

# BUILDING SHARED SUCCESS



# WELCOME

## OUR PURPOSE

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

## OUR FIGHT

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

### About our new brand

Reckitt branding reflects the purpose, fight, compass and behaviours of the company. Our new identity draws on our rich 200 year heritage. It symbolises the energy and can-do spirit of our people and the positive impact that they create on the world. Designed to be accessible, active and authentic; Reckitt is inspired by our purpose-led brands, and our efforts for a healthier planet and a fairer society.



To learn more visit: [www.reckitt.com/thisisreckitt](http://www.reckitt.com/thisisreckitt)

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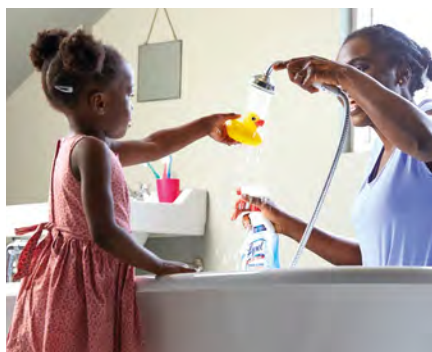
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Hygiene



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## Financial highlights

Net Revenue

£14.0<sub>bn</sub>

+11.8% LFL growth<sup>4</sup>  
Reported growth +8.9%

Adjusted Operating Margin<sup>4</sup>

23.6%

-260bps

Reported Operating Margin

15.4%

nm<sup>3</sup>

Hygiene

42%

of Reckitt Total Net Revenue

Health

35%

of Reckitt Total Net Revenue

Nutrition

23%

of Reckitt Total Net Revenue

Adjusted Earnings Per Share (diluted)<sup>4</sup>

327.0<sub>p</sub>

-6.3%

Reported Earnings Per Share (diluted)

159.3<sub>p</sub>

nm<sup>3</sup>

Total dividend for the year

174.6<sub>p</sub>

unchanged

## Society

Net Revenue from more sustainable products<sup>1, 2, 4</sup>

30.4%

Number of people informed through health and hygiene messaging and campaigns since 2013

1.41<sub>bn</sub>

FTSE4Good Index membership

17

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

## Environment

Greenhouse Gas emissions per unit of production<sup>1</sup>

53%

reduction since 2012

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

39%

reduction since 2012

1. Excluding our Infant and Child Nutrition (ICN) business – see Reckitt insights ([www.reckitt.com/responsibility/policies-and-reports](http://www.reckitt.com/responsibility/policies-and-reports)) for details
2. Calculated for 12 months ending 30 September 2020
3. Not meaningful
4. Non-GAAP measures are defined on page 77

Our Group is divided into three business units – Hygiene, Health and Nutrition – with each operating across attractive and growing segments.

Our portfolio is underpinned by five global megatrends that drive demand for our products. As a result, we are well positioned to benefit as we recover from COVID-19, and to deliver sustainable mid-single digit growth in the medium to long-term.

# HYGIENE

Hygiene is the foundation of health and our purpose-led portfolio works to eliminate dirt, germs, pests and odours with market leading products such as Lysol, Finish, Mortein and AirWick.

## Hygiene Net Revenue

2020

£5,816m

2019

£5,031m

LFL Growth<sup>1</sup>

+19.5%

Actual Growth

+15.6%

Adjusted Operating Profit<sup>1</sup>

£1,505m

Adjusted Operating Margin<sup>1</sup>

25.9%

## Geographic profile



Developed markets **79%**

Developing markets **21%**

## Key Hygiene brands





# HEALTH

Our Health portfolio brings compelling, innovative solutions that provide pain relief, protection, hygiene, and personal care to households across the world, through brands like Dettol, Durex, Gaviscon, Nurofen, Mucinex, Strepsils and Veet.

## Health Net Revenue

2020

£4,890m

2019

£4,462m

LFL Growth<sup>1</sup>

+12.1%

Actual Growth

+9.6%

Adjusted Operating Profit<sup>1</sup>

£1,334m

Adjusted Operating Margin<sup>1</sup>

27.3%

## Geographic profile



Developed markets 54%

Developing markets 46%

## Key Health brands



NUROFEN®

MUCINEX

GAVICON

Strepsils®



# NUTRITION

The Nutrition business includes our leading infant and child nutrition, adult nutrition and our range of vitamins, minerals and supplements. Brands include Airborne, Mead Johnson, Move Free and Schiff. The strength of this business is its focus on science-led innovations which underpin products catering to consumers from infant through to the elderly.

## Nutrition Net Revenue

2020

£3,287m

2019

£3,353m

LFL Growth<sup>1</sup>

UNCHANGED

Actual Growth

-2.0%

Adjusted Operating Profit<sup>1</sup>

£462m

Adjusted Operating Margin<sup>1</sup>

14.1%

## Geographic profile



Developed markets 45%

Developing markets 55%

## Key Nutrition brands



1. Non-GAAP measures are defined on page 77



# MOVING FORWARD TOGETHER WITH PURPOSE

**Chris Sinclair**  
Chairman

I am proud of what we were able to achieve this year in the face of some enormous challenges. Reckitt is emerging much stronger, as a more resilient and purposeful company.

We made significant progress in 2020 in building the foundations for future growth. We have added exceptional leadership talent at the top of Reckitt and across many of our geographies to help steer the company through this transformational stage. We are investing in capabilities and have organised ourselves to become more focused and purpose-led.

## **Business performance**

Full year net revenue was £13,993m, with growth of +11.8% on a like-for-like basis. This was underpinned by strong performances from both Hygiene and Health; despite mixed markets, Nutrition also made good operational improvements while separating from Health and integrating Vitamins, Minerals and Supplements.

The performance uplift reflected the outstanding way our teams responded to the coronavirus pandemic (COVID-19), meeting the substantially increased demand for some of our brands through sharper execution, expanded capacity and better customer service. Together with our ongoing investment in our digital capabilities, this enabled us to deliver a stronger underlying performance across our portfolio of brands.

Adjusted operating profit was £3,301m, at an adjusted operating margin of 23.6%, down 260bps on last year in line with our guidance and reflecting planned investment across many areas as laid out by Laxman in the strategy presentation in February 2020.

Our business made solid progress on many fronts. It is an early indicator that the strategy announced last February is gaining momentum and yielding positive results.

We remain focused on delivering our strategy. Although it is too soon to be definitive, we believe that much of the additional demand we saw during 2020 for our Hygiene and Health brands is likely to be sustained even after the pandemic. We are accordingly investing in additional capacity and in expanding our Hygiene and disinfection business into new geographies and business segments.

For our Nutrition business, we delivered good growth in North America and from our Vitamins, Minerals and Supplements portfolio, although the operating environment in China continues to be challenging for our infant formula products. As a result, Laxman and the team are conducting a strategic review of our infant formula activities in China and we'll act on the conclusions of this in due course. In the meantime, our focus is on sustaining the wider investments for growth that have already started to yield benefits with renewed innovation, such as our first adult nutrition product, launched in December.

Governance and risk management have been important areas of focus for the Board over the last few years. We have done a lot

of work through the Corporate Responsibility, Sustainability, Ethics and Compliance Committee to broaden and deepen our approach to managing safety and compliance risk, and to focus on our sustainability agenda. We continue to expand the investments and initiatives that enhance the safety and efficacy of our products, as well as their sustainability.

Consistent with the expectations we set out last year, the Directors have proposed a final dividend of 101.6 pence per share, which when added to the interim dividend of 73 pence, gives a full-year dividend of 174.6 pence per share. Subject to shareholder approval at the AGM in May 2021, this will be paid on 14 June 2021 to shareholders who were on the register on 7 May 2021.

### AGM

Whilst our Annual General Meetings (AGM) are normally held as physical meetings with shareholders encouraged to attend, due to COVID-19 restrictions, in 2020 we recommended that shareholders refrain from attending the AGM in person, in line with guidance from the UK government at the time. Our 2020 AGM was held as a closed meeting, with a live virtual webcast which shareholders were able to view online.

For this year's AGM, currently planned for 28 May 2021, we are proposing a similar format, with the addition of a live Q&A to allow the Board to interact directly with shareholders. The safety of our shareholders, Directors, employees, and other stakeholders is of the utmost importance to us.

At this year's AGM, we will be proposing an additional special resolution to adopt amended Articles of Association of the company, giving us the flexibility to hold a hybrid AGM going forward, if deemed necessary. Further details are set out in the Notice of Annual General Meeting available on [www.reckitt.com/investors/your-shareholding/aggm/](http://www.reckitt.com/investors/your-shareholding/aggm/).

### Implementing our strategy

In 2020, the safety of employees and the continued supply of products, especially those critical to combat the spread of COVID-19 were the key priorities. At the same time, we were able to grow and develop the business. While we face another year of uncertainty with the continued global pandemic and economic disruption, we remain focused on executing our strategic priorities and embedding our cultural transformation.

We made rapid progress on multiple fronts during 2020. The fact we have been able to achieve so much in a COVID-19-affected year attests to an exceptionally strong team performance and the dedication of our employees across the world as they have risen to the challenges. Without their efforts, our contribution to managing the pandemic would have been much more limited. We saw significantly increased consumer demand, especially for our Dettol, Lysol, Finish and Airborne brands. This presented

considerable opportunities, but it also posed some major challenges during a global pandemic. Our factories, suppliers and logistics operations had to contend with social distancing and quarantine constraints, which were often imposed at very short notice. This added to the complexity of stepping up supplies. I am proud to say that our people rose to the challenge. They responded with flexibility, commitment and Reckitt's characteristic, can-do spirit.

These efforts allowed us to scale up our product supply dramatically in critical areas. We strengthened our global supply chain and improved customer service levels. We continued to make good strides in digital and e-commerce and are now building a competitive advantage in this arena. And we also managed the successful launch of an entirely new business line. Our professional services offering, Global Business Solutions, is already demonstrating strong growth potential, including exciting partnerships with transport and hotel groups.

Meanwhile, we have been pursuing the organisational and cultural transformation programme outlined in the strategy we published in February 2020. The July restructuring into three Global Business Units added focus and sharpened execution.

### Talent and culture

The Board is very encouraged by the rapid progress we have made this year in terms of talent and culture. We have a new leadership team in place and have strengthened skills in numerous key areas, notably digital capabilities, sales excellence, and supply chain management. Our workforce has shown itself to be adaptable and highly effective in very testing conditions. Their resilience and commitment have brought tangible improvements to execution across the Group.

Laxman and his leadership team have also crafted a very coherent and powerful cultural agenda founded on purpose and responsibility. This has helped unite and inspire colleagues. Our purpose encapsulates why we exist and what we aspire to achieve as an organisation. Our fight adds urgency to that, and our compass guides our actions. Early indications are that these have been extremely well received both within the Group and by external stakeholders.

We are investing significant energy and resources in our sustainability agenda. Sustainability is an integral part of our long-term sustainable growth business strategy and intrinsic to our identity as a responsible, purpose-led business that aims to make a positive difference in the world. This focus on sustainability resonates with stakeholders and is warmly embraced by our workforce. Employee surveys during 2020 confirmed that our people are proud to work for Reckitt and this is reflected by the level of commitment they have shown.

### Changes to the Board

I have said already how proud I am of everything that the leadership team and our

colleagues worldwide have been able to achieve in difficult times. That goes equally for my fellow Directors. The company is very fortunate to have highly talented individuals on the Board who are committed to Reckitt and passionate about its purpose.

We welcomed two new Non-Executive Directors this year who are already making valuable contributions to our deliberations. Margherita Della Valle joined us in July 2020 and also became a member of the Audit Committee. Margherita has extensive experience of financial markets and digital technologies and has been instrumental in business transformation programmes in her prior roles. Her sectoral expertise and insights bring fresh perspectives, which have broadened the Board's base of experience.

In December 2020, we announced that Olivier Bohuon would join the Board and the Remuneration Committee in January 2021. Olivier spent many years as a successful CEO of a large global company. He has deep experience in healthcare products and markets and his insights will enrich and inform the Board's discussions.

After a decade at the company, Warren Tucker retired from the Board and Audit Committee at the conclusion of our AGM on 12 May 2020. My thanks go to Warren for his sage advice and wise counsel. The Board will miss his committed and constructive presence. We wish him well in his future endeavours.

As we announced last year, I am delighted to welcome back Reckitt alumnus, Jeff Carr, who rejoined the company as its Chief Financial Officer in April 2020. He succeeded Adrian Hennah who stepped down as CFO in April and retired in October 2020, following a transition to Jeff. I would like to thank Adrian for his valued service and many contributions. Jeff has a strong track record of transformational strategic and operational leadership and is playing a key role in Reckitt's strategic transformation.

### Conclusion

Looking ahead, we remain committed to the strategic priorities laid out last February. The appropriateness of these priorities has been reinforced and validated by what we have seen during the pandemic. We believe we have set ourselves the right objectives. We now need to ensure that our execution delivers strong, sustainable performance.

We are sharpening our portfolio and strengthening the organisation to be able to compete and innovate more effectively. We are making real progress on managing the business responsibly and sustainably.

Ultimately, we aim to deliver consistently strong returns for shareholders by meeting stakeholder priorities, and we are well-placed to achieve that ambition. I am optimistic about Reckitt's future as a high-performing, purpose-led business.



# A BETTER HOUSE IN A GREAT NEIGHBOURHOOD

**Laxman Narasimhan**  
Chief Executive Officer

“

**We delivered very strong revenue performance in 2020, with nearly £14 billion of sales and 11.8% Like-for-Like growth.**

## Overview

In February 2020, we set out our strategy for rejuvenating sustainable growth at Reckitt, and outlined our medium-term financial targets. Our objective is to rebuild Like-for-Like revenue growth to the mid-single digit range, and to deliver operating margins in the mid 20's by the mid-20s, in turn driving earnings per share growth in the region of 7-9%.

Underpinning our expectations are five megatrends that drive market growth and a portfolio of trusted brands, with a strong heritage. Many of the fundamental capabilities were already in place: we have a good science and innovation, great people, a strong performance culture and great e-commerce capabilities. But there were areas which required improvement. Until 2020 our commercial execution had been deteriorating, our supply chain was not as resilient as it should have been, and we were letting customers down too frequently.

At the time, I described the business as a good house in a great neighbourhood. Since then, we've made record levels of investment, improved execution and customer service and have made good progress towards becoming a great house again.

Throughout 2020, we delivered a strong start to our plan by executing well against our strategic goals and responding successfully to rapidly changing market conditions. This has resulted in a very strong financial performance, well ahead of our original expectations. In addition, we have delivered a step-change in the scale and scope of our business. This has reinforced the strength of our growth opportunities, and the relevance of the investments we are making to capture these.

## 2020 performance

We delivered very strong revenue performance in 2020, with nearly £14 billion of sales and 11.8% Like-for-Like growth. In Hygiene, we delivered excellent growth by increasing capacity to meet the strong demand for Lysol, while a number of other brands also saw significantly greater demand driven by 'nesting' behaviours. Our Health business saw some dynamic trading, led by sustained strong demand for Dettol, which showed similar trends to Lysol. Our Sexual



Wellbeing segment improved in the second half of the year as social distancing restrictions related to COVID-19 eased and we benefited from the launch of our new ultra-thin condom. This was offset to an extent by trading in over-the-counter medications, where market conditions were weaker due to the soft cough, cold and flu season towards the end of the year. Finally, our focus in Nutrition was on operational execution and maintaining market share, particularly in Greater China where market conditions were more challenging. This was in part offset by strong performances in our US business and our increased focus on vitamins, minerals and supplements, particularly immunity and senior nutrition which will support our longer-term ambitions for this business.

### Step-change in our business

The global pandemic has reinforced the relationship between hygiene and health. A much greater awareness of the importance of day-to-day cleanliness and sanitation is now driving fundamental day-to-day behaviours. Around the world, this is leading to disinfectants and anti-bacterial cleaners selling in higher volumes, gaining more shelf space and penetrating new categories of cleaning. For example, growing into laundry sanitation, expanding in wider surface cleaning – with more wipes and sprays, and becoming the norm for hand sanitising. As a result, our leading global disinfectant brands – Dettol, Lysol and Sagrotan to name but a few – grew in aggregate by over 60% and have significant room to grow further.

### Our teams have driven our success

Our teams have overcome significant hurdles to increase production of these, and other products, while staying safe and supporting their communities. I am humbled to see first-hand this 'can-do' attitude with which Reckitt is frequently associated. I had learned much about this prior to my joining the company around 18 months ago. I am immensely grateful to our teams around the world for their hard work and flexibility. Our purpose, to protect, heal and nurture in the relentless pursuit of a cleaner and healthier world, has been at the centre of our response and continues to be as relevant as ever.

### Strategic progress in 2020

At the same time, we have invested a record £745m through the P&L back into the business to rebuild the long-term capabilities to improve customer service, to innovate and improve product quality and to grow purpose-led brands. Our investment in Centres of Excellence has already begun to yield results, particularly in the important area of customer service where we have meaningfully increased our ability to support customers – developing the relationship from being one of transaction, to a fuller commercial partnership. The annual Advantage survey of retailers shows that we have made a material improvement in this area, advancing 9

places, moving from the lowest tier to inside the top 10 of FMCG peers globally, with further improvements expected over time. Achieving this while delivering a step-change in capacity has been very pleasing but there is still much to do, particularly on our supply chain performance. On all fronts, we are targeting meaningful further improvements over the coming years.

We also made the organisational changes necessary to deliver our strategy. In July, we established our three focused Global Business Units and have progressively strengthened our leadership teams throughout the year.

Furthermore, we have executed successfully against the drivers of growth: increasing penetration; optimising market share; entering new places and entering new spaces. Our market share performance was growing, led by Dettol, Lysol, Durex, Finish, our North American IFCN business and various OTC products, including Gavison. As a result, 70% of our core Hygiene category market units, and 85% in Health, held or gained market share in the year. Dettol and Lysol now generate over £3bn in combined revenue and are present in over 300 million homes globally. However, our growth in 2020 has been broad-based. Geographically, our ten largest markets grew by an average of 15%, and we've seen good growth across most of our categories. Finish has taken significant share, Airborne's revenue was up well over 100%, and we have driven good share gains in Durex where we launched our first polyurethane (ultra-thin) condom in China. Innovation and consumer insight continues to drive share gains in a number of our categories, and we continue to see strong opportunities for white space growth.

In e-commerce, our 'Be Big', 'Be Fast' and 'Be Bold' strategies have accelerated revenue growth to a record 56% in the year with online sales now representing c.12% of Group revenue. We are witnessing fundamental changes to consumer behaviour as consumers continue to move online.

Underpinning much of our investment in the business, our productivity programme is also well ahead of expectations, with savings of £407m achieved in 2020. As a result, we have increased this programme and are now targeting savings of £1.6bn over the period 2020-22, compared to the £1.3bn previously.

### Strengthening our environmental and social ambitions

In addition, we are strengthening our environmental and social ambitions as our focus turns from mitigating our negative impacts to making a net positive contribution through understanding how we can make things better. Reflecting this, we announced in June 2020 our pledge to be carbon neutral by 2040. In addition, we are committed to powering our operations with 100% renewable electricity by 2030, with the ambition of net zero carbon emissions by 2040 – a decade ahead of the global climate action deadline of 2050 as stipulated in the Paris

Agreement. Equally, we were one of the first three global companies to sign up to The Climate Pledge, co-founded in 2019 by Amazon and Global Optimism. From a societal perspective, we established the Reckitt Fight for Access Fund during the year where we have committed to the equivalent annual investment of 1% of our Adjusted Operating Profit. This will help improve access globally by ensuring high-quality products, providing education and information and driving availability. Additionally, we established the Reckitt Global Hygiene Institute in July 2020, a global initiative to generate high-quality scientific research-based evidence to inform public health recommendations and promote behaviours that improve global hygiene.

### Our business portfolio

When we established our strategy in February 2020, we said that we would be active managers of the portfolio, seeking to migrate the portfolio towards higher growth businesses. We have therefore taken decisive action to strengthen our portfolio, so that we are better positioned to take advantage of market growth as we recover from COVID-19, and in the long-term.

Firstly, our infant nutrition business in China has been operating in challenging conditions, with declining birth rates, tougher regulations and increased local competition who have been investing heavily. Additionally, the pandemic has brought about the closure of the border with Hong Kong, preventing any meaningful cross-border trade. We do not expect the situation to improve materially in the near term and so are engaging in a strategic review of this business. No decision has yet been taken as to the overall outcome and we will provide further updates as appropriate.

Additionally, we announced the sale of Scholl, the footcare brand, after ten years of ownership and at the same time agreed to acquire Biofreeze, a leader in over-the-counter topical pain relief. The brand has a strong footprint in the North America retail and clinical channels and a growing international presence.

### Looking forward

Overall, recent market developments continue to support our 4-6% medium-term growth expectations. In Hygiene, we should grow around 4-5% as we expect to outperform a larger and faster growing market for disinfection. Health should also outperform, with strong demand for sexual wellbeing products helping support 4-6% growth. Senior adult nutrition, and strong growth in VMS should also enable Nutrition to deliver 3-5% growth in the medium-term.

2020 was a turning point for Reckitt. Our performance is strong, we are building our capabilities, actively managing our portfolio and transforming our culture. We expect 2021 to be a year of further strategic progress and we remain confident that we will meet our medium-term targets.



**Laxman Narasimhan**  
Chief Executive Officer

**In 2020, we all had to adapt to new realities. At Reckitt, we stepped up to play our part in combatting the spread of the virus and we've also been hard at work to progress our business transformation plan. I wanted to take stock with the leadership team at the end of an eventful year.**

**Q**

**Laxman Narasimhan:** What are your thoughts on our performance in 2020?



**Harold van den Broek** | President Hygiene

This was an incredible year for hygiene – I couldn't be more proud of our people. The teams understood the importance of good hygiene as the foundation of good health. I saw focus, speed, sense of ownership, ramping up production, asking suppliers to help with materials and knowledge, many working 24/7 to make it all happen. We didn't fulfil all the demand all the time, but it wasn't for lack of trying.



**Aditya Sehgal** | President Nutrition, eRB & Greater China

It has really demonstrated the importance of living our purpose. The strength of our brands and culture shone through. We displayed strong agility and we outperformed. The new focus on nutrition is already making a difference. And eRB's performance was just outstanding. Digital sales were up by more than 50%. This was really the year that e-commerce came to the fore as a key engine of growth.



**Kris Licht** | President Health & Chief Customer Officer

I've been so impressed by the resilience and perseverance of our Health team in a time of great need. We had to rethink and reprioritise – we dramatically increased our supply capacity for disinfectants – 37 new manufacturing locations in one year! And even though we had to work virtually, we've strengthened retailer partnerships. Given everything, it's amazing to me that we executed so well in year one of our transformation.



**Volker Kuhn** | Chief Transformation Officer

2020 brought the best out of our people and teams. I have deep respect for their tremendous achievements and how they dealt with unprecedented challenges. Importantly, we've made a strong start to our ambitious transformation journey. Our organisation has proved extremely agile. We overdelivered on business performance and productivity gains, and I am particularly proud of the speed and agility we demonstrated in successfully launching Global Business Solutions. In short, our people didn't leave any stone unturned to satisfy the unprecedented demand of the pandemic, while strengthening the foundation of the business for the future.



**Rupert Bondy** | General Counsel & Company Secretary

I agree with that. In 2020, going through a leadership, strategy and culture change while responding to COVID-19 was definitely challenging, but it was also energising. It seemed to bring out the best in our people.



**Miguel Veiga-Pestana** | Head of Corporate Affairs & Chief Sustainability Officer

I'm proud of how we've collectively responded and all that we've achieved in these extraordinary times. I'm a particularly passionate advocate of our purpose, fight and compass. It's inspirational and it motivates me to get up in the morning. We are a purpose-led, purposeful company with some truly amazing iconic brands that make a difference to people's everyday lives. It was also great to see us step up in 2020 with our Climate Change commitment to be 'net zero' by 2040.

**Q & A**

**Q Laxman Narasimhan: For more recent joiners, what attracted you to Reckitt and now you're here what's your take on its culture?**



**Angela Naef** | Chief R&D Officer

The big transformation that was underway was the real pull for me. I wanted the chance to bring science and technology to bear on real-world problems. What's struck me most about Reckitt people? Their sense of purpose. I'm working with a highly motivated and committed global team focusing on things that really matter.



**Ranjay Radhakrishnan** | Chief Human Resources Officer

Before joining in March, I'd admired the Reckitt powerhouse from the outside. Now I get to see the engine. I love the pragmatic, entrepreneurial and action-oriented spirit here.



**Sami Naffakh** | Chief Supply Officer

I'm a bit of a special case. I arrived in July but I also used to work for Reckitt more than a decade ago. It's a very different animal now, a much more mature organisation. But it's also managed to keep its amazing entrepreneurial, can-do spirit. I especially relate to our purpose, fight and compass, and our clear commitment to social responsibility – sustainability, diversity – without any concession to financial performance.



**Jeff Carr** | Chief Financial Officer

Our culture is very unique and our people are fantastic, during these challenging times I'm very proud how our teams have reacted with speed and agility to deliver such a strong performance in 2020.



**Harold van den Broek** | President Hygiene

I think Reckitt's culture has evolved significantly just in the last year. We're become much more open, diverse and inclusive, and there's a learning culture here, which will liberate more energy and ideas.



**Q Laxman Narasimhan: What are your main challenges and opportunities?**



**Aditya Sehgal** | President Nutrition, eRB & Greater China

My focus in Nutrition is on strengthening the core and creating new engines of growth. Our digital business is already doing really well. I want us to keep on overdelivering in e-commerce. And we can deepen and broaden our business in China.



**Kris Licht** | President Health & Chief Customer Officer

For me, it's about strengthening the Health business, I also think there are a lot of opportunities available to us if we put more time and resource into customer partnerships.



**Volker Kuhn** | Chief Transformation Officer

My priorities are to continue to shape the growth in new places and spaces, deliver on our stepped up productivity ambitions as well as our commitments to building stronger capabilities, which are foundational for sustained outperformance.



**Angela Naef** | Chief R&D Officer

My focus is on building the capabilities that will further our delivery in science, technology and innovation to create superior solutions that help to address global issues and opportunities that are safe, efficacious and impactful.



**Jeff Carr** | Chief Financial Officer

Our transformation journey has started so well, the opportunity is now to build on our strong start and deliver our goal of long-term sustainable growth.



**Sami Naffakh** | Chief Supply Officer

I want to develop an adaptive supply network for Reckitt that leverages the macro changes we're now seeing in the world. There's still a lot to do, but in time I do expect our supply chain to become much more customer and consumer-centric, agile, lean, resilient, sustainable and responsible.



**Miguel Veiga-Pestana** | Head of Corporate Affairs & Chief Sustainability Officer

I couldn't agree more. This is a critical year in so many ways. Time is running out to address the challenges facing the world today and we have to play our part. I'm excited that we've recently set out our ten year sustainability ambitions as an integral part of our strategy – working with our partners to build a cleaner, healthier world.



**Ranjay Radhakrishnan** | Chief Human Resources Officer

The Reckitt culture is so important in all this. I confess I'm itching to connect with people face-to-face. I do hope that in 2021 I will be able to meet more colleagues, visit factories, markets so I can see, live and breathe a bit more of our frontline operations.



**Laxman Narasimhan** | Chief Executive Officer

I'm with you there Ranjay! Let's hope the world's in a better place soon and we can all meet again in person before too long.

## WHY WE DO IT

### Our purpose

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

Today, our brands like Dettol, Lysol, Harpic, Finish, Durex, Mucinex, Enfamil and Move Free, among others, fight at the frontlines to give our consumers a better life. Why we exist – our purpose, our soul – is clear.

Each word matters. They speak to our portfolio and the categories in which we play. Relentless pursuit captures Reckitt's entrepreneurial and can-do spirit, all in service of creating a cleaner, healthier world.

### Our fight

**Making access to the highest quality hygiene, wellness and nourishment a right, not a privilege.**

## HOW WE DO IT

### Our key resources

#### 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. Disruptive, 'rocket' brands redefine and extend the spaces in which we operate.

#### Our knowledge and skills

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

#### Our stakeholders

We develop strong, trusted relationships with our customers, consumers, suppliers and communities. We access and develop networks and partnerships that extend our impact.

#### Our infrastructure

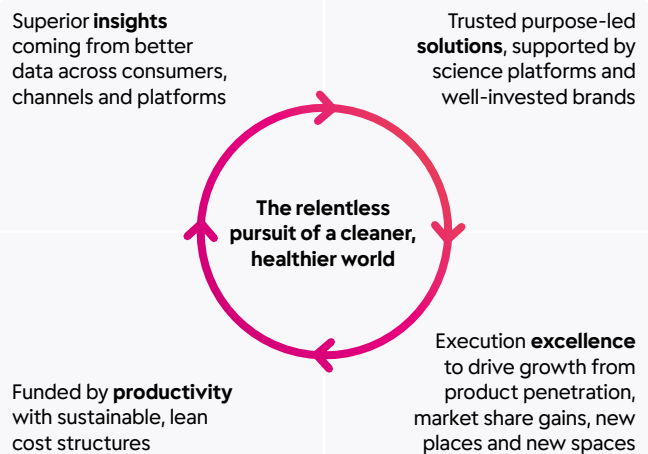
Our business is underpinned by strong manufacturing sites, R&D laboratories, centres of excellence and logistics centres.

#### Our financial strength

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

### A virtuous circle of growth

Overarching our core business model, we seek to **deliver continuous productivity improvements**, allowing for **further investment in the business** – to our brands, capabilities and growth opportunities. In doing so, Reckitt creates a **virtuous circle of growth**.





## The value we create

### Consumers

Consumers receive innovative, safe and high-quality products, which help them live cleaner, healthier lives.



For more information  
See page 28

### Customers

Bricks and mortar and e-commerce customers gain from selling our leading brands, growing our categories and driving customer value in relevant channels.



For more information  
See page 32

### Investors

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



For more information  
See page 36

### People

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



For more information  
See page 40

### Communities

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



For more information  
See page 48

### Environment

We recognise the impact we have on the environment we share with others. We are working to reduce our impact by reducing our greenhouse gas emissions, contributing to reducing global warming and climate change.



For more information  
See page 52

## Our leadership behaviours

In order to deliver on our ambitions around purpose and our business strategy, we need our culture and our people to be operating at their peak. In many ways, our culture today is the shadow we cast as leaders. To evolve that culture and achieve sustainable outperformance, leadership is a key lever to pull. Our leadership behaviours set out how we expect each of our leaders to behave and define what good leadership looks like and how we will evaluate our leaders going forward. Reckitt leaders OWN, CREATE, DELIVER and CARE.

### Own

- Live our purpose, fight and compass
- Know our business cold
- Make decisions

### Care

- Actively listen, learn and include
- Speak direct with respect
- Act to unleash potential

### Create

- Spot opportunities
- Innovate, iterate and scale
- Relentlessly build better

### Deliver

- Focus on what matters
- Move boldly and at pace
- Join forces to win bigger

## Our compass

Our compass sets out the new values and behaviours for our business. At its heart is the goal of always doing the right thing with clear principles around putting consumers and people first, seeking out new opportunities, striving for excellence and building a culture of shared success. Our compass will guide us to sustainable growth in the future.



# OUR PURPOSE DRIVES OUR PERFORMANCE

**Our purpose, to protect, heal and nurture in the relentless pursuit of a cleaner healthier world drives our performance. Our purpose focuses our teams and creates opportunities for business growth that will deliver long-term shareholder value. We create value for our business and for society through our growth which increases our social and environmental impact.**

Our strategy meets the needs and the concerns of our stakeholders. Our strategy delivers our purpose and our fight to make access to the highest quality hygiene, wellness and nourishment a right, not a privilege.

Our brands create opportunities in people's lives, through better health, hygiene and nutrition. They meet growing consumer demands, all the more so during the pandemic. In doing so, they have an authentic social impact, fighting at the front lines to give our consumers a better life. We don't just sell products, we design solutions that meet fundamental human needs.

## Connecting with our stakeholders

Our stakeholder relationships extend our ability to deliver on our purpose. Listening to and working with consumers, customers, partners and colleagues throughout our business brings greater opportunities. During 2020, as we launched our new strategy and developed our environmental and social ambitions, this was more important than ever.

With Ipsos Mori, we engaged with a representative sample of our consumers in each of our key markets in the UK, US, Mexico, India and China. The research helped us better understand what our consumers knew of our corporate purpose and how we are bringing it to life through our brands. Our purpose-led brands are well known and trusted by consumers. Our wider corporate work, for example our partnerships and work throughout our value chain, is less understood. Importantly, the research demonstrated the need to show consumers the connections between our consumer brands and our wider corporate activity. This can build trust more broadly, and powerfully reinforce that the whole is greater than the sum of the parts. This is one of the goals of our business strategy, brought to life through our Reckitt brand.

Those same consumers also told us what was important to them. 71% said climate change was as significant a threat as the pandemic, and 65 % told us they would support a green recovery. This reinforced the importance of our commitment to combat climate change, and our ambition for carbon neutrality by 2040. We are collaborating on this with Amazon and their Climate Pledge.

In UN Climate Week, we jointly hosted discussions on climate change to encourage scaled-up activity. With other peer companies, we have also worked in the Business Avengers group to support delivery of other Sustainable Development Goals (SDGs). Reckitt is leading activity on SDG 3, Good Health and Wellbeing, as it is central to our Health, Hygiene and Nutrition brands. We know the importance of the SDGs to our stakeholders and, more importantly, to communities where we work around the world.

