Reckitt Benckiser Group plc
Annual Report and Financial Statements 2018

HEALTH ▾ HYGIENE ▾ HOME

Healthier lives, happier homes

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

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Chief Executive's Statement:

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

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Health at a glance:

£7.8bn

Net Revenue
Pro-forma[1] growth +3%, LFL[1] growth +2%, Reported growth +18%

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Hygiene Home at a glance:

£4.8bn

Net Revenue
LFL[1] growth +4%, Reported growth -1%

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Highlights

better business

Net Revenue

£12.6bn

+3% pro-forma[1] and LFL[1] growth
Reported growth 10%

Reported Earnings Per Share (diluted)

304.8p

-65%

Adjusted[1] Earnings Per Share (diluted)

339.9p

+5%

Total dividend for the year

170.7p

+4%

Reported Gross Margin

60.6%

-40bps[1]

Adjusted[1] Operating Margin

26.7%

+20bps on a pro-forma[1] basis
-60 bps on a reported basis

Health

62%

of RB Total Net Revenue

Hygiene Home

38%

of RB Total Net Revenue

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

better society

Net Revenue from more sustainable products

18.5%

People reached with health and hygiene messaging

765m

FTSE4Good Index membership

15

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

better environment

Greenhouse gas emissions per unit of production

35%

reduction since 2012

Water usage per unit of production

38%

reduction since 2012

Our business model

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

Our enablers

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

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

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

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

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

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

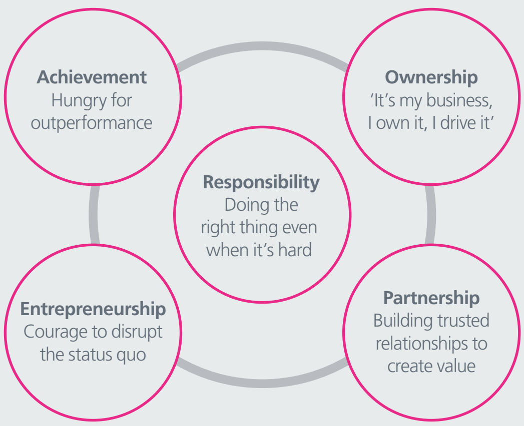
Our focus on value creation

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

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

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

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



The value we create

A focused portfolio of brands

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

A focused approach

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

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

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

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

Read more
Go to pages 17 to 23

A focused organisation

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

Health

Read more
Go to pages 24 to 29

Hygiene Home

Read more
Go to pages 30 to 33

People
40k+
RB provides exciting and challenging careers, with excellent rewards for outstanding performance

Consumers
20m+
Products sold daily
Consumers receive innovative, safe and high-quality products, which give them healthier lives and happier homes

Shareholders
132%
Total Shareholder Return since 2012
Shareholders benefit from strong operational and financial performance, resulting in attractive returns via dividends and long-term share price appreciation

Communities
765m
people informed through health and hygiene initiatives
Our products and social programmes lead to improved health and hygiene standards

Customers
Bricks and mortar and e-commerce
Customers gain from selling our leading brands, which grows each category and drives customer value in relevant channels

Environment
61k
tonnes of CO_2e saved from the purchase and generation of renewable electricity
We recognise the impact we make, and are constantly improving the way we manufacture and design our products to reduce that impact, improve efficiency and preserve natural resources for a better future

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

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

Chris Sinclair
Chairman

Total dividend for the year

170.7p

2017: 164.3p

A year of good progress

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

Business performance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Priorities

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

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

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

Conclusion

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

Chris Sinclair
Chairman
18 March 2019

FOCUS ON SQRC

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

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

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

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

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

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

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

Rakesh Kapoor
Chief Executive Officer

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

Performance in 2018

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

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

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

The first year in our RB 2.0 journey

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

Health

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

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

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

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

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

Hygiene Home

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

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

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

Expanding our reach

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

Doing good by doing well

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

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

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

Building business resilience

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

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

The right organisation for success

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

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

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

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

Our culture and our people

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

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

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

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

Rakesh Kapoor
Chief Executive Officer
18 March 2019

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

58%

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

FOCUS ON E-COMMERCE

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

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

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

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

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

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

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

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

Employees

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

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

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

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

86%
of our employees are proud to work at RB.
Source: Culture Pulse (biannual culture survey).

