DIRECTORS' REMUNERATION POLICY

This section of the report sets out the Remuneration Policy for Executive Directors and Non-Executive Directors, which shareholders will be asked to approve at the 2022 AGM on 20 May 2022 and, if approved, will take effect from this date. Until this time, the Policy approved by shareholders on 9 May 2019 will continue to apply.

The Policy was developed over the course of the last year. The Committee undertook a thorough review of remuneration arrangements with a particular focus on alignment to Reckitt's Purpose and Compass, as well as the forward-looking business strategy and priorities. Input was received from Remuneration Committee members, the Chair of the Board, other Non-Executive Directors and management (including the CEO, CFO, CHRO), and other key stakeholders, whilst ensuring that conflicts of interest were suitably mitigated. Input was also provided by the Committee's appointed independent advisors throughout the process. The Committee undertook an extensive consultation process with shareholders whilst developing the new Policy. The remuneration policies and practices across the whole of the Group, and market practice, both in the UK and against our global peers, were also taken into account. The key features of our approach were also assessed against the principles of clarity, simplicity, risk management, predictability, proportionality and alignment to culture and as described on page 167.

A significant number of changes were made to the remuneration framework as part of the previous Policy approved by shareholders in 2019, including: i) a reduction in the maximum LTIP award limits; ii) the introduction of bonus deferral, a holding period to all LTIP awards, and a post-employment shareholding requirement; iii) alignment of pension arrangements to the wider workforce; iv) expansion of malus and clawback terms to include corporate failure; and v) the introduction of additional performance measures of net revenue and ROCE to LTIP awards.

Following a comprehensive review, the Committee has concluded that the current Policy remains fit for purpose and supports the strategy of the Group to rejuvenate sustainable growth as well as our principles of ownership and pay for performance – and therefore only minor changes to the Policy are proposed.

The Committee considered the following areas of the current Policy (amongst others) when determining that the overall Policy remains appropriate:

- Annual bonus structure – the current bonus structure is aligned to the Group's pay-for-performance culture, requiring outperformance of both metrics to achieve above-target outturns, and is well understood by participants. This approach is cascaded throughout the Group
- Combination of performance shares and performance share options – the LTIP structure strongly incentivises future share price growth, providing strong alignment to the shareholder experience, whilst also requiring strong performance against stretching targets. Unlike many other share option schemes, these are performance share options and are subject to the same stretching performance measures and targets as the performance shares, in addition to the inherent requirement for the share price to increase, which ensures alignment with shareholder value creation
- Granting LTIP awards as a fixed number of shares/options – this approach incentivises share price growth and is well understood across the organisation. It also mitigates the effect of any potential 'windfall gains' due to share price falls and subsequent recovery. There is a robust adjustment mechanism in place – award levels are reviewed every year by the Committee taking into account the share price, company performance, individual performance, and the approach for the wider employee population
- Post-employment shareholding requirement – Executive Directors are required to hold the lower of 50% of their shareholding requirement or their actual shareholding at departure, for a period of two years. The Committee is of the view that this is appropriate on the basis that the in-employment requirements are market-leading amongst UK-listed companies (based on current share price levels the CEO's shareholding requirement is c.1200% of salary). At 50% of the in-employment requirement, the post-employment requirement is more stretching than almost all other UK-listed companies' in-employment requirements and is more than the annual LTIP award

On this basis, the focus of the review of the Policy was on what we pay for. In particular, the Committee is keen to ensure that performance measures are aligned with our forward-looking strategy and therefore is proposing the changes set out below.

The Committee has reviewed the annual bonus and LTIP performance measures, taking into account the views raised by our shareholders in recent years and to ensure alignment with our strategy to rejuvenate sustainable growth. The Committee is proposing to introduce Relative TSR into the LTIP scheme to directly align participants with the shareholder experience, as well as ESG measures to align participants with our sustainability ambitions. Taking into account shareholder feedback, we propose to remove EPS and reduce the weighting on net revenue to ensure that the weighting on ROCE remains the same once the ESG measure has been introduced. Full details of the performance measures to be used going forwards are set out in the Annual Report on Remuneration.