Understanding our contribution to society is important in our role as a global corporate citizen. It helps frame our approach to create the greatest impact. Our 2020 socio-economic report described the impacts of our business in the US. We will carry out similar studies elsewhere to strengthen our activity and engagement with stakeholders.

## CASE STUDY

### OUR WWF PARTNERSHIP

Reckitt is partnering with WWF over three years to create a movement to fight for nature. WWF and Reckitt's Hygiene business will together:

- Preserve and restore 2,100 km of freshwater across two major river basins in the Amazon and Ganges (two of the world's most important freshwater ecosystems)
- Innovate for a more sustainable world, including improving understanding of the impact of household products on aquatic environments, and explore how to improve the innovation pipeline; and
- Inspire millions to fight for nature through impactful brand partnerships with our consumers and engaging our employees

As part of our partnership, Air Wick, is working with WWF to bring its purpose to life and connect people to nature. The Air Wick team is activating this purpose in various markets, including Australia, the UK and US, to raise awareness of the importance of nature and how we can all do more to protect and restore it. Reckitt will support WWF projects to restore wildflower habitats to reverse the decline of biodiversity. For example, in the US, Air Wick is helping to reseed 1 billion sq ft of native grasslands and wildflower habitat in the Northern Great Plains.

## Putting consumers first



Consumers buy brands they trust. They rightly expect safe, effective and sustainable products, delivered at a fair price. This is always our focus, but we are also meeting their growing expectation that products are responsibly sourced and won't damage the environment. And that our social and environmental impacts tackle global issues for a sustainable future.



[Read more page 28](#)

## Fostering stronger customer relationships



Our customers' expertise brings consumer insights to strengthen our innovation pipeline. We work with our customers to build and meet joint goals, design and develop even safer and more effective products and to enable greater social and environmental impact. Collaboration with our customers enables joint activity that supports both our own purpose and our collective ambitions.



[Read more page 32](#)

## Engaging investors



Through engaging with our investors we have support for our strategic initiatives and in return they share our success. Open, effective communication, combined with performance and clear plans for the future, builds trust and confidence in our company.



[Read more page 36](#)

## Inspiring and supporting our people



Our highly skilled people enable our success. We want to attract, develop and retain the very best. Engaged, inclusive teams spur growth and performance. We want our teams to feel good about what they do and our contribution to the world as a whole. Our purposeful culture strengthens engagement and brings better brand offerings for consumers and more value for shareholders and investors.



[Read more page 40](#)

## Extending our impact with like-minded partners



We join forces to build shared success with suppliers, scientists, civil society and more, that deliver practical and sustainable solutions to create a cleaner, healthier world. Our partners share our purpose and values. Through them, we build lasting solutions with real social impact.



[Read more page 44](#)

## Investing in communities



We fight to make access to the highest quality hygiene, health and nutrition a right not a privilege. Improving that access, in communities with unmet needs, creates social impact and brings our brands to new consumers. Through our products, consumer education and skills, we empower people to make small changes in their lives for a cleaner, healthier world.



[Read more page 48](#)

## Building a sustainable future



The world's environmental challenges demand action on multiple fronts. Our ambition is not just to combat these challenges, but to help build forward better where we can, and especially where we can have most impact.



[Read more page 52](#)

# MEETING THE NEEDS OF SOCIETY AND OUR STAKEHOLDERS

**Our business is responsive to the change that is happening around us. We're working together to keep pace and meet people's changing needs. As part of our business transformation, our strategy focuses on our purpose in the world, clearly articulating the reason we exist and the change we want to see that drives our growth.**

Reckitt works with a wide variety of stakeholders: our consumers and customers; investors and shareholders; our suppliers and partners; governments in support of a wider public health agenda; and, of course our 43,500+ strong team whose engagement drives our business.

The trends we describe in our business strategy create challenges and opportunities for ourselves and all of our stakeholders.

These trends connect us to the needs and expectations of our stakeholders. Our approach creates opportunities for growth, stronger relationships with stakeholders and, through our business, a positive social and environmental impact. While the pandemic has touched everybody around the world, the trends have continued and even gathered momentum. The need for self-care within the wider public health arena has perhaps never been more visible, especially within an ageing population. Greater awareness of climate change leads

to an emphasis on building forward better and mandates our contribution to support the Paris Agreement. The expansion of virtual communication has made digital technology even more essential and valued by everybody.

The pandemic has also reinforced the necessity for agility within our business and preparedness for similar future regional or global events. Organising our supply networks to address such potential events is a natural evolution of the agility we demonstrated in maintaining and actually growing production during 2020. In doing so we helped people combat the pandemic. We built powerful relationships with our suppliers and, importantly, with our customers with progressively stronger service delivery.

Addressing these trends is central to our purpose-led growth. Our ambitions for 2030 and beyond, stemming from our materiality assessments, considered these trends while thinking how we would build forward better.

Our approach helps deliver the UN's Sustainable Development Goals, which are central to our ambitions. By aligning with the SDGs, we are addressing challenges faced by society as a whole and creating opportunities for ourselves. While -we are tackling many of the 17 Goals, we will continue our emphasis on five where we can have most impact through our business – SDGs 2, 3, 5, 6 and 13.

Integrating social and environmental impact within our business agenda draws upon James Reckitt's legacy. New innovations bring greater efficacy for consumers and greater impacts for society. We are developing our brands, our business, our supply networks and channels to consumers to maximise our positive impact on society within the growth of our business. This reflects the heritage that has guided Reckitt for over 200 years.

## The megatrends



**Hygiene**  
**Urbanisation and global warming**



**Health**  
**Growing demand for self care**



**Health**  
**Sexual health crisis**



**Nutrition**  
**Growing and ageing population**



**Digital and e-commerce**  
**Technology proliferation**



As Reckitt, we're now more unified than ever. We're working together, with all of us pulling in the same direction, and in support of all our stakeholders. This unity makes us stronger because it links to our total offer. We are connecting everything we do with everything that people value.

### Consulting with our stakeholders

We consult stakeholders in many ways across our business. Top-level meetings with our customers; multi-stakeholder forums; academic partnerships, especially for science and medicine; our work with the Reckitt Global Hygiene Institute; and our new Board listening sessions with key stakeholders – all serve to bring the voice of our stakeholders into our business agenda. Our work is informed by feedback from groups relevant to our business operations, including consumers, customers, suppliers, investors, governments, non-governmental organisations (NGOs), industry peers, educational institutions, communities and our employees. They tell us what matters most and those insights help us better meet their needs, and improve our approach for the future. In doing so they add to the materiality process described in our Focusing on what matters insight. Whilst we did not carry out a new study in 2020, assessment for our sustainability agenda provided an update.

Our 2020 internal engagement programme amplified the voice of our 43,500+ strong team. It helped strengthen our culture and supported our diversity and inclusion ambitions against a backdrop of global cultural trends and campaigns. The programme, described in our People section, brought our people together in an unprecedented way and increased employee engagement overall.

At Board level, we have brought the voice of our various stakeholders to life in assessing challenges we face in our value chain. We began a new series of Board listening sessions with a panel on climate change and water stress. Members of our CRSEC Committee heard from one of our key customers, an international NGO partner, the UK Government on the global climate change conference in 2021, an Indian state Government where water stress is a critical issue, and the investor community. The session provided detailed understanding from each stakeholder's perspective and has helped to frame our ambition on water in our new sustainability agenda. A similar event included members of our Executive who heard from our human rights partner, the Danish Institute for Human Rights, about their human rights impact assessment of our Thai value chain. The subsequent action plan aims to strengthen human rights for people we work with in Thailand.

## The Sustainable Development Goals



In 2015, UN Member States adopted the 17 Sustainable Development Goals as part of the 2030 Agenda for Sustainable Development. In 2019 the UN Secretary-General called for a decade of action by all stakeholders, asking civil society, academia, the media and the private sector to deliver the 2030 Goals. At Reckitt, we recognise the impact we have for society and on many of these goals. As with the interdependence between the Global Goals, the connection between the health of people and of the planet is central to our sustainability agenda. We recognise that as society thrives, so do we. We want to do all we can to help meet this challenge.

There are five SDGs where our impact can be greatest. These embody the work of our brands and our business as a whole, through our value chains and in our partnerships that support the poorest communities – where hunger, disease and poor sanitation are most prevalent, and where the worst effects of climate change are felt first.

### Aligning with the United Nations Sustainable Development Goals (SDGs)



#### SDG 2: Zero hunger

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



#### SDG 3: Good health and wellbeing

This goal is closely aligned with our purpose and as the Business Avenger for SDG 3, we are championing swifter progress in the private sector. Many of our brands play a role in promoting health and wellbeing. They include Durex, Dettol, Gaviscon and Mucinex, as well as Lysol and our Mortein insecticide products. The pandemic has ensured this has been a focus throughout 2020.



#### SDG 5: Gender equality

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



#### SDG 6: Clean water and sanitation

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

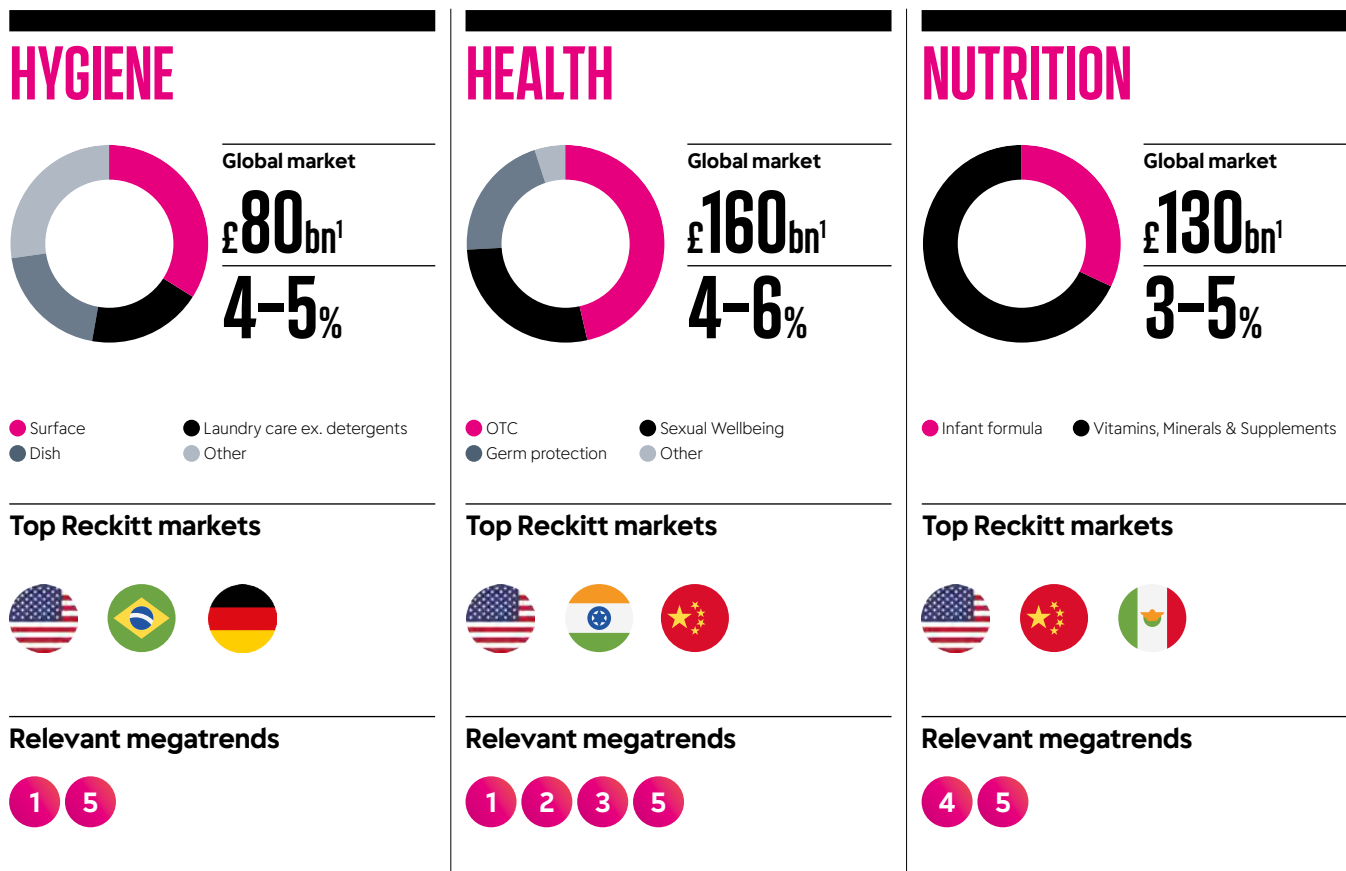


#### SDG13: Climate action

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

## Reckitt operates in attractive, growing market segments, underpinned by clear megatrends:

Urbanisation and global warming, and their impact on the spread of infection, re-enforcing the necessity of improved hygiene; growing demand for self-care, given pressures on governmental spending globally; growing importance of sexual health and wellbeing; a growing and ageing population; and ever-changing technology, which is transforming consumer knowledge and purchasing habits. Most of these trends have been accelerated or accentuated by COVID-19.



1. Source: Euromonitor and company estimates. Nutrition excludes Solid baby food

## Megatrends

## COVID-19 impact on megatrends

1	<b>Global warming and urbanisation</b>	<p><b>+2.5bn</b> people living in urban areas over the next 30 years</p> <p><b>10</b> new 'megacities' to be formed by 2030</p>	<p><b>The role we play:</b> with our category-leading disinfection brands, such as Dettol, Lysol, Sagrotan and Napisan, we help break the chain of infection. We work hard to better understand and respond to evolving consumer needs, such as the growing demand for protection against germs outside of the home.</p>	<p>Penetration to existing plus new households</p> <p>New market expansion</p> <p>New use occasions</p>
2	<b>The role of self-care</b>	<p><b>48%</b> in UK to consult pharmacists more often, although 31% would not have done so pre-COVID-19<sup>4</sup></p> <p>Half of all UK hospital trusts<sup>5</sup> are in</p> <p><b>FINANCIAL DEFICIT</b></p>	<p><b>The role we play:</b> with our over-the-counter brands such as Mucinex, Nurofen and Strepsils, we provide people with the products and information they need to treat many everyday symptoms such as cold and flu, themselves, without recourse to a medical professional. By saving a trip to the doctors, we are helping to reduce demand on strained public healthcare.</p>	<p>More self-care due to further pressure on health systems</p> <p>Increase in telemedicine</p> <p>One-off decreased cold and flu season</p>
3	<b>Sexual health crisis</b>	<p><b>1m</b> people infected each day with a sexually transmitted infection<sup>6</sup></p> <p><b>1.7m</b> newly infected with HIV infections globally according to latest World AIDS day 2020 factsheet<sup>7</sup></p>	<p><b>The role we play:</b> as the world's leading producer of condoms and with 90 years of brand heritage, Durex has a crucial role to play in improving education around risks of sexually transmitted infections, and encouraging safe sex. We focus our efforts to shape long-term attitude and behaviours on the point of market entry programs help young people make informed and confident choices, working with partners such as National AIDS Control Organization (India), Solidarite (France), Dance 4Life (Netherlands), UNFPA (Mexico), and the Ministry of Health in Russia.</p>	<p>Increased sexual health crises as a result of untreated symptoms</p> <p>Social distancing reducing frequency of condom use</p>
4	<b>Ageing population</b>	<p><b>£1bn</b> size of the elderly nutrition market in China, which is growing at c.17% per annum<sup>8</sup></p> <p><b>2bn</b> people will be aged over 60 by 2050<sup>9</sup></p>	<p><b>The role we play:</b> our VMS brands such as Move Free, MegaRed and Neuriva address important needs in nutrition. Leveraging the science capabilities within our Infant Nutrition business, our product innovation naturally addresses the opportunity presented in the adult and senior markets.</p>	<p>Continued growth in speciality and immunity</p> <p>Birth-rate challenges in the near-term</p>
5	<b>Technology proliferation</b>	<p><b>710m</b> people make up the Chinese e-commerce market, now bigger than the US and Europe combined<sup>10</sup></p> <p><b>+49%</b> growth in US online retail sales in Q4 2020<sup>11</sup></p>	<p><b>The role we play:</b> our investment in eRB means that consumers can discover and purchase our products how and when they want. Our direct to consumer business now allows for speedy delivery of health products such as analgesics and condoms. We are also increasingly able to deliver personalised nutrition.</p>	<p>Fundamental change in consumer engagement</p> <p>Step-change in e-commerce transactions</p> <p>Digital, personalised health</p>

1. United Nations

2. United Nations

3. Ecohealth Alliance

4. Ipsos Consumer Healthcare Survey, July 2020

5. The Kings Fund

6. World Health Organisation

7. UNAIDS Factsheet, December 2020

8. Company estimates

9. World Health Organisation

10. www.statista.com

11. Mastercard survey between October – December 2020

# REJUVENATING SUSTAINABLE GROWTH

In February 2020, we shared our strategy for rejuvenating sustainable growth, and our medium-term financial targets. This set out how we would:

- |  |   |
|--|---|
| <p>▶ <b>1</b> <b>Drive growth, rebuild a strong earnings model</b> and outperform with mid-single digit organic top-line, mid 20's margins and 7-9% EPS growth</p>                                   | <p>▶ <b>4</b> <b>Deliver progressive improvements to our top-line growth</b> through better product penetration, market share gains, and expansion into new places and new spaces</p> |
| <p>▶ <b>2</b> <b>Enable improved growth by investing in key capabilities to strengthen product innovation</b> and enhance customer service, with sustainability at the heart of everything we do</p> | <p>▶ <b>5</b> <b>Manage capital allocation</b> to support a strong balance sheet while actively migrating our portfolio to higher growth opportunities</p>                            |
| <p>▶ <b>3</b> <b>Fund investment through delivery of an enhanced productivity programme</b> and short-term reduction in operating margin</p>   |   |

## The three phases of rejuvenation

The journey will be undertaken in three phases that will initially establish consistent performance, build revenue momentum and finally achieve sustained outperformance.

2019 <sup>1</sup>	1 First phase Stabilise and perform	2 Second phase Perform and build	3 Third phase Outperformance
NR growth +0.8%			NR
EPS growth +2.8%			Mid-single digits
			EPS +7-9%
Performance drivers	<ul style="list-style-type: none"> <li>Sustain Hygiene growth</li> <li>Reignite Health volume and growth</li> <li>Reignite Nutrition developing market growth</li> </ul>	<ul style="list-style-type: none"> <li>Step up Hygiene growth</li> <li>Sustain and step up Health growth</li> <li>Broaden and grow Nutrition</li> <li>Improve Health and Nutrition margins</li> </ul>	
Example investment areas	<ul style="list-style-type: none"> <li>eRB</li> <li>Research and development</li> <li>Product quality</li> <li>Customer service and marketing excellence</li> <li>Supply chain performance</li> <li>Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>eRB</li> <li>Maintain foundational capabilities</li> <li>Availability in developing markets</li> <li>Channel-specific sales resources</li> <li>Science and technology platform partnerships</li> </ul>	

1. 2019 Like-for-Like NR and Adjusted diluted EPS presented



### Good strategic progress in 2020

During 2020 – in the first phase of our plan – we have executed well, against a highly dynamic market backdrop, achieving financial targets ahead of expectations. As outlined, we have taken the opportunity of stronger than expected revenue growth to reinvest in incremental growth opportunities. As a result, we have taken advantage of some positive market developments across the breadth of the portfolio. For example, COVID-19 has presented significant opportunities for our disinfectant brands, resulting in strong growth; over this period, we have worked to take Dettol and Lysol into 70 new markets, and new category adjacencies over 2020 and 2021, including to service business customers, in particular the providers of accommodation, travel services, public spaces and events, workspaces and shared facilities.

### Strong early achievements investing in the core enablers of growth

Our strategy is centred around rebuilding core capabilities that will support sustainable growth – such as eRB, R&D, product quality, customer service and marketing excellence, supply chain performance and sustainability. While there is still work to be done, we have already made good progress in reinvigorating a number of these functions in a number of areas. Firstly, on customer service, we have established centres of excellence for sales, marketing, e-commerce and medical sales and are building out our global customer relationship teams. We are already harvesting the benefits having seen a significant improvement in our third-party relationships and ranking on the external Advantage survey of retailers where we have advanced 9 places, moving from the lowest tier to inside the top 10 of FMCG peers globally. We expect to make further improvements over time:

Secondly, on supply chain, we responded strongly to the exceptional demands of 2020 with investment, SKU-rationalisation and the use of co-packers. We have also commenced reshaping the network in order to increase long-term capacity and resilience through responding to channel shifts with greater flexibility and reducing overall lead times and leveraging data, AI and machine learning to target substantial further improvements.

Thirdly, we are improving our Digital and e-commerce strategy – Be Big, Be Fast and Be Bold – by investing in and leveraging established capabilities to accelerate developments in D2C, marketplaces and through Bricks and Clicks channels where customer behaviour changes, as more consumers migrate online, have driven the strongest growth. We have also invested to further build B2B e-commerce to leapfrog go-to-market capabilities in developing and emerging markets.

R&D, Quality and Product Innovation is the fourth area of focus and we have already increased the run-rate of R&D investment by 35% compared to 2019. This investment will help drive development of new science platforms. The strength and depth of the innovation pipeline is already leading to new products such as the ultra-thin condom which was launched into the Chinese market in 2020 and the development of our first adult nutrition products within the first year of programme. We have also worked to widen consumer health brands across broader demand spaces and significantly enhanced consumer-perceived product quality and quality processes.

We are driving the sustainability agenda and made a £40m investment in the Fight for Access Fund to support disadvantaged groups battling COVID-19. We also launched the Reckitt Global Hygiene Institute to advance evidence of behaviour change and are investing across the portfolio to drive the acceleration of new sourcing, packaging and product innovations as a clear differentiator for purpose-led brand growth. We are committed to climate change and thus we are accelerating work to deliver on the Paris agreement so that we achieve carbon neutrality by 2040.

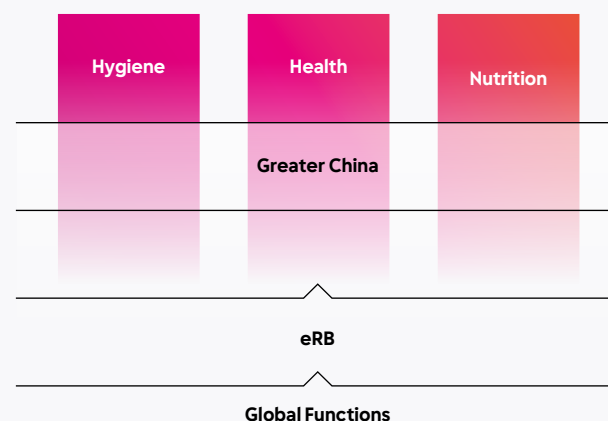
### A new organisation structure

Finally, we have throughout 2020 established a new organisational structure, moving to three category-focused business units of Hygiene, Health and Nutrition, with our China and e-commerce teams integrated across each of these (see box).

### Strong first year from our enhanced productivity plan

Our investments, which total over £2bn over the period 2020-22, are funded primarily by our productivity programme. In our first year we delivered productivity savings of £407m, significantly ahead of our plan. As a result, and with new opportunities identified, we have increased our plan by £300m, to £1.6bn over the three years. This will help us mitigate a number of new input cost pressures.

## OUR ORGANISATIONAL STRUCTURE



Getting the right balance between scale, focus and accountability is key. As such, during 2020 we moved to three category-focused business units with full P&L accountability: Hygiene, Health and Nutrition, with the latter comprised of the IFCN and VMS businesses which previously sat in Health. Within each of these three Global Business Units we are developing capability centres of excellence that can be leveraged across the company.

Due to its strategic importance for the business, we elevated China to an integrated unit that will work across the three business units. Digital, e-commerce and analytics are at a major turning point for the consumer and we can further speed rapid growth by building leapfrog digital capabilities. The digital platform we have in China is one that other rocket brands can leverage. For this reason, the China business unit will also house our global e-commerce capability.

## Clear decisions around capital allocation

Building a stronger balance sheet is a clear priority for us. During 2020, we have reduced net debt by over £1.7bn through improved cash generation and maintaining a strong fiscal discipline around funding our investment programme through enhanced productivity and outperformance. As a result, our net debt leverage metric has improved with Net Debt / Adjusted EBITDA falling from 2.9x at the end of 2019 to 2.4x. Consistent with the policy outlined in February 2020 we have confirmed we will hold our full year dividend unchanged at 174.6p. This is so we can rebuild dividend cover to two times and confidently grow the dividend sustainably in the future in line with a stronger, more consistent EPS growth.

## PRODUCTIVITY IN ACTION

- Continued Reckitt manufacturing efficiency drive and continuous improvement programme across all sites
- Developed Reckitt production system focusing on performance management, leadership, consistent standards, continuous improvement routines on site and leveraging analytics / technology to highlight / solve problems
- Successfully deployed our new production system in pilot sites – Nijmegen (NL – Nutrition) and Nottingham (UK – Health)

We are also taking decisive action to manage our portfolio. With markets for infant formula in Greater China continually evolving, we have been undertaking a strategic review of the infant formula business in China. No decision has yet been taken to the overall outcome and we will provide further updates as appropriate. At the same time, we have agreed the sale of Scholl and the acquisition of Biofreeze. Together, these deals are expected to be earnings neutral initially, but to position further the portfolio towards higher growth markets.

## Delivering sustainable change to culture and purpose

Our strategy is founded upon a clear sense of purpose. We exist to protect, heal and nurture in our relentless pursuit of a cleaner, healthier world. We do all we can to ensure that access to high-quality hygiene, health and nutrition becomes a right not a privilege. Our purpose and fight are set out in more detail in our 'business model' overview in this report.

This purpose-led agenda is underpinned by the core set of values guiding our behaviour. They are set out in our compass (See page 13). This places integrity at the heart, with the goal of always doing the right thing. Our compass describes the values needed to promote a culture that puts consumers and people first, continually seeks out new opportunities, strives for excellence and builds shared success. It celebrates what made Reckitt successful in the past and aligns us with what is needed for sustainable growth in the future.

Fundamental to the transformation of Reckitt is the work underway on sustainability. During the year, we have stepped up our investments in a number of ways.

- Our purpose, fight and compass has been adopted across the business; strengthening our environmental and societal commitments and driving positive changes to culture
- Our Fight for Access Fund was launched to support our community engagement; initially focused on helping disadvantaged groups battling COVID-19 related issues; the equivalent of 1% of adjusted operating profit will be invested annually
- Reckitt Global Hygiene Institute launched to help inform public health recommendations and promote behaviours that improve global hygiene
- Accelerated the development of new sustainable sourcing, packaging and product innovations as a clear differentiator for purpose-led brand growth
- Launched our Climate Change commitments, accelerating work to deliver Paris Climate Agreement by 2030 and achieve carbon neutrality by 2040

## ESTABLISHING CENTRES OF EXCELLENCE

Throughout 2020 we have invested to create four centres of excellence: central functions whose role is to support the GBUs in specific areas of speciality, sharing best practice, and committing dedicated resource.

- 1 Marketing excellence** – seeking to accelerate the growth of Reckitt's brands through the development of a best in class Marketing function and to drive a step-change in our brand building capability. Organised around the five pillars of: Purpose-led brand building; Brand experience and Design; Insights and Analytics; Data-driven marketing and media; and Marketing Capability and Operations.
- 2 Sales outperformance** – re-building this historic strength of Reckitt, turning our sales capability in to a competitive differentiator. Led by newly-appointed Chief Customer Officers for each of US and International, this function partners with customers to understand their business and develop mutual opportunities for growth.
- 3 eRB** – the home of Reckitt's e-commerce, CRM and digital execution initiatives, across three pillars: 'Be Big' (scale success, through platforms); 'Be Fast' (rapid experiments and D2C services); and 'Be Bold and Open' (minority investments in start-ups).
- 4 Medical sales** – seeking to transform the way we engage with healthcare professionals, through a consistent, efficient and commercially elevated approach to the medical channel.

The newly-created roles which sit within these functions have been filled with both internal and external talent. Whilst these functions will continue to build throughout 2021, there is evidence of early success, with improving customer relationships, and improved marketing and sales efficiency.

## Our four growth drivers

We see our strategy driving growth in four complimentary ways: increasing product penetration, driving market share gains, entering into new places and opening up new spaces. Increased penetration is about capturing new consumers entering the category, and pushing our products to gain a greater role in a category (e.g. germ protection in surface cleaning, auto dishwashing within dishwashing more broadly). We gain market share through winning with end-consumers and by servicing existing consumers faster, better, and more efficiently with better and more relevant products than our competitors.

### Increased penetration

- Our category-leading disinfectant brands have seen exceptionally strong levels of penetration increase, with Lysol for example now present in over half of all US homes and used by over 100 million households globally; In Canada, Lysol penetration is up over 1200bps over the past year
- In India alone, Harpic is now used in over 100m homes, up by nearly 30 million compared to 2019, as a result of purpose-led marketing campaigns centred around behaviour change

New places is white space growth and taking our brands and products into new territories and countries through our existing network, via e-commerce and using our cross-border organisation.

New spaces and adjacencies capture new market opportunities using our brand strength to penetrate other parts of the demand space a brand plays in.

In the first year of our transformation plan, we have made significant progress against our four growth drivers.

### Market share gains

- 70% of our core Hygiene category market units, and 85% in Health, held or gained market share in the year
- Finish has taken significant share in the US, up over 70bps, in a strong but competitive market, in part due to its purpose-led campaigns around the critical issue of water scarcity
- Gaviscon grew market share by over 100bps globally, including over 100bps in the UK, as a result of product innovation and strong execution
- Step-changed Mortein's performance in key markets through building brand trust, product innovation and improved marketing
- Durex gains of c.130bps in China following the launch of the PU, ultra-thin condom
- Sequential improvements in market share performance for Mucinex, delivering unchanged market share overall, through better execution in weak US market conditions for medicated products

### New places

- Increased demand for Dettol and Lysol provided the opportunity for expansion into a total of 41 markets during the year
- Global Business Solutions – our professional business – growing strongly and expected to contribute c.100bps to Reckitt growth in 2021 to represent c.8% of total disinfectant revenue
- Lysol's entry into Brazil in May for example, launching Sprays, Wipes and Liquids, has already achieved prompted brand awareness of over 40%

### New spaces

- In Hygiene, we entered into the aromatherapy category in the US, with Air Wick essential mist – an innovation which was recognised amongst the Top 25 Breakthrough Innovations in this year's US BASES awards – four of which were Reckitt products
- In Health, product innovation took Mucinex (All-in-One and Nightshift) and Strepsils (Herbals) into new product adjacencies
- Adult Nutrition launched in China

## Drivers of growth



1. Medium term growth rates

## CASE STUDY

### Increased penetration

# HARPIC PENETRATION IN INDIA



In India, we have seen a continued increase in the penetration of Harpic following purpose-led behaviour change campaigns. Our campaigns have sought to encourage consumer use of a specialized toilet cleaner like Harpic rather than the non-specialized detergents and water, frequently used historically.

The central idea of the brand is that it "Removes 10/10 stains and disinfects your toilet" – a claim backed by a consumer tested product formula. The campaign was executed successfully, leveraging celebrity ambassadors, with heavy investment in Digital, TV, print, out-of-home and rural outreach, reflecting the diversity of the consumer base in the country.

The brand is now used in over 100m homes, up by nearly 30m compared to 2019. This increase has been seen nationwide, with penetration in both urban and rural areas up significantly.

In doing so, and through a partnership with Network18, the largest TV news network in India, Harpic has built more than simply a brand that consumers trust. Rather it has become the champion of sanitation in India. In Q1 2020, Harpic was rated the 3rd most trusted homecare brand in India.

## CASE STUDY

### Market share gains

# INNOVATION-LED PERFORMANCE IN THE US



In the US, we have seen good market share performances in Nutrition.

The immunity segment within VMS has seen exceptionally strong growth given consumer concern around COVID-19, but in addition, Airborne has grown share as a result of strong innovation and rapid ramp up of supply, increasing threefold during the year.

In Infant Formula, Enfa defended an already strong position in the WENR ('WIC' Exempt, Non-Rebated) market growing over 5%. This was led in large part by strong insight-led innovation with NeuroPro – an Omega3-DHA-led product. The innovation was allied to strong consumer and healthcare professional marketing execution.

1. WIC – Women, Infants and Children programme

## CASE STUDY

### New places

# EXPANDING THE DUREX FOOTPRINT



In 2020, Durex continued to democratise access, driving continuous improvement in availability even in the most fragmented consumer markets. In Russia, in partnership with Fractal Analytics – a leader in the use of Artificial Intelligence in decision making – Durex used leading edge machine learning to help us decide where our products should be sold, and in what ranges. Backed by vast quantities of data on consumer demographics, geographical nuances and commercial sales, these insights resulted in significant market share uplift as, for example, we adjusted pack sizes in certain 24/7 pharmacies located in close proximity to a nightclub.

At the same time, we know that consumers will often want to make purchases whilst at home, when time can be of the essence. Thanks to our partnership with Glovo and Deliveroo, we are shaving further time off delivery, with many deliveries now taking place in under 900 seconds.