FOCUS ON EMPLOYEES

Our employees as ambassadors

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

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

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

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

See more
www.rb.com/responsibility

First 1,000 days

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

FOCUS ON PRODUCTS

People using our products

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

See more
www.rb.com/responsibility

People using our products

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

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

Communities

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

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

FOCUS ON PARTNERSHIPS

Partnerships in the community

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

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

See more
www.rb.com/responsibility

£20m

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

Stakeholder engagement continued

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

Partners

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

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

Shareholders

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

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

NEW PLASTICS ECONOMY Global Commitment

RB's support of the New Plastics Economy Global Commitment and our own Plastics Pledge both strengthen our commitment to responsible use of plastics across our packaging formats.

Human rights

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

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

Environment

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

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

Aligning to the SDGs

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

SDG 2: ZERO HUNGER
Our acquisition of MJN means we now contribute to ending stunted growth in children. This has lifelong health and developmental impacts.

SDG 3: GOOD HEALTH AND WELL-BEING
Many of our brands play a role in good health and well-being. They include Durex, Dettol, Gaviscon, as well as Lysol and our Mortein insecticide products.

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

SDG 6: CLEAN WATER AND SANITATION
Our Harpic and Lysol brands are closely associated with our programmes emphasising the importance of good sanitation and good hygiene.

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

See more
www.rb.com/responsibility

Defining our material issues

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

Key changes year on year

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

Our focus on stakeholder priorities

Employees

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

People using our products

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

Shareholders

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

Communities

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

Partners in supply

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

Environment

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

Human rights

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

Non-financial information statement

The information below is intended to help our stakeholders understand our position on key non-financial matters, following the new non-financial reporting requirements contained in sections 414C(7), 414CA and 414CB of the Companies Act 2006.

Reporting requirements	Policies and standards which govern our approach	Additional information and risk management	
Environmental matters	• Environmental policy • Responsible sourcing of natural raw materials policy • Plastics Pledge	Group Environmental Management System[1] Stakeholder Engagement Better Environment	 **page 12** **page 22**
Employees	• RB Code of Conduct • Our Values • Occupational Health & Safety • Speak Up policy • RB Corporate Diversity & Inclusion Policy	Stakeholder Engagement Better Business CRSEC Committee Report Gender Pay Gap Report Group Occupational Health & Safety Management System[1]	**page 12** **page 18** **page 87**
Human rights	• Policy on Human Rights and Responsible Business • Modern Slavery Act Statement • Commitments to international standards	Stakeholder Engagement Better Society	**page 12** **page 20**
Social and community matters	• Social Impact Investment • Breast-Milk Substitute (BMS) and Marketing Policy • Consumer Safety	Our commitment to auditing and transparency on BMS Stakeholder Engagement Better Society	 **page 12** **page 20**
Anti-bribery and anti-corruption	• RB Code of Conduct • Speak Up policy	Better Business CRSEC Committee Report	**page 18** **page 87**
Policy embedding, due diligence and outcomes		Risk Management and Principal Risks CRSEC Committee Report	**page 40** **page 87**
Principal risks and impact of business activity		Principal Risks	**page 42**
Description of business model		Our Business Model	**page 02**
Non-financial key performance indicators			**From pages 16-23**

1 Information not in the public domain.
Most of our reporting on these topics and KPIs are contained in our Strategic Report under the sections entitled Business Model, Stakeholder Engagement, Better Business, Better Society and Better Environment, and Risk Management (or are incorporated into the Strategic Report by reference for these purposes from the pages noted). RB has formulated appropriate policies and due diligence procedures regarding all the non-financial information presented in this Annual Report. We make it our responsibility to follow legislation and policy diligently. Insights into key policies and due diligence procedures, and the basis and methodological principles for the collation of our key sustainability metrics, can be found online at www.rb.com/responsibility/insights

Gender diversity

Definition: the percentage of women in our global workforce.

