

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 2014 AGM on 7 May 2014. The Committee intends that the policy will come into effect on this date, if approved by Shareholders, and be effective for three years.

A summary of the Directors' Remuneration Policy is summarised in the table below:

EXECUTIVE DIRECTOR REMUNERATION POLICY TABLE

Component purpose and link to strategy	Operation	Opportunity	Performance measures
Variable Remuneration (incentives)			
<p>Annual bonus To drive strong financial performance with significant reward for over achievement of annual targets</p>	<p>Financial targets are set by the Committee at the start of the year, with reference to prevailing growth rates in RB's peer group, and across the health care and FMCG industries more broadly. At the end of the year, the Committee determines the extent to which these have been achieved.</p> <p>Performance is assessed on an annual basis, using a multiplicative combination of the payouts for performance against each of the financial targets.</p> <p>Bonus payouts are in cash.</p> <p>Under the terms and conditions of the plan, the Company has the right to seek redress and damages from any individual who has been found to have breached the Company's Code of Conduct. This includes the Company's right to require an individual to repay any costs incurred through a breach of the Code of Conduct from any bonus payment made in the year the breach/ costs were incurred.</p> <p>The Committee has discretion to adjust the formulaic bonus outcomes both upwards and downwards (including to zero and capped at the maximum payout) to ensure alignment of pay with performance, e.g. in the event performance is impacted by unforeseen circumstances outside of management control.</p>	<p>Target opportunity: CEO: 120% of salary CFO: 90% of salary</p> <p>Maximum opportunity: 3.57x Target (CEO: 428% of salary) (CFO: 321% of salary)</p>	<p>Performance will be assessed against the growth in one or more key financial metrics of the business determined on an annual basis.</p> <p>The weighting between different financial metrics will be determined each year according to business priorities.</p> <p>For threshold performance, the bonus payout will be nil.</p> <p>Further details, including the performance measures for the current financial year, are disclosed in the Annual Report on Remuneration.</p>
<p>LTIP (share options and performance shares) To incentivise and reward long-term performance, and align the interests of Executive Directors with those of Shareholders</p>	<p>The LTIP comprises grants of share options and awards of performance shares (based on a fixed number), which vest subject to the achievement of stretching performance targets.</p> <p>The LTIP has a performance period of at least three years and a minimum vesting period of three years.</p> <p>The LTIP opportunity and the combination of share options and performance shares are reviewed annually with reference to market data and the associated cost to the Company, calculated using an expected value methodology.</p> <p>The performance condition is reviewed before each award cycle to ensure it remains appropriately stretching.</p> <p>The Committee has discretion to adjust the formulaic LTIP outcomes to improve the alignment of pay with value creation for Shareholders to ensure the outcome is a fair reflection of the performance of the Company.</p>	<p>The Committee calibrates LTIP share award and option grant sizes as a fixed number, with periodic adjustments to ensure that the fair value of an Executive Director's total remuneration is appropriately positioned relative to peers.</p> <p>The maximum award to any individual in one year will be 300,000 shares and 600,000 options.</p> <p>Details of the LTIP opportunity in respect of each year will be disclosed in the Annual Report on Remuneration.</p> <p>Dividends do not accrue on unvested share awards or on shares underlying options before they are exercised.</p>	<p>Vesting of the LTIP is subject to continued employment and the achievement of stretching adjusted diluted EPS growth targets.</p> <p>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.</p> <p>Further details, including the performance targets attached to the LTIP in respect of each year, are disclosed in the Annual Report on Remuneration.</p>
<p>Sharesave To encourage the ownership of RB shares</p>	<p>An HMRC approved scheme where employees (including Executive Directors) may save a monthly amount over three years. Options granted at up to a 20% discount.</p>	<p>Savings capped at the limit set by HMRC.</p>	<p>n/a</p>

EXECUTIVE DIRECTOR REMUNERATION POLICY TABLE (CONTINUED)