## CASE STUDY

## New spaces



## ENTERING THE PROFESSIONAL SPACE

Global Business Solutions was established during 2020 in response to the growing need for germ protection as consumers want to feel safe outside the home, as well as inside. New opportunities have therefore emerged as workspaces, accommodation and other public spaces, such as hospitality venues and public transport, need to not only be clean, but be visibly clean. Our category leading disinfectant brands will enable customer facing businesses and venues to give their customers the appropriate reassurance.

Reckitt offers 'front-of-house' solutions, where our brands are visible to our partners' customers. For many of our partners, we work closely to develop and integrate ourselves into their existing cleaning protocols, thereby helping them to solve long-term challenges related to hygiene and cleaning on their premises and understanding the key risk areas and complexities. Partnerships signed so far have been with globally-renowned organisations such as: AirBnB, British Airways, Delta Airlines, Hilton and Uber.

### Our brands



The 100+ strong GBS team has a global presence and is multi-functional. GBS is growing strongly and we expect the momentum to continue and contribute c.100bps to Group net revenue growth in 2021.

# 100+

people are part of our multi-functional team with global presence

# c.100bps

Global Business Solutions expected contribution to 2021 Group revenue growth

# PURPOSE-LED PERFORMANCE

**Our strategy to rejuvenate growth draws on our 200 year heritage of social impact. Our brands provide people with access to the highest quality hygiene, wellness and nourishment a right and not a privilege.**

We create impact through our brands and how we work, with an emphasis on purpose-led brands, a healthier planet and a fairer society. Our ambitions for 2030 support long-term, purpose-led growth. They drive us to reach more people with our brands and create measurable impacts in their lives that also help tackle global social and environmental challenges and deliver the UN's Sustainable Development Goals.

As our approach towards sustainability has matured, so have our goals. Getting the fundamentals right means we can also drive outperformance. Our ambitions stem from engaging with our stakeholders, understanding the megatrends society faces, and an awareness of our role as a global corporate citizen. Our purpose-led growth strengthens connections with our consumers and customers. Our partnerships, with customers, suppliers, civil society and governments, increase the impact we have on common goals.

We innovate to create new opportunities and continually strengthen the safety and quality of our products. We strengthened our Global Safety Assurance function during 2020 with additional resources that also help identify and manage emerging

issues across our sector. Our global quality programme reinforced standards throughout our supply network, during a year when we built significant additional capacity. At the same time, our innovation programmes progressively improve the sustainability of our products. Our Sustainable Innovation Calculator, which measures the impact of our brands, highlighted the need to improve our product environmental footprint to support our ambitions on climate change and water. Until recently, we prioritised our operational footprint, reducing our carbon emissions, increasing energy and water efficiency and reducing waste. We will continue that work but are more focused on reducing product footprints.

## Financial and non-financial KPIs

We assess operational and strategic progress against key performance indicators, or KPIs. These provide a clear direction as to 'by how much' and 'in what way' we should achieve our goals. Importantly, these robust measures are reflected in management targets and are aligned with our growth objectives and our purpose, fight and compass.

The KPIs here address financial goals as well as wider social, environmental and cultural aspects. Different business functions measure progress against specific targets in areas such as supply chain performance, customer satisfaction, product innovation and other efficiency measures. These are built into managers' personal objectives and reviewed regularly.

## Integrating environmental, social and governance goals

Our approach embeds non-financial performance into our business while meeting growing consumer and stakeholder expectations. Our organisational model

strengthens collaboration between Global Functions and markets, helping us to deliver financial, environmental and social goals within a strong governance framework. Our Executive team reviews progress to continuously drive performance and our impact in society.

Social and environmental impact is increasingly embedded in our product innovation, our ways of working, and in our partnerships. Our partnerships reflect the complex networks and ecosystems we are part of. They amplify our collective efforts for greater shared impact.

As we close our 2020 targets we have made progress but know there is more to come. Looking forward, we are increasingly connecting our financial and non-financial goals. Our sustainability ambitions for 2030 are to reach half the world with products that contribute to a cleaner, healthier world and to engage 2 billion people in programmes, partnerships and campaigns that create a positive impact and support the SDGs. Collectively these are both an opportunity for growth and positive societal impact. Our three areas of activity: purpose-led brands; a healthier planet; and a fairer society, are the platforms through which we will deliver this growth and impact. Product innovation will meet the growing needs and expectations of consumers and society. Our actions on climate change build both resilience and opportunity for the future, for example within a low carbon economy. Our work to enable a fairer, more diverse and inclusive society can strengthen economies, livelihoods and communities while also enabling core values within society. More details of our sustainability ambitions for 2030, and the full details of our targets, our approach and performance are available at [www.reckitt.com/sustainability](http://www.reckitt.com/sustainability).

## CASE STUDY

## EMBEDDING SUSTAINABILITY IN PRODUCT INNOVATION

Our Sustainable Innovation Calculator (SIC) strengthens how we measure our environmental footprint and use of ingredients, raw materials and packaging. This provides quantitative metrics and tracks progress to ensure our innovation programmes align with our sustainability goals.

The SIC informs development decisions by comparing the impacts of new products against existing benchmarks, such as our carbon footprint, water impact or ingredients. 30% of our portfolio is already 'more sustainable'. In 2020, we updated the calculator to strengthen measurement of the ingredients used, green chemistry and packaging. This will help deliver our ambitions for 2030, delivering more sustainable products to consumers, while reducing our chemical footprints and improving use of more sustainable ingredients and packaging.

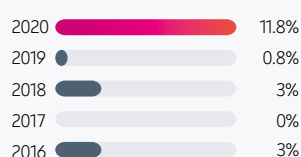




## FINANCIAL

### LFL Net Revenue Growth<sup>1</sup>

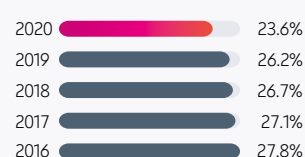
**KPI:** An indicator of strong sales execution, innovation and customer service.



**Goal/Target:** to rebuild consistent mid-single digit growth in the medium term.

### Adjusted Operating Profit Margin<sup>1</sup>

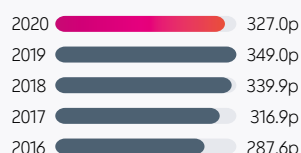
**KPI:** An indicator of brand strength and return on investment in innovation and marketing.



**Goal/Target:** our plan outlined a reduction in 2020 and 2021 and then recovering to the mid 20s by the mid-2020s.

### Adjusted diluted EPS<sup>1</sup>

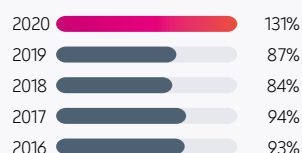
**KPI:** An indicator of overall success.



**Goal/Target:** to achieve consistent 7-9% earnings per share growth as we deliver mid-single digit revenue growth and improving margins over time.

### FCF Conversion<sup>1</sup>

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

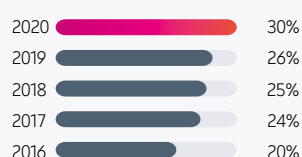


**Goal/Target:** to maintain the delivery of strong free cash flow conversion over time.

## ORGANISATION

### Gender diversity

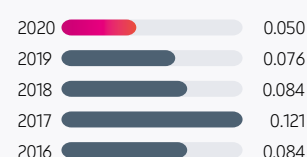
**KPI:** Percentage of female senior managers in our global workforce<sup>2</sup>.



**Target to 2022:** 40%  
Company wide, our gender balance is currently 49% female and 51% male.

### Lost Work Day Accident Rate (LWDAR)

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



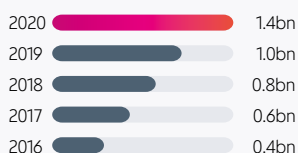
**Goal/Target:** Continued decrease of LWDAR rate.

1. 2016, 2017 and 2018 figures are as originally reported within the relevant periods and have not been adjusted for any subsequent updates made to IFRS
2. Represented in our Senior Management Team, Global Leadership Team, and Group Executive Committee including our CEO and CFO
3. Excluding our Infant and Child Nutrition (ICFN) business – See Reckitt Insights (<https://www.reckitt.com/sustainability/>) and Reckitt Reporting Criteria Basis for Preparation (<https://www.reckitt.com/sustainability/policies-and-reports/>) for details
4. Calculated for 12 months ending 30th September 2020
5. 2019 and 2020 year end zero waste to landfill performance includes IFCN sites.
6. Manufacturing and warehousing only

# SOCIETY

## Purpose-led brands

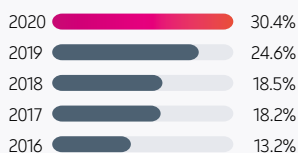
**KPI:** Total number of people informed through health and hygiene messaging and campaigns since 2013.



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

## Product innovation<sup>3,4</sup>

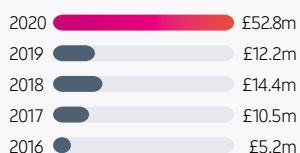
**KPI:** Total Net Revenue from more sustainable products.



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

## Social impact investment

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

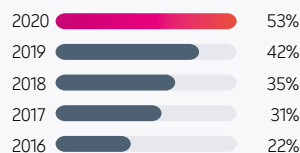


**Target to 2025:** £20m per year.

# ENVIRONMENT

## GHG emissions per unit of production<sup>3,6</sup>

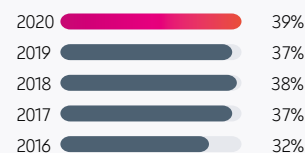
**KPI:** The percentage reduction in Greenhouse Gas emissions per unit of production, against our 2012 baseline.



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

## Water use per unit of production<sup>3,6</sup>

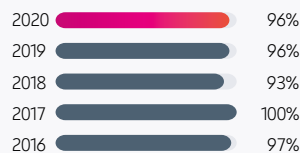
**KPI:** The percentage reduction in total water consumption per unit of production, against our 2012 baseline.



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

## Sending zero waste to landfill<sup>5</sup>

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



**Target to 2020:** 100%.

## Manufacturing waste per unit of production<sup>3</sup>

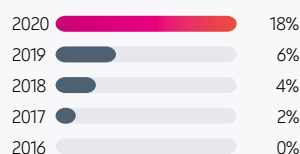
**KPI:** The percentage reduction in manufacturing waste per unit of production, against our 2012 baseline.



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

## Carbon footprint per dose of product<sup>3</sup>

**KPI:** The percentage reduction in our total carbon footprint per dose of product sold against our 2012 baseline.



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

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

**KPI:** The percentage reduction in water used during the product's life cycle, adjusted to reflect water scarcity, per dose of product sold against our 2012 baseline.



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



## OUR CONSUMERS



# PUTTING CONSUMERS FIRST

**Consumers buy brands they trust. Rightly, they expect safe, effective and sustainable products, at a fair price. They also want to be sure that the products they buy are responsibly sourced and won't damage the environment. And that the business behind them is playing its part to tackle global issues and support a sustainable future.**

## How we engage

Consumers want great products and they put their trust in their favourite brands. Our brands are trusted by people all over the world, and we work hard to earn that trust.

Consumers today know a lot more about how the world works and that affects their choices. With better information, they expect more from us and our brands. They are not satisfied by warm words and look for more assurance backed up by concrete commitments and actions.

We share that expectation. We seek to understand, mitigate and preferably avoid any negative impacts while maximising our positive impact on society. Beyond that, our purpose is to make things better in the relentless pursuit of a cleaner healthier world.

We exist to protect, heal and nurture. And we fight for access to the highest-quality hygiene, wellness and nourishment, because we believe that's everyone's right. By reaching more consumers, in different markets, we will also increase our impact with the growth of our business. Our ambition is to reach half the world by 2030 with our purpose-led brands, engaging 2 billion people through our programmes and campaigns to promote a cleaner healthier world. Our brands are at the heart of the social and environmental impact we create, and we focus on enabling a healthier planet and fairer society. In doing so, we help to deliver the

UN's Sustainable Development Goals. Most importantly, and reflecting James Reckitt's heritage, we create social impact in the lives of people we serve, our consumers, their families and their communities.

Our compass guides our direction and the value and behaviours we adopt. The goal of always doing the right thing underpins all our actions. Putting consumers and people first is a guiding principle.

Sustainable products, plastics reduction and improved reuse and recycling have moved up the consumer agenda. Combatting climate change is central to expectations to build back better after the pandemic. Awareness of biodiversity and calls for ecosystem protection have also grown. We are responding on all of these fronts.

Societal impact and sustainability are at the heart of our business strategy and, alongside quality and value, are increasingly important consumer expectations. We invest in brand innovation that maximises consumer benefits and delivers positive impacts for society-at-large, aiming for new products that do more for consumers and for society. On climate change, we have increased our ambitions and are making quicker progress to reduce carbon emissions and support a healthier planet. Within our business and in our value chain we are enabling a fairer, more diverse and inclusive society.



### Responding to COVID-19

Reckitt became a key strategic supplier in the fight against the spread of COVID-19. Our priority was to reduce transmission while keeping people safe and addressing the stresses faced by consumers and communities. We launched the myth-busting COVID-19 facts.com website and published warnings on improper use of disinfectants. We commissioned a major scientific study, which confirmed the virucidal effectiveness of our brands. Through Dettol, we also launched what became the largest public health campaign in history. Dettol's #HandWash Challenge began in India in April. By the end of the year, it had garnered over 125 billion views on TikTok.

### Maintaining stock availability

As the pandemic took hold, consumer demand for Dettol, Lysol and other market leading hygiene brands escalated dramatically. We had anticipated the demand surge in January and worked hard to ramp up supply. We maximised output. Production moved to a 24-hour, 7-day-week schedule at 35 of our factories. We also adapted and reconfigured production lines where possible to meet the emerging challenge, for example in Thailand, where our Durex lube production line was rapidly repurposed to meet the growing need for hand sanitiser.

The pandemic posed unique challenges for global supply chains, which rely on steady supplies from numerous suppliers and shipping companies. Sourcing components and ingredients became a key problem across the industry. Our Jingzhou factory in China for instance gets over 100 different parts and raw materials from outside suppliers. When its usual suppliers ran out of stock our supply teams had to scour the markets for alternatives, and then qualify them to make sure they reached our quality thresholds. They succeeded.

At times, getting these supplies meant moving tons of raw materials across continents, if necessary by air freight. But cost was a secondary consideration. Maintaining production and supply to consumers remained the priority.

Our production centres worked flat out. Many of them had to find ways to do this while complying with strict social distancing, quarantine and curfew regulations. And of course, we also had to keep our people safe.

These were exceptionally challenging conditions, which tested our processes as never before. Global demand for Lysol and Dettol rose significantly. During some periods, it didn't matter how much we produced, everything was selling out. We achieved tremendous output growth in a very short time-frame and have learnt important lessons about resilience and flexibility.

It's still hard to gauge whether all of this heightened demand for hygiene products will be reflected in a more permanent shift in consumer behaviour. However, we recognise that any future pandemic will rapidly expand demand. We are therefore making additional investments now to increase the capacity of COVID-19 critical products such as disinfectants, sanitisers, soaps and surface cleaners, and to enhance our production flexibility.

### Safe, effective and sustainable products

Consumers have always valued safety and now increasingly they value the sustainability of the products they choose. They want products that are more effective and that they trust not to harm them or the environment. Those that can afford to are willing to pay a premium for products that are more sustainable. And expectations of basic performance are rising too.

Reckitt's innovation programme accelerated activity in 2020. It centred on developing more sustainable products, ingredients and packaging while building in safety by design and maintaining effectiveness.

For all our brands, we're researching even safer and more sustainable alternatives. We're introducing products that preserve and, where possible, improve efficacy while using more natural ingredients. Our first natural-based laundry brand in the US, UK and Spain in 2020 is an early example of this research. Botanical Origin appeals to eco-conscious consumers with a natural-based cleaning product that delivers performance which appeals to all.

Air Wick's Botanica range of oils, sprays, candles and reed diffusers are all based on natural ingredients. From 2021 onwards, over half of the feedstock for the entire Air Wick range of liquid electricals will use renewable ingredients.

In October, Dettol launched its first ever alcohol-free hand sanitiser. It uses bio-renewable active ingredients, including lactic acid sourced from cane sugar, and citric acid sourced from corn, to boost efficacy. The sanitiser has been proven to kill 99.9% of germs, bacteria and viruses and is effective against COVID-19. Following its successful launch in China it will be rolled out internationally in 2021.

We're acting to make our products as safe as they can possibly be, with strict controls on their development and testing. We are also developing products to take greater account of consumer preference. The Mucinex Free From cold and flu decongestant spray wax launched in 2020. This provides effective relief for adults and children over 12 and is especially designed for consumers that prefer to avoid alcohol or sugar.

We extended the Durex Naturals range of paraben and glycerine-free lubrication into the US under the KY brand in 2020. Durex also launched paraben-free intimate wipes in European markets to help protect women from infection and sexually transmitted disease.

### Earning trust

Trust originates from our safe and effective brands and is reinforced by our attention to wider issues that matter to consumers and society as a whole. Our sustainability commitments, on climate change, plastics, the circular economy and human rights, resonate strongly with our consumers and customers. They want to know that the issues they believe in are important for the company that makes their favourite brands.

But our sustainability agenda is not just about satisfying consumers. Broader considerations inform and infuse our approach, such as the increasing connection between a healthy planet and healthy lives for us all. We are trying to address a broad range of sustainability challenges to select, develop, make and sell products that advance the cleaner, healthier world we want to see. We want to build a more prosperous and resilient future for our company and society with purpose-led brands and initiatives that improve people's lives and put the planet first.

# 125<sub>bn</sub>

views on Dettol's #HandWashChallenge on TikTok

## CASE STUDY

## #HANDWASH CHALLENGE

Dettol's #HandWashChallenge campaign became a vivid display of the power of the TikTok platform for younger demographics. Dettol India kicked off the campaign by inviting Bollywood celebrities and some of India's top TikTok influencers to upload their own dance-based interpretations of the handwashing rap. The campaign went viral and soon, not just young people, but grandparents, health workers, all demographics were uploading videos. In just four days #HandWashChallenge had nearly 9 billion views. Dettol rolled out geo-specific versions for countries in Asia, Africa and the Middle East. By the end of the year, it had racked up more than 125 billion views. There were over 75 million unique videos as people all over the world uploaded their own rhythmic interpretations of correct handwashing techniques. And it didn't end there; #HandWashChallenge spread beyond TikTok too, with over 565 million video shares across the internet.





OUR CUSTOMERS





# FOSTERING STRONGER CUSTOMER RELATIONSHIPS

**Our interests overlap with those of our customers. Both of us want to serve shopper and consumer needs. We foster multi-level, cross-functional relationships that help us pinpoint shared strategic objectives, and improve our operational performance, execution and availability.**

## How we engage

Healthy, mutually beneficial relationships are based on more than category and brand sales, they are grounded in a shared sense of purpose. We express our purpose through the innovations we deliver, by meeting consumer needs, and by making a difference with our brands to the categories in which we operate. And we develop those categories more effectively by working closely with our retail customers.

Customers prefer to work with agile manufacturers that have transformational ambitions for their brands and categories. And having closer connections with customers brings other benefits too.

When our customers tell us how what we do looks to them it's a chance to improve. They are the retail specialists, and they know what their consumers want. They have insights that can spur product innovation.

Our top 25 customers contribute around a third of net revenue. We've invested significantly more time and resources in developing these customer relationships during 2020.

The appointment of a global chief customer officer at executive board level has added weight and focus to this effort. He is supported by CCOs for North America and International Customers, each managing the leading customers in their respective regions.

Depending on the profile of the customer, we coordinate our largest relationships globally, regionally or nationally. At the operational level, we have substantially expanded our customer-facing teams to provide multi-disciplinary support to our major North American and international customers. We aim to grow mutually beneficial long-term relationships by building structural partnerships and vertically integrated networks with our customers.

Strong relationships start from the top. Top-to-top meetings help articulate shared objectives built on a common sense of purpose. We run strategy workshops with key major customers to identify areas of common interest. We are uncovering more ways to meet customer priorities by deploying our brands to address their priorities.

Strong structural partnerships and relationships are fundamental. Our customers can draw on the expertise of category, shopper, sustainability, operational, channel and format, and regional specialists. It means that when there is a specific issue, they have someone with relevant expertise who can articulate and advance their interests at Reckitt.

### Where we engage

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

Supermarkets are our primary channel in North America and developed markets, particularly for Hygiene. In Europe, supermarkets are the primary channel for hygiene and home products, while pharmacy is the largest single channel for our health and wellness brands.

It is still the case that most sales are made through physical outlets, but online presence is getting more important. Many large retailers have already adjusted their business models and those that have not will need to pivot quickly to omnichannel fulfilment to remain competitive. We are matching this change by developing an omnichannel approach to category and customer engagement.

Small independents with relatively few chain outlets make up the bulk of the pharmacy sector. This remains the primary channel for our health brand portfolio in many territories. We have built up an extensive network of expert local representatives who manage these relationships, and the cross-selling and detailing of our brands.

In e-commerce, we will often invest in building ever closer partnerships. Our digital customers promote our brands online through their e-commerce outlet, but we also generate revenue for them by investing in media space on their platforms. As we sell more on a platform we often spend more on media space.

Whether the sales channel is online or offline, we aim to identify synergies at the strategic level, promote purpose-led innovation and invest in partnerships and networks that enhance and expand our categories.

### Joint value creation

The leadership team made purpose-driven customer engagement a corporate priority in 2020. We focused on building strategic retailer partnerships founded on common purpose. We identified common areas of interest and windows of opportunity through numerous top-to-top meetings and strategic workshops. Engagement is coordinated centrally to ensure customers connect with a unified Reckitt voice and have access to cross-functional and cross business unit support. Our digital capability allows us to deliver omnichannel support to customers and is a key engine for growth.

We find synergies when we work with customers on areas of common interest. This purposeful, coordinated approach is driving improved performance both within existing categories and in new spaces.

Walmart is one of several big retailers with sustainability goals that mirror Reckitt's approach. In September 2020, it announced plans to become a regenerative company targeting zero emissions by 2040. Its ambitious goals for regenerative agriculture, the circular economy and improved conditions for suppliers are consistent with our approach at Reckitt. The two companies work together to advance their shared agenda. For instance, following Walmart's 2019 commitment to a 10% reduction in its chemical footprint by 2022, we contributed to that goal by reformulating our fragrances to make them more sustainable.

We are embracing the digital revolution as we continue to invest in marketing expertise. In October 2020, we launched our virtual interactive Marketing Excellence Village. We invite partners and selected customers here to share and discuss our values, plans, and visions virtually in various online buildings. Our teams hold quarterly town halls in our main events building, the Curve. We discuss insights, data and analytics in the Hive; collaboration in the Design Lab focuses on brand experience; we meet in the Stack to discuss data-driven marketing and media topics; in the Forum for Good we work on purpose-led brands; and in the Academy we concentrate on marketing capabilities and operations. The cutting-edge concepts mapped out in the Village are carving out new ways of working in the digital arena.

### Safer, cleaner retail spaces

In 2020, as society grappled to control the spread of COVID-19, physical retailers suffered as social interactions declined. Surveys revealed that some 60% of shoppers felt anxious about being in stores after lockdown. Not surprisingly, most retailers experienced a radical reduction in footfall.

We worked with key strategic partners in the pharmacy and drugstore sector to reassure consumers by creating safer, more hygienic spaces. We introduced front-of-store sanitisation stations, put health and safety advice at strategic, in-store locations and installed protective zones for those waiting for prescriptions. We also worked with retailers to safeguard business areas and protect employees. Some retail partners introduced dedicated hygiene zones within their stores, which provided a focus for Reckitt brands.

### Growth in e-commerce

With widespread lockdowns and social distancing in place to combat COVID-19 many consumers turned to digital channels for their groceries and provisions. Online sales experienced double-digit growth during the year. Our e-commerce operation continued to outperform: online operations now account for 12% of our global sales, a significant uplift since 2019.

The global pandemic turbo-charged online growth this year, but most analysts agree this was not a one-off event, rather, it has accelerated an underlying consumer trend. Much of this growth is now baked in and expected to remain when social distancing constraints ease. According to data from IBM's US Retail Index, the pandemic has accelerated the shift from physical stores to digital shopping by roughly five years.

Having already built a strong e-commerce capability Reckitt was equipped to respond quickly and flexibly to the rapid changes we saw during the year. As physical retailers migrated their offers online, we were able to adapt our supply chain and core offerings to maintain access to our products via multiple online channels.

Reckitt has strong relationships with all the major global marketplace platforms, like Amazon, Alibaba and JD.com. A mix of 1P/3P, these platforms constitute our largest online channel. They account for more than half of Reckitt global online sales. We deploy advanced analytic and automation tools to optimise revenue here.

Omnichannel/eGrocery retailers, our second major channel, returned the highest level of absolute growth in 2020. All large physical retailers are now leveraging their strengths in geographic reach and scale and developing omnichannel strategies. We can call on the multi-disciplinary skills and resources we've developed for marketplace online platforms to help them succeed in the digital arena.

In some domestic markets, the unemployment and job insecurity caused by the crisis reduced consumer demand. Cross-border platforms with full localisation and familiar payment options helped our brands attract consumers in international markets. We are also building direct online relationships with consumers for our brands on a growing number of direct-to-consumer (DTC) channels.

E-pharmacy is another fast-growing channel. There has also been rapid development in the newly emerging ultrafast channel over the last two years. These on-demand platforms are attracting consumers by delivering products within minutes not hours. We are adapting to these challenging delivery criteria by mobilising highly responsive supply chains that can meet these requirements.

For each of these channels, we're developing closer customer partnerships and building up our brands.

Consumers' needs are evolving rapidly. And we have to be ready to respond at pace. To do that, we've designed our e-commerce operation to be fluid, adaptive and to share expertise globally. This is a highly dynamic environment where today's innovation can be outdated in months. We take nothing for granted.

# 12%

of global sales come from our e-commerce activities

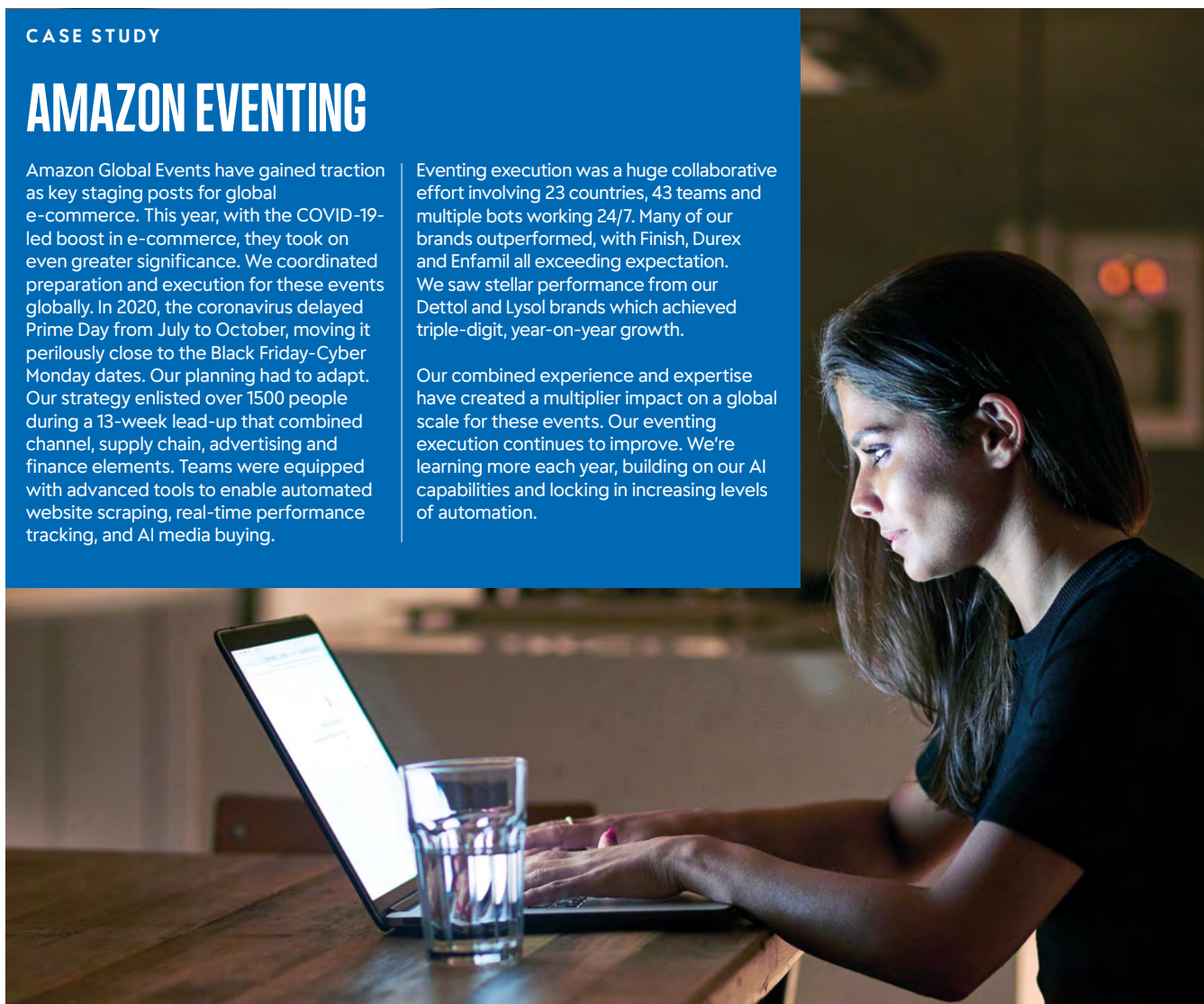
## CASE STUDY

# AMAZON EVENTING

Amazon Global Events have gained traction as key staging posts for global e-commerce. This year, with the COVID-19-led boost in e-commerce, they took on even greater significance. We coordinated preparation and execution for these events globally. In 2020, the coronavirus delayed Prime Day from July to October, moving it perilously close to the Black Friday-Cyber Monday dates. Our planning had to adapt. Our strategy enlisted over 1500 people during a 13-week lead-up that combined channel, supply chain, advertising and finance elements. Teams were equipped with advanced tools to enable automated website scraping, real-time performance tracking, and AI media buying.

Eventing execution was a huge collaborative effort involving 23 countries, 43 teams and multiple bots working 24/7. Many of our brands outperformed, with Finish, Durex and Enfamil all exceeding expectation. We saw stellar performance from our Dettol and Lysol brands which achieved triple-digit, year-on-year growth.

Our combined experience and expertise have created a multiplier impact on a global scale for these events. Our eventing execution continues to improve. We're learning more each year, building on our AI capabilities and locking in increasing levels of automation.





## OUR INVESTORS



# ENGAGING INVESTORS

**Our long-term financial resilience depends on the continuing support of the investor community. It supports and sponsors our activities with the provision of debt and equity. We aim to communicate transparently with all investors so they understand and remain aligned with our strategy.**

## Why we engage

Our investment community includes current and potential shareholders, mainly institutional and retail investors, as well as 'sell-side' research analysts, banks and ratings agencies. Our investors, as owners of the business are a critical stakeholder group and are the providers of the financial capital – equity or debt – that underpins our business and allows us to successfully execute our strategy. In return for this, they expect to earn good financial returns. These can be in the form of dividends, capital appreciation or interest.

The cost of equity or debt is influenced by the quality of perceived risks. Maintaining an open, constructive dialogue around these issues is key so that investors can make appropriate decisions about the returns they can expect over time.

It is important that all market participants have equal and timely access to information from the company and as such, we are committed to engaging transparently as we forge ahead with building a renewed purpose-led business that is sustainable for the long term. Our Investor Relations team is key in maintaining this dialogue and ensuring that there is a wide array of information accessible, be it online or through recognised platforms for the investment community. It is also the responsibility of the IR team to ensure the Information provided is compliant with market abuse regulations and guidelines. In addition to the active responsibilities of the

IR team, our corporate website has played a central role in ensuring our retail investors have access to the same information at the same time as our institutional investors.

## Communication challenges with COVID-19

Over the past year, we have strengthened our IR team in recognition of our commitment to this area. The individuals within the team, together, bring over 50 years of corporate and capital markets IR experience gained from working across a range of companies and industries. Over the last twelve months, the IR team has developed stronger processes and channels of communication, including adapting and evolving the delivery of the IR programme to overcome the restrictions imposed by COVID-19. As a result of this, the team has had to be nimble and creative in its conversations with stakeholders as it has been more important than ever to deliver and provide useful and timely information to the market.

We have delivered a proactive IR programme and have met our financial reporting obligations through a combination of one-to-one meetings, group meetings, webinars, roadshows, conferences, round tables and fireside chats this year.

Beyond this, we have broadened our communication channels to all of our stakeholders through the use of regular e-Newsletters, fact sheets, presentations and broader updates to comment on recent and upcoming IR activity.



Despite COVID-19 restrictions driving much of our interaction online, in some ways, it made it much easier to engage with our global investor base and shareholders as we were able to be more flexible with allocating our time across the varying time zones. We look forward to holding face-to-face meetings again in the future, but it is likely that going forward, we may retain some of the benefits of more screen-based interactions as it has introduced a level of efficiency and flexibility as we better embrace digital IR communication.

