

Our purpose is to make a difference by giving people innovative solutions for healthier lives and happier homes. We believe passionately in doing things the right way and have a culture that pushes us to outperform, every day.

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### Chief Executive's Statement:



**2018 was a year of good financial performance, and significant strategic progress. We delivered the upper end of our 2018 Net Revenue targets and embedded RB 2.0.**

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### Health at a glance:

**£7.8bn**

Net Revenue  
Pro-forma<sup>1</sup> growth +3%, LFL<sup>1</sup> growth +2%,  
Reported growth +18%

Page 24

### Hygiene Home at a glance:

**£4.8bn**

Net Revenue  
LFL<sup>1</sup> growth +4%, Reported growth -1%

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## Highlights

### better business

Net Revenue

**£12.6bn**

+3% pro-forma<sup>1</sup> and LFL<sup>1</sup> growth  
Reported growth 10%

Reported Earnings Per Share (diluted)

**304.8p**

-65%

Adjusted<sup>1</sup> Earnings Per Share (diluted)

**339.9p**

+5%

Total dividend for the year

**170.7p**

+4%

Reported Gross Margin

**60.6%**

-40bps<sup>1</sup>

Adjusted<sup>1</sup> Operating Margin

**26.7%**

+20bps on a pro-forma<sup>1</sup> basis  
-60bps on a reported basis

Health

**62%**

of RB Total Net Revenue

Hygiene Home

**38%**

of RB Total Net Revenue

<sup>1</sup> Definition of non-IFRS measures and their reconciliation to IFRS measures are shown on page 39.

### better society

Net Revenue from more sustainable products

**18.5%**

People reached with health and hygiene messaging

**765m**

FTSE4Good Index membership

**15**

consecutive years, including meeting 20 additional Breast-Milk Substitute (BMS) criteria in 2018

### better environment

Greenhouse gas emissions per unit of production

**35%**

reduction since 2012

Water usage per unit of production

**38%**

reduction since 2012

## Our business model

At RB, we are inspired by a vision of a world where people are healthier and live better. Through our two focused, fully accountable and agile business units – Health and Hygiene Home – we create value for our employees, consumers, shareholders, communities, customers and the environment.

## Our enablers → Our focus on value creation

### Our people and culture

We employ outstanding people, who work in a unique culture that harnesses their passion and allows them to make a real difference

### Our key brands

We have a portfolio of global leading brands and other 'local hero' brands that offer faster growth and higher margins

### Our knowledge and skills

We have deep consumer understanding, proven R&D and innovation capabilities and an agile organisation, which gets products to markets fast

### Our relationships

We develop strong, trusted relationships with our customers, consumers, suppliers and communities, and our collaboration/alliances

### Our infrastructure

Our business is underpinned by strong manufacturing sites, R&D laboratories and logistics centres

### Our financial strength

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

### Our purpose

Our purpose is at the heart of who we are and the decisions we make as individuals and as a business.

**To make a difference  
by giving people innovative  
solutions for healthier lives  
and happier homes**

Through our purpose we aim to respond to trends and underserved needs within growing consumer markets, helping to tackle important global issues and support the United Nations (UN) Sustainable Development Goals (SDGs).

### Our values

We want to make a difference every day. Our values help us to realise our vision and purpose and are key to our distinct culture.



## The value we create

### A focused portfolio of brands

We own and seek to build and acquire high-quality, trusted brands within select consumer health and hygiene home categories.

### A focused approach

We aim to be the best stewards of our brands through our three-pronged approach:

#### better business

How we outperform, through our focus on our brands, markets, people and creating a digitally connected company.

#### better society

How we support our communities and drive quality and safety in all we do.

#### better environment

How we reduce our environmental impact and ensure we source materials responsibly.



Read more  
Go to pages 17 to 23

### A focused organisation

In 2018 we implemented RB 2.0 – two separate end-to-end accountable business units to improve our innovation focus and in market execution.

## Health



Read more  
Go to pages 24 to 29

## Hygiene Home



Read more  
Go to pages 30 to 33

#### People

# 40k+

RB provides exciting and challenging careers, with excellent rewards for outstanding performance

#### Consumers

# 20m+

Products sold daily

Consumers receive innovative, safe and high-quality products, which give them healthier lives and happier homes

#### Shareholders

# 132%

Total Shareholder Return since 2012

Shareholders benefit from strong operational and financial performance, resulting in attractive returns via dividends and long-term share price appreciation

#### Communities

# 765m

people informed through health and hygiene initiatives

Our products and social programmes lead to improved health and hygiene standards

#### Customers

# Bricks and mortar and e-commerce

Customers gain from selling our leading brands, which grows each category and drives customer value in relevant channels

#### Environment

# 61k

tonnes of CO<sub>2</sub>e saved from the purchase and generation of renewable electricity

We recognise the impact we make, and are constantly improving the way we manufacture and design our products to reduce that impact, improve efficiency and preserve natural resources for a better future

RB 2.0 is helping to build solid top-line momentum.

“  
**RB has been on a journey to become a world leader in consumer health.**

**Chris Sinclair**  
Chairman

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Total dividend for the year

**170.7p**

2017: 164.3p



### A year of good progress

The Company showed immense skill, effort and determination in putting the RB 2.0 reorganisation into practice during the year while at the same time integrating the largest and most complex acquisition we have ever made. Our new, more focused and accountable operating structure is firmly embedded within RB. We saw good momentum and growth in 2018 and it is clear that RB 2.0 is the right platform for the Company's long-term success. We made good progress on improving our operating performance and creating the strategic flexibility of two structurally independent business units. The Mead Johnson Nutrition (MJN) integration progressed well and made a good contribution to our consumer healthcare operations with a very solid turnaround in its first full year as part of RB.

### Business performance

Total full-year (FY) Net Revenue was £12,597 million, with growth of +3% on both a pro-forma and like-for-like (LFL) basis. Growth was balanced with relatively equal contributions from volume and price mix. The impact of consolidating our MJN business for a full 12 months in 2018 (versus six-and-a-half months in 2017) added +12% to growth. Total growth, at constant exchange rates, was therefore +15%, and at the upper end of our target of +14-15%. Growth was broad based and innovation led across both business units.

Our growth in adjusted earnings enables us to reward our Shareholders through increasing the dividend payment. The Directors have proposed a final dividend of 100.2 pence per share, which when added to the interim dividend of 70.5 pence, gives a full-year dividend of 170.7 pence per share, an increase of 4%. Subject to Shareholder approval at the AGM in May 2019, this will be paid to Shareholders on 23 May 2019, who were on the register on 23 April 2019.

The Board intends to use RB's strong operating cash flow generation for the benefit of Shareholders. Our priority remains to invest our financial resources back into the business, including reducing debt. We intend to continue our current policy of paying an ordinary dividend equivalent to around 50% of total adjusted net income.

RB 2.0 is helping to build solid top-line momentum and we saw a number of improving trends as we closed the year. While margin pressures continued, we are managing them well and striking the right balance between cost, pricing and competitiveness in the marketplace.

We saw steady progress in the Hygiene Home business with strong performances from key brands in developing markets and this business unit is now tracking at the top end of our revenue growth forecasts.

Our Health portfolio experienced much deeper change during the year owing to the integration of MJN, but still showed good progress in 2018. IFCN performed well despite the Q3 supply chain disruption, while the non-nutrition part of Health had a challenging year. We are delivering our targeted synergies in Health and from an operational perspective we are on track for delivery of our medium-term objectives. A key highlight has been our progress in pursuing e-commerce and digital excellence with a highly effective approach developed in China and then rolled out globally. The core of value creation for RB is to ensure our Health operating model achieves top-of-market growth in a market expected to grow 3-5% in the medium term.

## Chairman's statement continued

### Innovation

We are excited about our innovation engine as a platform for driving outperformance. A highlight in our IFCN business, for example, was the launch in H1 of Enfamil NeuroPro, which supported IFCN's strong performance. There were also successful new product initiatives from Finish, Lysol and Vanish in Hygiene Home and from Durex, Nurofen and Scholl in Health.

### Strategy

We have three core strategic priorities: to accelerate organic growth on the top line, maintain or grow our margins, and ensure we enhance our return on capital employed.

RB 2.0 is the right platform to deliver future growth and outperformance. Our Hygiene Home business unit is now a focused household business with the management agility that we value so highly at RB. In Health, we have a portfolio of global, market-leading consumer health brands. The Health business unit is focused on reigniting growth by completing the integration of MJN and delivering an operating model that works effectively across our five consumer healthcare market segments. Delivering RB 2.0 will also create the optionality and flexibility we require as we configure RB for the longer term.

### Governance

Our strategy recognises that our long-term success requires good stewardship of our business and fulfilment of our obligations to society. From Board level down through management, we continue to sharpen our focus on the issues of responsibility, safety, compliance, risk and sustainability.

We said last year that risk management will be increasingly important as we move into health-related sectors. Effective risk management involves the same disciplines as managing the overall business with the aim of giving our customers and consumers the highest quality products. We have worked hard on reassessing all the components of our supply chain to ensure we have the right safeguards, controls and standards in place to deliver the reliability and rigorous quality required.

We saw important and carefully planned leadership changes during 2018. I had the honour of succeeding our former Chairman Adrian Bellamy, who retired following RB's Annual General Meeting in May 2018. In addition, Ken Hydon and Judy Spieser retired from the Board at the same time. All three of these changes were announced in last year's report and we expressed at that time our appreciation and gratitude for their exceptional long-standing service to RB. A key aim in 2018 therefore was to make new appointments and we appointed three highly talented Board members during the year. In each case, we are pleased with the skills, competencies, knowledge and expertise we have added to the Board.

Andrew Bonfield joined us in July 2018 as a Non-Executive Director and a member of the Audit Committee. He became the Chair of the Audit Committee and a member of the Nomination Committee with effect from January 2019.

Mehmood Khan joined us as a Non-Executive Director at the same time as Andrew and joined the Corporate Responsibility, Sustainability, Ethics and Compliance (CRSEC) Committee.

Elane Stock was appointed as a Non-Executive Director in September 2018 and became a member of the Remuneration Committee in November 2018.

Further details on these appointments can be found in my report as Chair of the Nomination Committee from page 76. Biographical details of our new appointments and Board members can be found on pages 58-61.

In addition, André Lacroix, Senior Independent Director, stepped down from the Board and retired from his post at year end. He served on the Board from October 2008 and was latterly Chair of the Audit Committee and a member of the Nomination Committee. On behalf of the Board, I would like to thank André for his significant contribution over many years. He led the succession process in 2017 for RB's new Chairman and as Chair of the Audit Committee he brought a rigorous and disciplined approach to risk management and assurance.

Finally, Nicandro Durante was appointed as Senior Independent Director and as a member of the Nomination Committee with effect from January 2019.

### CEO succession

In January 2019, Rakesh Kapoor announced that he will be retiring as CEO by the end of 2019. Under Rakesh's leadership, RB has been transformed from a household cleaning business to a world leader in consumer health and hygiene. Rakesh has been both the visionary and the architect behind this strategic portfolio transformation since the mid-2000s. He has also put in place RB 2.0 – an organisation designed for sustainable growth and outperformance. On behalf of the Board, I would like to express our appreciation for his vision, passion and leadership over his long and distinguished tenure. We are undertaking a formal and comprehensive process to appoint a successor, considering both internal and external candidates.

### AGM resolutions

The AGM is on 9 May 2019. In line with the three-year life cycle, a new Remuneration Policy is being put forward to a binding Shareholder vote at our AGM. This and all the resolutions that Shareholders will vote on are fully explained in the Notice of Meeting. I look forward to meeting as many of you as possible there, but if you have questions on this Annual Report or any other matter, and you cannot attend, please write to our Company Secretary and we will endeavour to address them.

## Priorities

Looking ahead, we remain committed to our objective of growth and outperformance in the markets in which we operate and see that as the core of value creation. In the short to medium term, we want to accelerate organic growth although over the long term we will consider further inorganic growth in a disciplined way, particularly in Health. While we have made excellent progress in integrating MJN, there is more work to do to ensure we capture our targeted financial returns. We are also committed to the projects to deliver the structural independence of the two business units by mid-2020.

We have a uniquely strong culture at RB and a major priority for the Board and senior management is to continue attracting the skills we need to achieve our future growth objectives. We will continue to motivate our people through the extensive career enhancement opportunities and attractive reward structure that differentiates RB from its peers.

Finally, it goes without saying that we want to have effective governance and oversight as a Board. An integral part of that is to make sure we are truly a leader in sustainability, especially in the use and recyclability of plastics, as well as in energy and water usage. We are actively engaged in all these issues and continue to invest our time and effort in them.

## Conclusion

I am grateful to my fellow Board members, to Rakesh Kapoor and his executive team, and to all of RB's people for their hard work and loyalty in a year of great challenge and transformation. I continue to be highly enthusiastic about the entire RB organisation and its potential to create value. The Company has demonstrated clearly its capacity for extraordinary achievements. RB 2.0 is underlining how the Company can innovate in response to a changing competitive landscape and this is a real measure of the robustness of RB's strategic focus. I believe the speed, flexibility and motivation of this organisation is second to none and we are determined to stay at the leading edge. I am confident we can look forward to a strong and successful future.

## Chris Sinclair

Chairman  
18 March 2019

### FOCUS ON SQRC

## Safety, Quality and Regulatory Compliance (SQRC); in RB's DNA

As part of the RB 2.0 reorganisation, we have established dedicated capabilities in quality and regulatory compliance to support both business units and further strengthened our governance and capabilities at Group level – through the creation of an integrated Safety, Quality and Regulatory Compliance (SQRC) function.

Our business cannot succeed without a solid foundation in these areas. We believe that an uncompromising commitment to safety, quality and compliance will set us apart in the minds of our consumers and delivers competitive advantage.

In 2018 we completed three major programmes. These focused on product review and remediation as well as on putting in place the processes, systems and organisational capabilities to better manage product changes and meet our chemical legislation requirements in a sustainable way. Furthermore, we have an ongoing programme that is implementing a Product Lifecycle Management (PLM) approach, the first pilot for which was deployed in September 2018.

Our work in SQRC is not just about remediation, infrastructure or changing processes; more fundamentally it is about helping to enshrine a culture of 'Responsibility' in the DNA of RB. For example, on World Quality Day in 2018, we launched our new 'Quality Vision' and we are further embedding this by hosting 'Quality Days' at each RB site. This campaign makes quality the responsibility of each and every one of RB's 40,000+ people.

Our Chief SQRC Officer reports to the CEO and is accountable to our executive Compliance Management Committee (CMC), the Board's Corporate Responsibility, Sustainability, Ethics and Compliance (CRSEC) Committee and, ultimately, the full Board. These Committees track KPIs and the progress of our SQRC transformation and remediation programmes. They take a direct interest in the capabilities and culture required to ensure we continue to build best-in-class operations.

2018 was a year of significant strategic progress. RB 2.0 is the platform for future growth and outperformance.



**Rakesh Kapoor**  
Chief Executive Officer

Our purpose is to make a difference, by giving people innovative solutions for healthier lives and happier homes. In our first fully operationalised year under RB 2.0, we have focused sharply on fulfilling this.

### Performance in 2018

At the beginning of 2018, we set a target for Net Revenue growth of +13% to +14%, which implies like-for-like (LFL) growth in the range of +2% to +3%, in line with the overall market. In July, we increased these targets to +14% to +15% total Net Revenue growth, due to the strong H1 delivered by our infant and child nutrition (IFCN) category. We achieved the enhanced targets we set.

From a margin perspective, we delivered Adjusted Operating Margin expansion of 20bps to 26.7% on a pro-forma basis, or a decline of -60bps on a reported basis as we consolidated the lower-margin MJN business for a full 12 months in 2018, compared with only six-and-a-half months in 2017.

We earn high-in-class margins in both Health and Hygiene Home business units from our portfolio of high value products. Our goal is to maintain that position. We will continue, year-in-year-out, to improve the efficiencies of our business – as we have always done. We will also emphasise top-line growth and resilience and will support this with appropriate re-investment of our efficiency savings.

### The first year in our RB 2.0 journey

Our two business units – Health and Hygiene Home – commenced operations on 1 January 2018. Each business is fully accountable on an end-to-end basis from innovation, through brand development to supply. Innovation is the lifeblood of RB and our performance in 2018 once again demonstrated the strength and depth of our skills in bringing successful new products to the market. We are very excited about our current pipeline. We believe RB 2.0 is the right platform to deliver future growth and outperformance.

### Health

Our Health business unit has the focus and expertise it needs to build on its strong portfolio of market-leading and trusted brands, which support people to live healthier lives. We focus on five consumer health categories:

- IFCN
- Health relief
- Health hygiene
- Health and wellness
- Vitamins, minerals and supplements (VMS)

Our aim is to expand on our position as a global leader in consumer health with a strong presence in major categories and a strong geographic spread. We are developing a sharper consumer health expertise along with a strengthened focus on science and R&D.

The MJN portfolio has now been fully integrated into our Health business unit as part of our IFCN category. Its performance is on track with improved top-line growth as well as back office and procurement synergies from the acquisition. Despite the supply disruption in the third quarter, IFCN saw a strong turnaround in every geographic region during the year. We continue to make progress in accelerating innovation, improving in-market execution and developing new channels, particularly in e-commerce. We have made significant investments in infrastructure and people to provide a sustainable platform for long-term growth and outperformance. During the first half of the year, we benefited from the launch of our new Enfamil NeuroPro range in the US as well as expanded distribution in 'Mom and Baby' stores in China.