Component purpose and link to strategy	Operation	Opportunity	Performance measures
Base Salary and Benefits			
<p>Base Salary To enable the total package to support recruitment and retention</p>	<p>Base salaries are reviewed annually typically with effect from 1 January.</p> <p>Salary levels/increases take account of:</p> <ul style="list-style-type: none"> Competitive practice in the Company's remuneration peer group, comprising international companies of a similar size and scope of operations. Individual performance. Salary increases awarded across the Group as a whole. 	<p>Salaries for Executive Directors should typically be around the median for competitors.</p> <p>Salaries in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.</p> <p>To avoid setting expectations of Executive Directors and other employees, no maximum salary is set under the Remuneration Policy.</p> <p>Salary increases for Executive Directors will be aligned with those of the wider workforce which take into account performance.</p> <p>Increases may be made above this level to take account of individual circumstances, which may include:</p> <ul style="list-style-type: none"> Increase in the size or scope of the role or responsibilities. Increase to reflect the individual's development and performance in role. For example where a new incumbent is appointed on a below market salary. <p>Where increases are awarded in excess of the wider employee population, the Committee will provide rationale in the relevant year's Annual Report on Remuneration.</p>	n/a
<p>Pension To provide appropriate levels of retirement benefit</p>	<p>Executive Directors may receive contributions into the RB Executive Pension Scheme, a defined contribution scheme, a cash allowance or a combination thereof.</p> <p>Base salary is the only element of remuneration that is pensionable.</p>	<p>CEO: 30% of pensionable pay CFO: 25% of pensionable pay</p>	n/a
<p>Benefits To provide benefits comparable to those that would be provided for an equivalent position elsewhere</p>	<p>Executive Directors receive benefits which consist primarily of the provision of a company car/ allowance and health care, although can include other benefits that the Committee deems appropriate, for example the cost of preparing tax returns or home leave.</p> <p>Relocation allowances and international transfer related benefits may also be paid, where required.</p>	<p>None of the existing Executive Directors received total taxable benefits exceeding 10% of salary during the last three financial years, and it is not anticipated that the cost of benefits provided will exceed this level in the financial years over which this policy will apply.</p> <p>The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in medical coverage inflation).</p> <p>Benefits in respect of the year under review are disclosed in the Annual Report on Remuneration.</p>	n/a

NOTES TO THE POLICY TABLE

Payments from Existing Awards

Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the Remuneration Policy detailed in this Report, i.e. before 7 May 2014. Details of these awards are disclosed in the Annual Report on Remuneration.

Performance Measure Selection and Approach to Target Setting

The measures used under the annual bonus are selected to reflect the Group's main financial priorities for any given financial year. With regard to the LTIP, the Committee regularly reviews the performance measure to ensure that it aligns well with the Company's strategy and with our Shareholders' interests. EPS is considered the most appropriate LTIP performance measure for a number of reasons:

- It focuses Executives on real profit growth which is strongly aligned with value creation at RB;
- It provides a well-recognised and accepted measure of the Company's underlying financial performance; and
- It is a measure that the plan participants can directly impact and is easily measurable.

EPS is measured on an adjusted diluted basis, as shown in the Group's financial statements, as this provides an independently verifiable measure of performance. However the Remuneration Committee maintains the discretion to make adjustments to the measure if this is considered to be appropriate. Any adjustments will be disclosed in the Annual Report on Remuneration.

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 RB's peer group, and across the health care and 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.

Remuneration Policy for other Employees

RB's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels for comparable roles in comparable companies.

Senior employees are eligible to participate in an annual bonus scheme with similar metrics to those used for the Executive Directors. Opportunities and specific performance conditions vary by organisational level, with business area-specific metrics incorporated where appropriate.

Senior managers, who comprise of the Top400 employees, are eligible to participate in the LTIP on broadly similar terms as the Executive Directors, although award sizes vary by organisational level. In addition, Senior Executives, who comprise of the Top40 employees, are also required to build up significant shareholdings in RB of between 30-50,000 shares, representing c.8x base salary.

All UK employees are eligible to participate in the Company's Sharesave plan on identical terms.

Shareholder Alignment

The Committee recognises the importance of aligning Executive Directors' and Shareholder 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 CEO is 600,000 shares and for the CFO is 200,000 shares.

Details of the Executive Directors' current personal shareholdings are provided in the Annual Report on Remuneration on page 46.

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 (September 2012) 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 RB shares.