### Explaining our strategy

The strategy laid out by our CEO in February 2020 has brought renewed interest in Reckitt. Throughout the various meetings led by our CEO, CFO and the IR team, we focused on laying out our plans, including the required investments, delivery milestones and long-term goals. With the emphasis on clear corporate purpose and fight at the heart of our transformation, it was important to explain our strategy in the context of the impact that the ensuing market developments were having on the business.

Presciently, in the strategy update in February, our CEO stated that hygiene was the foundation of health. As the pandemic took hold across the world in early Spring 2020, the subsequent focus on disinfectant and germ protection and the role of our portfolio of category leading and heritage brands in managing the spread of the virus could not have been better predicted or be more fitting.

### Our engagement activity in 2020

Given 2020 was a year like no other, it was necessary to adapt the investor engagement programme to meet the needs of transferring to the new virtual environment. We organised extensive engagement programmes with holders and non-holders alike. In 2020, we held over 300 meetings, with over 1,000 investors, representing over 350 institutions. As a result of the pandemic and ongoing social distancing practices, the meetings since mid-March have all been virtual.

They included one-to-ones, large and small group meetings, as well as regional meetings with international investor groups. We conducted investor meetings with a global investor base. For example, we held a virtual roadshow with Paris based investors. This consisted of two mornings of meetings with 17 different French investors. Similarly, we held virtual roadshows for Australian, German, Scandinavian and Spanish investors, which gave us the opportunity to meet with many funds in these regions.

For each of our quarterly results, we hold a presentation for analysts, investors and other interested parties, followed by a live Q&A. The full RNS, presentation and script are uploaded to our website shortly after the event, so that investors can spend time pouring over the details further, if they so wish.

With meetings being held virtually, we were able to participate in numerous conferences hosted by the various investment banks. This facilitated connection with a wider volume of investors than we might typically have seen during the weeks after reporting.

In total, we hosted presentations or attended meetings at over 15 conferences in 2020. The conferences were all heavily oversubscribed. Some of the conferences included key industry events on the annual conference agenda such as the Deutsche Bank Global Consumer Conference; the JP Morgan Flagship Consumer & Retail Conference; the Morgan Stanley Global Consumer and Retail Conference and the Sanford Bernstein Pan-European Strategic Decisions Conference.

Beyond the conferences, it was important that shareholders had access to management on a regular basis and to that end, we met with each of our top 20 shareholders consistently during the year.

Fund Managers as at 31 December 2020	Holding %
BlackRock	7.95
MFS	6.02
Morgan Stanley	5.89
Capital Group	3.42
Vanguard	3.40

**In 2020, we held over 300 meetings with over 1000 investors, representing over 350 institutions.**

### Understanding investor views

In July, we completed the re-organisation of the business into three business units – Hygiene, Health and Nutrition. Investors were keen to gain insight into the underlying trajectory of the businesses and our ambitions and priorities for sustainable growth. Our growth enablers and growth drivers featured high on their list of discussion points. Many wanted to delve deeper into subjects like innovation, the development of our core category market units (CMUs) and the new Global Business Services channel. With the significant changes to the senior leadership team over the year, investors have been keen to hear about how the culture of the organisation is changing.

To fully understand and gauge the views of our investors and other financial stakeholders, we gather regular feedback using third party providers. On our behalf, the feedback company collected detailed comments and liaised not only with the investors we met, but also with the sell-side analysts who regularly write research on the company. The feedback obtained, which is shared and reviewed by the Group Executive Committee and the Board, helps us to better communicate the investment story in the most helpful manner to our investment community.

Governance and remuneration are areas of enduring interest and against the backdrop of stronger interest in ESG, we spent a lot of time addressing queries on these topics, particularly towards the end of the year.

**The trust that our employees place in the company is underlined by the high proportion that own shares in the company – which, at around 55 percent of the workforce, is amongst the highest for a publicly owned, UK-listed company.**

#### Employees as shareholders

At Reckitt, employee interests are aligned with those of our institutional and retail shareholders. The trust that our employees place in the company is underlined by the high proportion that own shares in the company – which, at around 55 percent of the workforce, is amongst the highest for a publicly owned, UK-listed company.

We have three separate plans which cater to our global workforce – the UK Sharesave; the US Plan and the GSPP (Global Stock Purchase Plan), which is for all other countries outside of UK and US. Our Group Leadership Team has share ownership requirements to increase alignment between management and shareholders and ensure focus on long term sustainable shareholder value.

#### Looking ahead

We will be looking to launch further initiatives in the coming year and will continue to adopt as flexible an approach as is necessary.

We will focus on building and enhancing our IR digital interaction and as COVID-19 restrictions continue, we will seek to use the corporate website and video interaction in more innovative ways to showcase the business and our strategy and to highlight the breadth of our portfolio. ESG will also form a bigger part of our 2021 investor relations programme as we roll out new targets. We will also look to uncover our heritage stories further and bring the richness and the great history of our brands to all of our stakeholders.

#### CASE STUDY



### 'A GOOD HOUSE IN A GREAT NEIGHBOURHOOD'

#### Articulating strategy at the Morgan Stanley Global Consumer & Retail Conference

In Laxman Narasimhan's fireside chat at the Morgan Stanley Global Consumer & Retail Conference in December 2020 he connected with international investors to outline Reckitt's business transformation strategy and review its performance at the end of an eventful year.

He began by reminding his audience that Reckitt's strategy set out, pre-COVID-19, in February had focused on building long-term sustainable returns with an initial emphasis on improving execution. He explained that the impact of COVID-19 had in fact accelerated transformation and made the company more confident that it would achieve its objectives sooner.

Laxman highlighted five tailwinds that supported the company's positioning: hygiene as the foundation of health, the increase in sexual health concerns, the growth in self-care as public health comes under pressure, the need for nutrition solutions – for infants and, increasingly, for seniors – and the continuing disruptive effects of technology and in the digital arena. He explained why Reckitt is well-placed in all of these areas and took questions on how Reckitt intended to drive organic growth and improve shareholder returns.

“

**Reckitt's strategy set out, pre-COVID-19, in February had focused on building long-term sustainable returns with an initial emphasis on improving execution.**



OUR PEOPLE



# INSPIRING AND SUPPORTING OUR PEOPLE

**The talented people who work at Reckitt want to make a difference in the world. They are inspired by our purpose and our fight, and guided by our compass. We give colleagues the space, the opportunities and the chance to have a real and positive impact. It's what we call Freedom to Succeed.**

## How we engage

Our success as a business is founded on our strong, distinctive culture. We want all colleagues to have a sense of belonging and take personal pride in what they do. Our approach is anchored by our purpose: the relentless pursuit of a cleaner, healthier world. The behaviours we share are guided by our compass; doing the right thing, always, is fundamental for everyone here. Our Freedom to Succeed employee value proposition aims to instil, promote, reinforce and reward the positive behaviours and attributes that make that real.

Our focus is on maintaining an open, positive, inclusive culture by promoting continuing dialogue across the company. We forge connections across the company in many different ways: via site visits, at virtual townhalls and through surveys, forums and focus groups for special interest areas.

Maintaining rich and active communications across the company is a priority for Laxman Narasimhan, our CEO. His popular car-pool conversations – informal chats with team members on the commute to work – were halted by COVID-19, but he along with other senior leaders continued to connect with colleagues with regular, screen-enabled sofa chats and through the Stronger Together series. All colleagues are encouraged to connect directly with senior leaders, via email and in live-streamed Q&A sessions.

The pandemic constrained site visits this year, but the leadership team and Board directors held regular virtual focus groups, townhalls and broadcasts with our teams. We ran virtual onboarding sessions for new GEC members, which included tours of key markets. There were also regional and domain-specific meetings with general managers and function leaders.

On social media our active LinkedIn presence is followed by over 30,000 Reckitt employees. There is also high employee engagement on other social channels and increasing interaction on internal social platforms.

We conducted regular surveys using an online tool, Glint, that yield detailed, in-depth insights into employee sentiment. There were two general all-employee surveys and three that asked for specific, COVID-19 related responses during 2020. Reckitt scored highly on overall engagement. Over 70% of those surveyed responded, including a significant number of responses from our manufacturing employee base. The feedback showed a highly motivated workforce, strongly committed to our purpose and fight. When asked to rate how proud they were to work here, they ranked Reckitt well ahead of our global peers.

The surveys also identified opportunities for improving performance. Colleagues were broadly positive about our equal opportunities policies, our investment in



people and our status as a smarter, leaner workplace, although we still have work to do to raise the bar in these areas. This tallies with the three key themes emerging from employee feedback generally. First, our people are concerned about inclusion and the associated topics of equality of opportunity and career development. Second, although they were positive about currently available opportunities they wanted more investment in training and development. The third strand, highlighted by the pandemic, is a desire for smarter, more flexible working practices. We are addressing all of these areas in a spirit of continual improvement.

### CASE STUDY

## IN THE FRONT LINE AGAINST COVID-19

Jingzhou city in Hubei province is close to Wuhan, where the coronavirus epidemic began. It is home to one of Reckitt's biggest manufacturing plants for Dettol.

When Hubei went into lockdown the factory's products were desperately needed, but most of its 400 workers had left the city for the weeklong Chinese New Year (Spring Festival) celebrations. Managers worked with the government to get travel permits and accommodation. Nearly 300 colleagues agreed to come back: one worker made a six-hour bicycle trip, another walked 13 hours. They boosted dwindling mask supplies with a donation from a nearby factory and put the workers up in local hotels, where they remained isolated for several weeks.

Everyone understood that Reckitt was in the front line against COVID-19; the workers gave up a lot to play their part. The factory earned plaudits for its efforts and was recognised with a global award from the CEO – the Sir James Reckitt Award – Reckitt's highest accolade.

### Reckitt spirit

In crisis, the Reckitt spirit comes out even stronger among our people. We saw that after the Beirut explosion, colleagues set up online support groups and raised over \$1 million for employees and their families. And we saw that by how people stepped up in the face of a global pandemic, we had factory workers living on site to keep production going. To take just one example, our IFCN facility in Makati in the Philippines keep vital nutrition supplies flowing for children under curfew conditions. They converted office space to make 'the Reckitt hotel'. Some were living there for weeks on end without seeing their families.

When we had to close our offices colleagues adapted immediately. Face-to-face training programmes were swapped for virtual equivalents. Our IT specialists worked tirelessly to get our global systems fit for purpose.

Reckitt has become a key strategic player in the fight to stop the spread of COVID-19. This would never have been possible without the extraordinary efforts of so many of our colleagues.

### Leading by example

In 2020 we developed leadership behaviours with the Group Executive Committee that translate our compass into meaningful action. The compass calls on colleagues to put consumers and people first, seek out new opportunities, strive for excellence, build shared success and above all, do the right thing, always. Our expectation of leaders is that they support and reinforce these behaviours. We ask them to own their area of the business and make decisions that matter. They should spot opportunities, innovating, iterating and scaling and building better in everything that they do. We expect them to care for their colleagues, actively listening and including and working together to deliver. These behaviours are being embedded into the assessment of talent and performance across the organisation.

### Reckitt Leaders...

**Own:** Live our purpose, fight and compass. Know our business. Make decisions.

**Create:** Spot opportunities. Innovate, iterate and scale. Relentlessly build better.

**Care:** Actively listen, learn and include. Speak direct with respect. Act to unleash potential.

**Deliver:** Focus on what matters. Move boldly and at pace. Join forces to win bigger.

### Diversity and inclusion (D&I)

We have over 43,500 colleagues operating in 60 countries across six continents from 120 different nations. It's incumbent on us to work together to embrace our diversity and build inclusion into everything we do, not just to create a sense of belonging within the company but to make better connections with the global community we serve.

In 2020 we have been working hard to make our culture more inclusive. We've established a D&I board chaired by our CEO. We also commissioned EY to give us an external perspective on where we are and where we could be. The EY diagnostic included an online listening exercise with feedback from 2,000 Reckitt people, focus groups in different languages, and interviews with key stakeholders, including members of the D&I board, Group Executive Committee and senior Reckitt leaders.

We have six workstreams in our inclusion strategy: leadership, policies, people, partnerships, procurement and brands. The leadership pillar ensures that inclusion is role-modelled, endorsed and promoted at a senior level. Our policies should be inclusive by design; we are reviewing these to ensure that's the case. The people pillar is about promoting a fully inclusive culture throughout the company. For partnerships, we seek out others that develop diversity and inclusion in society. We want to ensure our procurement policies support suppliers from diverse and minority communities. And we leverage the power of our brands to help build a more inclusive world.

### Gender pay report

As a UK-based group we are required by law to produce a gender pay report which highlights any difference between average male and female hourly earnings. But Reckitt goes further. In 2020, we extended our reporting to five of our main markets covering more than 50% of all our people. In 2021, we will extend to a further ten markets.

### Stronger Together: 6 pillars to drive inclusion



**People:** Building a culture of inclusive leadership



**Policies:** We continuously improve our policies to raise the bar on inclusion



**Partnerships:** Building selective partnerships



**Brands:** Leveraging the power of our brands to drive a more inclusive world



**Procurement:** Supporting suppliers from diverse and minority communities



**Leadership:** Senior level focus and sponsorship via a global D&I board



### Workforce Disclosure Initiative

In 2017, ShareAction and over 50 financial institutions formed the Workforce Disclosure Initiative (WDI) to address the demand from investors and NGOs for greater transparency from businesses on how they value direct employees and those in their supply chains. Reckitt has participated for three years. In 2020, we were placed in the top quartile for transparency of the 140+ companies sharing information on pay, contract types, diversity, and their supply chains with a disclosure score of 82% compared with the 66% sector average.

### Reimagining the workplace

In common with many businesses, the constraints on working imposed by the pandemic have also unearthed new possibilities.

In July 2020, we launched our Freedom Forum, a crowdsourcing platform that encourages colleagues globally to share their ideas on how we can change the way we do things. We request ideas in response to a particular theme. These are assessed for viability and the top five get proposed to leadership. The theme for the first forum, workplace of the future, attracted more than 600 ideas and over 10,000 votes. Ideas around how to enhance flexibility at work was most popular. We now have a cross-functional global team focusing on the future of work. It's looking not just at the practical implications of working flexibly, but at how it enables sustaining high impact at work and at home and broader cultural goals.

As people spend longer working from home, wellbeing and mental health are coming ever more into focus. In 2020, we paused global operations on two occasions to let people rest and recover in a stressful year, as well as ensuring our people have access to assistance programmes and other tools and resources to support individuals and build resilience. In 2021, this will be a key focus area when we have plans to dedicate more time and resources to employee wellbeing, enabling colleagues to thrive personally and professionally. Colleagues want to find ways to balance their workload more effectively. We recognise that space to stand back and sample different experiences can have a positive impact on productivity and innovation.

### CASE STUDY

## STRONGER TOGETHER

In 2020, we set up the Stronger Together conversation series – a five-year commitment that aims to shine a light on the inclusion topics that matter most to our people. Laxman chairs employee storytelling sessions that aim to advance understanding across the organisation about the lived experience of people of colour, women, the LGBTQ+ community, those with disabilities and other marginalised or disadvantaged groups. We are also hosting conversations with external guests and thought leaders to challenge our thinking and inform our responses on these topics.

In the first of these conversations, in May 2020, Reckitt people spoke about the reality of being black in America. It provoked strong emotions and sparked a worldwide response. Over 4,000 colleagues attended these sessions, which have also included conversations on LGBTQ+ and women in STEM. Colleagues have shown commendable courage and openness in coming forward to tell their stories. Their stories have helped us all to consider how different experiences impact on people's life chances.





## OUR PARTNERS



# EXTENDING OUR IMPACT WITH LIKE-MINDED PARTNERS

**We work with our partners to deliver practical and sustainable solutions that further our purpose of creating a cleaner, healthier world. We want to build lasting solutions that have real social impact. To do that, we look for partners that share our purpose and endorse our values.**

## How we engage

Reckitt is on a mission. Our purpose – the relentless pursuit of a cleaner, healthier world – drives our actions and our compass guides our thinking. That sense of purpose underpins our sustainable business model. We further our purpose through purpose-led brands that serve a genuine social need. And that drives growth.

We join forces with others to build shared success. External partners support our efforts with expertise, objective assurance, research and local knowledge. We forge purpose-led alliances that link with our categories and brands. We participate in local and global campaigns to advance social and environmental objectives. And we combine with trading partners to build efficient, resilient supply chains that meet consumer needs and expectations.

## Sparking innovation

Innovation for us is not just about making world-beating products, it's about connecting with our consumers in different ways, finding different ways to grow our business and making a difference to society and the environment.

The best ideas can come from anywhere, but there are natural synergies with like-minded start-ups and small-scale disruptors. They bring fresh thinking and new approaches. Our knowledge and resources can scale up their ideas.

Together, we can have a lasting impact in areas that really matter to people's lives.

We reach out to entrepreneurs in many different ways. In 2020, we partnered with Startup Grind, the world's largest independent start-up community, at its tenth anniversary event in Redwood City, California. We hosted a health innovation hack there.

Reckitt mentors guided teams of entrepreneurs and creative leaders. They were supported by our R&D and marketing experts. We gave them 24 hours to prepare mental health solutions for expectant and recent mothers, which they then presented to an expert judging panel. As well as kudos, the winning team won a commitment from Reckitt to explore how to bring its idea to life.

The annual Reckitt Global Challenge is another way we reach out to talented innovators. Our flagship innovation competition attracts hundreds of entries. In 2020, they came from 32 countries on three continents. The teams were asked for ideas that contribute to positive social change. The national winners went to a global final at the annual One Young World conference. They got the chance to work at Reckitt, with their ideas going into our innovation pipeline and mentoring available to support their development.

## ACCESS VC

B Corporations are purpose-driven organisations that want to use business as a force for good. The over 3,500 certified B Corps in 71 countries include some of the most innovative and progressive companies in the world. They are committed to combining profit and purpose.

We want to encourage collaboration with these independent, purpose-driven entrepreneurs. Their objectives chime with our own. That's why we've launched our own B Corp venture.

Access VC has been set up to be agile, flexible and a great partner for purpose-driven initiatives. It manages our existing Reckitt minority stake assets, including the Your.MD and Founders' Factory investments. It will be the launchpad for B Corp start-ups in the coming years.

Access VC offers more than just venture capital: it's a cooperative enterprise. Purpose-driven entrepreneurs get access to Reckitt's experts, brands, resources and scale.

### Clinical professionals

We engage with healthcare professionals internationally to exchange information, share best clinical practice and sponsor research.

In South America we work with Neocosur, a non-profit, voluntary network of around 30 neonatal units in Argentina, Brazil, Chile, Paraguay, Peru and Uruguay. In India, we worked with senior paediatricians and dieticians to develop the country's first ever milk ladder and tackle cow's milk allergy (CMPA) in infants and young children. We also conducted clinical studies with the Department of Translational Medical Sciences at the University of Naples Federico II to better understand CMPA management.

In France, we worked with the paediatric, gastroenterology and allergy department at the Necker hospital for sick children, Europe's largest paediatric hospital, on research into eosinophilic esophagitis (EoE).

We manage numerous educational partnerships, including with Harvard School of Public Health, the Royal Children's Hospital in Melbourne and SickKids in Canada. We also share our expertise in professional journals and at presentations for international symposiums and congresses, including a virtual CME Symposium sponsored by the Pediatric College of Nuevo Leon and at the World Congress of Pediatric Gastroenterology, Hepatology and Nutrition in Vienna.

### Innovative and responsible supply chains

We seek to encourage sustainable practice across the supply chain. To do that, we make sure we source responsibly and we collaborate with key suppliers and manufacturers to advance our purpose. Our Partners to Innovate programme aims to promote sustainable innovation and improve manufacturing processes.

This has included work with Dow to develop a new polymer system for Finish products. These use recyclable feedstock and replace a key petrochemical ingredient with biodegradable materials. We are working with major polymer producers to develop the next generation of recycled materials for high-quality post-consumer recycled (PCR) plastic packaging. We have also developed 100% PCR packaging with Banyan Nation in India for Dettol handsoap.

Manufacture 2030 is a software platform that aims to halve resource use in global manufacturing over the next decade. This industry-wide, cloud-based initiative helps to evaluate and improve the environmental performance of manufacturers, especially in developing markets. We joined the platform in November 2020. We're using it to encourage factories and suppliers to improve environmental performance. The initial 289 third-party manufacturers involved will soon be joined by others, bringing us a step closer to improving environmental performance across the whole supply chain.

In Africa, we partnered with leading e-commerce platform Jumia to simplify consumer access for health and hygiene products. As part of this agreement, we finance free shipping in eight African markets, to reach consumers in Algeria, Egypt, Ghana, Kenya, Morocco, Nigeria, South Africa and Uganda.

And we're increasing transparency across our supply chains. We have worked with key dairy suppliers, including Glanbia in Ireland and Friesland Campina in New Zealand, to trace milk to farm level. This provides reassurance that key Enfa products use milk from grass-fed cattle – an important issue for many consumers, especially in China.

### Responding to COVID-19

#### Trinity Challenge

In September, Dame Sally Davis, Master of Trinity College of Cambridge, launched the Trinity Challenge in response to COVID-19. She was motivated by the belief that humanity has the means to ensure future health emergencies will not disrupt and destroy lives and livelihoods. But to do that it must prepare now.

The Challenge aims to build a coalition of partners that use data and analytics to develop insights that can protect us all against future health emergencies.

Reckitt is a founding member. We've joined a network of 22 leading institutions including some of the world's best minds and most influential leaders from business, academia and the social sector to help identify and evaluate potential solutions.

Our collaborative research efforts focus on measuring and modelling the socio-economic impacts of pandemics and looking at the cost-effectiveness of non-pharmaceutical health and hygiene interventions.

### COVID-19facts.com

There has been a lot of misunderstanding about COVID-19. There have been numerous competing narratives as the world struggled to get to grips with a fast-moving global pandemic. The World Health Organization has warned of an infodemic, with misperceptions on topics such as transmission, cures and protective measures circulating widely.

We teamed up with the Economist Intelligence Unit (EIU) to create a dedicated fact-checking website that aims to debunk common myths. Working in conjunction with Reckitt, EIU experts have been providing authoritative, science-based information on the COVID-19facts.com website since its launch in March 2020.

### Advancing best practice

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

We also worked with Route 2, to assess the societal impact of our Durex brand. This quantified our impact throughout the value chain, from latex farmers through to end-consumers, as a Total Economic Contribution. Route 2's analysis established that the sale and use of Durex condoms in 2019 had created an estimated £122 million in value through the avoidance of deaths, unplanned pregnancies and sexually transmitted infections and diseases.

With the Danish Institute for Human Rights and our supplier partners, we assessed the whole of our Durex and Enfa value chains in Thailand to understand our impacts and consider how we could strengthen human rights. The DIHR report and our associated action plan has been published.

We are continuing our work to strengthen the human rights and livelihoods of people in our Durex and Enfa networks in Thailand. Our new Fair Rubber commitment is building community benefits and economic stability for the smallholder farmers in Thailand and Malaysia that provide us with high-quality latex for the brand.



### Regulatory intelligence

We engage actively in the continuing debate on international regulatory frameworks for nutrition, health and hygiene.

Food law and regulation is a complex and evolving area. We are regularly consulted on policy and participate at high-profile educational events. For example, in 2020, Reckitt representatives presented to a global audience of industry professionals, academics and regulators at a Michigan State University programme on best practice for food safety and regulation.

The Economist Intelligence Unit's two Reckitt-sponsored white papers on self-care and the future of health continue to influence global debate on healthcare policy. Reckitt specialists and partner organisations have published and presented in China, Thailand and elsewhere on the role of self-care and the need to maintain transparent and consistent regulatory frameworks that protect people and support the sector.

In Hygiene, we cooperated with numerous regulatory and industry bodies to authorise and approve biocidal products for use in the battle against COVID-19. Our US regulatory team successfully advocated for the US Environmental Protection Agency to publish its List N of disinfectant ingredients expected to kill the coronavirus. After receiving data confirming the efficacy of our products for this specific SARS-Cov2 strain, Reckitt worked with regulators to expedite registration approvals. In several markets, including Australia, the US and Canada, we were the first to obtain this approval.

We also work with industry groups to develop common standards and enhance international best practice. As active members of the International Association for Soaps, Detergents and Maintenance Products (AISE) we are currently helping to develop the AISE Charter for Sustainability.

### CASE STUDY

## RECKITT GLOBAL HYGIENE INSTITUTE

In July, we established the Reckitt Global Hygiene Institute (RGHI), a new, fully independent, not-for-profit global initiative to develop insights and scientific analysis that can inform public health initiatives. Our £18m funding aims to strengthen the scientific evidence demonstrating hygiene's importance as a foundation for health. RGHI will act as a research and innovation hub bridging epidemiology, public health, and behavioural insights to generate practical, high-quality scientific research that leads to enduring behaviour change.

The Institute aims to advance understanding of the links between hygiene and health, encourage behaviour change and higher global hygiene standards, and promote best-in-class hygiene science internationally.

RGHI has assembled an expert panel of internationally renowned academics, which will drive and direct its research activities. Its early priorities include advocacy, establishing a new RGHI fellowship programme and publishing cutting-edge research.

Reckitt Global  
Hygiene Institute





OUR COMMUNITIES





# INVESTING IN COMMUNITIES

**We want to make access to the highest quality hygiene, health and nutrition a right not a privilege. We are investing to improve that access in communities with unmet needs where we can have the most impact and through our brands, making high-quality products available to more people. We empower people – with products, education and skills – to make small changes in their daily lives that can unlock progress that lasts a lifetime.**

## How we engage

Reckitt seeks to play a full and constructive role in society. Our purpose and fight express what that means for us and guide how we make a difference. We believe that everyone has the right to high-quality hygiene, wellness and nourishment. And we fight on multiple fronts to make that happen.

Our social impact investment programme focuses on projects where we can make a measurable, sustainable and meaningful difference. It is centred on three main areas of activity: Sexual health and rights and maternal and child health are two; the third area, which was critically important this year, is clean water, hygiene and sanitation.

## Fight for Access Fund

The launch in March of our Fight for Access Fund marked a new phase in our drive to translate our purpose – protecting, healing and nurturing in the relentless pursuit of a cleaner, healthier world – into transformative action for communities.

The Fight for Access Fund is a rallying point for the energy and resources we spend serving our communities. It's there to support projects that improve access to health, hygiene and nutrition for all. We've committed to allocating the equivalent of 1% of our annual adjusted operating profit every year to ensure we continue to broaden and deepen that access. We put this money to work through our brands on programmes that have a lasting, positive impact on people's lives. The Fund invests to improve access in a range of ways: by donating funds to organisations on the ground, by ensuring high-quality products are produced and enhancing their availability, and by educating and informing people.

## Combatting COVID-19

In 2020, the collective battle against the spread of COVID-19 was the immediate and urgent priority. We mobilised £32m from the Fight for Access Fund and supplemented this with additional resources from savings during the year, which boosted our COVID-19 related funding to £52m.

## CASE STUDY

DISINFECT  
TO PROTECT

In Asia, Lysol and the Philippine Red Cross (PRC) joined forces to launch Disinfect to Protect. This aims to break the chain of coronavirus infection by improving hygiene barriers and early diagnosis. Lysol Philippines contributed P36 million (c.£560,000) to boost mass testing. Half of this donation was used to build the Philippine Red Cross Molecular Laboratory, a mass-testing facility. The other half went to towards a COVID-19 Samaritan fund that prioritises testing for around 4,500 of the most vulnerable Filipinos, including pregnant women, the elderly and those with pre-existing conditions. Lysol supplemented this financial support with support in kind. It has equipped the PRC's sample collection facilities and testing laboratories with Lysol products to help keep frontline health workers safe.

We prioritised activities that addressed the stress faced by our consumers and in communities where we operate, to help stop the spread of the virus and break the chain of infection. The Fight for Access Fund supported governments and frontline health workers in 66 countries. The £1 million allocated for NHS workers in the UK was one of 20 major projects targeted globally. And there was strong backing too from our brands. Lysol, for instance, provided \$2 million in matched funding to the US Centers for Disease Control and Prevention (CDC) Foundation.

Dettol committed £6 million to frontline health workers and provided urgently needed medical equipment in Wuhan, China. It also gave 10 million units of Dettol soap to vulnerable communities.

Dettol UK pledged to distribute 150,000 care packages to help frontline health workers and their families stay clean and safe. And it donated pre-purchased media time to the UK Government to help amplify its public health messaging campaign.

Globally, we donated over 27 million products, including 1 million litres of Lizol and Harpic disinfectant for Indian hospitals. And we provided essential PPE for frontline workers, including over 15 million face masks worldwide. We also supported public health messaging through our brand campaigns and by donating media space.

These are just a few of the many direct initiatives we undertook in 2020 to counter the spread of COVID-19. We have also been

combatting the virus with projects that promote clean water, hygiene and sanitation.

**Clean water, hygiene and sanitation**

We have collaborated on public service campaigns with government agencies, NGOs, national medical associations and other stakeholders and provide funding, products and educational resources to promote handwashing and sanitation in Africa, Asia and the Middle East. We use the strength of our brands to stress the importance of good hygiene. Dettol India's #HandWashChallenge campaign was particularly successful at spreading a vital public health message to a younger demographic. It attracted billions of views on TikTok.

The Banega Swasth India (BSI) campaign has been stressing the importance of hygiene as a foundation for health since 2014. It has helped to instil behaviour change in 13m schoolchildren over the years, reducing diarrhoea and improving school attendance. The spread of COVID-19 through the country added urgency to the campaign. BSI launched its Healthily app and donated Return to School kits, including masks, sanitiser and public health posters, to over a million schools across the country.

For Mission Paani, Harpic teamed up with India's News 18 to highlight the country's water crisis. Their nationwide publicity campaign emphasised the importance of conserving water and ensuring sustainable sources for future generations. It also set up community pilot programmes to construct and renovate water harvesting structures in selected villages.

In 2020, the programme partners recalibrated their message in response to the COVID-19 pandemic. They launched the Swachhta aur Paani campaign in October. This stresses the critical importance of clean water for good hygiene and the urgency of maintaining hygienic and sustainable supplies.

In Kenya, where we have been at the forefront of handwashing campaigns for many years, the biggest obstacle has always been the lack of safe, clean sources of water. In 2020, we joined forces with water.org, donating KSh69m (c.£460,000) from our Fight for Access Fund. This funding will help water.org reach around 68,000 Kenyans living in poverty over the next two years, getting them access to safer water and sanitation.

In the US, Lysol is investing more than \$20 million over the next three years to expand its HERE for Healthy Schools Program. It aims to reach the 15 million children in every Title 1 school in the country by 2022. The 58,000 Title 1 schools across the US are those deemed to have large concentrations of low-income students. The programme provides educational resources that will support the reopening of schools and encourage children to learn healthy habits to protect against the spread of germs in the classroom.

**Sexual health and rights**

We have a longstanding commitment to combat HIV and AIDS. We've joined forces with the United Nations Programme on HIV/AIDS (UNAIDS) to help protect people with HIV/AIDS during the pandemic. We're using the UNAIDS network to distribute hygiene packs to around 220,000 people living with HIV across Africa. The packs contain a three-month supply of Dettol soap and JIK bleach.

This latest initiative is in addition to our current Durex partnership with (RED) in South Africa, which is helping to keep 40,000 girls in school. Keeping Girls in School, match-funded by the Bill and Melinda Gates Foundation, is a \$10 million commitment that aims to reduce new HIV infections in young women, reduce teenage pregnancies, improve access to sexual reproductive health services and encourage adolescent girls and young women to stay in school.

**Maternal and child health**

In 2020, we announced a partnership with the United Nations Population Fund (UNFPA), this provides access and support to expectant mothers during the pandemic, in Mexico, Philippines and Thailand.

We also helped expectant mothers in China, our Embrace Life initiative provides access to expectant mothers during Lockdown. With the China Children and Teenagers' Fund (CCTF), Chunyu Doctor, and NCP volunteer, we supported vulnerable expectant mothers in Wuhan and the Hubei Province. Their needs would otherwise have not been met during the pandemic, and the initiative helped them have a safe and healthy birth.

With CCTF, we also continued our 'Better Start in Life' programme. This is helping 10,000 pregnant women and babies, and reduces stunting by 40% in rural China. Nutrition interventions and education aim to prevent stunting, and help break an intergenerational cycle of malnutrition in China.

In India, the Nutrition India Programme (NIP) aims to reach 177,000 mothers of undernourished children across 1,000 villages to improve nutritional status during the first 1,000 days of life. In the five-year program, our goal is to reduce stunting in children under five by 40%.

**Give time**

Our Give Time programme offers colleagues around the world two paid volunteer days to work within their respective communities. In 2020, Reckitt employees provided 23,147 hours of support to good causes globally, with colleagues donating time, skills and expertise to add real value in their local communities.

The pandemic made volunteering much more difficult this year, but many colleagues found ways to give time virtually. Some connected with elderly and vulnerable people via telephone befriending services. Others sent letters to key workers, carers and healthcare

professionals to thank them for the work they have been doing for their communities.

Reckitt's globally-led Give Time initiatives provide opportunities for colleagues to use their skills and experience to volunteer on a longer-term basis. Reckitt's long-term volunteer programme offers colleagues the opportunity to take part in a 13-week programme. At the start of 2020, four Reckitt employees managed teams of young volunteers in rural community projects in Nepal, Tanzania and Costa Rica. Through these programmes, Reckitt and Raleigh International bring young leaders and local communities together to work hand in hand to build lasting, positive impact.

