIABILITY STATEMENT

THE ASSESSMENT PROCESS AND KEY ASSUMPTIONS

The Board's Viability Review is based on the Group's strategy, its long-term financial plan and its principal risks.

A financial forecast covering a five-year period was prepared (the base case). This period was selected as it is the period covered in the Group's long-term forecasting process, based on the budget and projections for the following years and covers the introduction to market of the current new product pipeline. The period also covers the majority of Reckitt's debt repayment profile.

The financial forecast is based on a number of key assumptions aligned to the Group's growth strategy, planned capital spending, and capital allocation policy. The assessment of viability takes into account the Group's cash flow, its currently available banking facilities and interest cover ratios in relevant financial covenants, and does not assume the raising of additional new debt or equity finance. If Reckitt performs in line with the base case forecasts, it will have sufficient funds to trade, settle its liabilities as they fall due, remain compliant with financial covenants, and remain viable. Moreover, the Group has access to external debt markets on account of its credit rating together with a well-diversified supplier network, customer base and product range, and geographical activities with a strong innovation pipeline, and dividend cover.

ASSESSMENT OF PRINCIPAL RISKS AND VIABILITY

To further test the robustness of the base case forecast, further analyses were prepared to consider the viability of the business in the event of adverse unexpected circumstances. Such adverse circumstances were modelled primarily upon the crystallisation of the Group's principal risks (see pages 90 to 102, including mitigation and control strategies). Principal risks have the potential to create adverse circumstances for the Group and can occur individually or in combination with each other. The assessment of viability considered the implications of crystallisation of each principal risk, assigning each an estimated annual monetary value and estimating the impact on interest cover ratios and headroom over available borrowing facilities.

These principal risks were aggregated to create two scenarios which model plausible downside scenarios of increasing severity based on: (i) crystallisation of principal risks deemed to have the most relevant potential impact on viability (see risks marked '1' on page 90); and (ii) crystallisation of all principal risks and the impact of adverse movements in foreign exchange and interest rates. The analysis indicated that even with unexpected events occurring immediately and in combination, Reckitt would still have sufficient funds to trade, settle its liabilities as they fall due, and remain compliant with financial covenants.

The Board has further considered the occurrence of a Black Swan event: an event of greater adversity than those modelled above, with sufficient potential impact to risk the future of Reckitt as a strong and independent business operating in its chosen markets. The occurrence of a major issue could result in significant reputational impact, a substantial share price fall, significant loss of consumer confidence, and the inability to retain and recruit quality people. Such an event could have an impact on the viability of the business. On the basis of a comprehensive set of mitigating controls in place across the business, considering the unknown nature of a Black Swan event and that its occurrence is considered highly unlikely, it has not been included in the Viability Review.

VIABILITY STATEMENT

The Board believes that the Group is well-positioned to manage its principal risks successfully. The Board's belief is based on consideration of the historic resilience of Reckitt and has taken account of its current position and prospects, the actions taken to manage the Group's debt profile, risk appetite and the principal risks facing the business in unexpected and adverse circumstances. Mitigating actions, should they be required, are all within management's control and could include reduced capital expenditure or temporary suspension of dividend payments.

CONCLUSION

As a result of the Viability Review, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period covered in the Viability Review.

The Strategic Report, as set out on pages 2 to 103, has been approved by the Board.

On behalf of the Board

Catheryn O'Rourke
Company Secretary
Reckitt Benckiser Group plc

13 April 2022