Target: expand our focus on diversity and talent by improving the retention rates of women from managers to senior managers. This is in line with our goal of doubling the number of women in senior management roles from a 2016 baseline.

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

GHG emissions

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

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

- **Scope 1:** 148,214 tCO_2e (2017: 100,443) – emissions from combustion of fuel in our facilities
- **Scope 2:** 247,856 tCO_2e (2017: 164,205) – emissions from energy supplied to us, such as electricity, heat, steam or cooling

Total emissions from Scope 1 and Scope 2 activities in 2018 were 396,070 (2017: 264,648). We calculate our emissions intensity per unit of production, which in 2018, including our newly acquired IFCN sites, equated to 0.0521 tCO_2e. (2017: 0.00278).

We reported the above on a market-based approach in line with the WRI/WBSCD Greenhouse Gas Protocol, Scope 2 Guidance and our Reporting Criteria. Following a location-based approach, our Scope 2 emissions for 2018 were 309,179 tonnes of CO_2e (2017: 214,424) and our total Scope 1 and 2 tonnes of CO_2e were 457,393. Please note restatement of 2017 GHG emissions for Scope 1 and 2 due to correction of an identified calculation error.

Strategic objectives, targets and key performance indicators

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

better business

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

better society

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

better environment

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

Our future priorities

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

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

better business

Our focus areas and KPIs in 2018

Organisation and culture

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

Priority markets

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

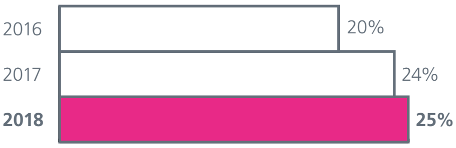
Key brands

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

Virtuous earnings model

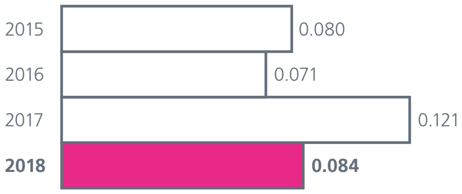
We focus on higher-margin initiatives and rigorous control of our costs. Through our virtuous earnings model, this funds our investment in our brands, capabilities and development, and enables us to expand our revenue and sustain our Operating Margin.

Organisation and culture



Definition: The percentage of women in senior management team roles at 31 December.
Target: See page 16.

Lost Work Day Accident Rate (LWDAR)



Definition: Number of incidents resulting in at least one lost day of work per 100,000 hours worked.
Target: Continued decrease of LWDAR rate.

Our policies

Anti-bribery and corruption

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

Employee policies

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

See more
www.rb.com/responsibility/policies-and-reports

What we said we'd do...

How we delivered it...

Organisation and culture

- Complete the reorganisation into two new business units, including the full integration of MJN.

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

- Continue to strengthen our cyber security and our safety and compliance capabilities.

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

- Continue to drive improvements in health and safety, including rolling out a health and safety culture survey to all sites.

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

- Pilot a new system to give us a best practice process for managing the product life cycle.

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

- Continue to embed DARE (Develop, Attract, Retain and Engage talented women) and drive initiatives to improve gender balance.

Our DARE programme made good progress in 2018.

Key brands

- Continue to develop innovative solutions, which target underserved consumer needs.

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

- Prioritise investment towards the respective Powerbrands of Health and Hygiene Home.