In Health, our new product initiatives for the second half of the year included Nutramigen with LGG, which reduces the impact of cow's milk protein allergies, and Durex AiR – a new variant of our thinnest condom. We also introduced K-Y Duration Gel for Men, our Scholl Aid treatment range, our Mucinex Fast Max Cold & Flu All in One, a new range of Move Free supplements and our MegaRed omega-3 supplements. In infant nutrition, we also launched Enfamil NeuroPro, with a ground-breaking fat-protein blend that supports brain function and immune health in babies.

### Hygiene Home

During 2018, we improved Hygiene Home's portfolio of leading global brands. This business unit is now solely focused on the household sector and has the management agility on which we pride ourselves at RB. During the year, we were able to speed up innovation, create more opportunity to invest in our brands, and sharpen our go-to-market focus.

Growth in our Hygiene Home business unit was encouraging, with a particularly strong performance in North America. This compensated for weaker growth in Europe, where we saw significant pricing pressure in the first half of the year. Our Hygiene Home business unit has a lot of growth potential in developing markets, the two largest markets – Brazil and India – experienced good growth in 2018. From a brand perspective, growth was strong across our leading global brands, including Finish, Lysol, Air Wick and Harpic.

In Hygiene Home, our Harpic Swachh Bharat (Clean India) is a new format that makes Harpic affordable to more Indian households. We also announced Finish In-Wash Dishwasher Cleaner tabs, the Air Wick 2018 season range, new fragrances for Air Wick ViPoo spray, and the SBP Repellent PRO spray.

## Chief Executive's statement continued

### Expanding our reach

Achieving a strong platform in developing markets is an important goal for RB. At the beginning of this decade, RB's business was around 25% in developing markets and 75% in developed markets. We now have a more balanced split with around 40% of our business in developing markets. This reflects our strategy to move RB into the right geographies, not just the right categories. MJN's strong presence in developing markets, especially in China – the world's largest infant nutrition market – has enhanced this geographic footprint. We continued throughout the year to build our expertise in digital and e-commerce to drive transformational growth. In a world of increasingly fragmented channels, in 2018 we made excellent progress in creating tailored solutions across a variety of new platforms. This is a particular focus in China and we have been highly successful in using that market as an incubator for our e-commerce strategy.

### Doing good by doing well

We sustained our strong record in health and hygiene education during the year in review. Highlighting the important role of clean water and good sanitation, our Harpic and Lysol brands launched the More than a Toilet campaign to support Water.org and World Toilet Day.

Our Durex campaign with (RED) is contributing to The Global Fund's fight against HIV and AIDS. This programme is funding the Keeping Girls in School programme in South Africa, which aims to reduce new HIV infections and pregnancies among young women and encourage them to stay in education.

As part of our work to make our products more sustainable, we marked World Environment Day on 5 June 2018 by announcing RB's own Plastics Pledge. This underlines responsible use of plastics in packaging as our overriding aim, and details our adoption of the 4Rs approach – reduce, replace, reuse and recycle. Recognising the need for collective effort to effectively tackle plastic, we also joined the Ellen MacArthur Foundation's New Plastics Economy Global Commitment and The UK Plastics Pact.

### Building business resilience

Following the 2017 cyber-attack, we have enhanced the level of protection for our business. There was good progress in 2018 on building our resilience, through a significant upgrade of RB's IT infrastructure, systems and capabilities. We are working with a number of leading cyber security companies and implemented protection that meets the specific needs of our business model.

In South Korea, RB Korea continued to work with the government to support the victims of the tragic Humidifier Sanitizer issue.

### The right organisation for success

We have entered 2019 with encouraging momentum, although all of us at RB recognise that there is much work still to do. In their first full year of operation our two business units have benefited from the new focus and accountability provided by RB 2.0.

Our work on creating two structurally independent business units (called Project Gemini) made good progress in 2018. It comprises seven workstreams: legal entity restructuring, ERP systems, shared services, operating model, financial reporting, application separation and readiness, and Product Lifecycle Management. These are important practical steps towards achieving the structural independence of our two business units which we aim to achieve by mid-2020.

We have a very strong platform for growth in our priority markets including US, China and India. This is complemented by digital and e-commerce excellence that has become a key contributor to growth. Our IFCN portfolio gives us a major value-creation opportunity in this fast-growing and high-margin category, where we can play a role in nurturing the best start in life. RB's deep understanding of consumer needs and its expertise in scaling global brands can help achieve significant growth in this category.

Looking ahead, I am confident that as we fully realise the benefits of RB 2.0, we will deliver growth and outperformance while delivering on our purpose of giving people innovative solutions for healthier lives and happier homes.

### Our culture and our people

Our many achievements in 2018 owe much to our strong and distinct culture. We have the right management teams to deliver our ambitions. Throughout RB, it is easy to see passion, drive, discipline and an acute sense of ownership, along with agility and courage to disrupt the status quo.

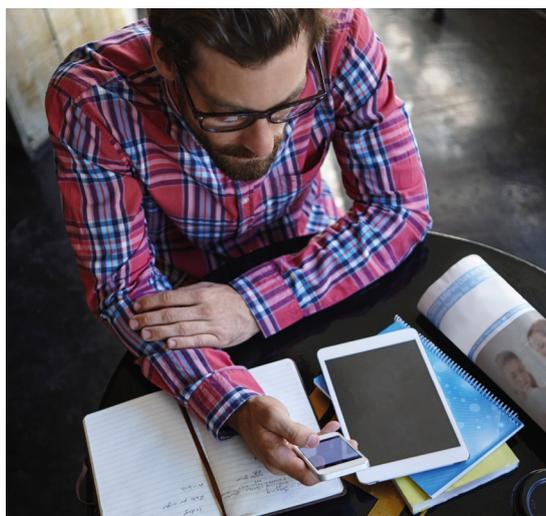
We continue to celebrate that culture and one of the things I would like to highlight looking back over 2018 is the sheer spirit of our people right around the world. In this year of transition, I've been really encouraged to see that our people believe RB 2.0 to be the right strategy and 86% of employees are proud to work for RB – that's industry-beating levels of pride. It takes a very special company not just to meet the significant challenges arising from our RB 2.0 reorganisation, but to go a step further by delivering an improved performance on the previous year.

Together, we navigated successfully through difficult waters in a year that implemented immense change. I would like to thank all of our employees for their unrivalled dedication and professionalism.

I indicated in January 2019 my intention to retire as CEO by the end of 2019. It has been a huge privilege to lead RB and I am very proud of the hard work and commitment of our people in delivering our success and many achievements. The last two years, in particular, have been transformational with the acquisition of MJN and the reorganisation of our business under RB 2.0. 2020 will herald a new decade and I believe now is a good time for new leadership to take this great company through the next phase of outperformance. I will remain fully focused on driving the business until a successor is in place.

**Rakesh Kapoor**  
Chief Executive Officer  
18 March 2019

“  
**It takes a very special company not just to meet the significant challenges arising from our RB 2.0 reorganisation, but to go a step further by delivering an improved performance on the previous year.**



#### FOCUS ON E-COMMERCE

### Rapid progress in achieving digital and e-commerce excellence in Health

Our Health business unit is responding proactively to channel fragmentation. We focus on e-commerce in all our markets, but have successfully used China as an incubator for our global e-commerce strategy. The figures prove our success. To take just one example: by the end of 2018, e-commerce was contributing 58% of our Health business unit's sales in China, excluding IFCN.

We are also developing our digital marketing techniques based on a better understanding of how people consume content and messaging. In 2018, we more than doubled the number of people working in our Health e-commerce team.

At the end of 2018, our Health business unit continues to make strong progress in e-commerce as we meet consumers' changing shopping habits. E-commerce now contributes 9% of total Health Net Revenue, led by IFCN, VMS and our Sexual Wellbeing brands. In China, our VMS brands have been launched exclusively in e-commerce channels.



# 58%

of our Health business unit's sales in China was attributable to e-commerce.

## Stakeholder engagement

Understanding the needs and concerns of everyone who engages with us and our brands is critical to delivering impact that is at the heart of our purpose of Healthier Lives and Happier Homes.

We maintain strong stakeholder relationships to identify those needs and deliver them well. These relationships create greater scale and opportunity to build a better business, better society and better environment.

Considering these relationships focuses our activity, prioritising key issues for growth, innovation, impact and a resilient future. We know that working in partnership is critical in helping us understand and embrace new opportunities, operate responsibly, with trust and transparency and reach more people for greater social impact.

### Reporting to meet our stakeholders' needs

Our approach to sustainability reporting has changed for 2018. In the past, RB's Annual Reports and Sustainability Reports were separate. However, our stakeholders' expectations are changing and we have adapted our reporting accordingly. At [www.rb.com](http://www.rb.com) you'll find additional corporate performance information across all aspects of our reporting agenda. On sustainability specifically, [www.rb.com/responsibility](http://www.rb.com/responsibility) has been expanded and streamlined, helping our stakeholders to navigate our different sustainability projects and challenges, our approach to these issues, as well as case studies and details of partnerships. Each section of this content is supported by RB Insights. These documents provide further information on each topic, including additional case studies, performance data, methodologies and links to our policies and standards.

## Employees

**How we engage:** In 2018, following our RB 2.0 reorganisation, we reinforced our employee communications and connections through different channels, including more employee-led storytelling. We created a modern learning experience platform – [learn.rb.com](http://learn.rb.com) – to help access bite-size learning and build key capabilities across RB.

Ownership is one of our core values; one element that supports this is our all-employee share plan. This plan was relaunched in 2018 to increase employee engagement and give wider access to employee share ownership. The uptake of the plan is highly encouraging, with more than 20,000 employees currently participating across the Group.

Our Culture Pulse survey showed that some 86% of employees say they are proud to work at RB, a level that is among the best in the industry.

**Why we engage:** Corporate cultures can never be static; they must evolve. We are evolving our culture to deliver on our objective of growth and sustainable outperformance. We want to understand our employees' changing needs and expectations.



### FOCUS ON EMPLOYEES

## Our employees as ambassadors

We had a busy year in 2018. Purpose continues to be a key engagement driver for current employees and new hires.

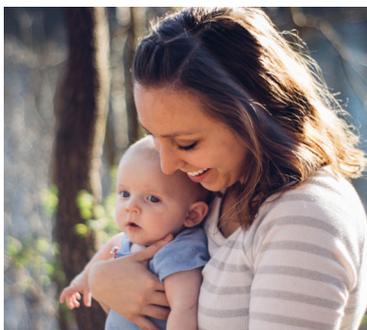
In the area of diversity, our #HeDaresSheDares video campaign went viral on LinkedIn, while #BustYouRBias addressed the issue of unconscious bias.

We supported One Young World with some of our brightest talent sharing RB's purpose-led initiatives on a global stage at The Hague. The RB Global Challenge 2018 invited over 16,000 student entrepreneurs across 19 markets to share their innovation ideas with us and all finalists were offered employment with RB as management trainees.

We continued our RB Give Time programme which provides every employee with two days of paid time to give help to a cause of their choice.



See more  
[www.rb.com/responsibility](http://www.rb.com/responsibility)



## First 1,000 days

Our Breast-Milk Substitute Pledge and Marketing Policy supports high-quality infant nutrition.

### FOCUS ON PRODUCTS

## People using our products

We have a range of stakeholders across our many brands so we engage in regular dialogue with consumers and consumer groups. Particularly important is the context of our Infant and Child Nutrition (IFCN) business. For mothers who are unable to breastfeed, or who choose not to do so, our role is to provide the highest quality products that help meet the nutritional needs of mothers, infants and children. We promote the recommendations of the World Health Organization (WHO) for exclusive breastfeeding in the first six months of life, and the introduction of safe, age-appropriate and nutritious complementary foods thereafter. We have a key responsibility to adopt, implement, enforce and monitor appropriate policies and procedures to ensure our marketing practices on Breast-Milk Substitutes (BMS) are ethical and responsible.



See more  
[www.rb.com/responsibility](http://www.rb.com/responsibility)

## People using our products

**How we engage:** Our 'brand equity investment' programmes educate consumers and enhance awareness of important social issues. For IFCN, we promote WHO recommendations for exclusive breastfeeding in the first six months of life.

**Why we engage:** Innovation is at the heart of everything we do. To innovate effectively, we listen to our consumers, and develop products that meet their needs. We always put the safety of our consumers first and lead and act with integrity.

## Communities

**How we engage:** We engage through our social impact investment strategy. We now focus on four areas that have a direct connection with our business; sexual health and rights, malnutrition and stunting, health and hygiene and environment.

**Why we engage:** We can change the world for the better by making a lasting impact on communities worldwide and transforming the health and lives of millions of people. We are a purpose-led company. Doing good is integral to what we do.

### FOCUS ON PARTNERSHIPS

## Partnerships in the community

Our new social impact investment strategy pledges to achieve several goals by 2025. These include reinvesting 1% of annual net profit in social programmes, doubling our current social investment from £10 million to £20 million, and tripling our employee volunteering to 100,000 hours per year. We also pledged to inform one billion people through health and hygiene educational programmes and behavioural change communications.

Partnership with like-minded innovators is in our DNA; it defines our business. Throughout 2018, we were at the centre of a global network of expert individuals and organisations, all working together to create healthier lives and happier homes. For example, RB announced its three-year partnership with the China Children and Teenagers' Fund (CCTF) to significantly reduce stunting in the first 1,000 days of life with a focus on the nutritional needs of mothers and babies in western China. We're also a long-term partner with the University of Hull on initiatives from workplace employability skills training to joint R&D challenges.



See more  
[www.rb.com/responsibility](http://www.rb.com/responsibility)



# £20m

By 2025, we pledge to reinvest 1% of our annual net profit in social programmes.

## Stakeholder engagement continued



In partnership with peers, RB co-sponsored an AIM-Progress supplier capability workshop on responsible sourcing in Shanghai, China in September 2018.

## Partners

**How we engage:** We drive product improvements by collaborating with technology partners, regulatory specialists, consumer research companies, academic institutions, innovation and licensing experts, and environmental and sustainability consultants.

**Why we engage:** To ensure our customers receive the best products and service possible. Our aim is to compete in our markets effectively while remaining a fair partner to our suppliers, and adhering to appropriate human rights standards.

## Shareholders

**How we engage:** We communicate with Shareholders through our Annual General Meeting (AGM), our Annual Report, investor presentations and roadshows, as well as face-to-face meetings with institutional investors, involving both management and the Chairman to discuss remuneration and governance matters. Our investor meeting held in May 2018, attended by the Chairman, Senior Independent Director and Committee Chairs, along with RB management was well received. The Investor Forum engaged with RB in preparing for this meeting.

**Why we engage:** To build trust and transparency with existing and prospective debt and equity investors.



## Human rights

**How we engage:** We engage with a range of experts within the human rights space, including the Danish Institute for Human Rights. We routinely communicate with suppliers, investors, consumer groups and civil society and sector experts.

**Why we engage:** We are committed to further integrating the United Nations (UN) Guiding Principles on Business and Human Rights into RB. We want to exercise significant influence over human rights in our value chain, supporting human and labour rights wherever possible.

## Environment

**How we engage:** We routinely participate in environmental panels with external stakeholders, including suppliers, investors, consumer groups and civil society and sector experts on a variety of matters including plastics and palm oil.

**Why we engage:** We can exercise significant influence over greenhouse gas (GHG) emissions, the water impact of our products and use of water in our manufacturing sites, the reuse and recycling of waste, and responsible sourcing.

## Aligning to the SDGs

Our material issues align to the United Nations (UN) Sustainable Development Goals (SDGs). The indicators which are most relevant to our operations are:



### SDG 2: ZERO HUNGER

Our acquisition of MJN means we now contribute to ending stunted growth in children. This has lifelong health and developmental impacts.



### SDG 3: GOOD HEALTH AND WELL-BEING

Many of our brands play a role in good health and well-being. They include Durex, Dettol, Gaviscon, as well as Lysol and our Mortein insecticide products.



### SDG 5: GENDER EQUALITY

We are committed to gender equality and delivering SDG 5 through our RB policies and practices, and through our programmes in communities where we work around the world.



### SDG 6: CLEAN WATER AND SANITATION

Our Harpic and Lysol brands are closely associated with our programmes emphasising the importance of good sanitation and good hygiene.

Alongside the above primary UN SDGs, we recognise that there are others where we can play a role. In our online materials that supplement this Annual Report, we highlight these by topic.



See more  
[www.rb.com/responsibility](http://www.rb.com/responsibility)

## Defining our material issues

We engage with a range of stakeholders to consider the most material issues for our business both regarding current activities and looking forward. These include consumer groups, communities where we work, our peers and suppliers, experts, healthcare professionals, policy makers, NGOs and governments and investors, and of course our own teams. They help us to identify our material issues and ensure we are responding to their needs through our purpose and strategy.

## Key changes year on year

We have undertaken a new review of our most material issues by surveying internal and external stakeholders through Corporate Citizenship, a specialist agency in this field. The outcome of this review will inform our strategy and activity development in 2019, with the aim of improving our overall performance and risk management in areas of climate change and social impact, contributing to delivering the Paris Agreement on climate change, delivering the UN Guiding Principles on Human Rights and increasing our alignment with the UN SDGs.

## Our focus on stakeholder priorities

### Employees

- Evolving our culture to deliver growth and sustainable outperformance.
- Giving all employees the freedom to succeed while living our values of entrepreneurship, achievement, responsibility, partnership and ownership.
- Ensuring we always do the right thing and have a reputation for safety, quality and regulatory compliance (SQRC).
- Improving gender balance, leadership development, and engagement and retention across all functions and management levels.