Formed by One Young World, Lead 2030 is the world's biggest prize fund for young leaders that make an impact on the UN's Sustainable Development Goals (SDGs). Reckitt

volunteers provided online mentorship to young people seeking Lead 2030 funding for their social enterprises. Our mentors shared practical and business knowledge to help them develop marketing strategies, e-commerce platforms and other key resources.

#### **Fairness across the value chain**

Communities are at the heart of our value chains. We see it as our responsibility to support people who live and work in them, whether or not they are directly employed by us. Accordingly, supporting human rights across our value chain is an important part of our community engagement. We want to ensure reasonable livelihoods and good working conditions. Enabling decent livelihoods strengthens health and wellness in their communities, which helps us deliver our fight to make access to

the highest quality hygiene, wellness and nourishment a right and not a privilege.

For the smallholder farmers that provide us with natural raw materials, this translates into programmes that help improve productivity or recognise sustainably sourced suppliers with premium payments.

For larger suppliers, capacity-building programmes on both human rights and environmental performance protect and support the local communities where they operate. We work alongside peer companies through the AIM-Progress forum to promote responsible sourcing and strengthen delivery on human rights and working conditions. We are using the software-led initiative Manufacture 2030 to help our factories and other suppliers improve their environmental performance.

#### **CASE STUDY**

## **ACCESS TO EDUCATION IN UNDERSERVED COMMUNITIES**

In June, Lysol announced a strategic partnership with UNCF (United Negro College Fund) to provide 100 scholarships for students pursuing studies in public health, nutrition and other STEM related fields, with the goal of supporting each recipient through their time at college over four years.

The Reckitt Scholars programme will expand Lysol's current commitment in the area of public education and efforts to improve access to health, hygiene and nutrition in the US, particularly in underserved communities and those disproportionately impacted by the COVID-19 pandemic.

UNCF is the nation's largest private scholarship provider for students of colour, and awarding more than \$100 million in scholarships to students attending more than 1,100 schools across the US, including 37 historically black colleges and universities (HBCUs).

"We were compelled to take action after observing the disproportionate impact of COVID-19 on underserved communities and the lack of representation of the black community in higher education. It is more important than ever that we use our voice and influence as a force for good and look forward to collaborating with UNCF on this effort," said Ranjay Radhakrishnan, Chief Human Resources Officer, Reckitt.

"At a time when social, health and economic issues are all at the forefront of our national discourse, we are extremely grateful for support from donors, like Reckitt and Lysol," said Dr. Michael L. Lomax, UNCF's president and CEO. "This substantial gift is much needed and will have a lasting impact on students. Thank you for being a stellar example of what it takes to realise the vision of a nation where all Americans have equal access to a college education."







# BUILDING A SUSTAINABLE FUTURE

Increasingly, our shared COVID-19 experience is revealing the connection between a healthy planet and healthy people. As a responsible business we want to play our part in addressing key social and environmental issues – our societal impact. It's the right thing to do and it's good for our business.

### How we engage

Our new sustainability ambitions mark a step-change in how we engage with the wider world. We are not just concerned with mitigating our negative impacts, we want to do what we can to make things better.

Our new targets reflect our conviction that engaging positively with social and environmental issues underpins long-term growth and offers business opportunities. Reducing emissions, waste and water-use can lower our cost base. Integrating sustainability into our business model drives innovation and resilience. Our purpose-led approach is motivating our people to make change happen, and engages customers and consumers.

Our purpose relentlessly pursues a cleaner, healthier world. That extends far beyond personal hygiene and health, we need urgent action to build a cleaner, healthier planet. Our pro-active stance extends across our supply chain and through all our operations. We have strengthened our climate change commitment with a pledge to deliver for the Paris Agreement by 2030 and an ambition to be carbon neutral by 2040. We share learnings globally across our supply chain to meet consumers' evolving priorities more sustainably and at pace.

In 2020, this included partnering with energy suppliers to accelerate our commitment to renewable electricity around the world. We also partner with raw material suppliers and others to improve ingredients, make packaging more sustainable and use better chemistry.

Our sustainable innovation programme aims to reduce our carbon footprint, packaging and plastics, waste and water-use, while maintaining or enhancing product efficacy. We are reviewing our product range to ensure we deliver purposeful products that meet genuine consumer needs and advance circular economy principles. These principles apply to the energy we use, our ingredients and the way we package and deliver our products.

We have adopted a science-based approach to innovation. Our research and development effort is built on eight global science platforms. These trigger insights and pool expertise to generate more sustainable, even safer and more effective new product innovations.

We are also alert to the effect on nature of our activities and for those communities living in areas where we work or source our raw materials. We are working with local communities to protect the ecosystems that provide key natural raw materials for us, while safeguarding their human rights and dignity, and supporting their ability to earn sustainable livelihoods.

### Embedding sustainability into strategy

Our aim is to generate business growth through the positive impact we have on the world. Our progress rests on three main pillars: purpose-led brands, combatting climate change for a healthier world and enabling a fairer, more diverse and inclusive society.

Our strategy is all about creating positive impact. We want to be a regenerative business that adds value to society and the environment. We're combatting climate change with ambitious plans to reduce our own carbon footprint. We're taking steps to improve the environmental performance of our products, factories, co-packers and suppliers. And all of these activities support the planet.

By sourcing raw materials, ingredients and packaging responsibly we protect communities and the ecosystems in which they operate. By respecting colleagues, contractors and suppliers we are encouraging fairness across the value chain. By producing safer, sustainable products, reducing waste, and maximising recycling and reuse, we enable and promote circular economic principles.

### Combatting climate change

In June 2020, we announced our ambition to be carbon neutral by 2040, beginning with accelerating our delivery of the Paris Agreement by 2030, through science-based targets. Subsequently, Reckitt was one of the first three global companies to sign up to The Climate Pledge, co-founded in 2019 by Amazon and Global Optimism. Our ambition for carbon neutrality by 2040 is a full decade ahead of the world's goal of 2050.

Over 30 global companies are now Climate Pledge signatories. By agreeing to accelerate decarbonisation, we are signalling the need for a new wave of investments and innovative, low-carbon products and services. Collaboration will drive markets for these and speed up their adoption.

This means reducing carbon emissions from our sites by 65% and powering our operations with 100% renewable electricity by 2030. We are already sourcing renewable electricity where markets allow, and now have 100% renewable coverage in our largest manufacturing bases in the US, Europe, India alongside a number of other countries. All the electricity bought for manufacturing our Hygiene business's brands is now renewable.

### CASE STUDY

## SAVING TREES WITH SMARTER INVOICING

In India, we are saving trees by reducing paper. Statutory and operational requirements in India require a paper-based invoice trail for all transactions. Invoices make up at least 98% of all the paper consumed by Reckitt India. The India country team revised layouts to reduce the average invoice length from nine to two pages. This will save an estimated 5 million A4 sheets every year, equivalent to 100 tonnes of CO<sub>2</sub> in avoided emissions – simple, but effective.

We are also expanding on-site generation, using solar technology. We are building on successful investments in the US, Columbia, Pakistan, Mexico and India, and creating new projects in Thailand and elsewhere. In Pakistan, our Mauripur factory has expanded its solar energy system by 370kW. The factory had set itself the objective of having 50% of its energy load generated by solar energy. This has now been achieved. Its 507kW capacity solar farm is reducing its GHG emissions by 420 tonnes annually, equivalent to planting around 70,000 trees.

During 2020, we continued to invest in energy-efficiency projects. Several sites implemented initiatives, such as installing electric chillers and automated pump controls.

These steps have helped to propel us past our 2020 goal of reducing Greenhouse Gas (GHG) emissions per consumer unit by more than 40% since 2012 – we in fact achieved a 53% reduction.

We have increased energy efficiency by 27% and will continue to improve on that. While this falls short of our 35% improvement target, this is in part because other urgent priorities, notably GHG reduction, took precedence; we also focused on strengthening product quality and productivity. We will, however, target an additional 25% improvement in energy efficiency from current levels as part of our drive towards delivery for the Paris Agreement by 2030.

In parallel, we have been strengthening our approach to assessing climate change risk. This began in 2018 with a detailed initial study of climate-related risks across all business units. We've continued assessing risks and are progressively mitigating

these in our operations and in our products through our environmental programme.

Our new environmental agenda is a further step along this journey. In 2020, we established a partnership with Judge Business School at Cambridge University. This will further assess the risks and opportunities posed by climate change. This work, which considers both supply networks and product development will become a central foundation for our climate strategy for sustainable growth.

We're developing a 'digital twin' approach with Judge Business School to model a range of climate risk and opportunity scenarios across the business. This is part of a comprehensive investigation across 2021 to further assess the detailed risks to global supply chains and our sites. It will factor in consumer responses and purchasing patterns related to climate change. This frames our mitigation and adaptation responses in supply chains and product development. For example, in water-stressed locations it will prioritise site and catchment activity on water. We will continue to report on the risks we envisage and our response to them. A detailed disclosure on climate-related financial risk, including our climate-related risks and our activities to address them is in our Climate change insight.

### Promoting the circular economy

Consumers are increasingly aware of their own environmental responsibilities – a trend driven in part by more widespread access to data. There is growing awareness of the importance of biodiversity and ecosystem protection. The demand for plastics reduction is growing. And they expect companies to play their part.

Society is transitioning from one based on taking, using and disposing of resources to one that applies systems thinking to reduce, reuse, recover and recycle them. The companies that are ready to meet this paradigm shift will be best positioned for long-term growth.

### Packaging and plastics

We are actively reducing our reliance on plastics and improving the sustainability of our packaging. By using less material and increasing its recyclability we are reducing cost, promoting the circular economy and addressing consumer, customer and regulatory concerns.

We continue to progress our work to reduce our use of virgin plastics. In 2020, we joined the US Plastics Pact, which works collectively towards the common vision of a circular economy for plastics, as outlined in the Ellen MacArthur Foundation's New Plastics Economy initiative.

We work with numerous partners to extend our ability to deliver impact at scale. Under the Partners to Innovate programme, we are exploring future plastics opportunities by expanding PCR inclusion, developing bio-based resins and investigating chemically recycled resins. Strategic partnerships, with companies like Dow, on new materials, and Veolia, on jointly developed solutions to replace virgin plastic, will help us achieve these goals.

The Veolia partnership has delivered several successful projects in Europe. The injection moulded containers for Finish Quantum now incorporate 30% recycled polypropylene (r-PP) content. Vanish Oxi Powder tubs have 35% recycled polyethylene (r-PE) content. These programmes are being rolled out for other products in Europe and extended to other regions.

We are also working with Veolia on broader circular economy initiatives to stimulate waste collection, add value to waste and influence consumer behaviours to promote the right sorting and recycling habits.

Our Yoyo project in France was a circular economy proof-of-concept initiative to demonstrate cost-effective HDPE recycling. Recycling high-density polyethylene (HDPE) is hampered by the lack of demand for the recycled product. We equipped consumers with distinctive pink recycling bags for their HDPE plastic bottles. These were then returned, via municipal sites, to Veolia facilities for reprocessing. The resulting r-HDPE was used as feedstock, providing 25% of the content in brand new Vanish tubs.

### Reducing waste

Our campaign for zero waste across the business has been highly successful. We met our zero waste to landfill (ZWTL) target at all our baseline sites in 2020. Overall, we have also reduced waste by 28% since 2012, almost reaching our 30% target. But we can't and won't stop there. We'll save another 25% as part of our new targets, and increase recycling.

Our Chonburi nutrition plant in Thailand met its ZWTL target in 2018, but in 2019, 6% of its waste was still being incinerated. The factory set out to eliminate all waste incineration by recycling or reusing all of its waste. It achieved this by converting more waste streams to material which could be used by others. For example, developing a new supply stream of spent processed milk and powder for farmers to use as animal feed. Through these and other measures, Chonburi became the first of our sites to achieve not just ZWTL but zero waste to incineration (ZWTI).

## CASE STUDY



## CIRCULAR FASHION

Minimising waste goes beyond making our own production processes more efficient, it is also about changing consumer behaviour. Fashion has been cited as one of the world's most polluting industries, responsible for 4% of global emissions. It's an entire industry that was built on waste, with the idea that clothes constantly need to be replaced. But it doesn't have to be like that.

Vanish has a different mission. It aims to promote sustainability and responsible clothing consumption. And through its new partnership with the British Fashion Council, its ideas are now percolating through to the fashion industry. The brand has become a founding partner of the Institute of Positive Fashion (IPF). It has been named as a research partner on the IPF's launch project, The Waste EcoSystem, which aims to understand what it will take to create a circular fashion industry in the UK, and how that can be expanded globally.

### Innovating for a cleaner healthier world

We've developed a rigorous methodology for developing safe and sustainable products that serve a genuine and growing consumer need. Our global research effort is organised around science platforms on key topics that span business areas. Concentrating expertise in scientific specialisms maximises our ability to develop differentiated science and related insights. These provide the basis for new technologies, materials and formats which can then be developed into superior, even safer and more sustainable products.



### Science platforms

Our eight centres of scientific excellence cover specialisms that relate to Reckitt areas of interest. They focus on allergy and immunity, digestive health, entomology, microbiome management, nutrition and cognition, polymer science, sensory enrichment and surface chemistry. Our approach in each reflects principles underpinning the fast-emerging area of green chemistry.

We apply this knowledge in over 20 core technology areas, such as controlled release or surfactants, to a circular design process where consumer, sustainability and business benefits are reinvested in continuing improvement. This innovation process aims to improve on current offerings by developing differentiated products that are more effective and more sustainable.

Careful management of the ingredients we select for inclusion in our products combined with global safeguards form the cornerstone of our approach to product stewardship. We collaborate with partners, suppliers and our customers to find new solutions that both delight consumers and improve on our collective chemical and environmental footprints. Reckitt is proud to have been recognised for these efforts as a 'frontrunner in chemical footprinting' in the Chemical Footprint Project's 2020 results.

### Sustainable innovation

Our Sustainable Innovation Calculator helps us compare the sustainability of product innovations with existing benchmarks. We evaluate a product's ingredients, raw materials, packaging and its consumer impacts to assess whether new products are more sustainable. The tool is continually evolving as sustainability knowledge improves. In 2020, we put more focus on ingredients and packaging, alongside carbon and water footprints. We improved its integration into all three global businesses. This helped us deliver 30% of our net revenue from more sustainable products.

We know we need to improve the carbon and water impact of our brands. Since 2012, we have delivered 18% carbon reduction and 13% water reduction. This has improved in the last 2 years but needs to accelerate further. Until now, we have largely focused on our manufacturing operations to reduce emissions. Our new goals go further, reducing product carbon and water footprints alongside reducing plastic and helping consumers recycle after using our brands.

### Managing water

Managing water resources effectively is essential for the health of our planet. Millions of people are affected by water scarcity and with climate change the number will rise.

Our biggest challenge is not within our own operations, it's that consumers need water to use many of our products. We are

campaigning to help consumers recognise looming water crises and take steps to address them by using our products more efficiently. We also work with communities in water-stressed areas to give people better access to clean water and sanitation.

The Finish no rinse campaign, which urges consumers to abandon pre-rinsing to save over 50 litres per wash on average, is highlighting the need to conserve in water-stressed regions. Following a successful launch in Turkey, it has continued internationally, with major campaigns in Australia and the US. Globally, thousands of people have pledged to save million of gallons of water annually.

In the long term we aim to be water positive in water-stressed locations within the Group and to sustain water resources in our supply chain. Reckitt is pursuing initiatives that increase water efficiency in all our operations and deliver savings across the value chain. We have surpassed our target of improving water efficiency by 35% by 2020, achieving 39% overall, but we know that to support water resources everywhere, our work cannot stop there.

Many of our factories, especially in water-stressed regions, introduced water-saving and recycling measures. Our Hosur site in India worked with local government agencies and communities to assess hydrology, future supply risks and planned production needs. It then agreed a plan to reduce water use, improve efficiency and enhance access and water retention in its catchment area. It built new dams, excavated ponds and de-silted drainage canals. In Indonesia, the Cileungsi factory built a new reverse osmosis system, upgraded steam traps and reduced its water use by 30%. And on a smaller scale, our Agbara factory in Nigeria has introduced a system for siphoning off ion-rich water from its borehole that it can't use in production, to provide grey water for cleaning purposes.

### Protecting ecosystems

We rarely buy natural materials in their raw state, but as the ultimate user of natural refined materials we are as responsible for their sustainability impacts as our suppliers.

In 2020, we joined the CGF Forest Positive Coalition as one of 19 members committed to ending deforestation. With a collective market value of over \$1.8 trillion, the coalition has the scale and resources to accelerate systemic efforts to protect ecosystems and move towards a forest positive future.

Sourcing responsibly is in our own interests. We make future supplies more resilient by respecting the communities that produce our raw materials and the ecosystems in which they live and work. We work with partners on the ground to combat biodiversity loss while supporting labour rights and human dignity.

Currently, much of the seven million hectares of forest land lost annually is converted to palm oil production. More than 40% of palm plantation land is farmed by smallholders. They face intense competition and in many cases cannot afford to farm sustainably. We monitor deforestation through supplier programmes and the Starling satellite mapping approach we operate with our peers, but to reduce this consistently we also need to change the economics of land clearance for farmers.

Our programme with the Earthworm Foundation improves livelihoods for small farmers. It supports certification and assists them with intercropping projects to make their land more productive and sustainable. Alleviating the pressure on them to clear new land helps to prevent deforestation.

In 2019, we commissioned the Danish Institute for Human Rights to conduct country-level human rights impact assessment (HRIA) of our Durex and Enfa value chains in Thailand. Following its report in 2020, and to reduce the risk of deforestation in rubber farming, we have introduced our Fair Rubber commitment. This provides latex farmers in Thailand with a price premium that supports their livelihoods while also strengthening the supply of latex we depend upon and reinforcing sustainable farming principles. The programme is similarly investing in communities working on rubber plantations in Malaysia to support their long-term sustainability.

### CASE STUDY

## POLLEN COUNT

Understanding the importance of biodiversity requires more than abstract, intellectual engagement. Although a relatively small project on its own, the Nowy Dwor employee-led bee-keeping project has the potential to open minds to the importance of biodiversity.

The Nowy Dwor site joined a national project to promote biodiversity led by Polish NGO, Liga Ochrony Przyrody (LOP). Reckitt is hosting four beehives and Reckitt employees are being taught how to care for bees. Honey is collected and packed for us. The honey is also laboratory tested and is helping conservation organisations to monitor the state of the environment.

## 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> How Purpose drives our performance Our Sustainability Performance Environment Task Force on Climate-related Financial Disclosures (TCFD) <sup>2</sup>	Pages 12-15 Pages 24-27 Pages 52-55
<b>Employees</b>	<ul style="list-style-type: none"> <li>Code of Conduct</li> <li>Our Values</li> <li>Occupational Health &amp; Safety</li> <li>Speak Up policy</li> <li>Policy on Human Rights and Responsible Business</li> </ul>	How Purpose drives our performance Our Sustainability Performance People CRSEC Committee Report Gender Pay Gap Report Group Occupational Health & Safety Management System <sup>1</sup>	Pages 12-15 Pages 24-27 Pages 40-43 Pages 128-133
<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>	How Purpose drives our performance. Our Sustainability Performance Partners Environment	Pages 12-15 Pages 24-27 Pages 45-47 Pages 52-55
<b>Social and community matters</b>	<ul style="list-style-type: none"> <li>Breast-Milk Substitute (BMS) Marketing Policy</li> <li>Product Safety Policy</li> </ul>	Our commitment to auditing and transparency on BMS How Purpose drives our performance Our Sustainability Performance Communities Social Impact Investment Report	Pages 12-15 Pages 24-27 Pages 49-51
<b>Anti-bribery and anti-corruption</b>	<ul style="list-style-type: none"> <li>Code of Conduct</li> <li>Speak Up policy</li> </ul>	People CRSEC Committee Report	Pages 41-43 Pages 128-133
<b>Policy embedding, due diligence and outcomes</b>		Risk Management and Principal Risks CRSEC Committee Report	Pages 80-92 Pages 128-133
<b>Principal risks and impact of business activity</b>		Principal Risks	Pages 82-92
<b>Description of business model</b>		Our Business Model	Pages 10-11
<b>Non-financial key performance indicators</b>			Pages 26-27

1. Information not in the public domain

2. TCFD disclosure can be found in our Climate change insight

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

### Gender diversity<sup>1</sup>

**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 <sup>2</sup>
7 (2019: 7) male	448 (2019: 417) male	21,611 (2019: 20,472) male
5 (2019: 4) female	182 (2019: 148) female	17,300 (2019: 16,708) female

1. Diversity data is taken as of 31 December 2020 for active Reckitt employees (excluding contractors)

2. 34 persons with undisclosed gender

## Greenhouse Gas (GHG) emissions and energy consumption

Metric	Unit	2020	2019
Total Scope 1 GHG emissions	tCO <sub>2</sub> e	<b>138,105</b>	140,117
Total Scope 2 GHG emissions	tCO <sub>2</sub> e	<b>123,709</b>	201,902
Total Scope 1 and Scope 2 GHG emissions	tCO <sub>2</sub> e	<b>261,814</b>	342,019
Emissions intensity <sup>1</sup>	tCO <sub>2</sub> e per unit of production	<b>0.0291</b>	0.0424
Energy consumption resulting in above GHG emissions	kWh	<b>1,341,712,724</b>	
Proportion of GHG emissions arising from UK operations	%	<b>9</b>	
Proportion of energy consumption arising from UK operations	%	<b>12</b>	

We reported the above emissions on a market-based approach in line with the WRI/WBSCD Greenhouse Gas Protocol, Scope 2 Guidance and our Reporting Criteria. Following a location-based approach, our Scope 2 emissions for 2020 were 256,993 tonnes of CO<sub>2</sub>e (2019: 273,688) and our total Scope 1 and 2 tonnes of CO<sub>2</sub>e were 395,098 (2019: 413,805).

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

1. The scope of our GHG emissions per unit of production KPI is for manufacturing and warehousing. Including R&D and offices the GHG emissions intensity per unit of production in 2020 and 2019 would be 0.0319 tCO<sub>2</sub>e and 0.0447 respectively
2. For further information on the methodologies used to calculate our emissions and energy metrics please see our Reporting Criteria Basis of Preparation

### Our policies

#### Anti-bribery and corruption

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

#### Employee policies

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

#### 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.

#### Product safety policy

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

#### Responsible 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.



See more: <https://www.reckitt.com/sustainability/policies-and-reports/>



**This statement, which forms part of the Strategic Report, is intended to show how Reckitt's Directors have approached and met their responsibilities under section 172 of the Companies Act 2006 during 2020. The statement has been prepared in response to the obligations set out in the Companies (Miscellaneous Reporting) Regulations 2018, and the UK Corporate Governance Code 2018.**

As required by section 172 of the Companies Act 2006, a Director of a company must act in a way s/he considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the Director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- company's reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

As a Board our aim is always to uphold the highest standards of governance and business conduct, taking decisions in the interests of the long-term sustainable success of the company, generating value for our shareholders and contributing to wider society. We recognise that our business can only grow and prosper over the long term by understanding the views and needs of our stakeholders. Engaging with stakeholders is key to ensuring the Board has informed discussions and factors stakeholder interests into decision-making.

### Considering stakeholder interests

The Board is responsible for promoting the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. The Board aims to ensure effective engagement with, and participation from its shareholders and stakeholders. The Board commissioned independent research in 2019 to identify stakeholder views and expectations of Reckitt. The findings were incorporated into, and continue to form part of, the Board's decision-making processes. This includes the use of meeting paper templates which set out stakeholder considerations, providing the Board with assurance that potential impacts on stakeholders are being carefully considered by management when developing plans for Board approval.

The Board is also responsible for assessing and monitoring the company's culture and for ensuring its alignment with the company's purpose, values and strategy. The Board's normal meeting schedule includes meetings with local functional teams and members of the workforce and visits to different operational areas of the business, including offices, sites and factories. The September Board meetings are normally held off-site, to enable the Board to engage with different areas of the business. In 2020, the normal meeting schedule was impacted by the COVID-19 pandemic and the consequent inability to have face to face meetings. However, even with meetings needing to happen virtually, workforce engagement took place virtually.

The Designated Non-Executive Director for engagement with the company's workforce, Mary Harris, engages with the Group's workforce throughout the year and provides updates to the Board on workforce engagement activities. The Board receives meeting papers which provide updates on employee culture and the results of internal employee surveys. The Board also reviewed internal video broadcasts including from the 'Stronger Together' series, in which employees spoke directly about their experience.

### How the board engaged with its stakeholders during the year

#### Interests of our employees

The Board recognises the benefits of personal interaction and informal discussions in learning more about day-to-day operations, the development and execution of strategy, and gathering direct insights into culture from workforce engagement. The Board had regular reviews of talent, employee engagement and culture. There were direct interactions at Board meetings with key people in the business on a variety of topics.

As part of the September 2020 Board meeting schedule, Board Directors and the General Counsel & Company Secretary worked together to hold virtual roundtable sessions with small groups of Reckitt employees. Employees shared their thoughts on working at the company, its culture, purpose and mission, and their ideas about what could be improved. Following these meetings, each pairing provided feedback to Mary Harris, who in turn fed this back to the Board. The Chairman and other Board members were also actively involved in meeting top talent and future leaders during the year. These insights were invaluable in helping the Board understand employees' interests and factor them into its discussions and decision-making.

Amidst the ongoing COVID-19 pandemic, ensuring continued wellbeing for employees, both physical and mental, has been a high priority for the Board and senior management. Safe social distancing was preserved for all office-based employees as in most countries they worked from home throughout the pandemic. Maintaining safe working environments in our operational sites was also key and we established COVID-19 working practices including temperature checks and the provision of PPE. We updated our people policies and practices, encouraged virtual learning and leadership support through our Reckitt learning platform. We also ran virtual social events such as cook-alongs, quizzes and fitness classes and challenges.

Management maintained visibility by way of regular virtual townhalls and by direct engagement through broadcasted sofa conversations with senior leaders. We have conducted regular employee surveys as one way to measure our success and to help us adapt our approach to supporting our workforce. These showed employees overall were happy with our internal response to the pandemic. Willingness to recommend Reckitt as a place to work was higher than ever before during this time.

Our compass is key to our distinct culture and is also encapsulated in Freedom to Succeed, our employee value proposition, which rolled out during 2019. Freedom to Succeed represents the environment at Reckitt, where colleagues are empowered to share ideas, generate solutions, and contribute to the successful running of the company. In 2020, we also launched the Sir James Reckitt Award as a way to acknowledge outstanding teams who truly go above and beyond. This highly coveted award celebrates exceptional teams doing exceptional work in service of our purpose, fight, and compass. The worthy recipients for the inaugural award were the team in the factory near Wuhan, China for their commitment to manufacturing essential disinfectant through the early stages of the COVID-19 pandemic in China.

In the realm of diversity, inclusion and belonging, our culture was further enhanced in early 2020, with the launch of the 'Stronger Together' conversation series. These sessions focus on employee storytelling, enabling greater understanding across the organisation of race, gender and LGBTQ+ inclusion. Board members have attended the sessions this year, hearing first-hand the lived experiences of colleagues. We use this awareness to foster a more inclusive environment – to be 'stronger together'. There is an initial five-year commitment to the series, with a review of the frequency and effectiveness after the first 12 months. These sessions will continue to be about listening and learning, covering a broad range of inclusion and diversity topics. There is also a commitment, three times a year, to invite external voices to join these sessions, giving Laxman and the senior management team the chance to ask questions and to hear from customers, suppliers, partners and thought leaders about these important topics.

All employees are encouraged to make their voices heard. Our Purpose Council, comprised mainly of younger employees, identifies and adds momentum to social and environmental initiatives. Senior managers have mentors who are earlier in their career and in more junior roles. These mentors are empowered to provide input and share the wisdom of younger generations. Our Speak Up whistleblowing policy provides safe communication channels for those wishing to raise concerns. More information on our engagement activities can be found on pages 41 to 43.

The Board has undertaken a thorough exercise to understand the composition of the Reckitt workforce, and while we are primarily focused on permanent employees, we remain alert to any issues with employees of our subcontractors and ensure our procurement contracts have the highest possible requirements regarding working conditions.

## CONNECTING WITH PEOPLE WITH PURPOSE



“  
**I will continue to engage actively with employees in 2021 alongside my fellow Directors to ensure the Board's decision-making is enriched by their insights and reflects their experience.**

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

During 2020, direct Board engagement with colleagues has been invaluable in helping to ensure that, in an extremely challenging year, we put colleague safety and wellbeing first, while ensuring we fulfil our purpose for our consumers, customers and the communities in which we operate.

My meetings and conversations with colleagues during the year have reinforced my sense of the company's culture of ambition and commitment, with a clear purpose at its core. The opportunity to make a positive difference is a major motivating factor for the people here. It validates the Board's decision in February 2020 to endorse our purpose-led strategy.

The new purpose, fight and compass continue to inspire and unite colleagues. In the unfamiliar and testing conditions imposed by COVID-19, feedback from surveys and direct conversations suggested even greater shared determination to deliver our purpose, despite an inevitably intensified workload. Management's response to that, a gift of two additional holiday days for all employees, was warmly endorsed by the Board.

The Board has monitored the impact of COVID-19 on colleagues closely, including understanding the initiatives taken to support physical safety, as well as their broader wellbeing and mental health. I saw this for myself in the future workplace initiative, which solicited feedback on employee experience. My participation in the 'Stronger Together' conversation series deepened my appreciation of colleagues' concerns on Black Lives Matter and broader diversity and inclusion themes. Feedback from these sessions influenced the new Diversity and Inclusion strategy endorsed by the Board in 2020.

The Board is monitoring the strategic and cultural transformation at Reckitt through periodic surveys and direct interactions with colleagues. Regular employee engagement allows rapid follow-up where issues occur, and informs resourcing requirements and investment in new capabilities, as evidenced in 2020 by the Board's agreement to launch an entirely new business line, Global Business Solutions.

The employee voice was further enhanced through the appointment in 2019 of Mary Harris as the Designated Non-Executive Director for engagement with the company's workforce. As part of her role, Mary has the same access to internal communications materials, channels and events that Reckitt employees do. During the year, Mary has been involved in key conversations with the workforce, relaying this information in Board discussion where appropriate.

### Shareholders

The Board also continued engagement with investors. Several Non-Executive Board members participated in one-on-one investor meetings, in addition to the normal meetings between executive management and investors and analysts. Our Chairman, CEO and CFO had extensive interactions with many of our key shareholders, particularly upon the announcement of our new strategy. The restrictions imposed by COVID-19 limited our ability to meet in person. However, we were able to participate in a number of virtual meetings. Our CEO participated in numerous conferences, many of them hosted by banks, in forums and fireside chats with international investors.

The Chair of our Remuneration Committee has continued to have a close dialogue with shareholders in respect of executive remuneration, and we are pleased to note the continued support for our approach to the Remuneration which shareholders approved in 2019. The Chairs of both our Audit and CRSEC Committees also participated in one-on-one investor meetings on an ad-hoc basis.

We welcomed the opportunity for individual shareholders to submit questions ahead of our AGM in 2020, which was held as a closed meeting with a virtual webcast due to the COVID-19 pandemic. Board members listen and respond to shareholder views and feed back to the business as necessary. More information on our engagement activities can be found on pages 37 to 39.

### Fostering relationships with our customers, partners and suppliers

Our CEO engaged with several key customers, partners, and suppliers to maintain and build on our existing relationships and ensure that key stakeholder concerns are understood and reported back to the Board.

We engaged with our customers to improve supply provision and communications. Increased international demand, particularly for hygiene products, combined with the global supply chain disruptions caused by COVID-19, required continuing close engagement with our suppliers and logistics partners.

Output was increased by focusing on full pallets, shipped direct from factory to customers and we prioritised essential products across our customers. Service was a constant element of our supplier engagement agenda, which helped maintain supply, when for many products such as Lysol and Dettol, demand increased hugely during the pandemic. Collaboration with suppliers in every market helped ensure continuity of supply of ingredients and packaging, while also enabling us to qualify new suppliers and co-packers to help meet demand.

Reckitt's 'Partners to Innovate' programme with suppliers not only enabled this unprecedented increase but also supported our innovation pipeline with, for example, access to new packaging materials that meet growing consumer demand for recycled plastics and our own sustainability ambitions. A virtual meeting with key suppliers in December, involving our CEO and Chief Supply Officer, further strengthened our supplier relations, while generating support to deliver our strategy, standards of customer service, innovation opportunities and wider ESG agenda.

Our Third Party Code of Conduct, available on our website, sets out the standards we expect of any suppliers (and their contractors) working directly with or on behalf of the Group to maintain trusted business relationships in accordance with the Group's values, culture, policies, procedures and applicable laws.

From a customer perspective, support for business partners in delivering their hygiene standards through the pandemic has been a strong element during 2020. An entirely new professional business channel was developed, based on the trust consumers have in our brands. Reckitt's Global Business Solutions came from a standing start to build partnerships with Avis Budget Group, Transport for London, Amtrak, Airbnb, British Airways and Delta Airlines, amongst others. Reckitt supports them with the expertise, knowledge, and products they need to provide their customers with the highest standards of hygiene and safety that our brands guarantee. Reckitt partnered with the Hilton Group, to launch the 'Hilton Cleanstay' programme to deliver high standards of cleanliness and disinfection in Hilton properties around the world. In a first for the hospitality business, Reckitt and Hilton are collaborating with the Mayo Clinic to help Hilton guests enjoy an even cleaner and safer stay from check-in to check-out.