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

Priority markets

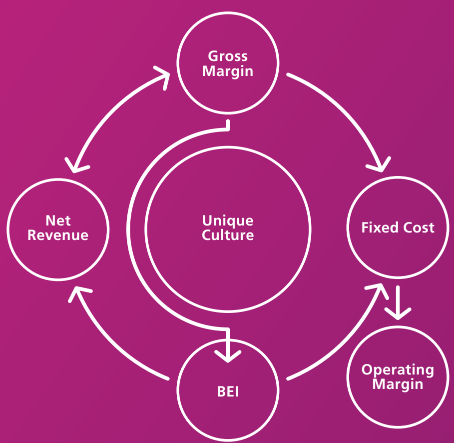
- Prioritise management and financial resource towards our priority markets, with a particular focus on China and the US, as these are key IFCN markets.

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

- Address channel fragmentation and deliver innovative solutions to our consumers, in whichever channel they choose to shop.

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

Virtuous earnings model



Our achievements in 2018:

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

better society

Our focus areas and KPIs

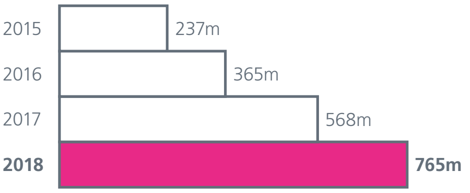
Purpose-led brands
Improving health and hygiene through our product and brand educational programmes, and our corporate social investment.

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

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

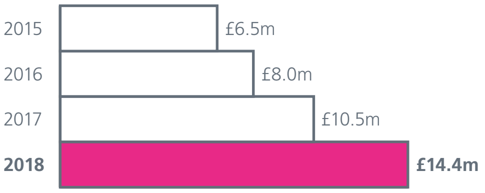
Stewardship
Ensuring our products are safe, compliant and effective, and reducing their impacts on the environment.

Purpose-led brands



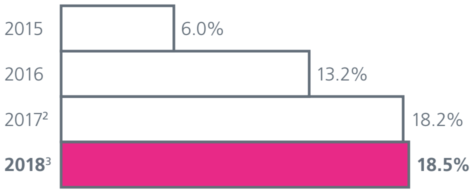
Definition: Total number of people informed through health and hygiene messaging and campaigns since 2013.
Target to 2025[1]: Inform 1 billion people through health and hygiene educational programmes and behaviour change communications.

Social impact investment



Definition: Direct contributions made as social impact investment.
Target to 2025: Reinvest 1% of profit in social impact investment.

Product innovation



Definition: Total Net Revenue from more sustainable products.
Target to 2020: 33% of Net Revenue.

1 Having met our 2020 target to reach 400 million people through brand programmes and educational campaigns in 2017, we are now aiming even higher with our ambition to impact the greatest possible number of people with health and hygiene messaging.
2 Re-calculation of 2017 Sustainable Net Revenue % (previously 19.4%). See Sustainable Innovation Insight (www.rb.com/responsibility/insights) for further details.
3 As a percentage of RB Net Revenue excluding our Infant and Child Nutrition (IFCN) category Net Revenue.

See more
www.rb.com/responsibility

Our policies

Human rights
Our Human Rights and Responsible Business Policy is based on the International Bill of Human Rights and the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work. We also follow the UN Guiding Principles on Business and Human Rights and Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

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

What we said we'd do... / How we delivered it...

Purpose-led brands

What we said we'd do...	How we delivered it...
• Continue to bring our purpose to life through our brands.	Our brands target social impact through the products and partnerships they develop. Vanish identified the environmental impact from clothes ending up in landfills. Its 'love clothes for longer' campaign encouraged people to think twice before discarding clothes.
• Develop a new target for brand programme reach, having achieved our 400 million goal two years early.	Our revised aim is to inform 1 billion people through health and hygiene educational programmes and behaviour change communications by 2025.
• Scale our methodology for measuring the impact of our programmes.	Our social impact initiatives are tracked using the Goodera measurement dashboard with assurance by Corporate Citizenship.