### People using our products

- Driving the principles of ethical marketing and putting the consumer at the heart of everything we do.
- Enhancing awareness of good health and hygiene through brand equity investment.
- Creating a world-class SQRC organisation.
- Delivering our Infant and Child Nutrition Pledge and BMS Marketing Policy, as detailed on page 13.

## Shareholders

- Maintaining momentum on executing RB 2.0 and improving our operating performance while creating the strategic flexibility of two structurally independent business units.
- Fulfilling the value-creation opportunity of our MJN acquisition.
- Growing the business organically and through appropriate acquisitions as part of our medium- and long-term value-creation model.
- Building the bench strength and the culture of the organisation both at a Board level and management level.
- Staying focused on governance and risk management, and ensuring we are a leader in sustainability.

## Communities

- Ensuring our projects and programmes support our four areas of focus.
- Building partnerships to deliver the greatest impact from our programmes.

## Partners in supply

- Creating the best products for our customers around the world.
- Implementing the 4R approach – reduce, replace, reuse and recycle – for plastic packaging.

## Environment

- Reducing GHG emissions in our operations and across the life cycle.
- Improving water efficiency in our operations and minimising water impact in our products, our sites and our communities.
- Reducing waste and increasing reuse and recycling.
- Responsibly sourcing key ingredients and materials.

## Human rights

- Further integrating the UN Guiding Principles on Business and Human Rights into our work.
- Improving workplace safety and labour standards within our value chain to reduce the risk of modern slavery.
- Promoting diversity and inclusion within our value chain.
- Delivering societal benefits through our brands and their products.

## 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
<b>Environmental matters</b>	<ul style="list-style-type: none"> <li>Environmental policy</li> <li>Responsible sourcing of natural raw materials policy</li> <li>Plastics Pledge</li> </ul>	Group Environmental Management System <sup>1</sup> Stakeholder Engagement Better Environment <b>page 12</b> <b>page 22</b>
<b>Employees</b>	<ul style="list-style-type: none"> <li>RB Code of Conduct</li> <li>Our Values</li> <li>Occupational Health &amp; Safety</li> <li>Speak Up policy</li> <li>RB Corporate Diversity &amp; Inclusion Policy</li> </ul>	Stakeholder Engagement Better Business CRSEC Committee Report Gender Pay Gap Report Group Occupational Health & Safety Management System <sup>1</sup> <b>page 12</b> <b>page 18</b> <b>page 87</b>
<b>Human rights</b>	<ul style="list-style-type: none"> <li>Policy on Human Rights and Responsible Business</li> <li>Modern Slavery Act Statement</li> <li>Commitments to international standards</li> </ul>	Stakeholder Engagement Better Society <b>page 12</b> <b>page 20</b>
<b>Social and community matters</b>	<ul style="list-style-type: none"> <li>Social Impact Investment</li> <li>Breast-Milk Substitute (BMS) and Marketing Policy</li> <li>Consumer Safety</li> </ul>	Our commitment to auditing and transparency on BMS Stakeholder Engagement Better Society <b>page 12</b> <b>page 20</b>
<b>Anti-bribery and anti-corruption</b>	<ul style="list-style-type: none"> <li>RB Code of Conduct</li> <li>Speak Up policy</li> </ul>	Better Business CRSEC Committee Report <b>page 18</b> <b>page 87</b>
<b>Policy embedding, due diligence and outcomes</b>		Risk Management and Principal Risks CRSEC Committee Report <b>page 40</b> <b>page 87</b>
<b>Principal risks and impact of business activity</b>		Principal Risks <b>page 42</b>
<b>Description of business model</b>		Our Business Model <b>page 02</b>
<b>Non-financial key performance indicators</b>		<b>From pages 16-23</b>

<sup>1</sup> Information not in the public domain.

Most of our reporting on these topics and KPIs are contained in our Strategic Report under the sections entitled Business Model, Stakeholder Engagement, Better Business, Better Society and Better Environment, and Risk Management (or are incorporated into the Strategic Report by reference for these purposes from the pages noted). RB 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.rb.com/responsibility/insights](http://www.rb.com/responsibility/insights)

## Gender diversity

**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	Senior managers	Other employees
8 (2017: 8) male	424 (2017: 392) male	20,624 (2017: 19,910) male
3 (2017: 3) female	139 (2017: 127) female	16,147 (2017: 15,427) female

## GHG emissions

Our GHG data includes emissions from operations covered by the Group Financial Statements for which we have operational control. Where we acquire new businesses, we include their emissions from the first full calendar year of our ownership onwards. Due to the acquisition of MJN in 2017, our 2018 data now includes acquired Infant and Child Nutrition (IFCN) sites.

In 2018, our GHG emissions from our entire operations, including manufacturing, R&D, offices and distribution centres, were made up of:

- Scope 1:** 148,214 tCO<sub>2</sub>e (2017: 100,443) – emissions from combustion of fuel in our facilities
- Scope 2:** 247,856 tCO<sub>2</sub>e (2017: 164,205) – emissions from energy supplied to us, such as electricity, heat, steam or cooling

Total emissions from Scope 1 and Scope 2 activities in 2018 were 396,070 (2017: 264,648). We calculate our emissions intensity per unit of production, which in 2018, including our newly acquired IFCN sites, equated to 0.0521 tCO<sub>2</sub>e. (2017: 0.00278).

We reported the above 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 2018 were 309,179 tonnes of CO<sub>2</sub>e (2017: 214,424) and our total Scope 1 and 2 tonnes of CO<sub>2</sub>e were 457,393. Please note restatement of 2017 GHG emissions for Scope 1 and 2 due to correction of an identified calculation error.

## Strategic objectives, targets and key performance indicators

Our strategy, based around the principles of better business, better society and better environment, is designed to help us deliver on our purpose, to help people have healthier lives and happier homes.

### better business

The better business element of our strategy has four pillars, which focus RB on faster-growing markets and categories, and enable us to outperform.

### better society

The better society element of our strategy is about how we meet our responsibilities in relation to our communities and our products. We are known for outperforming in business and we also aim to outperform expectations in social impact investment.

### better environment

The better environment element of our strategy sets out how we minimise our emissions, water use and waste, while ensuring we source responsibly and innovate to produce more sustainable products.

### Our future priorities

Within this section we report on how we performed against our priorities in each area for 2018. Moving forward we will concentrate on the following priorities.

- **Address the major value-creation opportunity** in the structurally advantaged, fast-growing and high-margin infant nutrition category
- **Build a clear reputation** for safety, quality and regulatory compliance (SQRC)
- **Drive strong gross margins** through the right portfolio and category choice and deliver margin accretive innovations
- **Continue investing** in capabilities, e-commerce resources, and our R&D and innovation pipeline while sustaining our top-of-class operating margins
- **Identify powerful social causes** and develop purpose-led innovations with superior product solutions
- **Focus on low-penetration, higher-growth categories** while delivering better product solutions in premium categories to a growing base of middle-class consumers
- **Increase the contribution that innovation makes** to our growth rates by leveraging the combination of our global leading brands and local innovation hubs
- **Prioritise our work** in attracting the skills we need to achieve our future growth objectives, while continuing to improve our inclusion and diversity
- **Achieve the highest standards of governance and oversight** as a Board by ensuring we are a leader in sustainability and ethical behaviour
- **Ensure our digital and e-commerce excellence continues** to be a key contributor to growth

# Strategic objectives, targets and key performance indicators continued

## better business

### Our focus areas and KPIs in 2018

#### Organisation and culture

Our people are what make us outperform. Respecting them, keeping them safe and developing their skills and careers are essential if we are to be successful. We recognise and embrace the value that a diverse engaged and motivated workforce can bring.

#### Priority markets

These are the markets which have the highest absolute growth potential for us and where we see the greatest opportunity to win. They are weighted towards developing markets which have greater economic growth, growing middle classes and more scope to increase market penetration.

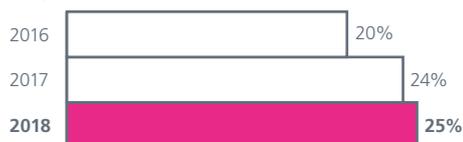
#### Key brands

We invest heavily in our portfolio of market-leading brands. They provide over 80% of our revenue and offer higher growth and margins.

#### Virtuous earnings model

We focus on higher-margin initiatives and rigorous control of our costs. Through our virtuous earnings model, this funds our investment in our brands, capabilities and development, and enables us to expand our revenue and sustain our Operating Margin.

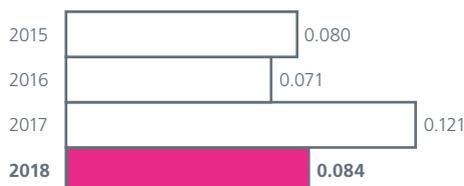
#### Organisation and culture



**Definition:** The percentage of women in senior management team roles at 31 December.

**Target:** See page 16.

#### Lost Work Day Accident Rate (LWDAR)



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

**Target:** Continued decrease of LWDAR rate.

### Our policies

#### Anti-bribery and corruption

Our policy is that all RB 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

RB's Code of Conduct governs standards of conduct in relation to our employees, as well as our stakeholders. In addition, RB 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.



See more  
[www.rb.com/responsibility/policies-and-reports](http://www.rb.com/responsibility/policies-and-reports)

# What we said we'd do...

# How we delivered it...

## Organisation and culture

- Complete the reorganisation into two new business units, including the full integration of MJN.
- Continue to strengthen our cyber security and our safety and compliance capabilities.
- Continue to drive improvements in health and safety, including rolling out a health and safety culture survey to all sites.
- Pilot a new system to give us a best practice process for managing the product life cycle.
- Continue to embed DARE (Develop, Attract, Retain and Engage talented women) and drive initiatives to improve gender balance.

Our new, more focused and accountable operating structure is firmly embedded within RB. During 2018, we integrated MJN into our Health business unit.

Focusing on the issues of disruption and breaching of privacy rights, we have implemented a robust and appropriate level of protection for our business model.

We continue to embed our health and safety culture through rigorous auditing, support and training. In 2018, we enhanced our training packages, held safety day initiatives, and conducted global health and safety e-learning for all employees.

We successfully developed and piloted a new Product Lifecycle Management system creating the backbone of product data from development through to manufacturing and interfacing systems.

Our DARE programme made good progress in 2018.

## Key brands

- Continue to develop innovative solutions, which target underserved consumer needs.
- Prioritise investment towards the respective Powerbrands of Health and Hygiene Home.

RB's new Centre for Excellence in Hull is the largest single investment in the Company's history. It will support the creation and testing of cutting-edge consumer health innovations and complement RB's other major R&D facilities around the world.

We reignited our innovation culture in 2018 with new product initiatives in Health and Hygiene Home.

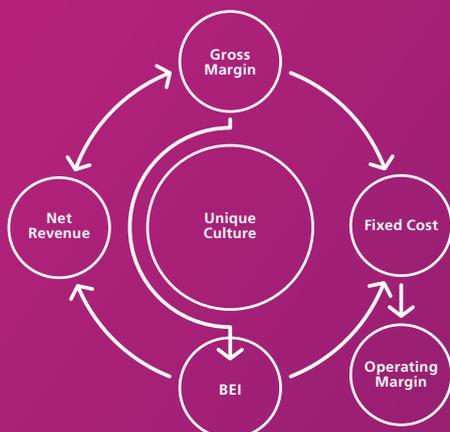
## Priority markets

- Prioritise management and financial resource towards our priority markets, with a particular focus on China and the US, as these are key IFCN markets.
- Address channel fragmentation and deliver innovative solutions to our consumers, in whichever channel they choose to shop.

In 2010, RB's business was around 25% in developing markets and 75% in developed markets. We now have a more balanced 40% vs 60% distribution. IFCN's strong presence in developing markets, especially in China, has significantly enhanced this geographic footprint.

In 2018 we made excellent progress in providing solutions across new channels. We have been particularly successful in using China as an incubator for our e-commerce strategy.

## Virtuous earnings model



Our achievements in 2018:

- Net Revenue: 3% growth (pro-forma and LFL)
- Gross Margin: 60.6% (reported)
- Operating Margin: 26.7% (adjusted)

# Strategic objectives, targets and key performance indicators continued

## better society

### Our focus areas and KPIs

#### Purpose-led brands

Improving health and hygiene through our product and brand educational programmes, and our corporate social investment.

#### Human rights

Positively enhancing human rights and responsible business practices across our value chain.

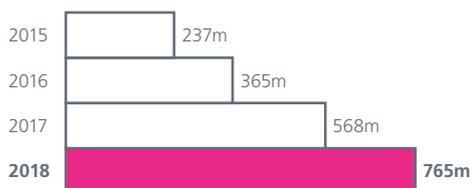
#### Social impact investment

We recognise the role we must play in making a positive impact and transforming the health and lives of communities around the world. Our social impact investment strategy focuses on four areas that have a direct connection with our business: sexual health and rights, malnutrition and stunting, health and hygiene, and the environment.

#### Stewardship

Ensuring our products are safe, compliant and effective, and reducing their impacts on the environment.

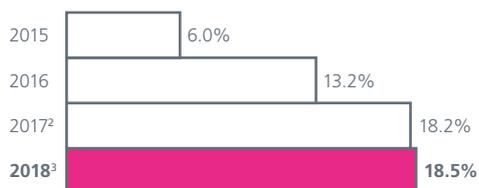
#### Purpose-led brands



**Definition:** Total number of people informed through health and hygiene messaging and campaigns since 2013.

**Target to 2025<sup>1</sup>:** Inform 1 billion people through health and hygiene educational programmes and behaviour change communications.

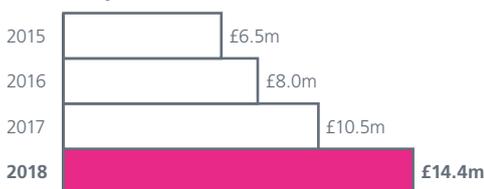
#### Product innovation



**Definition:** Total Net Revenue from more sustainable products.

**Target to 2020:** 33% of Net Revenue.

#### Social impact investment



**Definition:** Direct contributions made as social impact investment.

**Target to 2025:** Reinvest 1% of profit in social impact investment.

<sup>1</sup> Having met our 2020 target to reach 400 million people through brand programmes and educational campaigns in 2017, we are now aiming even higher with our ambition to impact the greatest possible number of people with health and hygiene messaging.

<sup>2</sup> Re-calculation of 2017 Sustainable Net Revenue % (previously 19.4%). See Sustainable Innovation Insight ([www.rb.com/responsibility/insights](http://www.rb.com/responsibility/insights)) for further details.

<sup>3</sup> As a percentage of RB Net Revenue excluding our Infant and Child Nutrition (IFCN) category Net Revenue.



See more  
[www.rb.com/responsibility](http://www.rb.com/responsibility)

### Our policies

#### Human rights

Our Human Rights and Responsible Business Policy is based on 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.

#### Consumer safety

Our Consumer Safety Policy commits us to complying with relevant laws, assessing our products, packaging, labelling and ingredients, and evaluating consumer safety issues. We apply consistent global standards, freely disclose consumer safety information and check that our products comply with our Restricted Substances List (RSL).

# What we said we'd do...

# How we delivered it...

## Purpose-led brands

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Continue to bring our purpose to life through our brands.</li> </ul>   | <p>Our brands target social impact through the products and partnerships they develop. Vanish identified the environmental impact from clothes ending up in landfills. Its 'love clothes for longer' campaign encouraged people to think twice before discarding clothes.</p> |
| <ul style="list-style-type: none"> <li>• Develop a new target for brand programme reach, having achieved our 400 million goal two years early.</li> </ul> | <p>Our revised aim is to inform 1 billion people through health and hygiene educational programmes and behaviour change communications by 2025.</p>   |
| <ul style="list-style-type: none"> <li>• Scale our methodology for measuring the impact of our programmes.</li> </ul>                                     | <p>Our social impact initiatives are tracked using the Goodera measurement dashboard with assurance by Corporate Citizenship.</p>   |

## Human rights

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Complete the implementation of our new programme management platform.</li> </ul>  | <p>We finalised our online programme management platform for human rights.</p>  |
| <ul style="list-style-type: none"> <li>• Increase the scope and scale of our audit programme.</li> </ul>   | <p>We conducted over 170 supply chain audits including manufacturing sites and distribution depots.</p>   |
| <ul style="list-style-type: none"> <li>• Engage with key suppliers to improve awareness and understanding of our requirements and good management practices.</li> </ul>  | <p>We partnered with key suppliers in South Asia, the Middle East and Africa to strengthen awareness of human rights and improve performance.</p>   |
| <ul style="list-style-type: none"> <li>• Identify and explore areas requiring further focus, such as supplier grievance mechanisms, ethical recruitment, impact measurement and additional supplier categories.</li> </ul> | <p>We are tackling systemic risks to human rights such as recruitment of migrant labour where debt bondage can lead to modern slavery. We are developing supplier grievance mechanisms for workers and improved measurement to better capture our social impacts.</p> |
| <ul style="list-style-type: none"> <li>• Identify a strategic human rights partner to enhance the effectiveness of our human rights programme.</li> </ul>  | <p>We are partnering with the Danish Institute for Human Rights to develop our human rights programme in 2019.</p>  |

## Product stewardship

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Complete the review of the remaining formulations in our product portfolio.</li> </ul>  | <p>We reviewed more than 8,900 product formulations across RB.</p>  |
| <ul style="list-style-type: none"> <li>• Advance our ingredient management strategy through an updated RSL (Restricted Substances List) policy and how we roll out ingredient transparency across our global product portfolio.</li> </ul> | <p>We updated our RSL controls, strengthening operating procedures and knowledge management systems. A mandatory, Company-wide RSL e-learning module is building capabilities and compliance.</p>               |
| <ul style="list-style-type: none"> <li>• Make progress towards our goal of having 100% ingredient transparency while continuing to work towards publication of the RSL by 2020.</li> </ul>   | <p>We introduced programmes across our major brands to transparently describe ingredients. In 2018, RB joined the Chemical Footprint Project, benchmarking ourselves against peers on chemicals management.</p> |

## Social impact investment

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Reshape our strategy following acquisition of MJN.</li> </ul> | <p>We now focus on areas that have a direct connection to our business: sexual health and rights; malnutrition and stunting; health and hygiene, and the environment.</p> |
|--|---|

## Product innovation

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Continue making our products more sustainable and drive further increases in revenue from more sustainable products.</li> </ul> | <p>In 2018, we joined the UK Plastics Pact and the Ellen MacArthur Foundation's New Plastics Economy. These trailblazing, collaborative initiatives are tackling greater recycling, reduced use of plastic and enabling a circular economy for plastics.</p> |
|--|--|

# Strategic objectives, targets and key performance indicators continued

## better environment

### Our focus areas and KPIs

#### Greenhouse gas (GHG) emissions

Reducing GHG emissions across our product life cycle, through energy efficiency, renewable energy and product innovation.