Reckitt's reputation with customers and consumers is strengthened by our scientific experience and global capabilities. We continued to develop our scientific credentials during 2020, and in July launched the 'Reckitt Global Hygiene Institute' with key partners in medical science, health and education. The aim of the Institute is to generate high-quality scientific evidence to inform public health recommendations and promote behaviours that improve global hygiene, underpinned by our belief that access to the highest quality hygiene is a right not a privilege and that hygiene is the foundation of health. More information on our engagement activities can be found on pages 33 to 35 and pages 45 to 47.

### Impact on our communities and the environment

In 2020, the COVID-19 pandemic meant we had to act with urgency to address the stress faced by our consumers and communities where we operate, to stop the spread of the virus and break the chain of infection. Reckitt's Fight for Access Fund was established to work with partner organisations, help frontline health workers, promote behavioural change, and help the communities in which we live and work. We mobilised over £52m to address our fight against the spread of COVID-19, across 66 countries, including donating Reckitt products to the NHS, partnering with Meals on Wheels Australia to support and protect the elderly and partnering with UNAIDS to help protect people living with HIV across Africa. More information on the Fight for Access Fund can be found on our website at [www.reckitt.com/sustainability](http://www.reckitt.com/sustainability) or in the Communities section on pages 49 to 51.

Our purpose – to protect, heal and nurture in the relentless pursuit of a cleaner, healthier world – puts us at the centre of the most pressing issue facing the world today. Our commitment to this purpose is evidenced by our new sustainability ambitions for our products and business activities and the impact we have on society and the environment as a whole. In developing these, as outlined in pages 52 to 55 we have considered the most material issues facing Reckitt, and are working with peers, customers, governments, and civil society to meet shared aims. For example, our commitment to accelerate delivery on the Paris Climate Agreement for 2030 and our ambition for carbon neutrality by 2040 aligns with Governments globally and many of our key customers, including Amazon with whom we are partners in delivering their Climate Pledge. We have also joined the global consumer-facing 'Count Us In' coalition to mobilise consumers and indeed our own teams in measures to combat climate change at an individual level. With these points in mind, it was pleasing to secure FTSE4Good Index accreditation for the 17th consecutive year.



The Board will look to continually engage stakeholders to drive sustainability performance and deliver positive societal impact. An immediate example of this was our Board listening session to investigate the impact of climate change and especially water scarcity on our business, value chains and people living in the communities where we work. Members of our CRSEC Committee, joined by our CEO and leading executives, heard from representatives of international NGOs, Indian State Government, the investor community, the UK Government who are hosting the 2021 global climate conference, and a key Reckitt customer, Amazon, which has prioritised climate change in its work. The session provided an excellent review of the issues facing business and communities, and the perspectives of the different stakeholders on climate change and water scarcity. It enabled Reckitt to embrace these perspectives in its work and supported stronger oversight of the agenda amongst the CRSEC Committee members involved. Further sessions are planned during 2021 on a range of ESG issues. More information on our engagement activities can be found on pages 49 to 55.

## Stakeholder influence on long-term strategic decisions

### Strategic review

The strategic review which commenced in 2019 continued into 2020. Feedback from multiple stakeholders, including customers, shareholders and employees, has informed our new strategy. The Rejuvenating Sustainable Growth strategy, including our new purpose, fight and compass, was approved by the Board in February 2020.

From early on, the priority was to listen and to learn. In the months leading up to the announcement of our new strategy, Laxman and his team spent time in markets all around the world and met key customers. They visited field operations, factories, research and development centres, and spent time with the sales teams. Laxman spoke to shareholders, alumni and many employees, a large portion of whom are shareholders in Reckitt. The team analysed our performance and assessed our capabilities versus our competitors.

The conversations with customers and sales teams identified numerous opportunities for collaboration based on areas of common interest that remained underdeveloped. This helped to highlight the importance of investing more in global customer relationships. An entrepreneurial, can-do spirit and a sense of personal commitment to their work emerged as common attributes among Reckitt employees. And even before the COVID-19 pandemic, many stakeholders, including employees and institutional investors, expressed the view that Reckitt should focus on long-term growth and that this was best achieved by strengthening its social and environmental commitments.

These discussions helped Laxman and his team crystallise a purpose-led strategy, with several mega-trends acting as tailwinds, to rejuvenate long-term sustainable growth. We announced that our business would operate as three Global Business Units: Health, Hygiene and Nutrition, leveraging scale to build capabilities and reflecting our core purpose of protecting, healing and nurturing. There would also be a specific focus on China and a company-wide digital capability. The implementation of this strategy will be resourced by a three-phase investment plan, largely funded by productivity. At the heart of the plan is the creation of long-term shareholder value, which will be achieved by meeting the needs of all stakeholders, through the relentless pursuit of a cleaner and healthier world.

The COVID-19 pandemic has reinforced key elements of the new strategy; it has, for example, become sadly all too apparent that hygiene is the foundation of health. Our new purpose, fight and compass have proved timely and relevant. As an example of putting the new strategy into action in the context of the pandemic, in June, the Board endorsed the launch of a new business unit, Global Business Solutions. The business case for the launch rested on consultations and initiatives with Reckitt's customers and professional partners. We also see digital as a key area of growth and the pandemic has accelerated the switch to digital consumption. Our strategic priorities include driving business performance, engaging with our workforce and other stakeholders, and managing potential risks, including those arising from numerous workstreams running concurrently under our transformation programmes. The transformation programmes that will help position us to meet our business objectives may prove easier to implement in a fast-changing world.

### Diversity and Inclusion strategy

Stakeholders play an increasingly important role in shaping key decisions. The Board incorporates their feedback into its discussions as a matter of course. It also factors stakeholders' views into its decision-making process. For example, before endorsing the company's Diversity and Inclusion strategy in June 2020, the Board listened to employee and external stakeholder voices in the 'Stronger Together' conversation series and via other forums. Their views and stories had a profound influence on the final approved strategy.

### 2021 Financial Plan

In November 2020, the Board approved Reckitt's 2021 Financial Plan. Although no formal engagement with stakeholder groups contributed to this decision, the 2021 plan was a continuation of Reckitt's February 2020 strategy. As such, it advanced Reckitt's purpose-led strategy, which aims to deliver strong, sustainable returns to all stakeholders. The plan included mechanisms and resources to represent stakeholder interest and increase engagement.

Throughout this Annual Report are further examples of how we take into account the likely consequences of our long-term decisions. It demonstrates how we build relationships with our stakeholders; the importance of engaging with our employees; and how we understand and address our impact on the environment and the communities in which we operate; and how we strive always to behave responsibly.

Hygiene

**NEVER HAS  
HYGIENE  
BEEN MORE  
IMPORTANT**

## 2020 performance highlights

LFL Net Revenue growth

# +19.5%

Adjusted Operating Margin<sup>1</sup>

# 25.9%

### Key strategic priorities

- To maximise the opportunity for our disinfectant brands created by COVID-19, entering new markets and broadening our product offering;
- Continue to build those capabilities that will set us up for sustained outperformance, especially in science and innovation, e-commerce and customer service;
- Evolve the culture of Reckitt, including embedding the new leadership behaviours.

**Hygiene net revenue grew +19.5% on a Like-for-Like basis to £5,816m for the full year. Lysol and Finish both delivered very strong growth, with Lysol up over 70% for the year as a whole. Air Wick, Harpic, Mortein and nearly all other power brands delivered healthy growth.**

### Overview

Hygiene has long been seen as a foundation of health and never more so than in the current environment. Driven by the strong megatrends that support sustainable market growth, our hygiene business plays a crucial role in delivering the Group's overarching purpose as our consumers seek to lead cleaner, healthier lives. With globally recognised brands such as Finish, Lysol and Air Wick, we have category-leading products in a number of household and homecare market segments. More people around the world are using our products than ever before, with Lysol now used in over 100m households globally, and Harpic in over 100m households in India alone.

Underpinning much of what we do, our people have developed a clear purpose and fight around which our hygiene brands are built. For example, Finish seeks to alleviate the burden of dishwashing whilst saving water compared to manual dishwashing. Through Air Wick, our new Botanica range is helping people connect to nature, through more natural fragrances and a refreshing design.

2020 saw our Hygiene business rise to the challenging environment created by the pandemic, to deliver a step-change in customer service, manufacturing capacity and product development. Overall, we delivered a major step-change in sales, adding an additional £800m to revenue, with strong share gains and the entry in to new geographies and product adjacencies for many of our brands.



“

**2020 turned out to be an extraordinary year, where we fully lived our purpose and fight. The world saw the importance of Hygiene as the foundation of Health.**

**Harold van den Broek**  
GBU President

1. Non-GAAP measures are defined on page 77



## 2020 performance

Hygiene net revenue grew +19.5% on a like for like basis to £5,816m for the full year. This reflected volume growth of +17.7% and price/mix improvements of +1.8%.

Throughout 2020, the business delivered strong penetration-led growth with good market share gains in most categories, with 70% of net revenue of core CMUs growing or holding share as consumers continue to choose our trusted brands. This broad-based performance was notably driven by good share gains from our leading disinfectant (Lysol, Sagrotan etc.) and dishwasher (Finish) brands. All major Lysol CMUs delivered share gains, with particularly strong growth and gains in North America.

By brand, Lysol was the strongest performer overall, with net revenues up well over 70%, led by growth in North America, but with strong performances in all other markets, including growth in a range of new countries and categories where we expect to sustain progress and deliver good growth in the future.

Finish also grew strongly, with growth in excess of 20%, reflecting strong execution, market share gains and an increase in the frequency of use of domestic appliances. Finish net revenues improved year-on-year in all geographies, with particularly strong performances in the USA and UK. Air Wick also delivered good growth in the year, after a slow start, led by the USA and Europe, in part reflecting the successful launch of Air Wick Essential Mist and a strong performance from the base scented oils business. Mortein and Harpic also delivered growth in all their major geographies, with Harpic particularly strong in India. Cillit Bang also delivered double digit growth for the year. Overall, of our power brands, only Vanish saw reduced sales in the year, reflecting the impact of 'stay at home' behaviour on the demand for stain removal.

Adjusted operating profit for Hygiene at £1,505m was up 21.3% on a constant FX basis and 17.7% on a reported basis. Adjusted operating margin was 25.9%, 50bps higher than last year. While we accelerated investments under our plan to rejuvenate sustainable growth, notably in e-commerce and digital capabilities, the increased investment was more than offset by record productivity and the strong leverage generated by growth in the business.

## CASE STUDY

# PURPOSE-LED MARKETING IN FINISH

Finish, our leading dishwasher brand, has defined a purpose related to saving finite resources through simple behaviour change. This led to a programme with National Geographic and other partners to firstly raise awareness of the criticality of water in our lives and inspire consumers to change their behaviours to save water – starting with dishwashing and skipping pre-rinsing of dishes.

We started in 2019 in Turkey and Australia and immediately saw that purpose activation not only led to market share gains but also positively impacted our brand equity and our product performance credentials. In Turkey we grew market share by 240bps, interacting with 4 million people and delivering over 20 million impressions in Australia, we managed to grow the category penetration by 190bps while 170,000 people pledged to save water with Finish.

This was followed by extending the programme in 2020 to 11 markets in North America and across Europe, reaching over 350 million consumers to drive positive impact through behaviour change.



# INCREASED GLOBAL HYGIENE HABITS

Hygiene habits have increased due to the pandemic and are becoming embedded



**85%**

Hygiene habits improved<sup>1</sup>



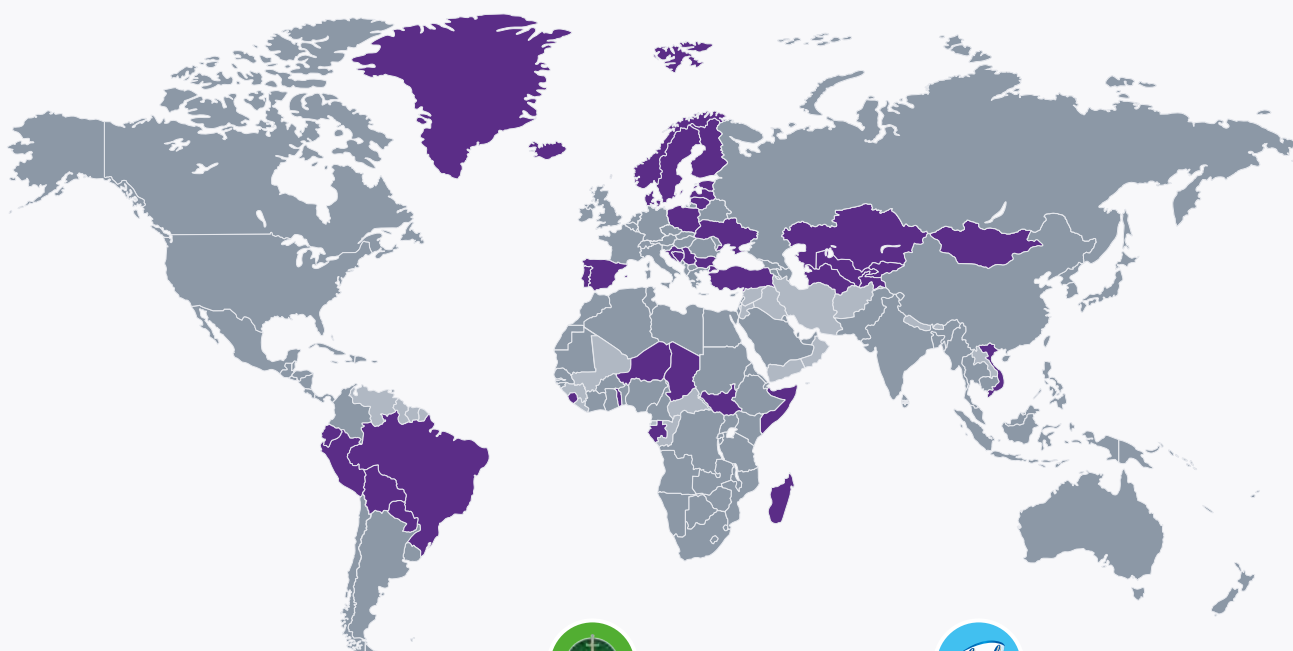
**79%**

Intend to continue hygiene habits post-pandemic<sup>1</sup>

1. Based on Reckitt research

## EXPANDING OUR LEADING DISINFECTANT FOOTPRINT GLOBALLY

We're on track for expanding our footprint to 70 new markets by the end of 2021



Our category-leading brands have strengthened further over the past year

● Presence pre-COVID-19 ● Presence by end of 2021



2021

**112** MARKETS

2019: 83 markets

Protects me from illnesses<sup>1</sup>



2021

**61** MARKETS

2019: 20 markets

Trust/credibility<sup>1</sup>



**+800**<sub>bps</sub>

**+600**<sub>bps</sub>



**+800**<sub>bps</sub>

**+1200**<sub>bps</sub>



**+2200**<sub>bps</sub>

**+500**<sub>bps</sub>



**+800**<sub>bps</sub>

**+500**<sub>bps</sub>

1. Source: H&P Equity and Reckitt internal brand attribute tracking. Q4 2020 vs Q4 2019

Health

# IMPROVING CUSTOMER SERVICE AND INNOVATION PIPELINES





## 2020 performance highlights

LFL Net Revenue growth

# +12.1%

Adjusted Operating Margin<sup>1</sup>

# 27.3%

### Key strategic priorities

- Capturing opportunities in new markets, segments, formats and categories;
- Strengthening our innovation pipeline to bring new products to market and to drive category growth;
- Further developing our digital health offering; and exploiting e-commerce opportunities;
- Remaining focused on productivity gains and simplification, creating the funds to invest in growth.

**Health revenue grew Like-for-Like +12.1% in 2020 to £4,890m. Dettol was the stand out brand, with over 50% growth in the year. Durex grew strongly in the second half, while our over-the-counter products successfully met exceptional consumer demand in the first half, before a weaker cough, cold and flu season at the end of the year held back overall growth.**

### Overview

Our Health business operates across a number of fast growing categories, driven by many of the same megatrends as Hygiene and Nutrition. As a result, our well-positioned portfolio of leading global and regional brands all have strong opportunities for growth. For over-the-counter or 'consumer health' brands, like Mucinex, Nurofen, Gaviscon and Strepsils, this reflects the growing focus on self-care as state resources become more constrained; for Durex and our other sexual wellbeing brands, the growing importance of sexual health and awareness of the transmission of infection; and for disinfection, the pressure of globalisation and urbanisation which are driving the speed, variation and penetration of viruses. The importance that consumers place on these health and wellness issues, drives their desire for trusted solutions, as they are reluctant to risk a compromise in quality. These dynamics favour trusted brands – particularly in current times of uncertainty.

The 2020 performance in part reflects a number of dynamics borne out of the COVID-19 pandemic, which has impacted the cough, cold and flu season, socialisation, and the demand for good hygiene. Strategically, good progress has been made in 2020, as we seek to



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**In 2020, we articulated our purpose – and were immediately thrust into a public health crisis, where Reckitt had a chance to contribute and do our part. That we were able to play a role in keeping consumers and front line workers protected has been a source of pride and satisfaction for our teams.**

**Kris Licht,**  
GBU President

1. Non-GAAP measures are defined on page 77

rejuvenate long term sustainable growth in the Health business. We remain focused upon delivering consumer-centric health solutions, leveraging our heritage brands, and drawing on innovation and partnerships.

## 2020 performance

Health revenue grew LFL +12.1% in the full year to £4,890m. This reflected volume growth of +8.4% and price/mix improvements of +3.7%.

Overall, Health delivered strong market share growth, with 85% of core category market units by revenue growing share in 2020. Although driven principally by broad-based gains for Dettol, Durex and Gaviscon also outperformed their respective markets.

Consumer demand for disinfectants drove strong demand for Dettol throughout 2020, with the brand growing over 50%. With an increased focus on effective antibacterial agents, Dettol achieved strong market share gains in most major geographic regions for the brand. In addition, a major expansion of the geographic and category reach of the brand was started, leveraging the proven capabilities and heritage of the Dettol portfolio. The benefits of this expansion are expected to underpin performance in 2021 and help lock-in the market gains to date and achieve strong growth for the brand in the years ahead.

Following a more challenging first half of the year, relaxations of social distancing regulations resulted in improved demand for our sexual well-being products, led by Durex, in the last six months. As a result, the category delivered good growth in revenue for the year as a whole. The positive trend has been particularly pronounced in markets where the rate of pandemic infection has materially improved. In addition, we launched 'Durex 001' in China in October – marking our entry into the fast-growing Polyurethane (ultra-thin condom) segment. With strong sales execution and innovative marketing support through partnerships in music and lifestyle brands, we are seeing strong share performance, with total share in China up c.130bps in 2020. We expect this innovation will help reverse previous market share losses over the coming quarters. Elsewhere, where our 'Invisible' portfolio and Naturals lubricants platform have been the focus, share performance has been strong in most major markets.

In aggregate, our over-the-counter (OTC) portfolio saw revenue decline 3% in the full year. The year started strongly, with good early gains for Mucinex and the benefits of pantry loading in the early stages of the pandemic. The category saw lower consumer demand during stay-at-home conditions and as a result of the weaker cough, cold and flu season towards the end of the year. For example, the Influenza-like-Illness Index was down over 80% in December. Within OTC, several brands have performed well, including Gaviscon, which delivered share

## CASE STUDY



## GAVISCON DRIVING MARKET SHARE GAINS

In Digestive Health, uninterrupted by the COVID-19 environment, Gaviscon continued a three year run of very strong results across all major countries. Underpinning this was the sustained execution of a well-established Healthcare Professional and Consumer success model, continued white space expansion and a growing innovation pipeline.

During the year, we grew market share globally by c.100bps, with double-digit revenue growth.

### Market share optimisation

Market share growth vs. 2019



**+110bps**



**+210bps**



**+380bps**



**+390bps**



**+180bps**



**+340bps**

gains of over 100bps globally and double digit revenue growth in the year, as a result of sustained execution of a well-established go-to-market models, continued white space expansion, and growing innovation. Looking forward, we expect the weak cough cold and flu season to significantly impact revenue in the first quarter of 2021 as the category laps the exceptionally strong start to 2020. Progressively, comparatives become easier and with a strong pipeline of investments and innovations, we expect the segment to return to good growth in the second half of the year.

Our portfolio of personal care products grew overall, despite some weaknesses in the early part of the pandemic, with good performances from Veet and E45. Clearasil was also steady and while Scholl declined overall, demand showed some signs of recovery in the second half.

Adjusted operating profit for Health at £1,334m was down 0.2% on a constant FX basis and down 2.6% on a reported basis. Adjusted operating margin was 27.3%, down 340 basis points year-on-year reflecting the significant investments made under our plan to rejuvenate sustainable growth and some product mix effects, partially offset by the benefits of our enhanced productivity programme.



## CASE STUDY

## FOCUS ON: SEXUAL WELLBEING

In a year where the COVID-19 pandemic has significantly impacted sexual wellbeing behaviours, Durex has continued to challenge conventions to help break down stigmas and taboos so that people can enjoy sex that feels good for them. From India to Russia, to Italy, we are increasingly getting Durex into daily conversations and making the brand a part of the culture.

Even during the lockdown, Durex has found new ways to reach consumers, with new 'ultra-fast' partnerships with Glovo, Deliveroo, and Ocado Zoom. As shoppers shifted their spending towards e-commerce channels, Durex made the necessary supply chain adjustments to meet exceptional levels of demand. The brand provided the consumers with the content and products to support an increase in solo sex occasions with lube-specific bundle packs that helped deliver market share gains in e-commerce.

To keep up with the commitment to continuously improve consumer adoption of safe sexual behaviours via better experience with protection products, Durex is now offering a consistent condom orientation so that users can open and wear them "right side up", always. The brand is also on the journey to offer a better fit because "when it fits right, it feels right." These experience improvements are being communicated across the consumer journey, and in lead roll-out markets we already see positive early results, with share gains in both Germany and Russia.

Our premium condom products have been supported with extensive innovation across the world.

In China, a key market for us, we entered in to the fast-growing PU segment, whilst in the Performance segment, we have extended our platform with several new propositions. Along with strong sales execution and innovative marketing support with music and lifestyle brand partnerships, we see strong share gains.

In the rest of the world – AiR, and our Naturals lubricant platform have been the focus. Within AiR, we have increased the number of sizes available to drive both comfort and sensation. In Naturals, the new variants, along with our #LadiesLetsLube campaign, continued to bring in new category and brand users as we breakdown the stigmas on using the category.

With first sex being so critical to shaping long-term attitude and behaviours, we continue to focus on the point of market entry programs to help young people make informed and confident choices, fight AIDS and STIs and celebrate diversity and inclusivity around the world. Throughout the year we have led with partnerships such as Stonewell, Her, Durex Red (Global), National AIDS Control Organisation (India), Solidarite (France), Dance 4Life (Netherlands), UNFPA (Mexico), and the Ministry of Health in Russia.



Nutrition

# INVESTING TO BUILD A STRONGER PLATFORM FOR GROWTH



## 2020 performance highlights

LFL Net Revenue growth

Adjusted Operating Margin<sup>1</sup>

**UNCHANGED** **14.1%**

### Key strategic priorities

- Improve the performance of our business in China through driving efficiencies, reinvestment in growth and evaluating potential strategic options;
- Invest in the business more broadly to deliver mid-single digit growth, capturing opportunities in vitamins, minerals and supplements and adult nutrition;
- Drive further productivity to fund increased re-investment.

**2020 was an important year as we integrated our nutrition portfolio and invested to address a number of legacy issues. During this time, we delivered a stable performance in challenging conditions. Performance in North America was particularly strong with both our infant formula and immunity products delivering good growth. The Greater China infant nutrition market remained challenging due to the closure of cross-border sales from Hong Kong and increased domestic competition.**

### Overview

Our Nutrition business seeks to protect, heal and nurture through providing the highest quality nutrition to those at all stages of life – from infancy to old age. With products spanning infant formula, allergy nutrition and Vitamins Minerals and Supplements ('VMS'), we seek to build and develop 1:1 relationships with consumers – personalising solutions at scale.

Our business is currently centred around infant nutrition – a large, global market with significant barriers to entry and with the opportunity for highly attractive margins. But with ageing populations and growing importance placed on nutrition throughout the life cycle, we see opportunity to rejuvenate sustainable growth for the business unit through further expansion in to the adult and senior segments. This leverages our science and technology expertise, with existing go to market capabilities and in certain instances our existing brand equity in Vitamins, Minerals and Supplements. Like our other businesses, Nutrition



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**The creation of a focused Nutrition business gives us the opportunity to leverage our outstanding technology base across a wider range of growth markets in infant, adult and specialty nutrition.**

**Aditya Sehgal,**  
GBU President

1. Non-GAAP measures are defined on page 77



is a leader in the use of e-commerce tools that have underpinned our market development and customer service.

2020 performance saw good underlying growth in many of our markets, with exceptional demand for a number of our VMS products more than offsetting market-specific challenges in our infant business.

#### 2020 performance

Nutrition revenue was unchanged on a LFL basis in the full year at £3,287m. This reflected a volume decline of 1.0% and price/mix growth of +1.0%.

Infant and child nutrition (IFCN) revenues were down 4% year-on-year, despite the strong performance in North America from Enfamil, where new innovations such as NeuroPro helped the business defend a strong share position in a growing WENR (un-subsidised) market. In particular, the Omega3-DHA-led innovation, strong consumer insight and good execution helped improve competitiveness and market shares in the second half of the year. Performance in Latin America was largely as expected, after the successful overhaul of a key spray-dryer facility in Mexico, although underlying markets remained soft, reflecting the prevailing economic climate in the region.

The Greater China business remains a focus area for the Group as we seek to improve operational performance and continue our review and analysis of strategic options. We will provide further updates through 2021. Performance of infant formula in Greater China, which represents around 25% of our Nutrition business and around 6% of Group revenues, was adversely impacted by ongoing restrictions on cross-border trade activity between Hong Kong SAR and mainland China. In mainland China itself, a steady market share performance in the first few quarters of the year was offset by a challenging fourth quarter where, as expected, sales were adversely affected by increased price competition, particularly in the large Mother and Baby Store channel. We continue to compete well with our multi-national peers and grow share in the high-premium and super-high-premium market. However, a slowing rate of premiumisation and more competition from local suppliers is expected to reduce growth opportunities in the near-term.

In 2020, as a result of the COVID-19 pandemic additional uncertainty has been introduced into the annual impairment review of the goodwill and other intangible assets of IFCN. To reflect this uncertainty management has increased the pre-tax discount rate. This resulted in the IFCN net book value exceeding its recoverable amount, therefore management have recorded an impairment loss against IFCN goodwill of £985m. Detailed information can be found in Note 9.

2020 was a transformative year for some of our vitamins, minerals and supplements brands which now represent around 15% of the Nutrition business and grew over 30% in 2020. Airborne, our immunity supplement, grew in excess of 100% in the year, with strong growth in brand awareness and consumer demand as a result of heightened health concerns. Neuriva, launched in 2019, continued to deliver good growth with the product now commanding a 16% share of its category – up c.10% points over the previous year.

Adjusted operating profit for Nutrition at £462m was -34.3% lower on a constant FX basis and -35.7% lower on a reported basis. Adjusted operating margin was 14.1%, down 730 basis points year-on-year reflecting a number of one-off charges in the second half of the year and the impact of weaker market conditions and limited cross-border trading in Greater China. In particular, as a result of the Hong Kong SAR / China border closures, stock write-downs of stranded product resulted in around £40m of charges in the last quarter. Looking forward, a number of initiatives are underway to improve performance and we expect to be able to make some improvements to margins in 2021, and more substantially beyond, through productivity savings, trading improvements, the benefit of product innovations and the non-repeat of the 2020 one-off charges.

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**The impact of the pandemic on our markets has been challenging, with lower cross-border trade and, short-term, a lower birth rate. We are taking action to position the business to turn these challenges into opportunities and drive back towards mid-single digit growth in the medium term.**

**Aditya Sehgal,**  
GBU President



## CASE STUDY



## FACTORY UPGRADES IN MEXICO DURING THE COVID-19 CRISIS

After 61 years of successful operational use, during the first half of 2020 we invested c.\$60m in our LATAM Nutrition factory dryer in Mexico to expand the capacity by 20% and improve performance.

The resilience of our employees was tested as the planned refurbishment coincided with the start of the COVID-19 crisis and lockdown. However, the team worked together to maintain availability of important SKUs across the LATAM region.

Using insights and creativity, and demonstrating the Reckitt 'can-do' attitude, the team managed to improve the IFCN business and quickly switched to virtual tools to maintain open lines of communication with the various medical teams with which we partner.



# \$60M

investment in our Latam Nutrition factory dryer

# +20%

increase in capacity by 20%, and improved performance



# STRONG FINANCIAL PERFORMANCE

**Jeff Carr**  
Chief Financial Officer

We've delivered a strong financial performance in 2020. Net revenues were nearly £14bn, up 11.8% LFL, driven by volume led growth in a COVID-19 environment.

Adjusted operating profit of £3,301m was up 0.7% at constant currency. Our adjusted operating margin was 23.6%, 260bps lower than last year. This was largely due to the planned investment programme announced in February 2020, as the operational leverage from the strong revenue growth was reinvested in growth initiatives and used to offset COVID-19 related costs. On a reported basis, operating profit was £2,160m and included an impairment loss of £985m on IFCN goodwill reflecting the volatility and uncertainties relating to COVID-19. Adjusted diluted earnings per share were 327.0p, considerably ahead of our initial expectations.

We've generated very strong free cash flow of £3,052m, up 42%. Free cash conversion was 131%, benefiting from the negative working capital position. We anticipate this working capital inflow will partially unwind in 2021, albeit free cash conversion over 2020 and 2021 is expected to be very strong. Building a stronger balance sheet is a clear priority. In 2020 we reduced net debt by £1.7b to £9.0b, through improved cash generation and maintaining strong financial discipline. As a result, our net debt leverage metric has improved, with Net Debt / Adjusted EBITDA falling to 2.4x, a reduction of 0.5x in the year.

Consistent with our statement in February 2020, the Board has recommended holding the full year dividend unchanged at 174.6p. We will maintain the dividend per share at 2019 levels until we rebuild dividend cover to target levels, at which time we will be able to resume growth in dividends in line with the growth in adjusted net income.

Looking to 2021, set against our strong top-line growth in 2020, we expect our business to grow in 2021 with like for like net revenue growth in the range of flat to +2%. Our margin expectation for 2021 is broadly unchanged; in line with previous guidance we will continue to invest in growth resulting in adjusted operating margins in 2021 being between 40-90bps lower than 2020 levels.

Looking to the medium term, our outlook remains unchanged. We continue to expect to progress towards achieving sustained mid-single digit organic revenue growth in the medium term, and a mid-20s margin by the mid-2020s.

## Detailed Group Financial Review

### Net revenue

On a Group basis, net revenue was £13,993m, representing 11.8% growth on a LFL basis of which 9.6% was volume and 2.2% price/mix. This very strong growth was volume led in a COVID-19 environment, as customers sought trusted, heritage brands, reinforced by stronger purpose-led brand equity and strengthened execution. Total net revenue at actual exchange rates was up 8.9%, reflecting a foreign exchange headwind of 2.9% principally driven by Latin American currencies.

Hygiene net revenue was £5,816m, up 19.5% on a LFL basis, of which 17.7% was volume and 1.8% price/mix. This very strong net revenue growth was driven by Lysol and Finish, with strong growth for Air Wick, Harpic, Mortein, Veja, Calgon and Cillit Bang. Hygiene net revenue at actual exchange rates was up 15.6%.

Health net revenue was £4,890m, up 12.1% on a LFL basis, of which 8.4% was volume and 3.7% price/mix. This growth was driven by very strong Dettol growth in all major markets, strong growth from Gavison and improved Durex momentum. Nurofen and Strepsils declined year on year, reflecting the weak cough, cold and flu season towards the end of the year. Health net revenue at actual exchange rates was up 9.6%.

Nutrition net revenue was £3,287m, unchanged from the prior year on a LFL basis, of which -1.0% was volume and 1.0% price/mix. US IFCN growth and increased customer focus on wellness and immunity, with Airborne up over 100%, offset the adverse IFCN market in Greater China. Nutrition net revenue at actual exchange rates was down 2.0%.

e-commerce delivered channel growth of 56% in 2020, estimated to be c.12% of Group net revenue.

Net revenue in the year reflects the deferral of certain shipments not reaching customers by 31 December 2020, consistent with the passing of control requirements under IFRS. Prior year net revenues included these shipments, the year-on-year impact of which was not significant. The deferral reduced net revenue for the Group by £67m in 2020, of which £25m related to Health, £36m related to Hygiene and £6m related to Nutrition.

### Gross margin

Gross margin decreased by 20bps to 60.3% as a result of adverse product mix principally in Health, COVID-19 related expenses and higher costs in IFCN, including c.£40m of inventory write-downs following the Hong Kong border closure, which together more than offset productivity savings within our cost of goods sold.