Again taking into account shareholder feedback, the Committee has introduced a new, lower operational limit on the number of performance share options and performance shares that can granted to an Executive Director, under the LTIP which will not be greater than 200,000 performance share options and 100,000 performance shares. The previous limit of 300,000 performance share options and 150,000 performance shares will remain in place for exceptional circumstances only and the Committee would consult with shareholders if it used this headroom.

We are also proposing that, in line with typical market practice amongst UK-listed companies, dividend equivalents will accrue on performance share awards granted under the LTIP that ultimately vest subject to performance. These dividend equivalents will be delivered in shares, in line with shareholder guidance. This change does not apply to performance share options granted under the LTIP.

Executive Director Remuneration Policy Table

Fixed pay policy for Executive Directors

Component purpose and link to strategy	Operation	Opportunity
Base salary To enable the total package to support recruitment and retention	Base salaries are normally reviewed annually, typically with effect from 1 January. Salary levels/increases take account of a number of factors including (but not limited to): • salary increases awarded across the Group as a whole; and • individual performance. The Committee also reviews market data for the FTSE 30 excluding financial services and also the company's remuneration peer group, comprising international companies of a similar size and scope of operations.	Salary increases for Executive Directors will not normally exceed those of the wider workforce, which take into account performance. Increases may be made above this level to take account of individual circumstances, which may include (but are not limited to): • Increase in the size or scope of the role or responsibilities • Increase to reflect the individual's development and performance in the role – for example, where a new incumbent is appointed on a below-market salary Salaries in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration. To avoid setting expectations of Executive Directors and other employees, no maximum salary is set under the Remuneration Policy. Where increases are awarded in excess of those to the wider employee population, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.
Pension To provide appropriate levels of retirement benefit	Executive Directors may receive contributions into a defined contribution pension scheme, a cash allowance or a combination thereof. Base salary is the only element of remuneration that is pensionable.	The maximum pension contribution or allowance for Executive Directors will be in line with that available to UK employees or to participants in the pension plan relevant to the country where they are employed, if different. For UK employees this is currently 10% of base salary.
Benefits To enable the total package to support recruitment and retention	Executive Directors receive benefits which consist primarily of the provision of a company car/allowance and healthcare, although the package can include other benefits that the Committee deems appropriate, for example, (but not limited to) the cost of legal fees or preparing tax returns (including tax thereon). Benefits include the provision of a car and driver for business use, including travel from home to office, and any tax liability that may be due on this benefit. Relocation allowances and international transfer-related benefits may also be paid (including tax thereon), where required. Executive Directors are also eligible to participate in the all-employee Sharesave Scheme on the same basis as all employees.	Whilst there is no maximum level of benefits prescribed, they are generally set at an appropriate market-competitive level determined by the Committee. Benefits in respect of the year under review, and participation in the all-employee Sharesave Scheme, are disclosed in the Annual Report on Remuneration.