#### Waste

Reducing manufacturing waste and ensuring zero manufacturing waste is sent to landfill.

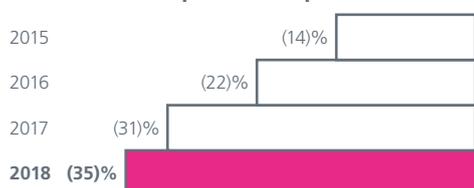
#### Water

Reducing the water impacts of products and reducing water use in manufacturing, especially in water-scarce regions.

#### Responsible sourcing

Responsibly sourcing our natural raw materials.

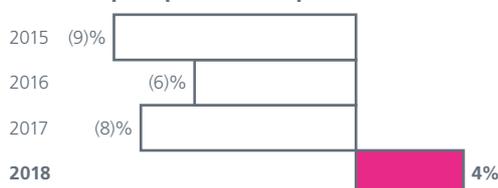
#### GHG emissions per unit of production<sup>1</sup>



**Definition:** The percentage reduction in GHG emissions per unit of production, against our 2012 baseline.

**Target to 2020:** 40% reduction.

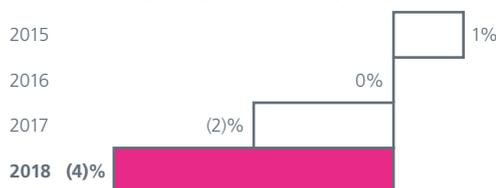
#### Water impact per dose of product<sup>3</sup>



**Definition:** Total water used during the product's life cycle, from material sourcing to disposal or recycling, adjusted to reflect water scarcity at each stage, and divided by the number of product doses manufactured, against our 2012 baseline.

**Target to 2020:** 33% reduction.

#### Carbon footprint per dose of product<sup>1</sup>



**Definition:** The percentage reduction in our total carbon footprint per dose of product manufactured, against our 2012 baseline.

**Target to 2020:** 33% reduction.

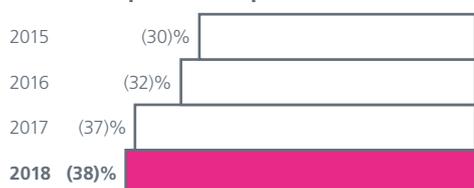
#### Sending zero waste to landfill<sup>2</sup>



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

**Target to 2020:** 100%.

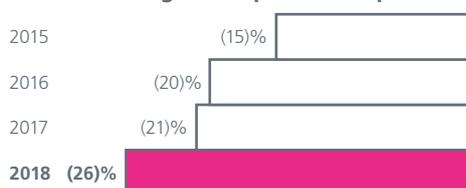
#### Water use per unit of production<sup>1</sup>



**Definition:** The percentage reduction in total water consumption per unit of production, against our 2012 baseline.

**Target to 2020:** 35% reduction.

#### Manufacturing waste per unit of production<sup>1</sup>



**Definition:** The percentage reduction in manufacturing waste per unit of production, against our 2012 baseline.

**Target to 2020:** 30% reduction.

### Our policies

#### Responsible sourcing policy

This commits us to ensuring that natural raw materials in our products are produced in a manner that meets or goes beyond applicable laws and regulations, respects human rights, safeguards health and safety, protects the environment and generally supports sustainable development.

#### 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.

<sup>1</sup> Excluding our Infant and Child Nutrition (ICFN) business – See RB Insights ([www.rb.com/responsibility/insights](http://www.rb.com/responsibility/insights)) and RB Reporting Criteria Basis for Preparation ([www.rb.com/responsibility/policies-and-reports](http://www.rb.com/responsibility/policies-and-reports)) for details.

<sup>2</sup> 2018 year end zero waste to landfill performance includes newly acquired IFCN sites.

<sup>3</sup> Further information can be found in our Water Resources Insight sheet.

## What we said we'd do...

## How we delivered it...

### Greenhouse gas (GHG) emissions

- Identify further opportunities to reduce GHG emissions across our sites, in particular by increasing our use of renewable energy and through further energy efficiency.
- Sign up to RE100, a global initiative bringing together companies that are committed to using 100% renewable energy.
- Evaluate and revise new GHG emissions targets, including IFCN sites.

Advanced energy management is reducing our GHG emissions, with investment in energy improvements for processes, equipment and facilities.

Our commitment to renewable energy is demonstrated by our investment in solar energy, for example, at our plants in Belle Mead, Cali and Mauripur, together with the Power Purchase Agreement we signed for our Mysore plant in the Indian state of Karnataka. This delivers 75% less carbon emissions.

We joined the global RE100 initiative. Over 30% of our manufacturing sites currently use energy from renewable sources.

In 2018 we committed to adopting Science Based Targets. This champions targets in line with climate science and boosts transition to a low-carbon economy to enable more resilient future growth.

2018 marked the eighth consecutive year of our participation in CDP (formerly the Carbon Disclosure Project). Our 2018 score of A- maintained our above-sector average position and reflected our value chain and governance approach.

### Water

- Further enhance the water efficiency of our operations.

We are minimising our impact on water in our value chain and product life cycles where water is used with our products as well as within the products themselves.

We identified new ways to recycle and reuse water, with several sites now achieving zero liquid discharge. For these, all waste water is purified and recycled. Elsewhere we upgraded waste water discharge facilities at sites in India, China and Thailand.

### Waste

- Further reduce waste and increase the reuse and recycling of waste.

We are committed to reducing the waste our sites generate and to improving the ways waste is treated, aiming for zero waste to landfill. 93% of our manufacturing sites are already achieving this goal through increased recycling and reprocessing.

Our programme to reduce the use of plastics is progressing well. Our Sustainable Innovation Calculator measures both the amount and type of packaging used. This helps reduce packaging weight, consider more sustainable materials and increase recyclability.

### Responsible sourcing

- Further increase the scope and effectiveness of our responsible sourcing programme in areas such as palm oil and latex.
- Integrate MJN into our responsible raw materials sourcing programme and ensure compliance programmes are in place for high-risk materials.

We increased the proportion of our global palm oil supplies that are traceable to mills to 88%, excluding surfactants. This includes palm supplies sourced within India.

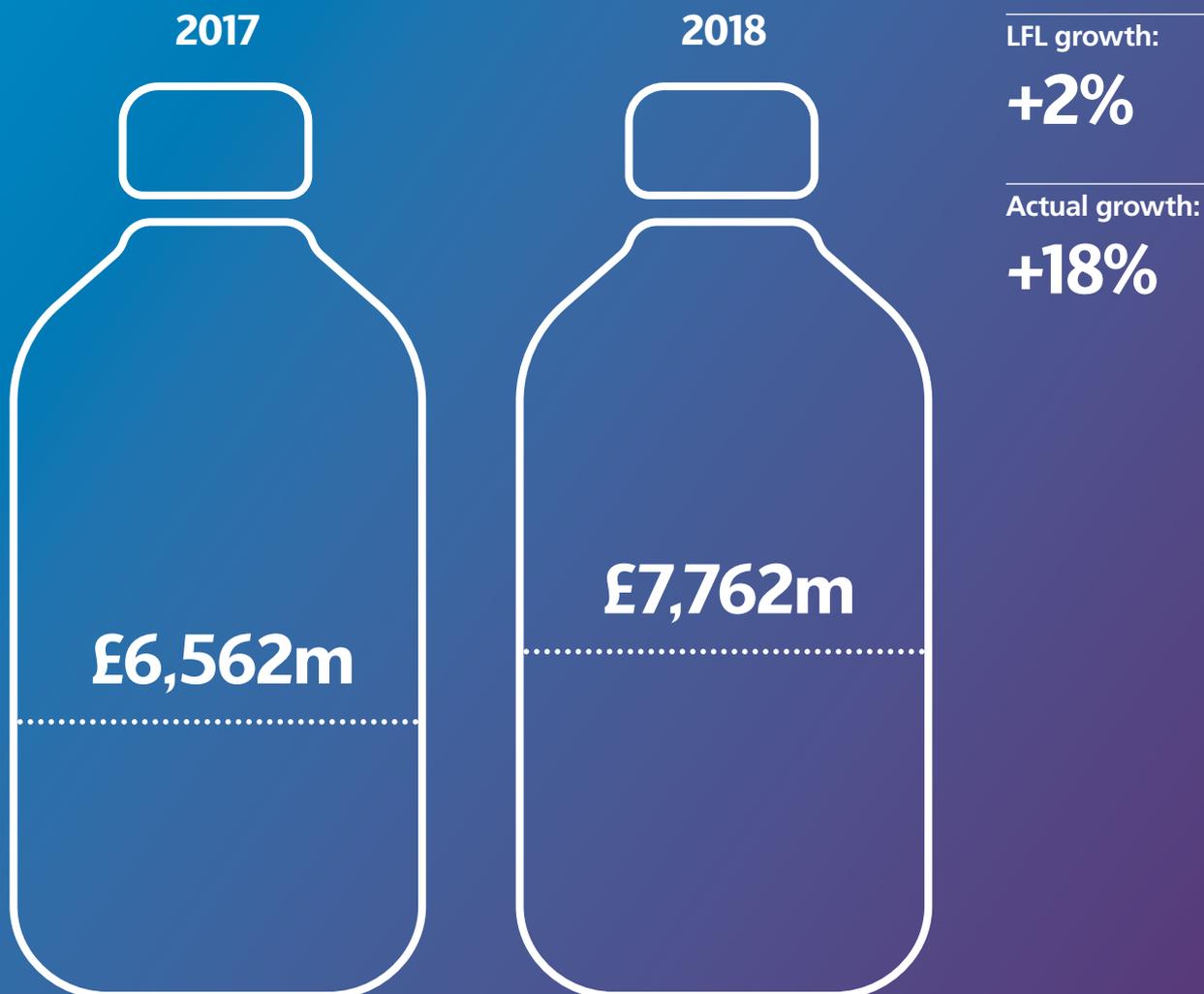
RB is now part of the Dairy Sustainability Framework which tracks delivery of 11 farming sustainability topics with dairy suppliers and stakeholders.

# Health

## Innovative solutions to put health in your hands

Our Health business unit has a unique and compelling portfolio including IFCN, health relief, health hygiene, health and wellness and VMS, spanning the whole of life's journey.

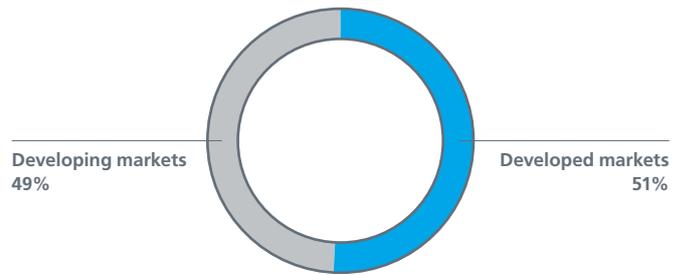
### Health Net Revenue



## Key Health brands



## Geographic profile



## Category profile



## Our priorities and aspirations

- **More innovative solutions** to enable people globally, to manage their own health, driving innovation in both global and local brands
- **Drive excellence in e-commerce** and digital, capitalising on our successful track record in China, and scaling globally
- **Grow infant nutrition category** creating value for consumers and the business
- **Reinforce our strong foundations** in safety, quality and regulatory compliance (SQRC) in support of our consumer healthcare goals
- **Active portfolio management** to focus on categories and brands that deliver margin accretion
- **Continue to invest** in our people, capabilities and resources, and our clinical pipeline while sustaining our best-in-class operating margins

“  
**Our unique Health portfolio combines innovative self-cure and self-care solutions to help consumers live better, healthier lives.**

**Adi Sehgal**

Chief Operating Officer, Health



The consumer health category is shaped by powerful megatrends. Our product range covers a variety of needs, ages, life stages and socio-economic groups, delivered by a multitude of channels, both on-line and off-line.



**£400bn**

Total amount consumer health is worth, combining over the counter (£100bn) and consumer health, wellness and nutrition (£300bn).



**+3–5%**

category growth rates.

**We are all living longer**

Consumers are becoming more proactive about their health as they become more health literate and more inclined to self-medicate, with a focus on prevention rather than cure. Demographic trends are also driving demand for the products in our Health portfolio. Life expectancy, for example, is increasing worldwide, with the number of people aged over 60 set to increase from 900 million in 2015 to 1.4 billion in 2030 and 2.1 billion by 2050. This expanded ageing population increases demand for healthcare services and products. In developed markets, for example, ageing populations need solutions for problems associated with mobility, pain and nutrition. In the developing markets of Asia and Africa, families are seeking the best nutrition, family planning and personal hygiene. The rising incomes in many of these developing markets are providing scope for consumers to try our brands and to become loyal advocates over time.

**Prosperity and connectivity**

Rising prosperity is also driving demand for consumer health products, especially in developing markets where a growing middle class means more people will have a discretionary income after meeting their essential needs.

Rising connectivity is shaping the consumer healthcare marketplace too. Consumers can communicate with healthcare professionals instantly and learn more about health through

platforms such as Facebook, Google and WebMD. There are large and valuable datasets that allow companies to identify, track and respond to emerging consumer needs. Technology is helping consumers track data about their own bodies and other factors relevant to their health, such as air pollution. The fast pace of modern life is also encouraging consumers to use over-the-counter (OTC) health products and our Health portfolio is actively engaged with all these trends.

### Infant and Child Nutrition (IFCN)

The right nutrition during the first 1,000 days (a period from conception up to two years of age) has a critical impact on a child's ability to learn and thrive and provides the essential building blocks for brain development, healthy growth and a strong immune system. Nurturing the best start in life through our trusted brands, Enfamil and Nutramigen with LGG, is at the centre of what we do.

### RB 2.0 reorganisation

It was a transformational year in 2018 as we launched RB 2.0, built the RB Health organisation and integrated MJN. We have now created the platform that is going to lead us from solid performance to outperformance in future.

We made excellent progress in strengthening our e-commerce capabilities. We have tripled the number of people in e-commerce in RB Health between 2017 and 2019 from just over 300 to over 1,000 full-time employees. We also made other major investments, such as the £100 million R&D Centre in Hull in the United Kingdom that comes on stream in mid-2019. We've more than tripled our clinical spend, doubled our external partnerships and we've re-engineered how we engage with external partners.



#### FOCUS ON FUNDING THE FIGHT AGAINST AIDS

### (DUREX)<sup>RED</sup> – Have Sex, Save Lives

Durex joined forces with (RED) to fight AIDS in South Africa, where it is estimated that around 7.2 million people are currently living with HIV or AIDS. Together with the Global Fund, it pledged to raise awareness and money that will empower young women and girls to live a happy, healthy life.

Durex created the special edition (DUREX)<sup>RED</sup> condom making it the first global (RED) product that directly helps to protect against HIV and other STIs, making this partnership particularly powerful. Funds raised from the sales of this special-edition condom will go towards helping fight HIV and AIDS, so for the first time, as the campaign suggests, people can #HaveSexSaveLives.

RB and Durex have committed \$5 million to support (RED)'s mission over three years, and the Bill & Melinda Gates Foundation will match this taking the commitment to \$10 million minimum to fight AIDS.

100% of the money donated through the (DUREX)<sup>RED</sup> partnership will go to a programme in South Africa. The Keeping Girls in School programme aims to reduce new HIV infections and pregnancies among young women, improve access to sexual and reproductive health services and encourage more girls to stay in education.

The #HaveSexSaveLives campaign was highlighted in South Africa on World AIDS Day on 1 December 2018, when the (DUREX)<sup>RED</sup> bus travelled around the townships and gathered over 200,000 pledges to practice safe sex.



# 1 billion

people reached through (DUREX)<sup>RED</sup>  
campaign Have Sex, Save Lives.



