

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

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.

CASE STUDY

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.

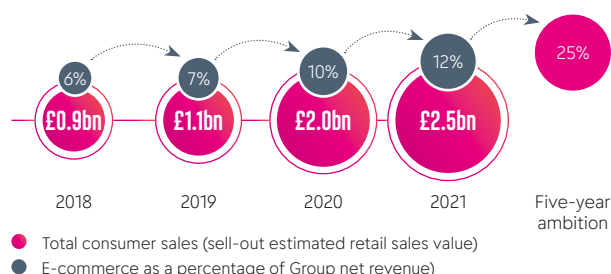
Focus on: Digital (Continued)

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 growth¹

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.

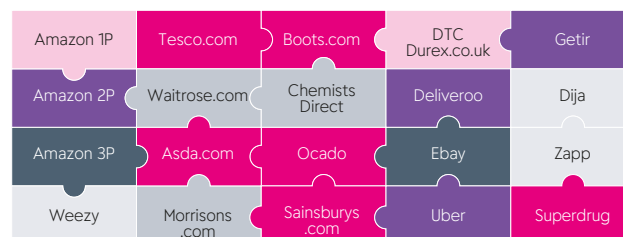
Our unique operating model

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.



Channel Launch Year

2011-2013 2013-2015 2015-2017 2017-2019 2019-H1 2021

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.

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

ACCESS

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

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

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.

CASE STUDY