Variable pay policy for Executive Directors

Component purpose and link to strategy	Operation	Opportunity	Performance measures
Annual bonus To drive strong performance, with significant reward for overachievement of annual targets Use of deferral for longer-term shareholder alignment	Targets are set by the Committee at the start of the year. At the end of the year, the Committee determines the extent to which these have been achieved. Performance is assessed on an annual basis, using a combination of the payouts for performance against each of the targets. At least one-third of bonus payouts are deferred into share awards (in the form of options or conditional awards) for a period of three years. The Committee has discretion to adjust the formulaic bonus outcomes both upwards and downwards (including to zero) to ensure alignment of pay with performance, e.g. in the event performance is impacted by unforeseen circumstances outside of management control. Annual bonuses and deferred bonus awards are subject to malus and clawback provisions.	Target opportunity: • CEO: 120% of salary • Other Executive Directors: 100% of salary Maximum opportunity: • 3.57x target • CEO: 428% of salary • Other Executive Directors: 357% of salary Dividend equivalents accrue on deferred share awards during the deferral period.	Performance measures may be a mix of financial and non-financial measures. For 2022 the bonus is based on 100% financial measures. Financial performance will be assessed against one or more key metrics of the business determined on an annual basis. The weighting between different metrics will be determined each year according to business priorities. For performance below threshold, the bonus payout will be nil. Further details, including the performance measures for the current financial year, are disclosed in the Annual Report on Remuneration.
LTIP (performance share options and performance share awards) To incentivise and reward long-term performance, and align the interests of Executive Directors with those of shareholders Two-year holding period for longer-term shareholder alignment	The LTIP comprises grants of performance share options and/or performance share awards (based on a fixed number), which vest subject to the achievement of stretching performance targets. The LTIP has a performance period of at least three years. Additionally, there is normally a two-year holding period following the end of the performance period. The performance conditions are reviewed before each award cycle to ensure they remain appropriately stretching. The Committee has discretion to adjust the formulaic LTIP outcomes both upwards and downwards (including to zero) to improve the alignment of pay with value creation for shareholders and to ensure the outcome is a fair reflection of the performance of the company and the individual. Awards granted under the LTIP are also subject to malus and clawback provisions.	The Committee calibrates LTIP share and option grant sizes as a fixed number to provide full alignment with investors, with a robust adjustment mechanism in place to ensure that the value of an Executive Director's total remuneration is appropriate. The award size is determined by the Committee taking into account performance, the prevailing share price, market data and our pay positioning philosophy. Notwithstanding the above, the normal limit on the number of options and shares that can be granted to an individual in respect of any financial year will be 200,000 options and 100,000 shares (and 300,000 options and 150,000 shares in exceptional circumstances). Details of the LTIP opportunity in respect of each year will be disclosed in the Annual Report on Remuneration. Dividend equivalents may accrue on performance share awards that vest. Neither dividends nor dividend equivalents accrue on unvested or vested performance share options before they are exercised.	Vesting of the LTIP is subject to continued employment and the achievement of stretching targets. Performance measures may be a mix of financial and non-financial measures (including ESG). For 2022 the LTIP is based on 90% financial measures and 10% on ESG measures. Threshold performance will result in 20% of maximum vesting. The vesting level will increase on a sliding scale from this threshold to 100% vesting for stretch levels of performance. Further details, including the performance targets attached to the LTIP in respect of each year, are disclosed in the Annual Report on Remuneration.

Notes to the Policy Table

Performance measure selection and approach to target setting

The measures used under the annual bonus are selected to reflect the Group's main priorities for any given financial year. With regard to the LTIP, the Committee regularly reviews the performance measures to ensure that they align well with the company's strategy and with our shareholders' interests. A combination of net revenue growth, ROCE, Relative TSR and ESG are considered the most appropriate 2022 LTIP performance measures for a number of reasons:

- they are aligned to the company's strategic priorities;
- they combine a focus on top-line growth and profitability, also capturing how efficient profit generation has been;
- they provide well-recognised and accepted measures of the company's underlying financial performance;
- they include focus on shareholder value creation;
- they provide a link to our 2030 sustainability ambitions; and
- they are measures that the plan participants can directly impact, and are easily measurable from time to time.

Targets applying to the bonus and LTIP are reviewed annually, based on a number of internal and external reference points. Bonus targets take into account prevailing growth rates in Reckitt's peer group, and as appropriate across the healthcare and/or FMCG industries more broadly. LTIP targets reflect industry context, expectations of what will constitute performance at the top of the peer group, and factors specific to the company.

The rules of the LTIP allow the Committee, to waive or change performance conditions (including how performance is measured) in accordance with their terms or if anything happens which causes the company reasonably to consider it appropriate (including in contemplation of a corporate event), provided that any changed performance conditions will be no more difficult to satisfy. The same principles apply to the annual bonus scheme.