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

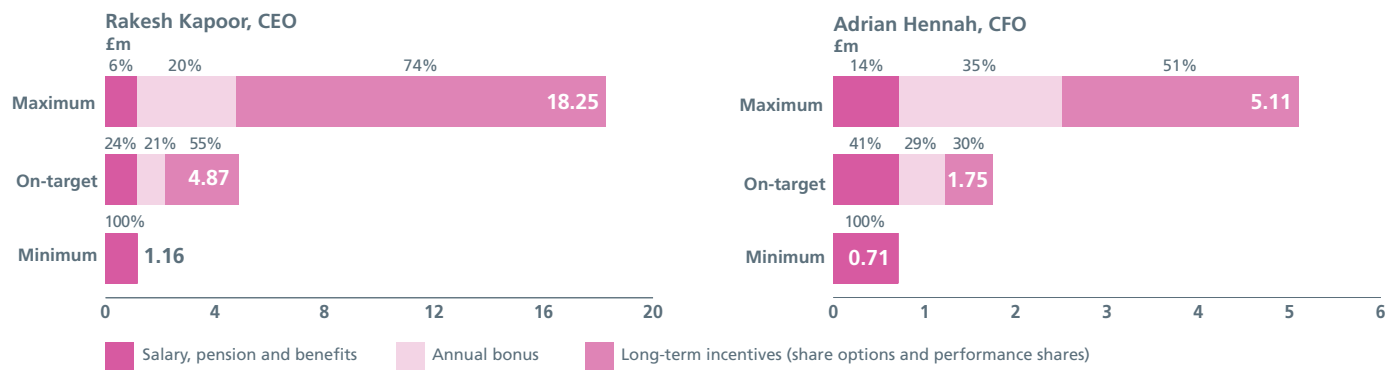
Component and objective	Approach of the Company
<p>Fees (cash and shares) To attract and retain Non-Executive Directors of the highest calibre with broad commercial experience relevant to the Company</p>	<p>The fees paid to Non-Executive Directors are determined by the Board of Directors, with recommendations provided by the Chairman and CEO. The fees of the Chairman are determined by the Remuneration Committee.</p> <p>Additional fees are payable for acting as Deputy Chairman, Senior Independent Non-Executive Director and as Chairman of the Audit and Remuneration Committees. Members of the Audit and Remuneration Committees also receive an additional fee.</p> <p>Fee levels may be reviewed annually, with any adjustments effective 1 January. Fees are reviewed by taking into account external advice on best practice and competitive levels, in particular at FTSE 30 and FTSE 100 companies. Time commitment and responsibility are also taken into account when reviewing fees.</p> <p>Chairman and Non-Executive fees are delivered partly in cash and partly in RB shares which must be held until retirement from the Company.</p> <p>The fees paid to the Chairman 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.</p> <p>Aggregate fees are limited to £1.5m by the Company's Articles of Association.</p>

SCENARIO ANALYSIS

The charts below provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'.

Potential reward opportunities are based on RB's Remuneration Policy, applied to 2014 base salaries. The annual bonus and LTIP are based on the maximum opportunity levels applying for FY 2014. Benefits are based on those benefits paid in respect of FY 2014.

Note that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of the AGM which follows the third anniversary of grant and the projected values exclude the impact of share price movement.



Valuation 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.

The 'On-target' scenario reflects fixed remuneration as above, plus target bonus payout (120% and 90% of salary for the CEO and CFO, respectively) and LTIP threshold vesting at 20% of the maximum award level.

The 'Maximum' scenario reflects fixed remuneration, plus full payout under all incentives (428% and 321% of salary for the CEO and CFO, respectively, under the annual bonus, and full vesting of LTIP awards).

The value of performance shares and share options is based on the price at grant of £47.83 (11 December 2013). Share options are valued as 10% of face value which has been calculated using a Black-Scholes option pricing model and assumptions aligned to the three-year performance period.

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	Award
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 basic salaries set below market, the shortfall to median may be managed with phased increases over a period of two or three years subject to their development in the role.	
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a company car or car allowance, health care and any necessary relocation expenses in line with ongoing Remuneration Policy.	
Pension	New appointees will receive pension contributions and/or an equivalent cash supplement in line with existing executives as set out in the ongoing Remuneration Policy.	
Annual bonus	The structure described in the policy table will apply to new appointees with the relevant maximum opportunity.	Target: 120% of salary Multiple: 3.57x Target
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 shares, share options or a combination of the two.	300,000 performance shares 600,000 share options

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 shares 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, 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 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. 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 Executive Director Remuneration Policy at the time of appointment.

Non-Executive Directors

In recruiting a new Non-Executive Director, the Remuneration Committee will use the policy as set out in the table on page 37. A base fee in line with the prevailing fee schedule would be payable for membership of the Board of Directors, with additional fees payable for acting as Deputy Chairman, Senior Independent Director, as Chairman of the Audit and Remuneration Committees, and for being a member of the Audit and Remuneration Committees. Fees will be delivered partly in cash and partly in RB shares to be held until retirement from the Company.