The impact of the deferral of shipments, as disclosed above, was negligible on gross margin.

### Net operating expenses

Brand Equity Investment (BEI) was up 7%, or £138m, on a pound spent basis (at constant currency), at 13.9% of net revenue, 50bps lower than the prior year, reflecting leverage benefits from strong net revenue growth in 2020, productivity initiatives to improve the ratio of working to non-working media spend and investments in digital talent. In absolute terms BEI increased by 5% on a reported basis.

Other costs increased by 290bps as a percentage of net revenue, reflecting higher year-on-year performance related costs, investments in capabilities and finite-life transformation costs.

### Group operating profit

Group adjusted operating profit was £3,301m (2019: £3,367m) at an adjusted operating margin of 23.6%, in line with our mid-year guidance and 260bps lower than the prior year (2019: 26.2%). This largely reflects the impact of the planned investment programme announced in February 2020. As announced at the half year, the operational leverage from the strong revenue growth was reinvested in our growth initiatives and used to offset COVID-19 related costs of around £120m (c.80bps). These COVID-19 related costs are incremental to our planned investments and we expect them to continue into 2021.

Reported operating profit was £2,160m (2019: £1,954m operating loss) at a reported operating margin of 15.4% (2019: -15.2%). In the year to 31 December 2020, adjusting items of £1,141m are included in reported operating profit (2019: £5,321m), this includes £985m (2019: £5,037m) of goodwill impairment (note 9), intangible asset amortisation of £80m (2019: £81m) and a charge in relation to the Korea HS issue of £69m (2019: £nil). Further details on adjusting items can be found on page 78.

### Net finance expense

Adjusted net finance expense was £260m (2019: £188m). The increase of £72m is principally due to comparison with adjusted net finance expense in 2019 which included income from significant items not repeated in 2020. Excluding these items, adjusted net finance expense in 2020 slightly increased as lower net interest costs on the Group's borrowings were offset by the interest element of an indirect tax provision and other finance expenses recorded in 2020.

Reported net finance expense of £286m (2019: £153m) includes £26m of finance expenses on tax balances (2019: £35m finance income) which are reclassified to income taxes on an adjusted basis.

### Tax

The adjusted tax rate, which excludes the effect of adjusting items, was 22.7% (2019: 21.8%) in line with expectations.

The reported tax rate was 38.4% (2019: minus 31.6%). The tax rate in 2020 and 2019 was impacted by the non-taxable goodwill impairment. Excluding this item from both years, the reported rate in 2020 increased by c.3% to 25.2%, primarily due to the impact of the enacted increase in the UK corporation tax rate from 17% to 19% on deferred tax liabilities recorded on intangible assets.

### Discontinued operations

Income from discontinued operations of £50m (2019: £898m expense) relates to a partial release of a provision relating to the prior year settlement with the Department of Justice (DoJ) in relation to Indivior plc matters. This follows a review of outstanding items relating to the DoJ settlement and the associated provisions. The prior period expense reflects the charge to the Income Statement for the \$1.4bn settlement agreed with the DoJ, which was paid in full by the end of 2019, and amounts deemed necessary to cover any remaining litigation exposure.

### Earnings per share (EPS)

Adjusted diluted EPS from continuing operations was 327.0p (2019: 349.0p), the decrease of 6.3% primarily driven by lower adjusted operating profit and higher adjusted net finance expense.

Reported diluted EPS from continuing operations was 159.3p (2019: loss per share of 393.0p).

### Balance sheet

As at 31 December 2020, the Group had total equity of £9,159m (31 December 2019: £9,407m).

Current assets of £5,314m (31 December 2019: £5,033m) increased by £281m, driven by higher inventories and cash and cash equivalents offset by lower trade and other receivables.

Current liabilities of £6,938m (31 December 2019: £8,931m) decreased by £1,993m. This decrease principally resulted from significantly lower short-term borrowings, following repayment of commercial paper and term loans in the year, which more than offset higher trade and other payables.

Non-current assets of £25,978m (31 December 2019: £27,106m) primarily comprise of goodwill and other intangible assets of £22,979m (31 December 2019: £24,261m) and property, plant and equipment. The £1,128m decrease in non-current assets is driven by goodwill and other intangibles, as the result of the £985m IFCN impairment charge in addition to a decline due to the retranslation of foreign currency denominated assets.



## GROUP FINANCIAL REVIEW CONTINUED

Non-current liabilities of £15,195m (31 December 2019: £13,801m) increased by £1,394m, driven predominantly by higher long-term borrowings following the issuance of new bonds of just under £2bn in the year.

### Net working capital

During the period, net working capital improved by £802m to negative £2,229m (31 December 2019: negative £1,427m). Net working capital as a percentage of 12-month net revenue is -16% (31 December 2019: -11%).

The improvement in net working capital was primarily driven by higher trade and other payables, up £922m to £5,742m (31 December 2019: £4,820m), and lower trade receivables, down £158m to £1,921m (31 December 2019: £2,079m) partially offset by higher inventories, up £278m to £1,592m (31 December 2019: £1,314m). The increase in trade and other payables is due to higher manufacturing activity, volume related increases to trade spend accruals and higher variable pay accruals.

### Cash Flow

	31 Dec 2020 £m	31 Dec 2019 £m
Cash generated from continuing operations	4,557	3,408
Less: net interest paid	(267)	(210)
Less: tax paid	(762)	(647)
Less: purchase of property, plant & equipment	(394)	(306)
Less: purchase of intangible assets	(92)	(137)
Plus: proceeds from the sale of property, plant & equipment	10	37
<b>Free Cash Flow</b>	<b>3,052</b>	<b>2,145</b>
<b>Free Cash Flow Conversion</b>	<b>131%</b>	<b>87%</b>

Cash generated from continuing operations was £4,557m (2019: £3,408m), higher by £1,149m primarily driven by favourable net working capital movements of £802m. Net cash generated from operating activities was £3,518m (2019: £1,411m) after net interest payments of £267m (2019: £210m) and tax payments of £762m (2019: £647m).

Free cash flow is the amount of cash generated from continuing operating activities 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 131% (2019: 87%).

### Net debt

	31 Dec 2020 £m	31 Dec 2019 £m
Opening net debt	(10,749)	(10,746)
Free cashflow from continuing operations	3,052	2,145
Shares reissued	131	61
Purchase of investments and acquisition of businesses	(36)	(36)
Dividends paid	(1,257)	(1,242)
Movement in lease liabilities	(86)	(63)
Exchange and other movements	1	272
Cash flow attributable to discontinued operations	(10)	(1,140)
<b>Closing net debt</b>	<b>(8,954)</b>	<b>(10,749)</b>

During the year to 31 December 2020 net debt reduced by £1,795m to £8,954m. The significant reduction in net debt was driven by strong free cash flow of £3,052m offset by dividend payments of £1,257m. The Group regularly reviews its banking arrangements and currently has adequate facilities available to it.

The Group has committed facilities totalling £5,500m (31 December 2019: £5,500m) which are undrawn and available to draw. The Group remains compliant with its banking covenants. The committed facilities are not subject to renewal until from 2022 onwards. During 2020, the Group temporarily drew down part of its committed facilities due to short term illiquidity in the commercial paper market. This was repaid in full during 2020.

### Dividends

The Board of Directors recommends a final 2020 dividend of 101.6 pence (2019: 101.6 pence), to give a full year dividend of 174.6 pence (2019: 174.6 pence). The dividend if approved by shareholders at the AGM on 28 May 2021, will be paid on 14 June 2021. The ex-dividend date is 6 May 2021. The final dividend will be accrued once approved by Shareholders.

### Capital returns policy

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

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

Repatriating cash to shareholders through a growing dividend remains a long-term goal of the business. As a result of the investments being made in 2020 and expected to be made in 2021, which will benefit long-term sustainable growth, our dividend pay-out for the current year is above the threshold set out in our policy, i.e. of paying an ordinary dividend equivalent to around 50% of total adjusted net income. As set out in February 2020, we will maintain the dividend pay-out per share at 2019 levels until we rebuild dividend cover to target levels, at which time we will be able to resume growth in dividends in line with the growth in adjusted net income.

In line with the investment priorities, we expect to invest an incremental capital expenditure of around £400m in total, spread over the next few years.

We will continue to rigorously evaluate our portfolio to actively migrate it to higher growth.

### Return on Capital Employed (ROCE)

The Group continues to focus on employing capital appropriate to drive long term value creation for its shareholders. The Group's ROCE in 2020 was 10.1% (2019: 10.3%). This is largely the result of Adjusted Operating Profit at constant exchange rates being broadly flat compared to the prior year coupled with a higher adjusted tax rate in 2020 than 2019.

### Adjusted and Other Non-GAAP Measures

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

Financial information presented on an adjusted basis excludes certain cash and non-cash items which management believe are not reflective of the underlying financial performance of the business. Financial information on an adjusted basis is consistent with how management reviews the business for the purpose of making operating decisions. Adjusting items comprise exceptional items, other adjusting items and the reclassification of finance expenses on tax balances.

- Exceptional items are material, non-recurring items of expense or income.
- Other adjusting items relate to expenses or income that the Group adjust for because their pattern of recognition is largely uncorrelated with the underlying performance of the business. This includes the following items:
  - Amortisation of acquired brands, trademarks and similar assets;
  - Amortisation of certain other intangible assets recorded as the result of a business combination;
  - Profits or losses relating to the sale of brands and related intangible assets;
  - Changes to deferred tax liabilities relating to (a) acquired brands, trademarks and similar assets and (b) certain other intangible assets recorded as the result of a business combination; and
  - Re-cycled foreign exchange translation reserves upon the sale, liquidation, repayment of share capital or abandonment of a subsidiary previously controlled by the Group.
- Adjusting items include a reclassification of finance expenses on tax balances into income tax expense, to align with the Group's tax guidance. As a result, these expenses are presented as part of income tax expense on an adjusted basis.

### Adjusted measures

- **Adjusted Operating Profit and Adjusted Operating Profit margin:** Adjusted operating profit reflects the IFRS operating profit excluding items in line with the group's adjusted items policy. See page 78 for details on the adjusting items and a reconciliation between IFRS operating profit and adjusted operating profit. The adjusted operating profit margin is the adjusted operating profit expressed as a percentage of net revenue.
- **Adjusted tax rate:** The adjusted tax rate is defined as the Adjusted continuing income tax expense as a percentage of Adjusted profit before tax.
- **Adjusted diluted EPS:** Adjusted diluted EPS is the IFRS diluted EPS excluding items in line with the group's adjusting policy. See page 78 for details on the adjusting items and a reconciliation between IFRS net income and adjusted net income. The weighted average number of shares for the period is the same for both IFRS EPS and adjusted EPS.
- **Adjusted net working capital:** Adjusted net working capital excludes the impact of the Department of Justice (DoJ) accrual in respect of the 2019 settlement with the DoJ in relation to Indivior plc matters.

### Other non-GAAP measures

- **Like-for-Like (LFL):** Net revenue growth or decline at constant exchange rates (see below) excluding the impact of acquisitions, disposals and discontinued operations. LFL growth also excludes Venezuela.
- **Constant exchange rate (CER):** Net revenue growth or decline adjusting the actual consolidated results such that the foreign currency conversion uses the same exchange rates as were applied in the prior period.
- **Brand Equity Investment (BEI):** BEI is the marketing support designed to capture the voice, mind and heart of our consumers.
- **Net working capital (NWC):** NWC is the total of inventory, trade and other receivables and trade and other payables. NWC is calculated as a % of last twelve months net revenue to compare changes in NWC to the growth of the business.
- **Net Debt:** The Group's principal measure of net borrowings being a total of cash and cash equivalents, short-term and long-term borrowings, lease liabilities and derivative financial instruments on debt.
- **Free Cash Flow and Free Cash Flow Conversion:** The Group's principal measure of cash flow defined as net cash generated from continuing operating activities less net capital expenditure. A reconciliation of cash generated from operations to Free Cash Flow is shown on page 76. The Group tracks Free Cash Flow on a % of adjusted net income to understand the conversion of adjusted profit into cash.

### Other definitions and terms

- **E-commerce:** e-commerce channel net revenue is defined as direct sales from Reckitt to online platforms or directly to consumers. Estimates of total e-commerce sales as a percentage of group revenues includes direct sales and an estimate of sales achieved by our brands corresponding to sales through our omnichannel distributors and retailer websites.
- **Continuing operations:** Continuing operations excludes any credits or charges related to the previously demerged RB Pharmaceuticals business that became Indivior plc. Net income/(loss) from discontinued operations is presented as a single line item in the Group Income Statement.
- **Return on capital employed (ROCE)** is defined as adjusted operating profit after tax divided by monthly average capital employed. Capital employed comprises total assets less current liabilities other than borrowings-related liabilities. Total assets exclude cash, retirement benefit surplus, current tax and a technical gross-up to goodwill that arises because of deferred tax liabilities recorded against identified assets acquired in business combinations. Total assets has been adjusted to add back the impairment of IFCN made in 2019 and 2020, so that ROCE is not increased by these impairments. Current liabilities exclude legal provisions recorded as a result of exceptional items and current tax.

## GROUP FINANCIAL REVIEW CONTINUED

The table below reconciles the Group's reported IFRS measures to its adjusted measures for the year ended 31 December 2020.

Year ended 31 December 2020	Adjusting items				Adjusted £m
	Reported £m	Exceptional items <sup>1</sup> £m	Other Items <sup>2</sup> £m	Finance Expense Reclass <sup>3</sup> £m	
<b>Operating Profit</b>	<b>2,160</b>	<b>1,061</b>	<b>80</b>	<b>–</b>	<b>3,301</b>
Net finance expense	(286)	–	–	26	(260)
Share of loss of associate	(1)	–	–	–	(1)
<b>Profit before income tax</b>	<b>1,873</b>	<b>1,061</b>	<b>80</b>	<b>26</b>	<b>3,040</b>
Income tax expense	(720)	(3)	59	(26)	(690)
<b>Net income from continuing operations</b>	<b>1,153</b>	<b>1,058</b>	<b>139</b>	<b>–</b>	<b>2,350</b>
Less: Attributable to non-controlling interests	(16)	–	–	–	(16)
<b>Net income from continuing operations attributable to owners of the parent company</b>	<b>1,137</b>	<b>1,058</b>	<b>139</b>	<b>–</b>	<b>2,334</b>
<b>Net profit for the period from discontinued operations</b>	<b>50</b>	<b>(50)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total net income for the year attributable to owners of the parent</b>	<b>1,187</b>	<b>1,008</b>	<b>139</b>	<b>–</b>	<b>2,334</b>
<b>Diluted earnings per share (EPS) from continuing operations</b>	<b>159.3p</b>				<b>327.0p</b>

1. Exceptional items include £985m impairment on IFCN Goodwill (2019: £5,037m) (note 9), a charge of £69m (2019: £nil) relating to the Korea HS issue and a charge of £7m relating to previously announced restructuring projects (principally RB 2.0 costs). Included within income tax expense is a £3m tax credit for these exceptional costs
2. Other adjusting items of £80m relate to the amortisation of certain intangible assets recognised as a result of the acquisition of MJN. Included within income tax expense is a net £59m charge, being a £19m tax credit in respect of this amortisation offset by a £78m tax charge to adjust deferred tax liabilities for intangible assets for the UK tax rate change
3. Adjusting items of £26m relate to the reclassification of interest expense on income tax balances from net finance expense to income tax in the adjusted measures

The table below reconciles the Group's reported IFRS measures to its adjusted measures for the year ended 31 December 2019.

Year ended 31 December 2019	Adjusting items				Adjusted £m
	Reported £m	Exceptional items <sup>2</sup> £m	Other Items <sup>3</sup> £m	Finance Expense Reclass <sup>4</sup> £m	
<b>Operating (Loss)/Profit</b>	<b>(1,954)</b>	<b>5,240</b>	<b>81</b>	<b>–</b>	<b>3,367</b>
Net finance expense	(153)	–	–	(35)	(188)
<b>(Loss)/Profit before income tax</b>	<b>(2,107)</b>	<b>5,240</b>	<b>81</b>	<b>(35)</b>	<b>3,179</b>
Income tax expense	(665)	(45)	(18)	35	(693)
<b>Net (loss)/income from continuing operations</b>	<b>(2,772)</b>	<b>5,195</b>	<b>63</b>	<b>–</b>	<b>2,486</b>
Less: Attributable to non-controlling interests	(13)	–	–	–	(13)
<b>Net (loss)/income from continuing operations attributable to owners of the parent company</b>	<b>(2,785)</b>	<b>5,195</b>	<b>63</b>	<b>–</b>	<b>2,473</b>
<b>Net loss for the period from discontinued operations</b>	<b>(898)<sup>1</sup></b>	<b>898</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total net (loss)/income for the year attributable to owners of the parent</b>	<b>(3,683)</b>	<b>6,093</b>	<b>63</b>	<b>–</b>	<b>2,473</b>
<b>Diluted earnings per share (EPS) from continuing operations</b>	<b>(393.0)p</b>				<b>349.0p</b>

1. Exceptional items within Discontinued Operations of £898m relate to charges in relation to the settlement amount for the US Department of Justice ("DoJ") and the US Federal Trade Commission investigations. Refer to Note 29 for further details
2. Exceptional items within Operating Profit of £5,240m relate to MJN integration / RB2.0 costs (£113m), restructuring and other projects (£11m), IFCN impairment of goodwill (£5,037m) and Oriental Pharma impairment of intangible assets (£79m). Included within income tax expense is a £45m income tax credit for these exceptional costs
3. Other adjusting items of £81m relate to the amortisation of certain intangible assets recognised as a result of the acquisition of MJN. Included within income tax expense is a £18m income tax credit in respect of these costs
4. Adjusting items of £35m relate to the reclassification of interest income on income tax balances from net finance expense to income tax in the adjusted measures



## CLIMATE-RELATED RISK AND OPPORTUNITIES

## CLIMATE-RELATED FINANCIAL RISK

Climate-related financial risk is monitored through our executive and Board, with mitigation and adaption activity in our product development and supply chain operations.

Following an initial assessment of the potential areas of climate-related financial risks in 2018 which helped to inform our activity, we have begun a further, more detailed assessment in conjunction with Judge Business School. This is considering both risks and opportunities posed by climate change through our value chain, from the origin of our raw materials, to our manufacturing operations and how they may be affected by adverse weather patterns and rising temperatures, to the potential changes to consumer spending patterns that climate change may bring.




This will further inform our activity, for example influencing product development to create more sustainable products with lower carbon and water footprints; reducing Greenhouse Gas emissions and using renewable energy; and increasing resilience to water stress. That work includes our own operations and those of our suppliers, considers the way ingredients are developed and sourced, and considers how consumers use and dispose of our products.

A detailed disclosure on climate-related financial risk, including our climate related risks and our activities to address them are in our Insight on Climate Change, which can be downloaded at [www.reckitt.com/sustainability/policies-and-reports](http://www.reckitt.com/sustainability/policies-and-reports).



## Our approach to integrated risk management at Reckitt

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

	Functional risk assessments	Global Business Unit/ corporate risk assessments	Group principal and emerging risk assessment	Board oversight	Annual Report
	 Consolidation and critical challenge by Risk Management	 Reviewed by Global Business Unit / corporate function leadership teams	 Principal and emerging risks identified through the Group Risk Assessment are disclosed in Reckitt's Annual Report		
WHAT	<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 Global 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>	
WHEN	<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 Global Business Unit strategic planning process</li> </ul>	<ul style="list-style-type: none"> <li>Completed annually in advance of the Global 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>	
HOW	<ul style="list-style-type: none"> <li>Functional risks are reviewed in detail annually to identify any changes to the risk profile including new risks and changes in assessment</li> <li>Formal sign-off by functional heads with Group CFO</li> <li>Updates on top risks and associated mitigations are reported to the Risk, Sustainability &amp; Compliance Committee (RSCC) and Audit Committee on a quarterly basis</li> </ul>	<ul style="list-style-type: none"> <li>Global Business Unit risk assessments are reviewed and updated annually through a series of one-to-one meetings with Global 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>One-to-one meetings are held with all Group Executive Committee (GEC) members, Group functional and assurance heads, external advisors and Non-Executive Directors (NEDs)</li> <li>Synthesised output formally reviewed and signed off by the GEC and thereafter by the Board</li> </ul>		
WHO	<ul style="list-style-type: none"> <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>Global Business Unit/ corporate management teams led</li> </ul>	<ul style="list-style-type: none"> <li>Group Risk Management</li> <li>GEC 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>GEC owner</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 Global Business Unit and corporate strategic planning process as follows:

Identification of risks	Control strategy	Assessment of net risk and prioritisation	Management action
<b>What could impact Reckitt and the achievement of its objectives?</b>	<b>What are we doing to manage the risk?</b>	<b>How comfortable are we with the level of risk?</b>	<b>What more do we need to do?</b>
<ul style="list-style-type: none"> <li>Identifies the most significant principal and emerging risks with potential to impact the Group</li> <li>One-to-one meetings are held with all GEC members, Group functional and assurance heads, external advisors and NEDs</li> <li>Functional, Global 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 Global Business Unit strategic planning process</li> </ul>	<ul style="list-style-type: none"> <li>Control strategy is reviewed to establish if it is appropriate and operating as intended</li> <li>Where we identify control gaps, what more do we need to do?</li> </ul>	<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> <li>Is the risk within an acceptable level of appetite?</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>	<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>GEC 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>



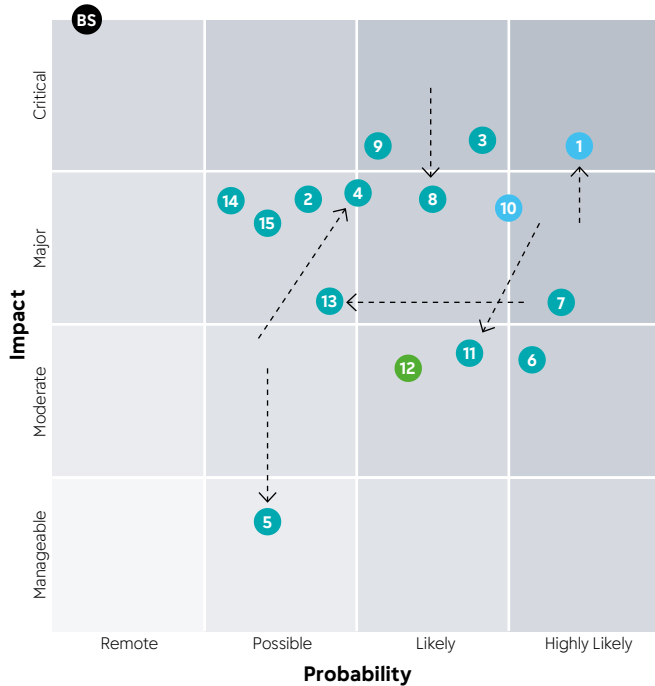
## Our principal and emerging risks, as at 31 December 2020

### Key to principal risks

Category	ID	Risk title	Risk statement
Operational	1	<b>COVID-19<sup>1</sup></b>	COVID-19 causes significant disruption to core business processes in key markets, impacting our ability to meet customer and consumer demand and protect our employees.
	2	<b>Product Safety</b>	Robust process, systems and culture for the development and assessment of product safety are not in place or operating effectively, leading to safety risk to consumers.
	3	<b>Supply Disruption<sup>1</sup></b>	Disruption to the continuity of supply as a result of inability to procure critical ingredients and/or reliance on single factories that supply key markets without actively qualified contingencies in place.
	4	<b>Cyber Security</b>	As a complex global organisation, there is a risk that Reckitt falls victim to increasingly sophisticated cyber-attacks aimed at causing disruption to our information assets by destruction, circumventing confidentiality, integrity or availability controls.
	5	<b>Employee Health &amp; Safety</b>	Work accidents leading to death, injury or illness of Reckitt employees wherever they are working and other workers on Reckitt premises or premises under Reckitt supervision, in case of outsourced operations.
	6	<b>Sustainability<sup>1</sup></b>	Failure to address existing and emerging environmental and social risks and opportunities, and changing societal expectations of businesses in addressing these, creates underlying risk to business resilience and growth, risking stranded assets or missed growth opportunities.
	7	<b>Adherence to Product Quality Standards<sup>1</sup></b>	Non-compliance with applicable quality regulations, guidelines and internal/external standards across the product lifecycle governing how we produce and supply product.
Strategic	8	<b>Innovation<sup>1</sup></b>	The current innovation pipeline does not meet the changing needs of our consumers and new go-to-market channels, and is not sufficient to achieve organic growth ambitions and drive gross margin accretion.
	9	<b>Disruption<sup>1</sup></b>	Inability to respond, adapt and evolve both our products and processes to disruptive market forces including e-commerce, digital and new formats, impacting our ability to effectively service our customers and consumers with the required agility.
	10	<b>China<sup>1</sup></b>	Risk of economic uncertainty in China, changing regulations and changes in current or new partners impacting growth and business performance.
People	11	<b>People<sup>1</sup></b>	Failure to achieve strategic objectives as a result of significant management churn and inability to attract and retain top talent.
Financial	12	<b>Tax Disputes</b>	Significant unprovisioned cash outflows as a result of tax authority challenge to filed tax positions in territories.
Compliance	13	<b>Product Regulations</b>	Non-compliance with product classification regulations, guidelines, internal standards and/or registrations across the supply chain and throughout the product lifecycle.
	14	<b>Legal &amp; Compliance</b>	We are not fully compliant with relevant laws and regulations, including anti-corruption laws, data privacy laws and global competition laws.
	15	<b>South Korea</b>	Financial and reputational risk as a result of the health issues caused by consumers inhaling a humidifier sanitiser previously sold by Oxy, which Reckitt acquired in 2001.
Other	BS	<b>Black Swan Event</b>	Multiple brands and territories impacted by an unforeseen probably reputational incident.

1. See Viability Statement on page 93

## Principal risks



### Mitigation activity

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

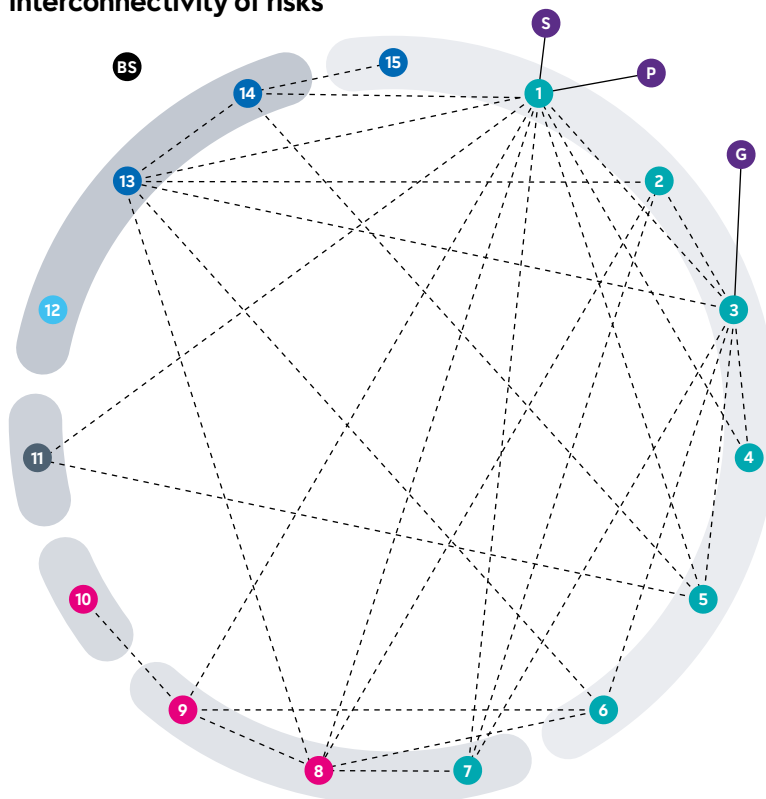
- All significant mitigating actions are in place and operating effectively
- Some significant actions remain in progress
- Significant and urgent actions remain under way

### Risk movement

Arrows indicate movement from prior year position.

-----> Direction and distance of movement.

## Interconnectivity of risks



Action planning to mitigate principal risks is complicated by the interconnectivity between them, requiring robust oversight by leadership teams to prioritise time and resources as appropriate.


- Strategic
- Operational
- People
- Financial
- Compliance
- Emerging

**S** Sustained/deepening economic recession

**P** Pandemic-related litigation and regulation

**G** Geopolitical

# 1. COVID-19

 Risk movement:  
**New risk**

## Oversight accountability

Executive ownership resides directly with the Group Executive Committee, with each Global Business Unit responsible for their respective deliverables. Board oversight is provided by the main Board.

**The risk: COVID-19 causes significant disruption to core business processes in key markets, impacting our ability to meet customer and consumer demand and protect our employees.**

## Potential impact

The impacts of this risk are broad reflecting the wide-ranging disruption caused by the pandemic. Chief among these has been the impact on our workforce, both protecting those working at Reckitt sites and supporting the remainder through a prolonged period of remote working; and the supply chain disruption that has impacted our ability to produce and ship our products.

## Mitigation progress in 2020

In response to the pandemic, a Group-wide cross-functional COVID-19 Decision Making Forum was established to oversee the Group's response to the evolving crisis. The Forum was supported by Global Business Unit crisis teams tracking local developments, including infection rates.

Essential business functions, roles and critical processes were identified and subject to contingency planning.

Site-specific protocols and remote working safeguards were introduced where required. A programme of global and local wellbeing initiatives was established to support employee health and wellbeing.

Across the Supply organisation, continuity responses were activated which included engagement of new suppliers for critical materials, daily reviews of manufacturing capacity across our network of factories and manufacturing partners, and partnership with logistics providers ensuring we could move products across closed borders.


## Current control strategy

As the pandemic continues into 2021, return to work protocols have been established to ensure both compliance with local government requirements as well as respect for each individual's personal situation. Additional safety measures have been introduced across our sites and are supported with a set of global procedures. We continue to support our employees through regular updates and dedicated resources online.

## Activity impact for 2021

Our Group-wide and local COVID-19 response procedures are continually reviewed to ensure they are appropriate and reflect any further developments. It is anticipated that, while some disruption will continue into 2021, this will reduce as our new ways of working become further embedded. Target rating from current Red to Green by the end of 2021.

# 2. PRODUCT SAFETY

 Risk movement:  
**No change**

## Oversight accountability

Executive ownership resides with the Chief R&D Officer, who drives activity through each of the Global Business Unit executive leadership teams. Board oversight is provided by the CRSEC Committee.

**The risk: Robust process, systems and culture for the development and assessment of product safety are not in place or operating effectively, leading to safety risk to consumers.**

## Potential impact

Product safety issues lead to reputational damage with consumers, customers or regulators. Significant financial losses could arise from supply disruption, product recalls, delayed launches, penalties and a loss of consumer trust, as well as possible criminal liability for senior management.

Any gaps in the completion of our safety assessments and a lack of anticipation of new safety concerns could exacerbate any potential impact.

## Mitigation progress in 2020

Several product safety related programmes have been completed or remain on plan for completion. PLM (Product Lifecycle Management) implementation is ongoing and includes the digital integration of cross-functional systems (Safety, Regulatory, Pharmacovigilance, Quality, Supply and Procurement) to provide greater control, compliance and reduce manual intervention across the product lifecycle.

A Chief Safety Officer has been appointed with additional medical safety personnel now in role. Product safety training has been rolled out to all employees, as well as specific training for relevant employees to understand their role in ensuring SQRC (safety, quality and regulatory compliance) for Reckitt products.

We have made investment into consumer relations to improve consumer data insights and awareness of social media to identify emerging trends, themes and safety concerns.

## Current control strategy

As part of the evolution of our product safety and regulatory processes, the SQRC function has now been integrated into the Supply and R&D functions. This restructure will help to further embed product safety into each of the Global Business Units by driving proximity to markets whilst also providing centralised oversight and assurance services.

A robust quality management system is underpinned with clear policies and supporting systems, which are subjected to comprehensive and independent regular audit review. Consumer safety and vigilance teams within the Global Safety Assurance function conduct pre-market safety reviews and monitor and report on adverse events.

Our Global Safety Assurance function reports through R&D and is accountable to the Risk, Sustainability & Compliance Committee (RSCC) and thereafter to the Corporate Responsibility, Sustainability, Ethics & Compliance (CRSEC) Committee.

## Activity impact for 2021

2021 will see the continued roll-out of the upgraded PLM system to better enable compliance management throughout the lifecycle. The Product Integrity Review (PIR), ensuring all Reckitt products have a refreshed compliance review, and change management programmes will be completed in the first half of 2021. Innovation and business processes continue to be adapted to ensure safety diligence requirements are fully implemented. Target rating to remain Amber at the end of 2021. This is a multi-year deliverable to replace current systems.



## 3. SUPPLY DISRUPTION



Risk movement:  
**No change**

### Oversight accountability

Executive ownership resides directly with the Chief Supply Officer. Board oversight is provided by the main Board.

**The risk: Disruption to the continuity of supply as a result of inability to procure critical ingredients and/or reliance on single factories that supply key markets without actively qualified contingencies 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.

COVID-19 has further heightened this risk, through global shortages of critical materials required for COVID-19 essential products, the impact of the virus on labour availability, capacity constraints and disruption to logistics as a result of closed borders and other factors.