Malus and clawback

The Committee has the discretion to apply malus and/or clawback in the event of the following circumstances in relation to awards under the annual bonus, Deferred Bonus Plan or the LTIP in the circumstances set out in the relevant plan rules and award documentation which includes:

- a material misstatement of the company's financial results;
- gross misconduct by a participant (or serious misconduct in relation to malus). This includes reputational damage as a result of the misconduct;
- an erroneous calculation in assessing the number of shares subject to an award or the payout/vesting outcome; and/or
- corporate failure of the company.

In these circumstances, the Committee may adjust the amount of cash bonus payable and/or operate clawback of the annual bonus for up to three previous years. Deferred bonus awards are subject to malus and clawback until the third anniversary of grant and the clawback period applicable to LTIP awards ends on the earlier of (i) the second anniversary of the vesting date and (ii) the fifth anniversary of the date of grant.

Shareholder alignment

The Committee recognises the importance of aligning Executive Directors' and shareholders' interests through executives building up significant shareholdings in the company. Executive Directors are expected to acquire a significant number of shares over a period of eight years and retain these until retirement from the Board of Directors.

The shareholding requirement for the current CEO is 200,000 shares and for the current CFO is 100,000 shares. The shareholding requirement for new Executive Directors will be determined at the time of appointment, taking into account a number of factors, including (but not limited to) the LTIP award levels, share price at the time of appointment and market practice. Details of the Executive Directors' personal shareholdings will be provided in the Annual Report on Remuneration.

A formal post-employment shareholding requirement applies to Executive Directors. They are required to hold the lower of 50% of their shareholding requirement or their actual shareholding at departure, for a period of two years. The Committee is of the view that this is appropriate on the basis that the in-employment requirements are market leading amongst UK-listed companies (based on current share price levels the CEO's shareholding requirement is c.1200% of salary). At 50% of the in-employment requirement, the post-employment requirement is more stretching than almost all other UK-listed companies' in-employment requirements and is more than the annual LTIP award.

The Committee retains discretion to amend the post-employment shareholding requirement in exceptional circumstances (for example, in the case of ill-health).

Remuneration Policy for other employees

Reckitt's approach to setting remuneration is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and remuneration paid for comparable roles in comparable companies.

The principles that apply to Executive Directors are cascaded to other employees. Approximately 16,000 employees are eligible to participate in an annual bonus scheme with similar metrics to those used for the Executive Directors, in order to drive alignment and a focus on results. Opportunities and specific performance conditions vary by organisational level, with business area-specific metrics incorporated where appropriate. Senior managers who comprise c.600 employees are eligible to participate in the LTIP with performance conditions the same as the Executive Directors, although award sizes vary by organisational level. In addition, the Group Leadership Team are also required to build up significant shareholdings in Reckitt. The current shareholding requirement levels are between 10,000 and 50,000 shares which generally represents between 2x to 6x base salary.

All UK employees are eligible to participate in the company's Sharesave plan on identical terms, with similar plans also operated for employees working outside of the UK.

Legacy arrangements and amendments to the Policy

This Policy is intended to apply with effect from 20 May 2022, subject to shareholder approval at the AGM.

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out in this report where the terms of the payment were agreed (i) before the Policy came into effect (provided that the commitment to make the payment complied with any applicable Remuneration Policy of the company at the time it was agreed) or (ii) at a time when the relevant individual was not a Director of the company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration, and an award over shares is 'agreed' at the time the award is granted.

The Committee may make minor amendments to the Policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) provided that any such change is not to the material advantage of the Director.