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 twelve 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 one year's remuneration based on base salary, 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 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 below summarises how awards under the annual bonus 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	At the end of the 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 be paid on a pro rata basis up to the termination date.
LTIP		
Voluntary resignation or termination with 'cause'	Not applicable	Unvested awards lapse.
Ill-health, injury, permanent disability, retirement with the agreement of the Company, redundancy or any other reason that the Committee determines in its absolute discretion	After the end of the financial year in which the cessation of employment occurs; or at the discretion of the Committee, after the end of the relevant performance period.	The Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved (either to the end of the financial year in which cessation of employment occurs, or over the full performance period) and the proportion of the performance period worked.
Death	As soon as possible after date of death	The Committee may disapply performance conditions but will reduce awards 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, where appropriate.

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 one external appointment as a Non-Executive Director of another company and retain any fees received. Details of external appointments and the associated fees received are included in the Annual Report on Remuneration.

CONSIDERATION OF CONDITIONS ELSEWHERE IN THE COMPANY

The Committee does not consult with employees specifically on Executive Remuneration Policy. However, 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. Although the Company does not consult employees on executive remuneration, the Committee is mindful of the salary increases applying across the rest of the business in relevant markets when considering salaries for Executive Directors.

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 Remuneration Policy. The Committee Chairman speaks with a number of the Company's largest Shareholders on the subject of executive remuneration at least on an annual basis. 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.

Annual Report on Remuneration

The following section provides details of how our Remuneration Policy was implemented during the year ended 31 December 2013.

REMUNERATION COMMITTEE MEMBERSHIP IN 2013

As of 31 December 2013, the Remuneration Committee comprised three Non-Executive Directors.

- Judith Sprieser (Chairman)
- Richard Cousins
- Adrian Bellamy

Graham Mackay was also a member of the Remuneration Committee until 12 June 2013 when he retired from the Board. As at 31 December 2013, Judith Sprieser has served ten years on the Board of Directors. Nonetheless, pursuant to Code provision B.1.1, the Board of Directors has determined that, in its opinion, Judith Sprieser remains independent. Richard Cousins is considered independent under the Code. Adrian Bellamy, Chairman of the Company, was independent on appointment but has served on the Board of Directors for more than nine years.

The Committee's purpose is to assist the Board of Directors in fulfilling its oversight responsibility by ensuring that Remuneration Policy and practices reward fairly and responsibly; are linked to corporate and individual performance; and take account of the generally accepted principles of good governance. On behalf of, and subject to approval by, the Board of Directors, the Committee primarily:

- Sets and regularly reviews the Company's overall remuneration strategy;
- Determines the general Remuneration Policy for Senior Executives; and
- In respect of the Chairman, the Executive Directors and members of the Executive Committee sets, reviews and approves:
 - Remuneration policies, including annual bonuses and long-term incentives;
 - Individual remuneration and compensation arrangements;
 - Individual benefits including pension and superannuation arrangements;
 - Terms and conditions of employment including the Executive Directors' service agreement;
 - Participation in any of the Company's bonus and long-term incentive plans; and
 - The targets for any of the Company's performance-related bonus and long-term incentive plans.

The Chairman of the Board of Directors and the CEO are responsible for evaluating and making recommendations to the Board of Directors on the remuneration of the Non-Executive Directors. Members of the Remuneration Committee and any person attending its meetings do not participate in any discussion or decision on their own remuneration.

The Remuneration Committee held four scheduled meetings and one additional meeting during the year and details of members' attendance at meetings are provided in the Corporate Governance section on page 26.

ADVISERS

Kepler Associates ('Kepler') was originally appointed by the Committee as independent advisor in mid-2012 following a competitive tender process, and was retained during 2013. The Committee undertakes due diligence periodically to ensure that Kepler remains independent of the Company and that the advice provided is impartial and objective. Kepler is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. During 2013, Kepler provided support to the Committee in relation to short and long-term incentive design, benchmarking executive remuneration structure and levels, and the consultation of Shareholders on remuneration matters. Kepler Associates does not advise the Company on any other matters. Their total fees for the provision of remuneration services to the Committee in 2013 were £215,935 on the basis of time and materials.