### FOCUS ON PARTNERSHIP

## Working in partnership for the Best Start in Life

For millions of children around the world, the issue of early malnutrition has long-term consequences, the most prevalent being stunting, restricting their height, weight and brain development. At RB we recognise that we have the ability to provide help and support to those who need it most, and that's why we have taken the opportunity to launch Best Start in Life, a new £5 million social-impact initiative, partnering with the China Children and Teenagers' Fund (CCTF) – one of China's leading non-profit organisations. The scheme will focus on improving children's well-being and preventing stunting and malnutrition in poor rural areas.

Adelaide Gu, Vice President, Health Greater China, says: "We're excited and proud to be working on this important initiative. We believe good nutrition in the first 1,000 days supports lifelong health. Through nutrition intervention and education," she continues, "this project will directly bring a meaningful and positive change to 10,000 pregnant women and their 10,000-plus babies in poverty-stricken areas in China. And it will give a chance for tens of millions of Chinese families to ensure the best start for the next generation."

Overall, the aim of the partnership, which is initially being rolled out in the remote western regions of China, is to reduce the prevalence of stunting by 50-80% by 2022. This will be achieved, in part, by providing vital advice and nutrition packs for pregnant mothers, monitoring their health, working with rural hospitals and training up to 5,000 professionals in local maternal and child healthcare centres, and encouraging exclusive breastfeeding for the first six months of a baby's life.

### Innovation for 2019

We are also emphasising our innovation pipeline and have many new products for 2019. Neuriva is the first brand that offers a holistic ecosystem that supports brain performance. Following our success with NeuroPro, we are now rolling out the benefits of our breakthrough MFGM (Milk Fat Globular Membrane) to our entire range in the United States. We are relaunching our Dettol brand along with our portfolio of personal wash products, starting with South East Asia. We are launching a new Dettol multi-surface wipe made from 100% biodegradable plant fibres. For Durex, we have started a global multi-year partnership with RED. For our Scholl brand, we have launched an orthotic insole range, a fungal nail product and a cream for athlete's foot. Our Nurofen plaster innovation performed better than we expected during 2018, so we will be rolling it out across all of Europe in 2019. Finally, we have launched several local innovations such as our Lemlift supplement.

### Financial performance

FY 2018 total Net Revenue was £7,762 million, with pro-forma growth of +3% and LFL growth of +2%. Pro-forma growth comprised +1% volume and +2% price/mix, with IFCN volumes negatively impacted in H2 from the temporary manufacturing disruption communicated in our Q3 trading update. Category growth is within our medium-term expectations of +3-5%. From a channel perspective, we continue to make strong progress in e-commerce as we meet consumers' changing shopping habits. E-commerce now contributes 9% of total Health Net Revenue, led by IFCN, VMS and our Sexual Wellbeing brands. Adjusted Operating Profit was £2,207 million, a 28.4% margin and -130bps (reported) versus the prior year. This was due to -160bps arithmetic impact of consolidating the MJN business into the Health business unit. On a pro-forma basis, the operating margin increased by +30bps due to MJN synergies, offset by additional business unit infrastructure costs.

### IFCN

We have now owned the MJN business for 18 months, delivering a strong turnaround in the business with +3% pro-forma growth over this time compared to two years of Net Revenue decline previously. Our actions include significant focus on innovation such as Enfamil NeuroPro, and on e-commerce and specialist channels in China and the US.



**All regions for IFCN grew in 2018, delivering a strong turnaround after two years of Net Revenue decline.**

### Adi Sehgal

Chief Operating Officer, Health

We have also delivered our planned synergies at an accelerated rate versus our ongoing expectations, whilst continuing to invest in enhancing and improving supply chain capacity and capabilities. There is more to be done in 2019.

The market in China continues to see good growth behind both volume and premiumisation, albeit at slowing trends as the recent decline in birth rates caused both stages 1 and 2 segments to be in volume decline. Revenue in our IFCN business in China was flat in Q4 due principally to constrained capacity. We also saw some loss in demand following on-shelf availability shortages, and we were able to achieve only modest restocking of channels following our temporary manufacturing disruption in Q3.

Our North American business had a strong year following the successful launch of Enfamil NeuroPro during the year in the mainstream IFCN category, and strong growth in the specialist allergy segment which is both a faster-growing segment, and one where our key brand Nutramigen is gaining market share behind innovation in both our Enfamil and Nutramigen brands, and improved execution.

Other IFCN markets were mixed but we saw good Q4 growth in Latin America and ASEAN, where we are lapping a weak comparator.

### Health relief

Our over-the-counter (OTC) brands delivered strong growth and outperformance in 2018 of +5% LFL, compared to market growth, which was at the lower end of our long-term expectations. This result was delivered despite a small decline in Mucinex sales for the year as it experienced both the re-entry of private label variants during the year, and lower-than-normal incidence of cold and flu during Q4.

Gaviscon, Nurofen and Strepsils all delivered mid-single digit growth behind a combination of recent innovations – Nurofen medicated plaster, Nurofen Meltlets and Nurofen for Children soft chews, Strepsils Flurbiprofen sprays and strong base products – Nurofen Express liquid capsules, and Gaviscon Advance and Double Action formats.

Mucinex continued to build on its strong equity as the market-leading brand in the US. This was led by innovation, with the launch of our new Fast-Max Maximum Strength 'All In One' Cold & Flu product, and targeted advertising across both digital and TV mediums. Mucinex did, however, cede some market share during the year due to the re-entry of private label variants in the 12-hour cough and congestion segment. We expect this share loss to continue to impact the brand into 2019.

Local brands performed well, with good growth from Lemsip (cold and flu UK), Luftal (GI Brazil), Moov (analgesics India) and Tempra (analgesics Mexico).



There have been some notable successes in the year, especially from our branded VMS business that delivered double-digit growth across the US and China.

Q4 saw a slowdown to +2% LFL behind lower-than-normal incidence of cold and flu across the US and many parts of Europe. We continue to see materially lower incidence of cold and flu into the start of 2019.

### Wellness, health hygiene and VMS

Our Other Health category grew by +1% in 2018. We saw improving trends throughout the year with +4% growth in Q4 as we seek to return to growth and outperformance.

There have been some notable successes in the year, especially from our branded VMS business that delivered double-digit growth across the US and China. In China our VMS brands have been launched exclusively in e-commerce channels and Move Free is now one of the market leaders in joint care.

Durex had a strong year in developing markets but was slow in Europe as we saw some pharmacy destocking across the Russian pharmacy channel throughout the year. Dettol saw strong growth in India and improving but still weak macro conditions in the Middle East.

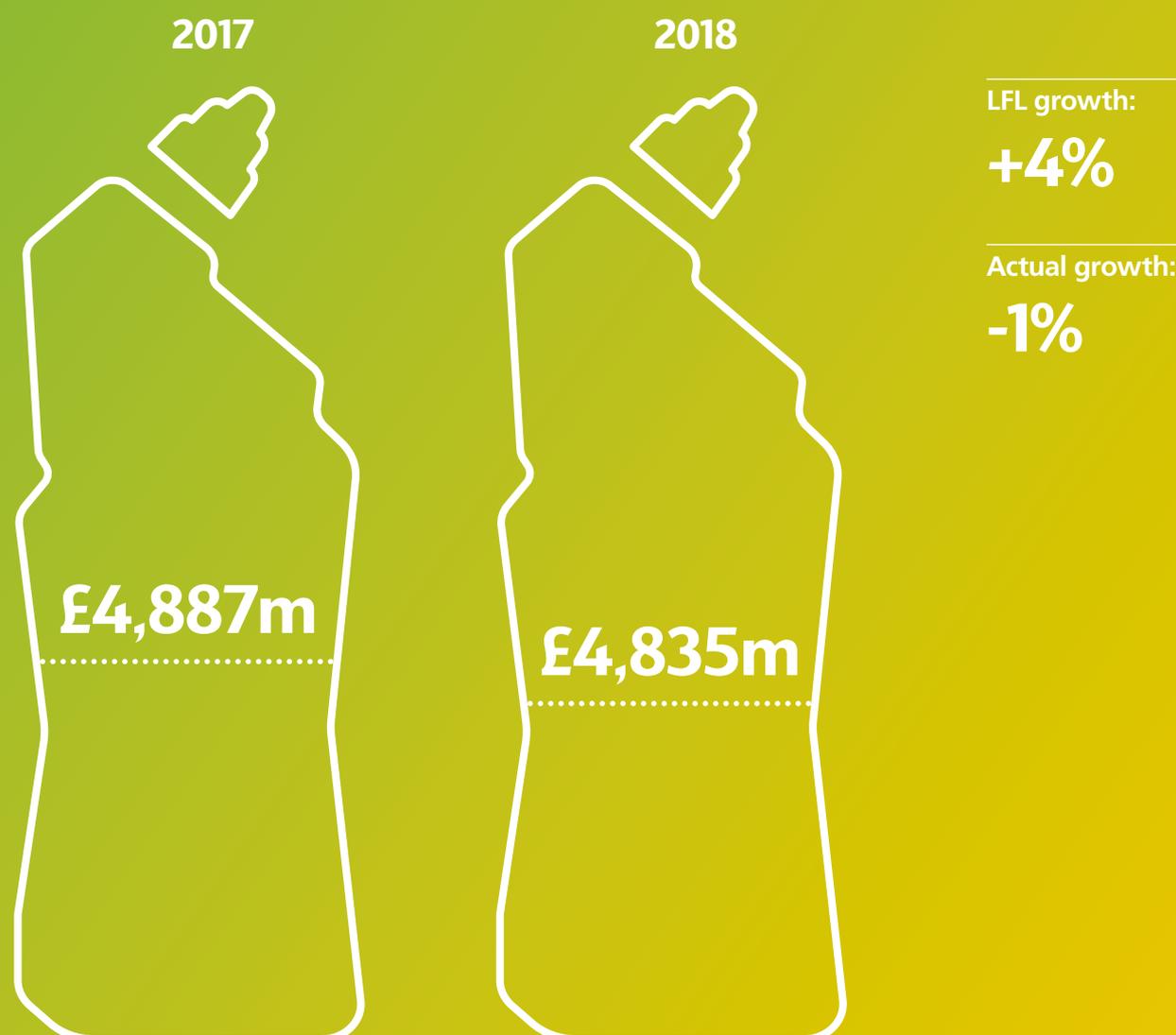
Scholl was a significant drag in the year, particularly in H1 as we faced high comparative gadget sales. The brand was also weak in H2, but to a lesser extent than H1. Our improvement plan is multi-faceted, involving innovation across all of our footcare sub-segments, and better on-pack identity and claims to enable easier consumer navigation on shelf.

# Hygiene Home

## Creating a cleaner world

Our Hygiene Home business unit is bringing innovative solutions into 1 billion homes around the world by eliminating dirt, germs, pests and odours that impact health and happiness. We are also accelerating hygiene foundations across the world.

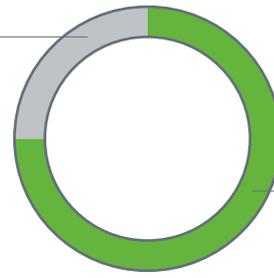
### Hygiene Home Net Revenue



## Key Hygiene Home brands

## Geographic profile

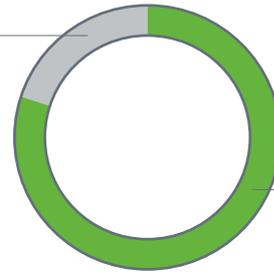
Developing markets  
25%



Developed markets  
75%

## Category profile

Other brands  
20%



Key brands  
80%

## Our priorities and aspirations

- **Identify powerful social causes** and develop purpose-led innovations with superior product solutions
- **Focus on low-penetration, higher-growth categories** while delivering better product solutions in premium category segments to a growing base of middle-class consumers
- **Expand e-business opportunities** rapidly by investing disproportionately in this fast-growing channel
- **Unlock emerging markets** by exploiting digital platforms for consumer communications and transactions that open up new opportunities for market penetration
- **Increase the contribution that innovation makes** to our growth rates by leveraging the combination of our global leading brands and local innovation hubs
- **Continue investing** in capabilities and innovation while sustaining our best-in-class operating margins



**We are back to competitive LFL growth of 4%. Our strong purpose-led brands that fight social causes with innovative solutions, give us great penetration potential in high-margin categories.**

**Rob de Groot**

President, Hygiene Home



# We see huge opportunities in both mature and emerging markets.

### Our performance in 2018

A key feature of our performance is that we have returned to competitive growth. The LFL growth achieved in 2018 means that we are in the top tier of the industry. Moreover, growth was broad based, with all areas seeing expansion. Developing markets went from -4% to +9% and North America improved from flat growth in the previous year to +6% for 2018, while Europe improved on the previous year's -1% to record a flat performance. Six out of our seven key brands grew in sales terms. The growth was also balanced in terms of volume and price/mix.

FY 2018 total Net Revenue was £4,835 million, with LFL growth of +4%. Growth comprised +3% volume and +1% price/mix, with the pricing environment having been particularly challenging in H1. Currently, market growth is in line with our medium-term expectations of +2-3%. Our growth was broad based across all our leading brands – delivering growth in both developed and emerging market areas.

North America delivered an excellent performance in both Q4 and for the full year at +6% LFL. Lysol had a very strong year, due to a combination of a seasonal benefit in Q1, the success of our new Daily Cleanser and Daily Cleansing Wipes, and improved distribution. Finish, Air Wick and Vanish all delivered good growth behind both innovation (Finish Quantum Ultimate Clean & Shine and Air Wick Essential Mist diffuser) and improved in-store execution under our new RB 2.0 infrastructure.

In Europe/Australia and New Zealand (ANZ), Hygiene Home had a flat year with a weak Q4 of -2% LFL decline. Market conditions remain challenging with an ongoing tough pricing environment.

Adjusted Operating Profit was £1,151 million, with a 23.8% margin and -20bps versus the prior year. We saw a decline in gross margin during the year, due to the combination of headwinds in respect of input costs and a difficult pricing environment in developed markets in H1.

### Where we compete

We are operating in a world where the growing middle class is seeking better solutions. RB's Hygiene Home product portfolio is weighted towards the premium segment, which is growing faster than the value segment. Every time RB creates a better customer solution, we are driving that trend of category premiumisation with the higher price points associated with that. The combination of being in the right categories and the right segments, with the right innovations, drives more attractive margins. We choose carefully where we can make a difference in the life and development of our consumers, with purpose and superior solutions for their stage of life. This unlocks high growth categories with attractive industry margins.

Our portfolio strategy is to take our seven leading brands that together deliver 80% of our Net Revenue and build on their global presence to achieve much deeper market penetration. Our unique portfolio of brands has significant growth

potential, especially in emerging categories where there is currently less than 25% penetration. This is preferable to operating in a well-penetrated category that is typically characterised by promotions and cost-cutting.

Our Hygiene Home business is relatively underpenetrated in developing markets and represents around a quarter of the total business unit. Our performance has been strong with +9% LFL growth in 2018.

Developing markets growth was broad based across geographies and brands. On a geographic basis, our larger markets of India and Brazil delivered strong, above-market, growth. In Brazil we saw good performances from our major brands of SBP (pest), Veja (surface care) and Vanish, as well as our less penetrated brands of Finish and Harpic. In India, Harpic delivered a strong performance behind both innovation (our Swachh Bharat (clean India) pack) and social awareness programmes aimed at changing behaviours towards open defecation.

From a channel perspective, e-commerce remains less significant to Hygiene Home, with a low single-digit contribution to total Net Revenue but strong growth. However, we continue to focus on this through investment and channel-specific innovation.

### Innovation in 2019

We have a strong innovation pipeline going into 2019 with a focus on developing markets. In China, we are launching a completely new Powerball Finish tablet for the dishwasher market. In Brazil, our Veja Power Fusion is a multi-purpose surface cleaner. In India, our Mortein 2-in-1 Insect Killer is effective for both mosquitoes and cockroaches.

There are innovations from our larger brands due in 2019. These include Vanish 0%, which offers consumers effective stain removal without harsh ingredients such as chlorine, dyes or fragrance, and Finish 0% which cuts out phosphates, perfumes and preservatives. There are also innovations from Air Wick, Harpic and Lysol.



Picture credit: water.org

#### WORLD TOILET DAY: CLEAN WATER AND SANITATION

### RB and Harpic partner with Water.org to tackle the global sanitation crisis

RB and Harpic have joined forces with Water.org to raise awareness that one in three people around the world do not have a toilet.

In addition to a donation of \$1 million, Harpic has launched a campaign More than a Toilet to bring to light the exceedingly high number of people in India and other developing countries living without access to basic sanitation and highlight the alarming effect this has on people's health, safety and education.

For billions of people, not having access to a toilet can be incredibly dangerous and comes with many risks, with nearly 1 million people being killed by water-borne and sanitation-related diseases each year.

Women living without access to a toilet are twice as likely to experience sexual violence when defecating in the open, and along with their children, can spend hours each day finding a place to go. Time that could be spent at school and work.

Harpic's campaign aims to mobilise the public to join the movement and raise awareness of the issue. A hero video formed the centrepiece of the campaign. It has been produced featuring footage showing what happens where public access to a toilet was restricted and their response captured on camera. The video strikes home the realities that individuals face when they are unable to access adequate toilet facilities.



# 80,000

people empowered with access to safe water and sanitation.

2018 was a year of good financial progress, during a period of substantial change in the business.

---

Total Growth at constant rates

**15%**

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Net Revenue

**£12.6bn**

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Adjusted Operating Margin

**26.7%**



**Adrian Hennah**  
Chief Financial Officer

RB delivered a good financial performance in 2018, during a year of substantial change in the business. Like-for-like (LFL) revenue growth of 3%, a 20bps increase in pro-forma operating margins, a 5% increase in Adjusted Diluted Earnings Per Share (despite a 5% translational foreign exchange headwind) and free cash flow conversion of 84%.