In the event of a variation of capital in the company which impacts the value of a share, which may include, but is not limited to, a capitalisation or rights issue, consolidation, subdivision or reduction of capital, stock-split or demerger, then:

- the maximum number of share awards and options which may be granted under the LTIP may be adjusted to ensure that the overall maximum value of awards would be the same immediately before and after any such event; and
- the maximum number of shares subject to an award granted under the LTIP or the Deferred Bonus Plan, the option price (where applicable) and the identity of the company whose shares are subject to the award may be adjusted in accordance with the rules of the plan, as the Committee considers appropriate. The Committee can also, subject to the rules of the plan, require that awards are automatically exchanged for awards over shares in another company which are, in the opinion of the Committee, equivalent.

Non-Executive Director remuneration

Non-Executive Directors do not have service agreements but are engaged on the basis of a letter of appointment. In line with the UK Corporate Governance Code (July 2018) guidelines, all Directors are subject to re-election annually at the AGM.

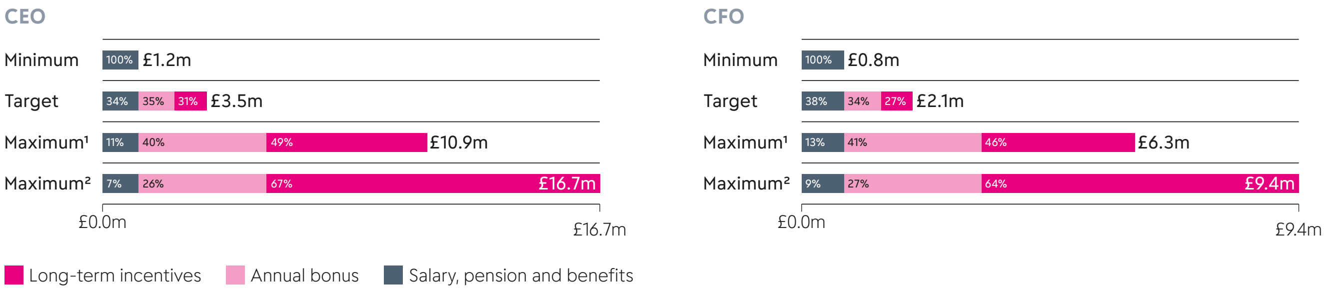
It is the policy of the Board of Directors that Non-Executive Directors are not eligible to participate in any of the company's bonus, share option, long-term incentive or pension schemes. An element of the basic fee is, however, paid in Reckitt shares.

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

Component and objective	Approach of the company
Fees (cash and shares) To attract and retain Non-Executive Directors of the highest calibre with broad commercial experience relevant to the company	The fees paid to Non-Executive Directors are determined by the Board of Directors, with recommendations provided by the Chair of the Board and CEO. The fees of the Chair of the Board are determined by the Remuneration Committee. Additional fees may be payable for acting as the Senior Independent Non-Executive Director, as Chair and/or a member of a Committee or for other additional responsibilities (including the Designated NED for engagement with the company's workforce). Fee levels may be reviewed annually, with any adjustments normally effective from 1 January. Fees are reviewed by taking into account external advice on best practice and competitive levels, in particular at FTSE 30 companies. Time commitment and responsibility are also taken into account when reviewing fees. Chair of the Board and Non-Executive Director fees are normally delivered partly in cash and partly in Reckitt shares or equivalent (e.g. ADRs) which must normally be held until retirement from the company. The fees paid to the Chair of the Board and Non-Executive Directors in respect of the year under review (and for the following year), including the split between cash and shares, are disclosed in the Annual Report on Remuneration. Aggregate fees are limited by the company's Articles of Association. Travel and expenses for Non-Executive Directors (including the Chair of the Board) are incurred in the normal course of business, for example, in relation to attendance at Board and Committee meetings. The costs associated with these are all met by the company. The company may also meet the costs (including tax thereon) of providing tax advice and tax return assistance for the Chair of the Board and Non-Executive Directors.

Scenarios of total remuneration

The charts below provide an estimate of the potential future total remuneration for the Executive Directors. Four scenarios of potential outcomes are provided based on underlying assumptions shown in the notes to the chart. It should be noted that the LTIP awards granted in a year do not normally vest until on or after the date of the AGM which follows the end of the performance period.