Human rights

What we said we'd do...	How we delivered it...
• Complete the implementation of our new programme management platform.	We finalised our online programme management platform for human rights.
• Increase the scope and scale of our audit programme.	We conducted over 170 supply chain audits including manufacturing sites and distribution depots.
• Engage with key suppliers to improve awareness and understanding of our requirements and good management practices.	We partnered with key suppliers in South Asia, the Middle East and Africa to strengthen awareness of human rights and improve performance.
• Identify and explore areas requiring further focus, such as supplier grievance mechanisms, ethical recruitment, impact measurement and additional supplier categories.	We are tackling systemic risks to human rights such as recruitment of migrant labour where debt bondage can lead to modern slavery. We are developing supplier grievance mechanisms for workers and improved measurement to better capture our social impacts.
• Identify a strategic human rights partner to enhance the effectiveness of our human rights programme.	We are partnering with the Danish Institute for Human Rights to develop our human rights programme in 2019.

Product stewardship

What we said we'd do...	How we delivered it...
• Complete the review of the remaining formulations in our product portfolio.	We reviewed more than 8,900 product formulations across RB.
• Advance our ingredient management strategy through an updated RSL (Restricted Substances List) policy and how we roll out ingredient transparency across our global product portfolio.	We updated our RSL controls, strengthening operating procedures and knowledge management systems. A mandatory, Company-wide RSL e-learning module is building capabilities and compliance.
• Make progress towards our goal of having 100% ingredient transparency while continuing to work towards publication of the RSL by 2020.	We introduced programmes across our major brands to transparently describe ingredients. In 2018, RB joined the Chemical Footprint Project, benchmarking ourselves against peers on chemicals management.

Social impact investment

What we said we'd do...	How we delivered it...
• Reshape our strategy following acquisition of MJN.	We now focus on areas that have a direct connection to our business: sexual health and rights; malnutrition and stunting; health and hygiene, and the environment.

Product innovation

What we said we'd do...	How we delivered it...
• Continue making our products more sustainable and drive further increases in revenue from more sustainable products.	In 2018, we joined the UK Plastics Pact and the Ellen MacArthur Foundation's New Plastics Economy. These trailblazing, collaborative initiatives are tackling greater recycling, reduced use of plastic and enabling a circular economy for plastics.

better environment

Our focus areas and KPIs

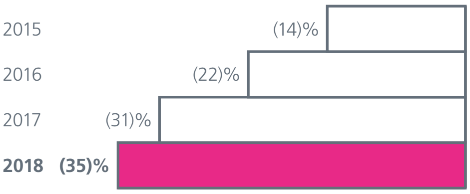
Greenhouse gas (GHG) emissions
Reducing GHG emissions across our product life cycle, through energy efficiency, renewable energy and product innovation.

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

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

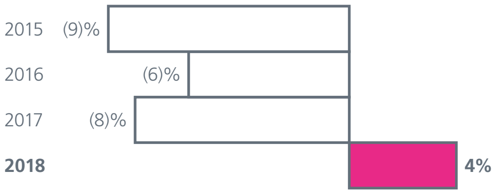
Responsible sourcing
Responsibly sourcing our natural raw materials.

GHG emissions per unit of production[1]



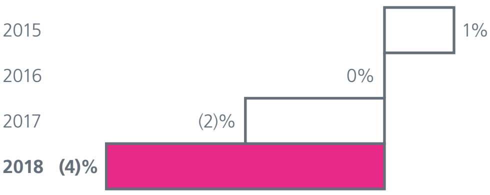
Definition: The percentage reduction in GHG emissions per unit of production, against our 2012 baseline.
Target to 2020: 40% reduction.

Water impact per dose of product[3]



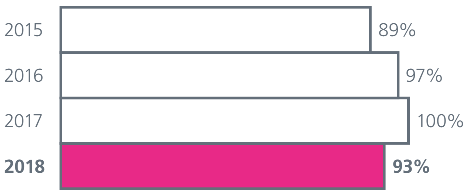
Definition: Total water used during the product's life cycle, from material sourcing to disposal or recycling, adjusted to reflect water scarcity at each stage, and divided by the number of product doses manufactured, against our 2012 baseline.
Target to 2020: 33% reduction.