Following the MJN acquisition in 2017 and the RB 2.0 organisational changes made effective from the start of 2018, the Group is being run as two discrete business units; and this is reflected in the segment reporting in this Report.

The benefits of the additional focus which RB 2.0 delivers were evident in the financial progress in the Hygiene Home business. LFL revenue growth of 4% benefited from a weak 2017 comparative, but was nonetheless a clear improvement and in line with our medium-term target growth – which is to grow in line to the upper end of a market expected to grow at 2-3%.

The benefits were, as expected, less clearly evident in the financial performance of the Health business in 2018. Pro-forma LFL revenue growth was 3%. This is below our medium-term target to grow at upper end plus of a market expected to grow at 3-5%. This business is undergoing much greater change. It is integrating the MJN business, which accounts for nearly 40% of the total business. And it is working to refine an operating model which covers five very synergistic, but also materially different, categories – IFCN, health relief, health hygiene, health and wellness, and vitamins, minerals and supplements (VMS).

Within the Health business, the MJN integration is on track. Cost synergies are being delivered faster than expected – a total of £178 million by end of 2018, against the increased target of \$300 million (£223 million). Pro-forma revenue growth in IFCN was 3%, following several quarters of flat or declining growth before RB acquired the business in June 2017. The momentum was strong enough to withstand a significant supply shortage impacting our fastest-growing brand during the second half of the year.

The reported operating margin of the Group decreased by 60bps in 2018. Aggregating the lower margin MJN business reduced margin by 80bps; hence pro-forma operating margin increased by 20bps. The movement was the result of several factors:

- we saw input costs growing faster than the price increases of our products; especially in Hygiene Home, and particularly in the first half of 2018;
- we benefited from the delivery of the MJN cost synergies. We incurred, as expected and had signalled, additional costs in running the RB 2.0 organisation;
- we delivered our usual efficiency improvements, the product of well-established CanDo and Fuel programmes across the Group; and

- we increased investment in capacity in our Health factories, into clinical and scientific spend, and into e-commerce and e-marketing activities.

Cash flow continued to be strong. We generated over £2 billion of free cash flow in the year. Cash flow conversion, expressed as free cash flow divided by adjusted continuing Net Income, was 84%, slightly lower than target. This was the result of our exceptional cash spend on the MJN integration and creating RB 2.0, which reduced conversion by 8%; and the signalled increase in capital spend to 3-3.5% of revenue, which reduced conversion by 6%.

### Capital allocation

Our capital allocation policy remained unchanged. Our priorities were:

- reinvesting in the business;
- a dividend of 50% of Adjusted Net Income; and
- reducing debt levels.

The Board's gearing policy remained unchanged – to run the business at a broadly 'single A' rating. This reflects the Board's view of the long-term nature of our brands, the core of our business; the importance of having a long-term view in managing them well for Shareholders; and the desire to have a balance sheet consistent with this long-term view.

In the medium-term, the Board continues to believe that acquisitions will form an important part of the development of the Group, especially the Health business. In the short-term, the focus is on delivering the full potential of RB 2.0 and reducing the debt level.

### ROCE

The Group has always been focused on the return it earns on the capital it employs. As the Board is proposing that this measure is included in our LTIP measures going forward, we have reviewed the exact definition that we use and have made a number of technical changes, in order to more fully align the measure with performance. A full description of the updated measure is included on page 39. The changes that we have made are to:

- adjust total assets to exclude goodwill arising as a result of the deferred tax liabilities recorded against identified assets acquired in business combinations;
- exclude current tax assets and liabilities;
- adjust total assets to exclude retirement benefit schemes in surplus;
- exclude provisions held that have been recognised as exceptional items, which are also excluded from Adjusted NOPAT;

## Financial Review continued

- exclude cash to treat it consistently with debt; and
- use an average capital employed measure as the denominator, calculated as the average of the month-end balance sheets at actual rates of exchange over the period.

The updated definition provides an improved metric as:

- the inclusion of goodwill grossed up for deferred tax can materially overstate 'real' capital employed when the netting deferred tax liability is already excluded. Both should be excluded;
- current and deferred tax liabilities can be quite volatile and the "netting" item, cash, is excluded from capital employed;
- excluding retirement benefit schemes in surplus ensures comparable treatment with those schemes in deficit already excluded from capital employed;
- provisions arising as a result of exceptional charges reduce capital employed, consistent with the charge being excluded from Adjusted NOPAT (the numerator);
- all interest-bearing liabilities are excluded from capital employed; excluding cash then ensures that all components of net debt are treated consistently; and
- the impact of acquisitions can be significant on a point-in-time balance sheet. Accordingly, the revised definition uses an average balance sheet in the calculation of Return on Capital Employed (ROCE) to closer align earnings to the acquired assets.

The Group's ROCE in 2018 was 10.8%, a reduction from the 12.9% (restated for the changes outlined above) in 2017. This arose because the average capital employed in 2018 included a full year of the net assets acquired with MJN. On a pro-forma basis, including the results of MJN as if it had been acquired on 1 January 2017 and the associated balance sheet items, ROCE increased by 40bps in 2018.

### RB 2.0

The full RB 2.0 programme comprises the creation of the two businesses as commercially distinct units, which happened during 2018; and the delivery of separate infrastructures, which will allow the units to operate as substantially autonomous businesses, which is under way and scheduled to be complete in mid-2020. This latter part of the programme is called Project Gemini internally. Project Gemini is a major programme comprising seven interconnected workstreams. It is currently at peak delivery speed, involving around 1,000 FTEs. It is on track.

### Outlook

We believe that our Hygiene Home business is in a position to grow in the medium term in line to the upper end of a market expected to grow at +2-3%. The leadership of this business is looking for ways to leverage and build upon its capabilities to improve on this growth potential.

We believe that our Health business will be in a position to grow in the medium term, in line to the upper end of a market expected to grow in the +3-5% range, once it has fully worked through the integration of MJN and the refinement of an operating model optimised for the categories it serves. This is progressing well.

Both businesses earn high-in-class margins from a portfolio of products developed over many years to focus on higher-value niches and a lean and challenging approach to ensuring all spend is as effective as possible. We are of the view that this positioning and approach to managing both businesses are balanced and sustainable. We expect our CanDo and Fuel programmes in both businesses to continue to deliver significant cost efficiencies every year. We expect to deploy these savings into improving the growth potential and resilience of each business.

For 2019 we are targeting LFL Net Revenue growth of +3-4%, and we expect to maintain our Adjusted Operating Margin.

### Detailed financial review

Total full-year (FY) Net Revenue was £12,597 million, with growth of +3% on both a pro-forma and LFL basis. Growth was balanced with relatively equal contributions from volume and price mix. The impact of consolidating our MJN business for a full 12 months in 2018 (versus six-and-a-half months in 2017) added +12% to growth. Total growth, at constant exchange rates, was therefore +15%, and at the upper end of our target of +14-15%. The majority of our revenue and profits are generated outside of the UK, and the translation impact of consolidating local business into our reporting currency, Sterling, resulted in a -5% reduction due to a stronger Sterling against the weighted average of currencies we operate in. Total growth at actual rates and including the impact of M&A was therefore +10% for the year.

The acquisition of MJN and the timing of its consolidation mean there is some variation between reported and pro-forma results between gross and Operating Margin in 2018. In order to better understand these differences we have provided the following table and commentary:

(bps impact on Adjusted Operating Margin)	% of Net Revenue	Pro-forma basis <sup>1</sup>	Reported basis <sup>2</sup>
Gross margin	60.6%	(70bps)	(40bps)
Brand Equity Investment (BEI)	13.8%	80bps	10bps
Other costs	20.1%	10bps	(30bps)
Operating Margin (adjusted)	26.7%	20bps	(60bps)

<sup>1</sup> Pro-forma basis includes MJN for the entire comparative period. It is presented on an adjusted basis above.

<sup>2</sup> Reported basis includes MJN in the comparative period from the date of acquisition. It is presented on an adjusted basis above.

Gross margin was 60.6%, a decline of -40bps on a reported basis and -70bps on a pro-forma basis. The consolidation of MJN had a slightly positive mix effect. The margin decline was

driven by the combination of input cost headwinds (which we expect to continue in the near term), and a tough, though improving, pricing environment. We also increased operating and capital expenditure slightly on capacity in a number of areas, to meet the needs of our customers. Gross margin was also negatively impacted by the temporary manufacturing disruption in our IFCN business including more expensive logistics costs as we sought to restock channels as quickly as possible in China.

Investment behind our brands (as defined by our BEI metric), was 13.8% of Net Revenue, an 80bps reduction on a pro-forma basis and a 10bps reduction on a reported basis. We realised significant synergies in media planning and buying following the MJN acquisition.

Our fixed cost base was relatively stable in total, but with areas of increase broadly offset by reductions, reflecting the dynamic nature of the market and the Company. Costs increased as a result of RB 2.0, and in spend in many 'digital' areas, but reduced with cost synergies associated with the MJN acquisition and RB's usual efficiency programmes.

Operating Profit as reported was £3,047 million, +11% versus 2017 (+16% constant), reflecting the impact of consolidating profits generated by our IFCN business for the full 12 months in 2018 (versus six-and-a-half months in 2017), a relatively stable Adjusted Operating Margin, and a reduction in adjusting items. Operating Profit adjusting items were a pre-tax charge of £311 million (2017: £385 million). These items relate principally to the acquisition of MJN and the creation of RB 2.0. Further details on the integration of MJN are set out in Note 3. On an adjusted basis, Operating Profit increased by +8% (+12% constant) to £3,358 million. The Adjusted Operating Margin for the Group declined -60bps to 26.7% on a reported basis, and +20bps on a pro-forma basis driven by declining gross margin from input costs, offset by efficiencies in BEI.

Continuing Net Income attributable to owners of the parent as reported was £2,166 million, a decrease of -36% (-33% constant) versus 2017, which benefited from a large non-cash tax release following tax reform in the US. On an adjusted basis, Net Income was £2,410 million, +7% (+11% constant). Diluted earnings per share from continuing operations of 305.5 pence was -36% on a reported basis; on an adjusted basis, the growth was +7% to 339.9 pence.

Total reported Net Income attributable to owners of the parent was £2,161 million, a decrease of -65% (-63% constant) versus 2017. The decline was due to exceptional items in 2017 relating to the profit on sale of the RB Food business of £3,024 million, a tax credit relating to the effect of US tax reform of £1,421 million, and a charge of £296 million in respect of ongoing investigations by the US Department of Justice (DoJ). On an adjusted basis, total Net Income attributed to owners of the parent was £2,410 million, +4% (+9% constant) versus 2017.

Key financials associated with RB 2.0 and the integration of MJN:

	Synergies	Exceptional costs
FY 2017	\$25m (£20m)	£90m
FY 2018	\$211m (£158m)	£185m
Cumulative	\$236m (£178m)	£275m
<b>Total expected</b>	<b>\$300m (£223m)</b>	<b>£450m</b>

Non-recurring costs associated with the RB 2.0 reorganisation are included within the £450 million integration cost budget announced with the acquisition of MJN.

### Net finance expense

Net finance expense was £325 million (2017: £238 million), including adjusting items of £29 million relating to the reclassification of finance expense on tax balances into income tax expense (2017: £30 million). Refer to Note 3 for further details of adjusting items.

### Tax

The adjusted tax rate, which excludes the effect of adjusting items, was 21% (2017: 23%), benefiting from the settlement of a number of issues. We expect the ongoing adjusted tax rate to be approximately 23%.

### Adjusting items

In 2018, adjusting items comprised £311 million of expenses recorded in Operating Profit (2017: £385 million), £29 million of expenses recorded in net finance expense (2017: £65 million), £96 million of benefit recorded in income tax expense (2017: £1,573 million benefit), and £5 million of expense, net of tax, recorded in discontinued operations (2017: £2,741 million benefit). Further details of these items can be found in Note 3.

The £5 million loss from discontinued operations relates to a £17 million foreign exchange loss on the US dollar provision booked in 2017 for ongoing investigations by the DoJ and the US Federal Trade Commission, offset by further consideration from McCormick & Company, Inc of £12 million relating to the 2017 sale of RB Food (refer to Note 3).

### Net working capital

During the year, inventories increased to £1,276 million (2017: £1,201 million), trade and other receivables increased to £2,097 million (2017: £2,004 million), and trade and other payables increased to £4,811 million (2017: £4,629 million). Net working capital was flat at -£1,438 million (2017: -£1,424 million). Net working capital as a percentage of Net Revenue is -11% (2017: -12% on a reported basis, -11% on a pro-forma basis including 12 months of Net Revenue for MJN).

### Cash flow

Cash generated from continuing operations was £3,330 million (2017: £3,153 million). Net cash generated from operating activities was £2,454 million (2017: £2,491 million) after net interest payments of £321 million (2017: £167 million) and tax payments of £567 million (2017: £543 million).

## Financial Review continued

Free cash flow is the net cash generated from operating activities (excluding discontinued operations) after capital expenditure on property, plant and equipment and intangible assets and any related disposals. 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 84% (2017: 94%).

	31 December 2018 £m	31 December 2017 £m
Cash generated from continuing operations	3,330	3,153
Less: net interest paid	(321)	(167)
Less: tax paid	(567)	(543)
Less: purchase of property, plant and equipment	(342)	(286)
Less: purchase of intangible assets	(95)	(63)
Plus: proceeds from the sale of property, plant and equipment	24	35
<b>Free cash flow</b>	<b>2,029</b>	<b>2,129</b>

Net debt at the end of the year was £10,406 million (2017: £10,746 million). This reflected strong free cash flow generation, offset by the payment of dividends totalling £1,200 million (2017: £1,145 million) and foreign exchange and other losses of £597 million (2017: £629 million gain). The Group regularly reviews its banking arrangements and currently has adequate facilities available to it.

### Balance sheet

At the end of 2018, the Group had total equity of £14,789 million (2017: £13,573 million), an increase of 9%.

The Group has non-current assets of £32,698 million (2017: £31,589 million), of which £1,858 million (2017: £1,754 million) is property, plant and equipment, the remainder being goodwill, other intangible assets, deferred tax, retirement benefit surplus, equity instruments – FVOCI and other receivables. The Group has net working capital of -£1,438 million (2017: -£1,424 million), current provisions of £542 million (2017: £517 million) and long-term liabilities other than borrowings of £5,577 million (2017: £5,349 million).

### Summary of % Net Revenue growth (continuing)

The table below summarises pro-forma and LFL growth by segment, including breaking out IFCN and Rest of Health, and reconciles each to the reported growth rate, showing the impact of Goods and Service Tax (GST), Net M&A and the impact of translational foreign exchange. Because of the timing of the MJN acquisition in June 2017, certain growth rates for IFCN are marked as not meaningful (n/m). All measures are from continuing operations.

% growth	FY 2018					
	Pro-forma <sup>1</sup>	LFL	GST <sup>2</sup>	Net M&A <sup>3</sup>	FX	Reported
IFCN	+3	–	–	n/m	n/m	n/m
Rest of Health	+3	+3	–	–	-4	-2
<b>Health</b>	<b>+3</b>	<b>+2</b>	–	<b>+21</b>	<b>-4</b>	<b>+18</b>
<b>Hygiene Home</b>	<b>+4</b>	<b>+4</b>	–	–	<b>-5</b>	<b>-1</b>
<b>Group</b>	<b>+3</b>	<b>+3</b>	–	<b>+12</b>	<b>-5</b>	<b>+10</b>

<sup>1</sup> Pro-forma growth as defined on page 39.

<sup>2</sup> Impact of the GST implemented by the Indian government from 1 July 2017.

<sup>3</sup> Reflects the impact of acquisitions and disposals within continuing operations.

The Group continues to focus on employing capital appropriately, to drive long-term value creation for its Shareholders. The Group's ROCE of 10.8% was a decrease against 12.9% (restated) for 2017. The decrease arose because 2018's average capital employed includes a full year of assets acquired with MJN versus six-and-a-half months in 2017.

The Group's financial ratios remain strong. Return on Shareholders' funds (total Net Income attributable to owners of the parent divided by total equity) was 14.6% on a reported basis and 16.3% on an adjusted basis (2017: 45.5% on a reported basis and 17.0% on an adjusted basis).

### Dividends

The Board of Directors recommends a final dividend of 100.2 pence (2017: 97.7 pence), to give a full-year dividend of 170.7 pence (2017: 164.3 pence). The dividend, if approved by Shareholders at the AGM on 9 May 2019, will be paid on 23 May 2019 to shareholders on the register at the record date of 23 April 2019. The ex-dividend date is 18 April 2019. The final dividend will be accrued once approved by Shareholders.

### Legal provisions

The Group is involved in litigation, disputes and investigations in multiple jurisdictions around the world. It has made provisions for such matters, where appropriate. Where it is too early to determine the likely outcome of these matters, or to make a reliable estimate, the Directors have made no provision for such potential liabilities. Further details can be found in Note 17.

### Contingent liabilities

The Group is involved in a number of civil and/or criminal investigations by government authorities as well as litigation proceedings and has made provisions for such matters where appropriate. Where it is too early to determine the likely outcome of these matters, or to make a reliable estimate, the Directors have made no provision for such potential liabilities. Further details can be found in Note 19.