### Mitigation progress in 2020

In response to the COVID-19 pandemic, emergency business continuity projects were activated to ensure continuity in servicing our customers. These included increasing safety stock levels, shifting volumes across the network and to external manufacturing partners, and activating alternative suppliers of key materials.

An end-to-end planning reset is under way to drive proactivity and better balance supply and demand. This will help to strengthen the resilience of our supply chain through investments in upstream supply resilience; alternative sites of manufacture; adequate manufacturing capacity; robust products; manufacturing processes and holistic packaging design.

### 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.

Continued investment to reduce monosourcing risk across raw and packaging materials through dedicated programmes focusing on priority materials in Hygiene, Health and Nutrition.

Increased investment in manufacturing facilities to enhance reliability and continuity of supply. Factories have been assessed and those considered key or strategic have received investment to attain Highly Protected Risk (HPR) status by our insurers. Review of business interruption insurance policies to ensure adequate cover is in place.

### Activity impact for 2021

A Group-wide business continuity programme has recently commenced to strengthen existing business continuity arrangements for products, sites and functions, including ongoing delivery of ingredient planning across specific brands and markets alongside qualification of secondary manufacturing sites. This will allow us to increase the resilience of our supply chain and provide more robust business continuity processes throughout the portfolio. Target rating to remain Amber at the end of 2021.

## 4. CYBER



Risk movement:  
**Increasing**

### Oversight accountability

Executive ownership resides directly with the Group Chief Information & Digitisation Officer. Board oversight is provided by the main Board.

**The risk: As a complex global organisation, there is a risk that Reckitt falls victim to increasingly sophisticated cyber-attacks aimed at causing disruption to our information assets by destruction, circumventing confidentiality, integrity or availability controls.**

### Potential impact

Significant business disruption, data destruction or theft, regulatory non-compliance, reputational damage, financial loss and constraints in delivering global business strategy.

This risk is heightened by the increasing volume and types of sensitive personal data held, a strengthened regulatory environment including significant financial penalties for non-compliance and the growing number and complexity of connected digital systems. These include third parties, cloud and digital service providers.

### Mitigation progress in 2020

Phase 1 of the Cyber Transformation Programme was successfully completed in early 2020 and included removal of legacy platforms; increased IT security team headcount; new cyber response playbooks and processes; advanced threat protection; and continued improvements to system recovery speed and capability. It also covered areas such as improving baseline identity and access management for some financial systems as well as multi-factor authentication to protect Reckitt system identities.

We have launched the next phase of our multi-year cyber security strategy which will further reduce cyber risk through investment in our cyber security baseline, agility and innovation to stay as close as possible to emerging cyber threats.

### Current control strategy

Our strategy places continued focus on reducing cyber risk whilst improving the maturity of our security posture, upgrading our capabilities and supporting business agility, innovation and the strategic growth agenda. We apply industry standards and methodologies to establish the control framework including ISO and National Institute of Standards and Technology (NIST) guidelines.

Through increasing engagement with the business and partners, advancement of our cyber capabilities and renewed focus on risk ownership and accountability, the Group Cyber Transformation Programme will continue to evolve the cyber security strategy and framework, and implement the correct controls to mitigate cyber risk.

### Activity impact for 2021

Phase 2 of the Cyber Transformation Programme begins in 2021 and over the next three to four years will continue to invest in and embed cyber security processes across the Group.

This includes enhancements to operational technology in critical factories, identity and access management for critical business applications, digital security, building stronger cyber defence detection and response capabilities to cover our multi-cloud strategy as well as uplifting Reckitt colleague cyber awareness and education. This risk is dynamic and constantly evolving, and as such target rating to remain Amber at the end of 2021.

## 5. EMPLOYEE HEALTH & SAFETY



Risk movement:  
**Decreasing**

### Oversight accountability

Executive ownership resides directly with the President of each Global Business Unit. Board oversight is provided by the CRSEC Committee.

**The risk: Work accidents leading to death, injury or illness of Reckitt employees wherever they are working and other workers on Reckitt premises or premises under Reckitt supervision, in case of outsourced operations.**

### Potential impact

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

### Mitigation progress in 2020

COVID-19 health and safety policies, standards and return to work protocols have been published and adopted across our sites, with key messages cascaded through the GBU and Supply leadership teams. Local audits were completed where required by regulators to comply with COVID-19 regulations.

We have launched an extensive programme to embed a heightened Employee Health & Safety (EH&S) culture across the enlarged Group through rigorous auditing, culture days, surveys and training initiatives. A Driver Safety Standard programme has been deployed. Engineering standards are in place and a Global Engineering Compliance team for structural auditing has been established. Group ISO 45001 or OHSAS 18001 certification is complete across all Reckitt in-scope sites and our Group EHS Standards continue to be enhanced to meet scope.

### Current control strategy

Policy and enhanced EH&S standards are in place and reinforced through an audit compliance programme (including self-assessment, site visits, assurance of improvement actions, KPI tracking and culture surveys) by a second line of defence compliance team within Supply, and ongoing EH&S training across all sites including commercial offices. During COVID-19 related travel restrictions, technology aided inspections and site coaching calls. Oversight from the Supply leadership team as well as the Group Risk, Sustainability & Compliance Committee (RSCC).

### Activity impact for 2021

We will continue to roll out the programme of culture surveys and safety days to increase awareness and continue with the rigour of auditing and supporting the business through supply, commercial and R&D site visits Target rating to remain Amber at the end of 2021.

## 6. SUSTAINABILITY



Risk movement:  
**No change**

### Oversight accountability

Executive ownership resides directly with the CEO and the Head of Corporate Affairs & Chief Sustainability Officer. Each Global Business Unit is responsible for their respective deliverables. Board oversight is provided by the CRSEC Committee.

**The risk: Failure to address existing and emerging environmental and social risks and opportunities, and changing societal expectations of businesses in addressing these, creates underlying risk to business resilience and growth, risking stranded assets or missed growth opportunities.**

### Potential impact

Failure to increase the sustainability of our environmental and social footprint may lead to increased scrutiny from consumers, customers, NGOs and ESG related investors. The impacts of this are broad in range and include reputational damage; adverse public perception; resource inefficiency; loss of market share as consumers shift towards 'greener' products; omission from established sustainability indices impacting future investment; and potential regulatory penalties.

Climate change has the potential to significantly disrupt Reckitt's operations through an increased number of extreme weather events, water crises and ecosystem loss.

### Mitigation progress in 2020

We continue to focus on strengthening our processes, programmes and controls alongside our external stakeholder relationships, through partnerships with NGOs, academia, and critical opinion formers. Our 2030 Sustainability Strategy has been launched and appropriately resourced to progressively deliver performance targets.

A holistic packaging strategy is in development, supporting both e-commerce and traditional retail channels with levels of packaging use. The expansion of our Human Rights programme beyond our supply chain, using the Societal Impact Framework to assess and address human rights impacts along the full value chain, is on track.

Our sustainability and governance capability has been enhanced through the establishment of the Risk, Sustainability & Compliance Committee (RSCC).

### Current control strategy

We are progressively embedding plans and resources to deliver an environmental strategy in the supply chain in support of climate change and water efficiency, with capex plans, environment project identification, local and global capabilities and capacity to support environmental performance improvement.

At a Global Business Unit and brand level, we are driving sustainability through customer-facing programmes, delivery of ingredients, packaging and sourcing programmes. We continue to embed sustainability into the product development process by evaluating all new innovation against a set of sustainability criteria.

### Activity impact for 2021

Internal and external initiatives, along with greater transparency on non-financial sustainability indicators, will help to drive increased awareness of our sustainability agenda across our global network. Target rating to remain Amber at the end of 2021. This is a multi-year deliverable to build and embed the significant actions required.

## 7. ADHERENCE TO PRODUCT QUALITY STANDARDS



Risk movement:  
**No change**

### Oversight accountability

Executive ownership resides directly with the Chief Supply Officer, who drives activity through each of the Global Business Unit executive leadership teams. Board oversight is provided by the CRSEC Committee.

**The risk: Non-compliance with applicable quality regulations, guidelines and internal/external standards across the product lifecycle governing how we produce and supply product.**

### Potential impact

Impacts are wide ranging and may include a consumer safety incident, regulatory failures, loss of sales (including product recall) and adverse reputational impact, a supply disruption or factory closure, or potential civil/criminal actions against individuals. The risk is heightened by the increasing scrutiny, complexity, frequency and stringent audit requirements enforced on our factories by regulators.

### Mitigation progress in 2020

We have made significant investment in ensuring the upmost quality of our products and compliance with all applicable regulations and standards. These measures include assurance programmes covering predictive quality, culture of quality, technology enabled fail-safe controls, quality audit programmes across manufacturing sites and supplier facilities, and transformation of our consumer relations function.

Quality KPIs and metrics are routinely presented and discussed at each Global Business Unit, Risk Sustainability & Compliance Committee (RSCC) and the Corporate Responsibility, Sustainability, Ethics & Compliance (CRSEC) Committee meeting.

### Current control strategy

Reckitt's Quality standards have been defined, communicated and embedded within our standard operating procedures. A quality audit programme to assess compliance with Reckitt's Quality standards across manufacturing sites has been established and is being delivered against. In 2020, the audit schedule was reprioritised and adapted to respond to COVID-19 travel restrictions.

Continued investment in key Quality transformation programmes including implementation of a systematised product safety and compliance programme through the Product Lifecycle Management (PLM) project, and an end-to-end quality review of the product portfolio through the Product Integrity Review (PIR). COVID-19 impact assessments have been performed to identify risks to programme delivery and agreed timescales.

### Activity impact for 2021

We continue to look for opportunities to optimise our quality assurance processes and the use of quality data to drive continuous improvement across the product lifecycle. Target rating to remain Amber at the end of 2021.

## 8. INNOVATION



Risk movement:  
**Decreasing**

### Oversight accountability

Executive ownership resides directly with the President of each Global Business Unit. Board oversight is provided by the main Board.

**The risk: The current innovation pipeline does not meet the changing needs of our consumers and new go-to-market channels, and is not sufficient to achieve organic growth ambitions and drive gross margin accretion.**

### Potential impact

Failure to understand and effectively respond to changing consumer wants, needs and behaviours (including COVID-19) may lead to loss of market share to small entrepreneurial companies leveraging new channels and digital media.

Inability to execute innovation may result in failure to achieve the necessary innovation rate hurdles (in terms of growth contribution and GM accretion), impacting organic top-line growth.

### Mitigation progress in 2020

Continued investment in science to better scale, leverage and accelerate our innovation pipeline. Our Chief Research & Development (R&D) Officer is now in role and is leading the elevation of our science capability and platforms, and driving external partnerships to co-create innovations.

The R&D organisation is structured with dedicated teams focused on delivering innovation for global brands and operational teams focused on local brands. Frontline resources have been deployed in-market to drive proximity to consumers.

Our Centre for Scientific Excellence is now operating in Hull, as a world-leading R&D facility for the healthcare portfolio.

### Current control strategy

Base business innovation is driven through a three-year pipeline and resource allocation process. We continue to invest in building capability in core technical areas and establishing cross-functional teams that participate in and assess new growth platforms and white space. Dedicated resourcing has been deployed to deliver on e-commerce first focused innovations.

Our consumer data and insights capability has been strengthened with a dedicated team focused on insight generation and idea validation through new digital tools for faster and more accurate innovation modelling.

### Activity impact for 2021

A Category Development Organisation (CDO) is being established within the Nutrition GBU and will be focused on delivering successful innovation to market. Historically this global CDO organisation was part of the wider Health CDO team.

Innovation models will continue to evolve during 2021 and will broaden as additional drivers of innovation growth are identified. It is expected that further enhancement of our innovation pipeline monitoring and reporting will focus on identifying root causes of execution slippage. Target rating to remain Amber at the end of 2021. This is a multi-year deliverable to build and embed the significant actions required.



## 9. DISRUPTION



Risk movement:  
**No change**

### Oversight accountability

Executive ownership resides with the President of each Global Business Unit. Board oversight is provided by the main Board.

**The risk: Inability to respond, adapt and evolve both our products and processes to disruptive market forces including e-commerce, digital and new formats, impacting our ability to effectively service our customers and consumers with the required agility.**

### Potential impact

2020 has seen dramatic changes to the ecosystem and competitive landscape in which we operate, many of these changes arising from COVID-19 and its impact around the globe.

Failure to respond to these disruptions may result in share loss to insurgent brands that are more consumer-centric and reduce our ability to identify and exploit rapidly growing channels, impacting top-line growth.

### Mitigation progress in 2020

eRB has now been launched as a dedicated organisation to drive and support each Global Business Unit with digital business development, build capability through technology and infrastructure, and incubate new brands and partnerships.

Four capability centres have been established to share excellence across Global Business Units in the areas of Marketing Excellence, Sales Outperformance, Medical and e-commerce. These centres will develop functional capabilities, drive economies of scale and scope, and provide tools and technology enabling best practice sharing.

Chief Customer and Chief Information & Digitisation Officers have been appointed to strengthen customer relationships and drive new business models for our increasingly digital consumers.

Global Business Solutions launched in 2020 to support businesses with the expertise, knowledge and products they need to make their workplaces and outlets hygienically safe for both consumers and employees.

### Current control strategy

Continued investment in capability and technology, enabling us to harness the power of all channels, all platforms, all brands, in all markets. Pursuit of external partnership opportunities to identify, incubate and launch new brands and ventures, driving future growth. Entering new growth spaces will also allow us to reach and acquire more consumers.

### Activity impact for 2021

The Digital Factory will be established in 2021, in collaboration with Marketing Excellence and consumer relations, focused on harnessing and building e-commerce expertise across GBUs and markets.

Internal and external initiatives will continue to increase capability and drive incremental growth across priority channels and segments. Target rating to remain Amber at the end of 2021. This is a multi-year deliverable to build and embed the significant actions required.

## 10. CHINA



Risk movement:  
**New risk**

### Oversight accountability

Executive ownership resides directly with the President Nutrition, eRB & Greater China business. Board oversight is provided by the main Board.

**The risk: Risk of economic uncertainty in China, changing regulations and changes in current or new partners impacting growth and business performance.**

### Potential impact

China is a critical market increasingly characterised by economic and regulatory uncertainty. The behaviours of Chinese consumers are also changing which, alongside other economic factors, have the potential to impact our operations and performance in this market.

### Mitigation progress in 2020

Reflecting China's importance, we have launched an integrated cross-GBU organisation in China. eRB & Greater China is an innovative, agile and digital business that will deliver innovation, capability and growth to Reckitt globally. This new organisation will allow us to better leverage our scale across the Greater China area while maintaining agility, boosting partnerships to support our growth ambitions and driving China-centric innovation through bespoke design and innovation hubs.

### Current control strategy

We maintain a strong network in China to understand both international and domestic economic developments that may impact our footprint. This includes active engagement with industry associations and regulators, external affairs capability and collaborative partnerships with government agencies.

China-based regulatory intelligence teams provide insight on any changes in regulation that may impact us, and we partner closely with local industry to ensure we are working within government-set parameters.

### Activity impact for 2021

Execution of the Greater China operating model, strategic review of the infant formula business, alongside continued delivery of China-centric innovation, consumer centricity and close monitoring of global and regional economic developments will help to maintain operating focus in China. Target rating from current Red to realistically reduce to Amber by the end of 2021, though further disruptions can be anticipated which could extend this level of higher exposure.

## 11. PEOPLE



Risk movement:  
**Decreasing**

### Oversight accountability

Executive ownership resides directly with the Chief Human Resources Officer, who drives activity through each of the Global Business Unit executive leadership teams. Board oversight is provided by the main Board.

**The risk: Failure to achieve strategic objectives as a result of significant management churn and inability to attract and retain top talent.**

### Potential impact

Disruption to business performance attributed to churn across senior management positions and the risk of fatigue arising from a period of sustained business change.

### Mitigation progress in 2020

Following the launch of the Rejuvenating Sustainable Growth strategy, a new leadership team is now in place and churn across senior management has stabilised. An SVP HR has been appointed to each Global Business Unit and the corporate centre.

We launched a Leadership Development and Talent Centre of Excellence to deliver greater value to the business by identifying, developing and scaling best practice HR processes that directly contribute to the attraction, retention and development of our talent.

### Current control strategy

Talent identification, mapping and calibration have been undertaken for critical senior management positions, helping to optimise both talent management and succession planning processes. Succession plans for key management positions are in place and retention risk analysis is undertaken regularly, including reviews of turnover rates. The Group's total compensation programmes and Employee Value Proposition (EVP) are also subject to annual review.

A number of initiatives are under way to promote Reckitt as an employer of choice. These include social impact and diversity and inclusion (D&I) programmes, and employee wellbeing. We offer a suite of tools to help Reckitt employees get the most out of their careers at Reckitt, from learning and development, the annual performance review process and Leadership Development programmes that focus on how managers can inspire, empower and engage their teams.

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.

### Activity impact for 2021

We will continue to focus on unleashing the potential of our people, performance and purpose by attracting the best talent, developing our people and enabling culture change, to shape and drive the future workplace to deliver sustainable outperformance. Target rating to remain Amber by the end of 2021.

## 12. TAX DISPUTES



Risk movement:  
**No change**

### Oversight accountability

Executive ownership resides at corporate directly with the Chief Financial Officer. Board oversight is provided by the Audit Committee.

**The risk: Significant unprovisioned cash outflows as a result of tax authority challenge to filed tax positions in territories.**

### Potential impact

If our filing positions around transfer pricing are not considered in any country to be compliant or our operating model is not sufficiently communicated, implemented and embedded, both internally and externally, tax authorities may successfully challenge our tax return filings with a potentially significant financial impact on the Group.

### Mitigation progress in 2020

Ongoing timely and robust responses to progress outstanding disputes and continual monitoring of progression in relation to Advanced Pricing Agreements (APAs) and subsequent operating model tax audits. Detailed and thorough advice and technical support from advisors take place.

Provisions made at CHQ for anticipated exposures. The business will continue to review the provisioning strategy over the next five years in light of any expected changes.

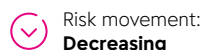
### Current control strategy

Ongoing review by Reckitt 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 Reckitt. We monitor the impact of the Base Erosion and Profit Sharing (BEPS) initiative and other law changes to identify possible adverse impacts and put in place remedial strategies.

### Activity impact for 2021

Timely and robust responses to progress outstanding disputes, continual monitoring of progression in relation to APAs and subsequent operating model tax audits, and increased prioritisation of projects and senior management overview are expected to maintain this risk as Green for 2021. Target rating to remain Green at the end of 2021.

## 13. PRODUCT REGULATIONS



Risk movement:  
**Decreasing**

### Oversight accountability

Executive ownership resides directly with the Chief R&D Officer, who drives activity through the Global Business Unit executive leadership teams. Board oversight is provided by the CRSEC Committee.

**The risk: Non-compliance with product classification regulations, guidelines, internal standards and/or registrations across the supply chain and throughout the product lifecycle.**

### Potential impact

Non-compliance with a product related regulation may result in supply disruption, increased regulatory scrutiny, financial impact (including product recall), damage to company reputation and potential civil/criminal liability.

Regulations impacting our products across the portfolio are continually evolving. If we do not anticipate these changes and are not ready to use them to drive innovation and competitive advantage, we may see an increase in costs and a loss of market share to competitors.

This risk is enhanced by the extensive range of product regulatory classifications across the portfolio, emerging regulations in key markets and fragmented IT systems lacking end-to-end integration.

### Mitigation progress in 2020

A detailed review of the portfolio is ongoing with expected completion in 2021. The programme reviews critical compliance elements of the portfolio and covers all Global Business Units. The schedule follows a risk-based approach.

### Current control strategy

Multiple control programmes are in place to manage regulatory compliance risks, including the Product Integrity Review (reviewing product compliance with registration and/or regulatory requirements), REACH compliance programme and updates to our company Core Datasheets.

Regulatory Intelligence processes and systems have been strengthened and we have evolved how our regulatory KPIs are established, monitored and reported.

The Risk, Sustainability & Compliance Committee (RSCC) structure ensures 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.

### Activity impact for 2021

The Product Lifecycle Management (PLM) programme will systematise our product safety and compliance processes, aligning with the standards set within the Product Integrity Review (PIR) and Product Safety Evaluation Report (PSER) projects. PLM is due for completion in 2022. Review of the end-to-end artwork and label approval process is also under way and is a focus area for 2021.

Our Regulatory teams partner with external regulators to credibly engage in regulation development and to assess the impact and opportunities of future regulations to drive readiness, innovation and competitive advantage. Target rating to remain Amber at the end of 2021. This is a multi-year deliverable to replace current systems.

## 14. LEGAL & COMPLIANCE



Risk movement:  
**No change**

### Oversight accountability

Executive ownership resides with the General Counsel & Company Secretary together with the Chief Ethics & Compliance Officer, with each Global Business Unit responsible for their respective deliverables. Board oversight is provided by a combination of the CRSEC and Audit Committees to ensure full and appropriate coverage of the Compliance programme.

**The risk: We are not fully compliant with relevant laws and regulations, including anti-corruption laws, data privacy laws and global competition laws.**

### Potential impact

Non-compliance with relevant laws and regulations may damage Reckitt's reputation, lead to significant potential fines and possible criminal liability for Reckitt companies and/or senior management.

Stricter data privacy regulations in key markets, together with adoption of new technology and our growing e-commerce business, have impacted data handling practices across the Group. The COVID-19 pandemic has seen an increase in competition law and anti-trust compliance risk as we respond to a significant increase in demand for COVID-19 essential products. The Nutrition business, combined with changes in the way we interact with healthcare entities (HCEs) and healthcare professionals (HCPs) due to COVID-19, has also increased exposure to anti-corruption laws.

### Mitigation progress in 2020

The global Ethics & Compliance programme has been strengthened through the implementation of extensive controls across key compliance risk areas. For data privacy, this includes the establishment of a dedicated e-commerce privacy function, completion of Privacy Impact Assessments and adoption of stringent data protection safeguards across direct-to-consumer channels.

Competition law risk and control assessments were completed in key markets, with supporting mitigation plans agreed and implemented. Our third-party bribery, Interaction with HCEs and HCPs, and Grants, Donations & Charitable Contributions processes have evolved through the introduction of an enhanced operating model supported by more robust systems and procedures.

### Current control strategy

SVP Legal now appointed into each Global Business Unit, with dedicated Ethics & Compliance resources working alongside the Global Business Units to roll out the Compliance programme across all key markets. The programme of global compliance risk assessments will continue in 2021, alongside implementation of new policies and procedures, allowing us to effectively respond to any changes in the risk profile.

All employees are required to complete online Global Compliance training modules, with refresher training deployed each year. Core modules include Code of Conduct, anti-bribery, antitrust, data privacy and separately product safety.

The Group-wide Speak Up hotline is operational, widely communicated and reinforced through a robust, independent investigation process and follow-up.

### Activity impact for 2021

Continued advancement of the Ethics & Compliance programme through targeted risk assessments, enhanced analytics and expansion of the training programme will help to drive greater awareness of relevant laws and regulations. Target rating to remain Amber at the end of 2021. This is an ongoing and dynamic programme.



## 15. SOUTH KOREA HUMIDIFIER SANITISER (HS)



Risk movement:  
**No change**

### Oversight accountability

Executive ownership of the risk at a Group level resides directly with the General Counsel & Company Secretary. Board oversight is provided by the main Board.

The South Korea Humidifier Sanitiser (HS) issue was a tragic event. The Group continues to make both public and personal apologies to victims.

**The risk: Financial and reputational risk as a result of the health issues caused by consumers inhaling a humidifier sanitiser previously sold by Oxy, which Reckitt acquired in 2001.**

### Potential impact

While a provision was made in 2016 to cover the initial government classification rounds and certain other costs, the risk of additional exposure remains. An amendment made to the HS Special Law in 2020 may lead to an increased volume of civil claims against Reckitt Benckiser Korea (RBK). The South Korean Government has now recognised asthma, toxic hepatitis and children's interstitial lung disease as HS injuries and there is potential further expansion of liability as the new amendment to the law reduces the burden of proof to establish that injury or illness is caused by HS exposure. Further, under the law amendment, RBK may be required to make additional contributions to the Industry Relief Fund (IRF).

### Mitigation progress in 2020

RBK has continued to work with the government, victims and other businesses to progress settlement with claimants via its Compensation Plan, and address legal claims, as well as to restore trust among consumers in South Korea. RBK also made comments on the issues with the HS law amendment during the legislative process and has made clear to the Korean Government that it is dependent on the Reckitt Group as its shareholder for all funding.

### Current control strategy

Full public apology formally and repeatedly made by RBK to affected parties. Regular review meetings continue with the Group, to monitor issues as they arise. The Group provides liquidity to RBK on a tightly managed basis. It has encouraged RBK to seek a broader resolution involving all responsible parties on a basis that provides fair compensation to legitimate victims, with each responsible party contributing its fair share. The Group is considering a number of options for the future in light of the amended law.

### Activity impact for 2021

The Group will continue to encourage RBK to seek a broader resolution and will continue to evaluate options to do the right thing while limiting liability to fund compensation payments which are not anchored in proper standards of legal and scientific proof. Target rating likely to remain Amber until the South Korea Government closes the matter.

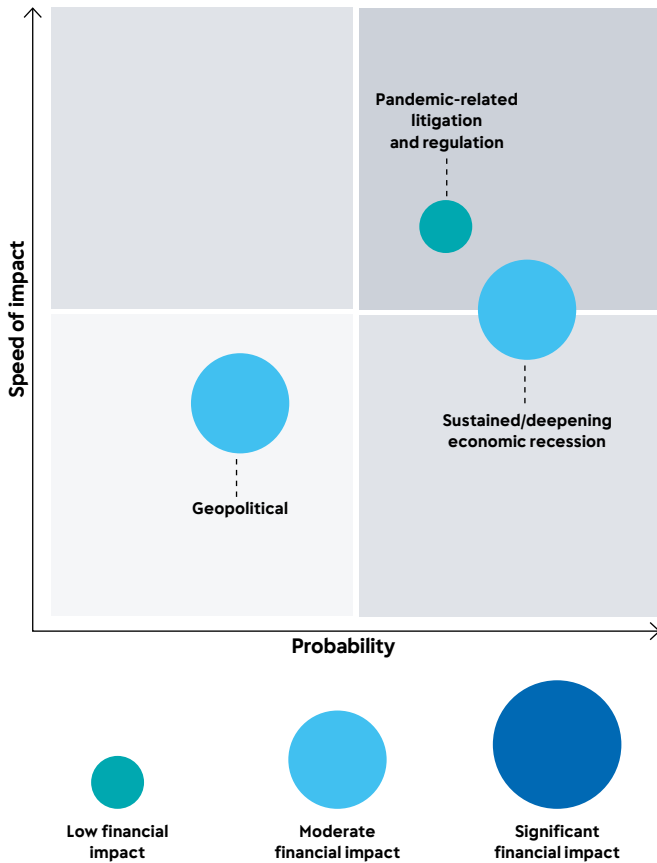
## Emerging risks

**The implementation of an effective risk management framework within an organisation remains a cornerstone of the corporate governance expectations contained within the 2018 revisions to the UK Corporate Governance Code.**

We have defined an emerging risk as an event that has the potential to significantly impact Reckitt's financial position, competitiveness and reputation, specifically;

- When the nature and value of the impact is not yet fully known or understood, giving the emerging nature of the risk; and/or
- With an increasing impact and probability over a longer time horizon (i.e. five+ years)

Category	ID	Risk title	Risk statement
Strategic	1	<b>Geopolitical</b>	Increasing geopolitical volatility with the potential to destabilise key markets and in some cases disrupt our operations. This includes domestic political developments, regional tensions, the impact of Brexit, fluctuations in oil prices and changes to local regulations impacting imports and exports.
	2	<b>Sustained/deepening economic recession</b>	Risk of sustained/deepening recession or financial crisis as a result of the slowdown in many global economies caused by the COVID-19 pandemic.
Operational	3	<b>Pandemic-related litigation and regulation</b>	As a result of the COVID-19 pandemic, applicable laws and regulations will be enacted, or existing ones changed, in a way that may significantly impact Reckitt's business and at a speed that makes it difficult to comply, thereby potentially exposing Reckitt to new litigation e.g. related to supply and product liability issues.



## 1. Geopolitical

**The risk: Increasing geopolitical volatility with the potential to destabilise key markets and in some cases disrupt our operations. This includes domestic political developments, regional tensions, the impact of Brexit, fluctuations in oil prices and changes to local regulations impacting imports and exports.**

### Potential impact

The potential impacts of any geopolitical volatility are wide ranging and include decreasing sales and revenue, fluctuations in corporate finance and treasury, and fewer opportunities for strategic growth. As we operate across a large global network, geopolitical instability can also impact our supply chain operations, workforce management practices and the safeguarding of our data and intellectual property.

### Mitigation

We continue to closely monitor the global geopolitical climate to ensure we understand any developments and how they have the potential to impact our business. Key measures include monitoring and analysis of any political or regulatory uncertainty through our External Affairs network, engagement of advisors in critical markets and identification of security threats facing the business through the Corporate Security programme.

## 2. Sustained/deepening economic recession

**The risk: Risk of sustained/deepening recession or financial crisis as a result of the slowdown in many global economies caused by the COVID-19 pandemic.**

### Potential impact

The commercial teams closely monitor the economic trends and plan commercial strategies to optimise our business appropriately. Whilst we cannot fully protect our business from recessionary pressures, we take appropriate measures to maximise and protect our business during economic downturns.

### Mitigation

Key mitigations include portfolio rightsizing and review of pricing guidelines, adapting our channel strategy with disruptive value offerings and the acceleration of the e-commerce portfolio, ensuring we carefully balance price and volume-led growth through targeted costing programmes, maintaining prudent financial risk management through clear ROI metrics for large investments and accurate forecasting and cash flow management.

## 3. Pandemic-related litigation and regulation

**The risk: As a result of the COVID-19 pandemic, applicable laws and regulations will be enacted, or existing ones changed, in a way that may significantly impact Reckitt's business and at a speed that makes it difficult to comply, thereby potentially exposing Reckitt to new litigation e.g. related to supply and product liability issues.**

### Potential impact

The materialisation of the risk could result in damage to Reckitt's reputation, interference in Reckitt's operations, fines and financial liability to third parties.

### Mitigation

Our Legal function participates in GBU, regional and market level COVID-19 related meetings. Processes have been implemented to review and manage ongoing major litigation, including input from regional legal teams into the Group litigation report. The implementation of our compliance programme is ongoing, and the Group's COVID-19 risk assessment process provides visibility and reporting of COVID-19 related risks across the business.

## VIABILITY STATEMENT

### The assessment process and key assumptions

The Board's Viability Review is based on the Group's strategy, its long term financial plan and its principal risks. A financial forecast covering a five-year period was prepared (the "base case"). This period was selected as it is the period covered in the Group's long-term forecasting process, based on the 2021 budget and projections for the following years, and covers the introduction to market of the current new product pipeline.

The financial forecast is based on a number of key assumptions aligned to the Group's growth strategy, planned capital spending and capital allocation policy. The assessment of viability takes into account the Group's cash flow, its currently available banking facilities and interest cover ratios in relevant financial covenants, and does not assume the raising of additional new debt or equity finance. If Reckitt performs in line with the base case forecasts, it would have sufficient funds to trade, settle its liabilities as they fall due, and remain compliant with financial covenants.

### Assessment of principal risks and viability

To further test the robustness of the base case forecast, further analyses were prepared to consider the viability of the business in the event of adverse unexpected circumstances. Such adverse circumstances were modelled primarily upon the crystallisation of the Group's principal risks (see pages 84 to 91, including mitigation and control strategies).

Principal risks have the potential to create adverse circumstances for the Group and can occur individually or in combination with each other. The assessment of viability considered the implications of crystallisation of each principal risk, assigning each an estimated annual monetary value and estimating the impact on interest cover ratios and headroom over available borrowing facilities.

These principal risks were aggregated to create two scenarios which model plausible downside scenarios of increasing severity based on: (i) crystallisation of principal risks deemed to have the most relevant potential impact on viability (see risks marked '1' on page 82); and (ii) crystallisation of all principal risks and the impact of adverse movements in foreign exchange and interest rates. The analysis indicated that even with unexpected events occurring immediately and in combination, Reckitt would still have sufficient funds to trade, settle its liabilities as they fall due, and remain compliant with financial covenants.

The Board has further considered the occurrence of a Black Swan event: an event of greater adversity than those modelled above, with sufficient potential impact to risk the future of Reckitt as a strong and independent business operating in its chosen markets. The occurrence of a major issue could result in significant reputational impact, a substantial share price fall, significant loss of consumer confidence, and the inability to retain and recruit quality people. Such an event could have an impact on the viability of the business. On the basis of a comprehensive set of mitigating controls in place across the business, considering the unknown nature of a Black Swan event and that its occurrence is considered highly unlikely, it has not been included in the Viability Review.

### Viability Statement

The Board believes that the Group is well-positioned to manage its principal risks successfully. The Board's belief is based on consideration of the historic resilience of Reckitt and has taken account of its current position and prospects, the actions taken to manage the Group's debt profile, risk appetite and the principal risks facing the business in unexpected and adverse circumstances.

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 93, has been approved by the Board.

On behalf of the Board

**Rupert Bondy**  
Company Secretary  
Reckitt Benckiser Group plc  
15 March 2021





**Reckitt Benckiser Group plc**

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