1 Excluding share price growth

2 Including 50% share price growth

Notes

The scenarios in the chart above have been calculated on the following assumptions:

The 'Minimum' scenario reflects base salary, pension and benefits (i.e. fixed remuneration), being the only elements of the Executive Directors' remuneration package not linked to performance. This is based on the base salary and pension allowance as at 1 January 2022 and an illustrative value of the benefits, based on amounts paid in 2021.

The 'On-target' scenario illustrates fixed remuneration as above, plus target payout of annual bonus and threshold vesting of the LTIP.

The 'Maximum excluding 50% share price growth' scenario sets out fixed remuneration, plus full maximum payout of the annual bonus and full vesting of the LTIP awards.

The 'Maximum including 50% share price growth' scenario sets out fixed remuneration, plus full maximum payout of the annual bonus, full vesting of the LTIP awards and 50% share price growth.

As LTIP awards are set as a fixed number of shares and options, the LTIP value is based on the number of shares and share options to be granted to the Executive Directors, in 2022. The value has been calculated assuming a share price at grant of £59.84. Under the disclosure requirements the first three scenarios above exclude share price appreciation; share options have therefore been valued using a Black-Scholes option pricing model and assumptions aligned to the three-year performance period, at 10% of the assumed face value. The final scenario includes a 50% share price growth assumption, over the performance period, in line with legislation. It should be noted that if the share price appreciation over the performance period is greater than that assumed then the actual total remuneration may be more than that shown in the above charts.

External appointments
With the approval of the Board of Directors in each case, and subject to the overriding requirements of the company, Executive Directors may accept external appointments as a Non-Executive Director of another company and retain any fees received.

Consideration of conditions elsewhere in the company
Across Reckitt, remuneration is reviewed regularly with the intention that all employees are paid appropriately in the context of their local market and given their role, experience and performance. The company seeks to promote and maintain good relations with employee representative bodies – including trade unions and works councils – as part of its employee engagement strategy, and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the company operates.

The company publishes annually to all employees details of executive remuneration and also invites employees to ask any questions or provide any feedback they may have on the topic. As part of the recent review of remuneration arrangements and in the development of the Directors' Remuneration Policy over the past year, the Committee took into account the views of senior management and other employees. The company commissioned external consultants to undertake detailed stakeholder interviews with senior management on remuneration arrangements which apply to them and their teams and, in addition, Reckitt operated focus groups with employees to understand views on the incentives. The Board also conducted formal Listening Sessions with employees. Groups of colleagues with a wide range of backgrounds met in person and virtually with Board members to discuss topics such as inclusion, consumer focus, innovation and R&D, business transformation and sustainability.

The Committee reviews the overall pay framework of the Group including internal relativities, gender pay and participation in all-employee share plans. The company encourages share ownership amongst employees and those who hold shares will be able to participate in the vote on the Directors' Remuneration Policy at the AGM.

Consideration of shareholder views
The Committee considers shareholder views received during the year and at the Annual General Meeting each year, as well as guidance from shareholder representative bodies more broadly, in shaping the Remuneration Policy. The Committee Chair speaks with many of the company's largest shareholders on the subject of executive remuneration and the Committee is grateful for all of the feedback which is provided. In developing this Policy, the company consulted with its major shareholders and amended its proposal based on the feedback received. This included changes to the peer group of companies to be used to measure Reckitt's Relative TSR performance for the purposes of the LTIP. The majority of shareholders are supportive of the company's philosophy and policy on remuneration, and the Committee will continue to keep its Remuneration Policy under regular review, to ensure it continues to reinforce the company's long-term strategy and aligns closely with shareholders' interests. The Committee will continue to consult our major shareholders before making any significant changes to our Remuneration Policy.