## Health 62% of Net Revenue

% growth	FY 2018					
	Pro-forma	LFL	GST	Net M&A	FX	Reported
North America <sup>1</sup>	+4	+4	–	+26	-4	+26
Europe/ANZ <sup>2</sup>	-3	-3	–	+2	-2	-3
DvM <sup>3</sup>	+5	+4	-1	+32	-6	+29
<b>Total Health</b>	<b>+3</b>	<b>+2</b>	<b>–</b>	<b>+21</b>	<b>-4</b>	<b>+18</b>

## Hygiene Home 38% of Net Revenue

% growth	FY 2018			
	LFL	GST	FX	Reported
North America <sup>1</sup>	+6	–	-4	+3
Europe/ANZ <sup>2</sup>	–	–	-2	-2
DvM <sup>3</sup>	+9	-1	-11	-4
<b>Total Hygiene Home</b>	<b>+4</b>	<b>–</b>	<b>-5</b>	<b>-1</b>

1 North America comprises the United States and Canada.

2 Europe/ANZ comprises Europe, Russia/CIS, Turkey, Israel, Australia and New Zealand.

3 DvM comprises all remaining countries in the Group.

Note: due to rounding, the above tables will not always cast.

A reconciliation of the Group's reported statutory earnings measures to its adjusted measures for the year ended 31 December 2018 are included in Note 3, together with a description of adjusting items.

### Adjusted measures

The Executive Committee of the Group assesses the performance based on Net Revenue and certain adjusted measures which exclude the effect of adjusting items.

As described in Note 3, adjusting items are significant items included in Operating Profit, net finance expense or income tax expense, which are relevant to an understanding of the underlying performance of the business. These comprise exceptional items, other adjusting items, and the reclassification of finance expenses on tax balances. Management believes that the use of adjusted measures provides additional useful information about underlying trends.

Adjusted Net Income is used in the calculation of Adjusted EPS. Adjusted EPS is defined as Adjusted Net Income attributable to owners of the parent divided by the weighted average number of ordinary shares. A reconciliation is included in Note 8.

The adjusted tax rate is defined as the Adjusted continuing income tax expense as a percentage of Adjusted Profit Before Income Tax.

### Other alternative performance measures and terms

Like-for-like (LFL) growth (at constant exchange rates) excludes the impact on Net Revenue of changes in exchange rates, acquisitions, disposals and discontinued operations. MJN was acquired on 15 June 2017 and therefore the results of IFCN are included within RB's LFL results from 15 June 2018. LFL growth also excludes Venezuela. A reconciliation of LFL to reported Net Revenue growth by operating segment is shown on page 38.

Pro-forma growth (at constant exchange rates) excludes the impact on Net Revenue of changes in exchange rates, acquisitions, disposals and discontinued operations. It includes

the results of MJN for the entire comparative period. Pro-forma growth also excludes Venezuela.

Constant exchange rate adjusts the actual consolidated results such that the foreign currency conversion uses the same exchange rates as were applied in the prior year.

Free cash flow, the Group's principal measure of cash flow, is defined as net cash generated from operating activities (excluding discontinued operations) less net capital expenditure. 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. A reconciliation of cash generated from operations to free cash flow is shown on page 38.

BEI is the marketing support designed to capture the voice, mind and heart of our consumers.

Continuing operations includes MJN since its acquisition on 15 June 2017 and excludes RB Food and any charges related to the previously demerged RB Pharmaceuticals business that became Indivior. Net Income from discontinued operations is presented as a single line item in the Group's Income Statement.

ROCE is defined as Adjusted Operating Profit after tax divided by monthly average capital employed. The Group has updated its definition and measurement of capital employed for 2018 and restated comparatives to be on a consistent basis. 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 due to goodwill that arises because of deferred tax liabilities recorded against identified assets acquired in business combinations. Current liabilities exclude legal provisions recorded as a result of exceptional items and current tax.

# Our approach to integrated risk management at RB.

Risk management occurs at different levels in RB with identification and assessment performed at the functional, business unit, corporate and Group levels to provide both a 'top-down' and 'bottom-up' three-dimensional view of risk and is implemented as follows:

	Functional risk assessments	Business unit/corporate risk assessments	Group principal and emerging risk assessment	Board oversight	Annual Report
	Consolidation and critical challenge by Internal Audit		Reviewed by business unit/corporate function leadership teams	Principal and emerging risks identified through the Group Risk Assessment are disclosed in RB's Annual Report	
<b>What</b>	<ul style="list-style-type: none"> <li>Identifies and monitors risks impacting the operation of each function or functional area</li> <li>Controls are mapped to the three lines of defence</li> <li>Detailed management action plans are developed to address control gaps</li> </ul>	<ul style="list-style-type: none"> <li>Identifies and monitors risks with the potential to impact each business unit and the corporate centre</li> <li>High-level control strategies and action plans are documented for each risk. Supporting functional risks are referenced</li> </ul>	<ul style="list-style-type: none"> <li>Identifies the most significant principal and emerging risks with potential to impact the Group</li> <li>Principal and emerging risks are disclosed in the Annual Report</li> </ul>	<ul style="list-style-type: none"> <li>Oversight across each principal risk provided by a nominated Board Committee</li> </ul>	
<b>When</b>	<ul style="list-style-type: none"> <li>Completed annually, reviewed quarterly with updates provided to the Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>Completed annually in advance of the business unit strategic planning process</li> </ul>	<ul style="list-style-type: none"> <li>Completed annually in advance of the business unit strategic planning process</li> </ul>	<ul style="list-style-type: none"> <li>Periodic reporting and risk deep dives occur with input from the risk owner</li> </ul>	
<b>How</b>	<ul style="list-style-type: none"> <li>Risks identified through a series of 1:1 interviews with management</li> <li>Workshops build out and stress test input from interviews</li> <li>Formal sign-off by functional Head with Group CFO</li> </ul>	<ul style="list-style-type: none"> <li>Risks identified and assessed through a series of 1:1 meetings with business unit leadership</li> <li>For corporate functions, the functional risk assessments are reviewed and challenged</li> </ul>	<ul style="list-style-type: none"> <li>1:1 meetings are held with all Executive Committee (EC) members, Group functional and assurance heads, external advisors and Non-Executive Directors (NEDs)</li> <li>Synthesized output formally reviewed and signed off by the EC and thereafter by the Board</li> </ul>		
<b>Who</b>	<ul style="list-style-type: none"> <li>Initial exercise facilitated by Internal Audit</li> <li>Risk assessment owned by functional leadership team</li> <li>Functional risk owners assigned to each specific risk, controls and action plans</li> </ul>	<ul style="list-style-type: none"> <li>Business unit/corporate management teams led</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit led</li> <li>Executive owners assigned with principal and emerging risks circulated to the Board for final review and sign-off</li> </ul>	<ul style="list-style-type: none"> <li>Executive member</li> </ul>	

### Our approach to 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 business unit and corporate strategic planning process as follows:

Identification of risks	Control strategy	Assessment of net risk and prioritisation	Management action
<ul style="list-style-type: none"> <li>• What could impact RB and the achievement of its objectives?</li> <li>• Identifies the most significant principal and emerging risks with potential to impact the Group</li> <li>• 1:1 meetings are held with all EC members, Group functional and assurance heads, external advisors and NEDs</li> <li>• Functional, business unit and corporate risk assessments feed into this process</li> <li>• Identifies sources of risk, key drivers and areas of impact</li> <li>• Completed annually in advance of the business unit strategic planning process</li> </ul>	<ul style="list-style-type: none"> <li>• What are we doing to manage the risk?</li> <li>• Control strategy is appropriate and reviewed to establish if it is operating as intended</li> <li>• Where we identify control gaps, what more do we need to do?</li> </ul>	<p>How comfortable are we with the level of risk?</p> <ul style="list-style-type: none"> <li>• Considering the controls we have in place to manage each risk:               <ul style="list-style-type: none"> <li>– What is the probability that the risk will materialise?</li> <li>– If it did, what would the likely impact be?</li> <li>– How comfortable are we with how the risk is being managed?</li> </ul> </li> <li>• Assessment identifies those risks and controls where management should focus its effort</li> <li>• The decision to act will be based on which risks are no longer acceptable</li> </ul>	<p>What more do we need to do?</p> <ul style="list-style-type: none"> <li>• Having identified areas of highest risk that require attention, action plans are developed by management to:               <ul style="list-style-type: none"> <li>– address any control gaps identified</li> <li>– improve the effectiveness of existing controls, thereby reducing the probability and impact to an acceptable level</li> </ul> </li> <li>• Executive owners assigned, with principal and emerging risks circulated to the Board for final review, sign-off and ongoing monitoring</li> <li>• Principal and emerging risks are disclosed in the Annual Report</li> </ul>

### Our evolving approach to integrated risk management

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. A new requirement (for accounting periods starting 1 January 2019 or later) is described in Provision 28 as follows: for management to carry out a robust assessment of emerging risks as well as principal risks and explain in the annual report what procedures are in place to identify emerging risks, including how these risks are being managed or mitigated.

## Principal risks

# Our principal and emerging risks, as at 31 December 2018.

### Key to principal risks

Category	ID	Risk title	Risk statement
Strategic	①	RB 2.0 delivery	RB 2.0 does not deliver improved business performance: <ul style="list-style-type: none"> <li>• Change programme delivery</li> <li>• IFCN operational and cultural integration</li> <li>• Accelerated growth delivery</li> </ul>
	②	Innovation	Inability to innovate and organically drive top-line growth
	③	Disruption	Inability to respond, adapt and evolve to changing consumer needs and behaviours: <ul style="list-style-type: none"> <li>• Channel disruption (specifically digital) requires changed perspectives and greater speed and agility to compete</li> <li>• Increased competition from local and trade brands</li> </ul>
Operational	④	Product safety	Consumer safety compromised
	⑤	Supply continuity	Disruption to the continuity of supply: <ul style="list-style-type: none"> <li>• Loss or prolonged closure of a mono-source factory</li> <li>• Failure of operational resilience (BCP – business continuity planning)</li> <li>• New regulations requiring local suppliers</li> </ul>
	⑥	Cyber-security	Significant business disruption due to increasingly sophisticated cyber-attacks
	⑦	Fatality/major employee safety incident	Death or serious injury as a result of a failure to prevent work accidents
	⑧	Talent	Inability to attract, retain, motivate and develop talent
Compliance	⑨	Tax disputes	Significant unprovisioned cash flows as a result of tax authority challenges to filed tax positions
	⑩	Regulatory environment	Inability to keep pace with an evolving regulatory landscape resulting in potential manufacturing and distribution disruption impacting top-line growth and brand reputation
	⑪	Legal non-compliance	Non-compliance with relevant laws and regulations – anti-corruption, global competition, GDPR
	⑫	Department of Justice (DoJ)	Risks deriving from ongoing DoJ investigation and related antitrust litigation
	⑬	South Korea Humidifier Sanitizer (HS)	Risk from liability beyond current provisioning
Other	BS	Black Swan event	Multiple brands impacted by unforeseen reputational incident(s)

**Emerging risks:**

- **Sustainability** – We fail to adapt to sustainability opportunities and challenges such as transparency and traceability of sourcing, supply chain performance and environmental impacts (water, climate change, waste), alongside changing stakeholder expectations, including the use of packaging (plastics, paper and board), etc.

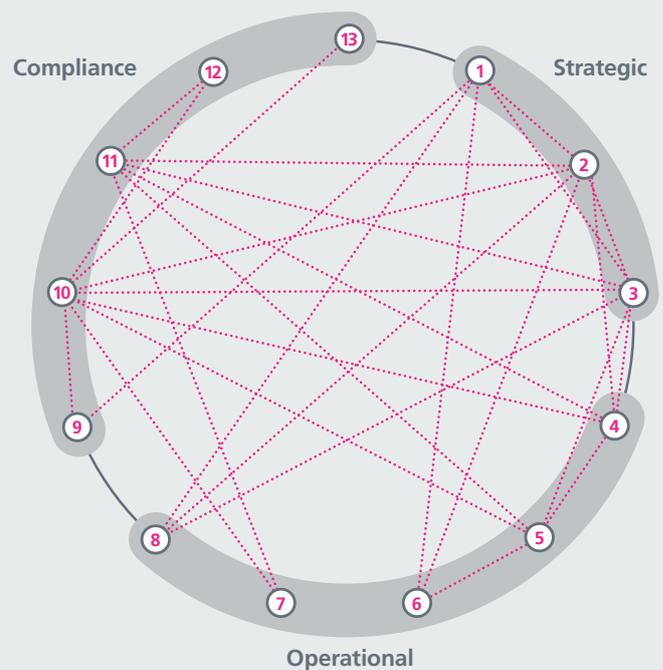
- **Regulatory** – Changes in the regulatory landscape in key countries adversely impact our operations there.
- **Tariffs and trade sanctions** – Increasing global political instability may result in a structural change to tariffs and trade agreements adversely impacting our supply chain.

**Principal risks**



**Interconnected 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.



**Mitigation activity**

Colour indicates extent of activity outstanding to mitigate in-line with risk appetite.

- Significant and urgent actions remain underway
- Some significant actions remain in progress
- All significant mitigating actions are in place and operating effectively

**Risk movement**

Arrows indicate movement from prior year position.

.....➔ Direction and distance of movement.

## Principal risks continued

### 1. RB 2.0 delivery\*

#### The risk

The RB 2.0 reorganisation does not deliver the anticipated improvement to business performance and instead causes significant unforeseen disruption to the Group operations.

#### Potential impact

RB 2.0 undermines operating performance across the business, particularly in the context of integration of multiple systems across both business units. The heavy change agenda required to successfully implement RB 2.0 leads to change fatigue and breakdown of key controls.

IFCN integration takes longer than expected and/or distracts attention from business delivery, and does not deliver the projected benefits within expected time frames.

#### Mitigation progress in 2018

Detailed Gemini change programme execution plan prepared and ongoing governance model implemented alongside.

Specifically, legal entity restructuring completed in our key markets, including seamless customer go-live for the new entities. Progress to plan on each of the workstreams, including IFCN integration.

### 2. Innovation\*

#### The risk

That the current innovation pipeline is not sufficient to meet our growth ambitions, with the recent focus on fewer, bigger, better leaving us vulnerable to innovation failures.

#### Potential impact

Inability to effectively innovate results in failure to achieve the necessary innovation rate hurdles (in terms of growth contribution and GM accretion) to organically drive top-line growth.

Inability to compete with the new competitor, often smaller entrepreneurial companies leveraging new channels and digital media.

#### Mitigation progress in 2018

R&D organisation split between dedicated innovation teams focused on NPD delivery for key global brands and operations team focused on local brands. Front-line organisation has been strengthened through category development team being relocated into the markets. Resource dedicated to deliver on e-commerce first focused innovations.

External partnership capabilities strengthened to co-create innovations. Consumer data and insights team focused on insight generation and idea validation through new digital tools for faster and more accurate innovation modelling.



Risk movement:  
**Decreasing**

### Current control strategy

Gemini streams and ERP deployments are sponsored and owned by specific senior leadership team members. Strong governance and change management controls in place to ensure there is regular focus on understanding progress, removal of any roadblocks, to drive delivery and ensure the effectiveness of key controls.

Personal leadership of the Group CEO and Group CFO. Specifically, the Programme Review Board (PRB) is chaired by the Group CFO and meets monthly to review progress. The Audit Committee reviews progress of Gemini at every meeting, including rolling deep dives into each workstream.

### Oversight accountability

Executive ownership resides directly at corporate with the Group CEO and CFO, with both business units responsible for their respective deliverables.

Board oversight is provided by the main Board, with the Audit Committee overseeing the programme management of the supporting Gemini major change programme.

### Activity impact for 2019

Execution to plan of the Gemini major change programme with each of its multiple workstreams, including legal entity restructuring, operating model, enhanced financial reporting, ERP migration, business shared services and product life cycle management. A tail of activities is expected to continue until completion, around mid-2020.

Target rating from current Amber to Green by the end of 2019.



Risk movement:  
**New**

### Current control strategy

Base business innovation is driven through a three-year pipeline and resource allocation, with quarterly monitoring against targets.

Investment in cross-functional teams to assess and participate in new growth platforms and whitespace, partnership with manufacturers to fast track innovation in new segments and consumer data insights capability to identify emerging trends, themes and products.

### Oversight accountability

Executive ownership resides directly with the heads of the two business units – Health and Hygiene Home.

Board oversight is provided by the main Board.

### Activity impact for 2019

Ongoing activity to embed and strengthen organisation as well as enabling the core capabilities to optimise its effectiveness.

Target rating from current Amber to remain Amber at the end of 2019. This is a multi-year deliverable to build and embed the significant actions required.

\* See Viability Statement on pages 56-57.

## Principal risks continued

### 3. Disruption\*

#### The risk

Inability to respond, adapt and evolve to changing consumer needs and behaviours with appropriate innovation and agility to service.

#### Potential impact

Share loss to insurgent brands that are nimbler in proactively understanding evolving consumer needs and leveraging 21st century marketing/technology, as well as exploiting rapidly emerging channels like e-commerce and 'Mom and Baby' Stores, could significantly reduce top-line growth.

#### Mitigation progress in 2018

End-to-end structures and accountabilities being put in place to drive disproportionate growth in key opportunity markets and categories. E-commerce strategy, resourcing and technology being rolled out to lead markets.

### 4. Product safety

#### The risk

Risk of robust process for the assessment of product safety not being in place or operating effectively, leading to safety risk to consumers.