Approach to recruitment remuneration
External appointment
In cases of hiring or appointing a new Executive Director from outside the company, the Remuneration Committee may make use of all existing components of remuneration, as follows:

Component	Approach
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current basic salary. Where new appointees have initial base salaries set below market, or the previous incumbent's salary, the shortfall may be managed with phased increases subject to their development in the role.
Pension	The maximum pension contribution or allowance for new appointees will be in line with that available to UK employees or to participants in the pension plan relevant to the country where they are employed, if different. For UK employees this is currently 10% of base salary.
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a car allowance, car and driver, healthcare and any necessary relocation expenses in line with the ongoing Remuneration Policy (including tax thereon).
Annual bonus	The structure described in the Policy Table will apply to new appointees with the relevant maximum opportunity.
LTIP	New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the Policy Table. LTIP grants can take the form of performance share awards, performance share options or a combination of the two.

The overall limit of variable remuneration will be as set out in the Policy Table, taking into account the maximum value of the annual bonus and the maximum awards of options and share awards under the LTIP.

The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, including by utilising Listing Rule 9.4.2, i.e. over and above the approach outlined in the table above. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards and the likelihood of those conditions being met, with the intention that the value awarded would be no higher than the expected value of the forfeited arrangements and would be made on a like-for-like basis.

Internal promotion
In cases of appointing a new Executive Director by way of internal promotion, the policy will be consistent with that for external appointees, as detailed above; except that where an individual has contractual commitments made prior to their promotion to Executive Director level, the company will continue to honour these arrangements even in instances where they would not otherwise be consistent with the prevailing Directors' Remuneration Policy at the time of appointment.

Recruitment of a new Non-Executive Director

In recruiting a new Non-Executive Director, the Remuneration Committee will use the policy as set out in the table on page 164. A base fee in line with the prevailing fee schedule will be payable for membership of the Board of Directors, with additional fees payable for acting as Senior Independent Non-Executive Director, as Chair or member of a Committee, or for other additional responsibilities (including the Designated NED for engagement with the company's workforce). Fees will normally be delivered partly in cash and partly in Reckitt shares to be held until retirement from the company.

The fee for a new Non-Executive Chair of the Board will be set with reference to the time commitment and other requirements of the role and the experience of the candidate. To provide context for this decision, appropriate market data would also be referenced.

Service contracts and exit payment policy

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. In accordance with general market practice, each of the Executive Directors has a rolling service contract which is terminable on 12 months' notice and this practice will also apply for any new Executive Directors. In such an event, the compensation commitments in respect of their contracts could amount to up to one year's remuneration based on base salary and benefits in kind, and pension rights, during the notice period. Termination payments may take the form of payments in lieu of notice. Copies of Executive Director service contracts are available to view at the company's registered office.

The Committee may agree exit payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or in settlement of any claim arising in connection with the cessation of a Director's office or employment. This may include the provision of outplacement support. The Group may also pay reasonable fees for a departing Director to obtain independent legal advice in relation to their termination arrangements and nominal consideration for any agreement to any contractual terms protecting the company's rights following termination.

The company's policy on any termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms in the executive's service contract and the circumstances of the termination. The table overleaf summarises how awards under the annual bonus (including deferred bonus awards) and LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion as provided under the rules of the plan.

Reason for cessation	Timing of vesting/payment	Calculation of vesting/payment
Annual bonus		
Voluntary resignation or termination with 'cause'	Not applicable.	No bonus to be paid for the financial year.
All other circumstances	Following the end of financial year.	Bonuses will be paid only to the extent that objectives set at the beginning of the plan year have been met. Any such bonus will normally be paid on a pro-rata basis up to the termination date and will be subject to deferral requirements where applicable.
Deferred bonus share awards		
Voluntary resignation or termination with 'cause'	Not applicable.	Unvested awards lapse, unless the Committee, at its discretion, decides otherwise.
All other circumstances	Subject to the original time horizons, unless the Committee, at its discretion, decides these will vest on cessation of employment.	Shares vest in full.
LTIP		
Voluntary resignation or termination with 'cause'	Not applicable.	Unvested awards lapse. From the 2022 LTIP award, vested but unexercised options lapse. Vested share awards and the resultant shares from vested and exercised share option awards in the holding period after the end of the performance period are retained, with the holding period continuing to apply (unless the Committee decides that they will be released early), save that they will lapse if the holder is summarily dismissed.