#### Potential impact

Consumer safety issues lead to reputational damage with consumers, customers or regulators. Significant financial losses could arise from supply disruption, product recalls, delayed launches, penalties, etc., as well as possible criminal liability for senior management. Also, gaps in the completion of our safety assessments and a lack of anticipation of new safety concerns could exacerbate any potential impact.

#### Mitigation progress in 2018

Completion of several product safety programmes and piloting of a product lifecycle management system to improve compliance and reduce manual intervention.

Roll-out of base training to all employees, as well as specific training for relevant employees to understand their role in ensuring safety, quality and regulatory compliance for RB products.

○ Risk movement:  
**New**

### Current control strategy

Broader strategy under development but examples include category management within RB 2.0 reorganisation to provide the right mix between product life cycle and national brand support in store.

### Oversight accountability

Executive ownership resides directly with the heads of the two business units – Health and Hygiene Home.

Board oversight is provided by the main Board.

### Activity impact for 2019

E-commerce strategy, strengthened resourcing and technology, and new success models will be rolled out to markets.

Target rating from current Amber to remain Amber at end 2019. This is a multi-year deliverable to build and embed the significant actions required.

⊖ Risk movement:  
**No change**

### Current control strategy

A robust quality management system is underpinned with clear policies and supporting systems, which are subjected to comprehensive and independent regular audit review. A consumer safety and vigilance team monitors and reports on adverse events.

Safety and vigilance is part of the SQRC (safety, quality and regulatory compliance) team which reports directly to the CEO and is accountable to the Compliance Management Committee (CMC) and thereafter to the CRSEC Committee.

### Oversight accountability

Executive ownership resides directly with the Group Chief SQRC Officer, who drives activity through each of the business unit executive leadership teams.

Board oversight is provided by the CRSEC Committee.

### Activity impact for 2019

Key activities for 2019 are the first phase of an upgraded product lifecycle management system to better enable compliance management throughout the life cycle.

Target rating from current Amber to remain Amber at end 2019. This is a multi-year deliverable to replace current systems.

\* See Viability Statement on pages 56-57.

## Principal risks continued

### 5. Supply continuity\*

#### The risk

Risk of disruption to the continuity of supply as a result of reliance on single factories that supply key markets without actively qualified alternative manufacturing sites in place.

#### Potential impact

Such disruption could result in supply shortages and importation barrier issues, leading to loss of sales and market share. Also, potential loss of competitiveness and profitability from service level deterioration arising from factory capacity constraints, warehouse or transport set-up charges or insufficient change capability in factory and/or supply services, including forecasting accuracy and capabilities.

#### Mitigation progress in 2018

Increased investment in manufacturing facilities to enhance reliability and continuity of supply. Highly Protected Risk (HPR) certification achieved for all but one key ex-MJN manufacturing locations. Business Continuity Plans (BCPs) reviewed and strengthened to ensure that business continuity arrangements remain appropriate.

### 6. Cyber-security\*

#### The risk

RB is susceptible to increasingly sophisticated cyber-attacks aimed at causing harm to our information assets by circumventing confidentiality (via unauthorised access and/or disclosure), integrity (via modification of data) or availability (via destruction or denial-of-service).

#### Potential impact

Significant business disruption, data theft, regulatory non-compliance, reputational damage and financial loss through fines or inability to operate the business normally.

This risk is heightened by increasing volume and types of sensitive personal data held, a strengthened regulatory environment including significant financial penalties for non-compliance, increased likelihood and overall impact of cyber-security risks due to the growing number of connected systems including third parties and a continuing rise in sophistication, complexity, volume and speed of cyber-attacks.

#### Mitigation progress in 2018

Assessment of enterprise cyber-security risk to determine downstream risks, document and prioritise, implementation of first phase of cyber defence monitoring partnership (including end-to-end execution to detect and respond in a highly proactive and controlled way) and deployment of external digital threat and risk monitoring and alerting capability.



Risk movement:  
**Increasing**

### Current control strategy

Procurement, manufacturing and supply services have defined manufacturing and quality control processes to ensure products are safe and meet all regulatory and legal requirements. Continuous review of new and alternative suppliers of key ingredients. Factories are assessed and those considered key or strategic have the required investment to attain HPR status by our insurers.

Also, annual review of business interruption insurance policies to ensure adequate cover is in place.

### Oversight accountability

Executive ownership resides directly with the Group Chief Supply Officer, with both business units responsible for their respective deliverables.

Board oversight is provided by the main Board.

### Activity impact for 2019

Further develop specific BCPs. For specific brands and markets, identify a second manufacturing source and execute formula/equipment qualification trials to provide an active BCP.

Target rating from current Red to Amber by the end of 2019.



Risk movement:  
**Decreasing**

### Current control strategy

Cyber-security risk working group established to govern, track and report on risk management activities and oversee control design effectiveness and operational effectiveness testing. Ongoing investment in the Cyber Transform Programme (CTP) to 'buy' risk down by implementing relevant controls to achieve a good cyber-security control baseline through approved scope.

Continued implementation, operationalisation and sophistication of the cyber-security operating model, organisational structure and programme to provide ongoing security controls and continuous improvement.

### Oversight accountability

Executive ownership resides directly with the Group Chief Information Officer.

Board oversight is provided by the main Board.

### Activity impact for 2019

Deployment of agents to all RB systems to ensure continuous monitoring of vulnerabilities and implementation of an advanced remediation management service to continuously track and drive remediation of discovered system vulnerabilities. Also, further strengthening of automated tooling into digital/agile processes to reduce the risk associated with introduction of vulnerabilities into RB environments.

Target rating from current Red to Amber by the end of 2019, as a number of significant ongoing actions are completed and align to provide enhanced mitigation, although further significant actions are foreseen to remain current as the threat evolves.

\* See Viability Statement on pages 56-57.

## Principal risks continued

### 7. Fatality/major employee safety incident

#### The risk

Work accidents leading to death, injury or illness on RB premises or premises under RB supervision, in case of outsourced operations.

#### Potential impact

Impacts are wide ranging and variable in materiality; they may include loss of life, damage to brand/employer reputation, reduced operational efficiency from factory closure or significant supply disruption, impaired financial performance from lost sales, fines or remediation cost and possible criminal liability for senior management.

#### Mitigation progress in 2018

Extensive programme to embed heightened employee health and safety (EH&S) culture across the enlarged Group, through rigorous auditing, culture surveys and training initiatives.

Driver Safety Standard Programme deployed.

### 8. Talent\*

#### The risk

Post completion of the RB 2.0 reorganisation, there is a risk that RB cannot implement its strategies and meet objectives as a result of management leaving the business who cannot be readily replaced by equally high-calibre experienced candidates.

#### Potential impact

Disruption to business performance.

#### Mitigation progress in 2018

The implementation of the RB 2.0 reorganisation presented the opportunity to optimise talent across the Group and succession planning has benefited from the infusion of MJN talent.

⊖ Risk movement:  
**No change**

### Current control strategy

Policy and enhanced employee EH&S standards in place, audit compliance programme ongoing (including self-assessment, site visits, assurance of improvement actions and culture surveys) and ongoing EH&S training including commercial offices.

Oversight from Supply and R&D leadership teams as well as the Group CMC and CRSEC Committee.

### Oversight accountability

Executive ownership resides directly with the heads of the two business units – Health and Hygiene Home.

Board oversight is provided by the CRSEC Committee.

The EH&S standards are set and audited against by a second line of defence compliance team within SQRC, accountable to the CRSEC Committee.

### Activity impact for 2019

Refreshing of Group minimum standards into Highly Protected Manual format, completion of Group 18001 Certification across all RB sites by end of year. Also, continued programme of culture surveys and local safety days.

Target rating from current Amber to remain Amber at the end of 2019.

⬆ Risk movement:  
**Increasing**

### Current control strategy

Succession plans for key management positions are in place. Retention risk analysis is undertaken regularly, including review of turnover rates. Continuous review of competitiveness of the total compensation programmes and Employee Value Proposition (EVP) set by management with focus groups undertaken at each business unit level.

DARE programme (to Develop, Attract, Retain and Engage talented women) launched in May 2015 with the aim of increasing the retention rate of females from manager to senior management positions.

### Oversight accountability

Executive ownership resides directly with the Group Chief HR Officer, with both business units responsible for their respective deliverables.

Board oversight is provided by the Remuneration Committee.

### Activity impact for 2019

The current reward structure is kept under review to ensure it remains fit for purpose and appropriate targets are set for both external and internal stakeholders. Strategic workforce planning is in progress to understand the shape of the workforce and how it will change over the next three years to facilitate proactive intervention.

Target rating from current Amber to Green by the end of 2019.

\* See Viability Statement on pages 56-57.

## Principal risks continued

### 9. Tax disputes

#### The risk

Risk of significant unprovisioned cash outflows as a result of tax authority challenge to filed tax positions in territories.

The tax environment remains uncertain: EC investigations into potential state aid continue to be a risk. Also the adoption in countries of the Base Erosion and Profit Shifting (BEPS) initiative creates the potential for uncertainties, as does tax reform (e.g. the US).

#### Potential impact

If our operating model is not considered in any country to be BEPS compliant or the necessary behavioural change is not sufficiently communicated or implemented and embedded, both internally and externally, tax authorities may successfully challenge the tax results of the operating model with a potentially significant financial impact on the Group.

#### Mitigation progress in 2018

Ongoing timely and robust responses to progress outstanding disputes and continual monitoring of progression in relation to Advanced Pricing Agreements and subsequent operating model tax audits.

Detailed and thorough documentation and technical support from advisors.

### 10. Regulatory environment\*

#### The risk

Risk of non-compliance with regulations of relevant product classifications (e.g. medicinal products, medical devices, dietary supplements, food, cosmetics, general products, etc.) and applicable regulations, guidelines, internal standards and/or registrations across the supply chain and throughout the product life cycle.

#### Potential impact

Significant financial losses arising from supply disruption, product recalls, delayed launches, penalties, etc. or even possible criminal liability for senior management.

#### Mitigation progress in 2018

A detailed review of the portfolio is ongoing with progress exceeding 2018 targets. The programme reviews critical compliance elements of the portfolio and covers both business units. The schedule follows a risk-based approach.

Also, an upgraded product lifecycle management system is being developed and piloted to replace ageing systems as well as integrate RB and MJN.

⊖ Risk movement:  
**No change**

### Current control strategy

Ongoing review by RB Tax, country FDs and external advisors with central provisioning for anticipated exposures. Continuous monitoring of information on EC State Aid investigations and possible application to RB. Monitor impact of the BEPS initiative and other law changes to identify possible adverse impacts and put in place remedial strategies.

Proactive engagement with both business units on RB 2.0 programme activities.

### Oversight accountability

Executive ownership resides at corporate directly with the Group CFO.

Board oversight is provided by the Audit Committee.

### Activity impact for 2019

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.

Target rating to remain Green at the end of 2019.

⊕ Risk movement:  
**Decreasing**

### Current control strategy

Multiple control programmes in place to manage regulatory compliance risks, including: regulatory excellence (compliance of RB's medicine marketing authorisations), product vulnerability (review of ingredients, formulations, stability data, etc. in Health portfolio) and product integrity (compliance with registration and/or regulatory requirements).

Also, the CMC structure ensures KPIs are reported from the top 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.

### Oversight accountability

Executive ownership resides directly with the Group Chief SQRC Officer, who drives activity through the Health business unit executive leadership team.

Board oversight is provided by the CRSEC Committee.

### Activity impact for 2019

Key activities for 2019 are the first phase of an upgraded product lifecycle management system to better enable compliance management throughout the life cycle.

Target rating from current Amber to remain Amber at end 2019. This is a multi-year deliverable to replace current systems.

\* See Viability Statement on pages 56-57.

## Principal risks continued

### 11. Legal non-compliance\*

#### The risk

Risk that we are not fully compliant with relevant laws and regulations, including anti-corruption laws, data privacy laws and global competition laws.

#### Potential impact

Damage to RB's reputation, significant potential fines and possible criminal liability for RB senior management.

The acquisition and integration of MJN have increased our exposure with regard to anti-corruption laws, specifically Health Care Professional (HCP) interactions. Data privacy risk has also increased with new regulation (e.g. GDPR) and as companies hold growing amounts of personal data.

#### Mitigation progress in 2018

Ongoing proactive management of current and potential litigation. Project developed for monitoring and preventing any potential abuse of market position. Development and roll-out of updated online training for the enlarged RB Group fully incorporating the acquired MJN business, including HCP interactions.

Progression of GDPR readiness project post-May 2018, including the formation of RB Privacy Office and the definition of broader privacy objectives to ensure that privacy by design is embedded across the Group.

### 12. Department of Justice (DoJ)

#### The risk

Risks deriving from ongoing DoJ investigation and related antitrust litigation relating to legacy pharmaceutical business.

#### Potential impact

Potential criminal indictment of the Group or employees, with reputational impact, distraction and potential debarment which could theoretically extend to IFCN business.

Significant financial liability for the Group from settlement or adverse court decisions in criminal or civil matters.

#### Mitigation progress in 2018

Efforts to reach civil resolution of the investigation.

Ongoing preparation of defences to any criminal indictment.

⊖ Risk movement:  
**No change**

### Current control strategy

Group compliance programme with dedicated compliance personnel in each business unit supported by internal compliance liaisons and external local legal experts as and when required. Interaction with HCPs policy strengthened and extended to cover the full portfolio of the Health business unit.

Global compliance online training modules completed by all employees, with refresher deployment each year; core modules include code of conduct, anti-bribery, antitrust, data privacy and separately product safety. Group-wide whistleblower hotline operational, widely communicated and reinforced through robust independent investigation and follow-up.

### Oversight accountability

Executive ownership resides directly with the Group SVP General Counsel and Company Secretary, with both business units responsible for their respective deliverables.

Board oversight is provided by a combination of the Audit and CRSEC Committees to ensure full and appropriate coverage of the compliance programme.

### Activity impact for 2019

Continued embedding of this function will continue with key activities including competition law targeted risk assessments and e-learning module; delivery of core GDPR requirements; and rationalisation of RB and IFCN due diligence processes.

Target rating from current Amber to remain Amber at the end of 2019. This is an ongoing and dynamic programme for which significant new actions are expected as we respond to new situations and evolving legal requirements.

⊖ Risk movement:  
**No change**

### Current control strategy

Ongoing close oversight by Group SVP General Counsel and Company Secretary, top management and Board, with advice from external counsel.

### Oversight accountability

Executive ownership resides directly with the Group SVP General Counsel and Company Secretary.

Board oversight is provided by the main Board.

### Activity impact for 2019

RB will continue to respond appropriately to any new enquiries or requirements from DoJ if and when they are received.

Target rating from current Amber to remain Amber by the end of 2019, as there is nothing further to be done to mitigate the risk at the present time.

\* See Viability Statement on pages 56-57.

### 13. South Korea Humidifier Sanitizer (HS)

#### The risk

Significant financial and reputational risk as a result of the health issues caused by consumers inhaling Oxy Sac Sac (a humidifier sanitizer acquired from Oxy in 2001).

#### Potential impact

While a provision was made in 2016 to cover the initial rounds and certain other costs, the risk of additional exposure remains. There is still some uncertainty around the outstanding claimants from the final round, as well as from potential associated injuries, as designated by the local fact-finding commission.

#### Mitigation progress in 2018

RB South Korea has continued to work closely with the government, lawyers and other businesses to progress and close settlement with claimants as well as to establish a viable ongoing model for the business.

#### Viability Statement

The Board conducted a Viability Review covering a five-year period. This period was selected as it is the period covered in the Group's long-term forecasting process, which covers the introduction to market of the current new product pipeline. The five-year Viability Review first looks at the Group's ability to continue in operation if it performs in line with the Group forecast. This assumes that normal market conditions continue and current trends remain.

The evaluation takes into account the Group's cash flow, historical Group planning accuracy, available banking facilities and interest cover ratios in connection with financial covenants. The analysis concluded that if RB performs in line with forecasts it would have sufficient funds to trade, settle its liabilities as they fall due, and remain compliant with financial covenants.

The analysis goes on to consider the viability of the business should adverse unexpected events arise. To illustrate this, a sensitised view of the Group forecast was produced. The adverse assumptions are based primarily upon the realisation of key Group principal risks, which have the most relevant potential impact on viability (see risks marked '\*' on pages 44 to 57).

⊖ Risk movement:  
**No change**

### Current control strategy

Full public apology formally and repeatedly made by RB South Korea to affected parties. Regular review meetings continue with the Group, to oversee and guide settlement progress and other issues as they arise.

Modelling continuously updated to quantify and monitor evolving risk and ensure adequacy of provisioning for financial exposure.

### Oversight accountability

Executive ownership resides directly with the Group CEO.

Board oversight is provided by the main Board.

### Activity impact for 2019

Continue to work closely with the government, lawyers and other businesses to progress and close settlement with claimants as well as to establish a viable ongoing model for the business.

Target rating from current Amber to Green by the end of 2019.

The sensitivity assigns each adverse assumption an estimated annual monetary value and estimates the impact on interest cover ratios and headroom over available borrowing facilities. The analysis concludes that even with the occurrence of key unexpected scenarios, RB 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 with sufficient potential impact to risk the future of RB as a strong and independent business operating in its chosen markets. The occurrence of a major issue could result in significant reputational impact, a catastrophic 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.

As there are a number of mitigating controls in place across the business, the occurrence of a Black Swan event is considered sufficiently unlikely that it has not been factored into the sensitivity analysis.

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 1 to 57, has been approved by the Board.

On behalf of the Board

**Rupert Bondy**  
Company Secretary  
18 March 2019