Reason for cessation	Timing of vesting/payment	Calculation of vesting/payment
Ill-health, injury, permanent disability, retirement with the agreement of the company, the participant's employing entity ceasing to be under the control of the company, transfer of the undertaking in which the participant works outside the Group, redundancy or any other reason that the Committee determines in its absolute discretion.	Awards will vest in line with the original performance, vesting and holding periods (unless the Committee decides that they will be released early, in the case of awards in the holding period).	The Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved and the proportion of the performance period worked. In the event of an employee leaving the Group due to ceasing to be under the control of the company, transfer of undertaking, or change of capital structure, such as demerger, IPO, etc., the Committee will retain the discretion for awards to be exchanged for new equivalent awards in the new company, where appropriate and permitted by the rules of the LTIP.
Death	As soon as practicable after date of death (which could be at the end of the relevant financial year). No holding period will apply.	Performance conditions will be measured at the end of the financial year in which the holder dies, and awards may be reduced to reflect the proportion of the performance period worked.
Change of control	On change of control.	Awards will vest to the extent that any performance conditions have been satisfied (unless the Committee determines that the performance conditions should not apply). Awards will also be reduced pro rata to take into account the proportion of the performance period not completed, unless the Committee decides otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer or another company where appropriate.

Reckitt's Remuneration Policy and the Corporate Governance Code

Reckitt's Remuneration Policy reflects the philosophy of pay for performance, shareholder alignment and strategic alignment over the short, medium and long term. The current full Policy was approved by shareholders at the AGM on 9 May 2019 and can be found in the 2018 Directors' Remuneration Report, including notes, on pages 98 to 106. It is also available on our website in the Corporate Governance section.

When determining the new Policy, provision 40 of the UK Corporate Governance Code was taken into account as follows:

Clarity	Arrangements are transparent, and reflect shareholder alignment and Reckitt's strategic priorities, thereby effectively engaging with the wider workforce and shareholders. The Committee consulted with shareholders as part of the design phase of the Policy and communicated to the wider workforce details of how executive pay is set, its alignment with the company's approach to the wider pay policy, and how decisions are made by the Committee; it also gave employees the opportunity to ask any questions on these topics.
Simplicity	The Policy is simple and clear, comprising fixed pay, such as salary and benefits, pension schemes that are offered to most of the workforce, plus variable pay which incorporates the annual bonus, LTIP (performance share options and performance share awards), and a clear Share Ownership Policy for senior members of the business. Variable pay is set against financial targets to incentivise short- and long-term financial performance and alignment with shareholders.
Risk	The malus and clawback provisions which apply to annual bonus and LTIP awards encourage the right behaviours, which lead to long-term shareholder alignment and sustained value creation. The Committee has discretion to adjust the formulaic bonus and LTIP outcomes both upwards and downwards.
Predictability	The total of fixed pay and variable pay (target and maximum) illustrated in the scenarios of total remuneration in our Policy provide an estimate of the potential future remuneration of the Executive Directors, including the total remuneration if a 50% share price growth is achieved.
Proportionality	There is a clear link between pay for performance and business strategy, with stretching financial targets applied to annual bonus payouts and LTIP vesting.
Alignment to culture	Financial targets apply to the annual bonus and LTIP awards across the wider workforce to drive business performance. These targets are reviewed on an annual basis. Malus and clawback provisions apply to annual bonus and LTIP, and together with deferred annual bonus, holding periods and share ownership for the Executive Directors (and any other relevant senior employees), drive the right behaviours expected within Reckitt. The remuneration arrangements of the wider workforce reinforce employee engagement.