Carbon footprint per dose of product[1]



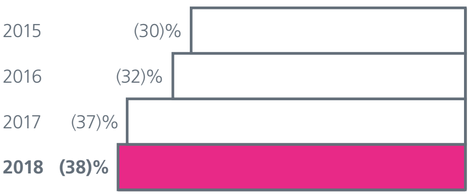
Definition: The percentage reduction in our total carbon footprint per dose of product manufactured, against our 2012 baseline.
Target to 2020: 33% reduction.

Sending zero waste to landfill[2]



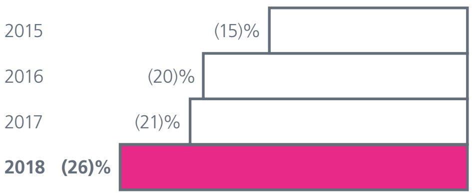
Definition: The percentage of our factories achieving zero waste to landfill, including both hazardous and non-hazardous waste.
Target to 2020: 100%.

Water use per unit of production[1]



Definition: The percentage reduction in total water consumption per unit of production, against our 2012 baseline.
Target to 2020: 35% reduction.

Manufacturing waste per unit of production[1]



Definition: The percentage reduction in manufacturing waste per unit of production, against our 2012 baseline.
Target to 2020: 30% reduction.

Our policies

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

Environmental policy
This sets out our objectives for reducing our environmental impacts. It requires us to comply with relevant legislation, consider environmental issues in key decisions, and engage with multiple stakeholders for better environmental performance.

1 Excluding our Infant and Child Nutrition (IFCN) business – See RB Insights (www.rb.com/responsibility/insights) and RB Reporting Criteria Basis for Preparation (www.rb.com/responsibility/policies-and-reports) for details.
2 2018 year end zero waste to landfill performance includes newly acquired IFCN sites.
3 Further information can be found in our Water Resources Insight sheet.

What we said we'd do... / How we delivered it...

Greenhouse gas (GHG) emissions

What we said we'd do...	How we delivered it...
• Identify further opportunities to reduce GHG emissions across our sites, in particular by increasing our use of renewable energy and through further energy efficiency.	Advanced energy management is reducing our GHG emissions, with investment in energy improvements for processes, equipment and facilities. Our commitment to renewable energy is demonstrated by our investment in solar energy, for example, at our plants in Belle Mead, Cali and Mauripur, together with the Power Purchase Agreement we signed for our Mysore plant in the Indian state of Karnataka. This delivers 75% less carbon emissions.
• Sign up to RE100, a global initiative bringing together companies that are committed to using 100% renewable energy.	We joined the global RE100 initiative. Over 30% of our manufacturing sites currently use energy from renewable sources.
• Evaluate and revise new GHG emissions targets, including IFCN sites.	In 2018 we committed to adopting Science Based Targets. This champions targets in line with climate science and boosts transition to a low-carbon economy to enable more resilient future growth. 2018 marked the eighth consecutive year of our participation in CDP (formerly the Carbon Disclosure Project). Our 2018 score of A- maintained our above-sector average position and reflected our value chain and governance approach.

Water

What we said we'd do...	How we delivered it...
• Further enhance the water efficiency of our operations.	We are minimising our impact on water in our value chain and product life cycles where water is used with our products as well as within the products themselves. We identified new ways to recycle and reuse water, with several sites now achieving zero liquid discharge. For these, all waste water is purified and recycled. Elsewhere we upgraded waste water discharge facilities at sites in India, China and Thailand.

Waste

What we said we'd do...	How we delivered it...
• Further reduce waste and increase the reuse and recycling of waste.	We are committed to reducing the waste our sites generate and to improving the ways waste is treated, aiming for zero waste to landfill. 93% of our manufacturing sites are already achieving this goal through increased recycling and reprocessing. Our programme to reduce the use of plastics is progressing well. Our Sustainable Innovation Calculator measures both the amount and type of packaging used. This helps reduce packaging weight, consider more sustainable materials and increase recyclability.

Responsible sourcing

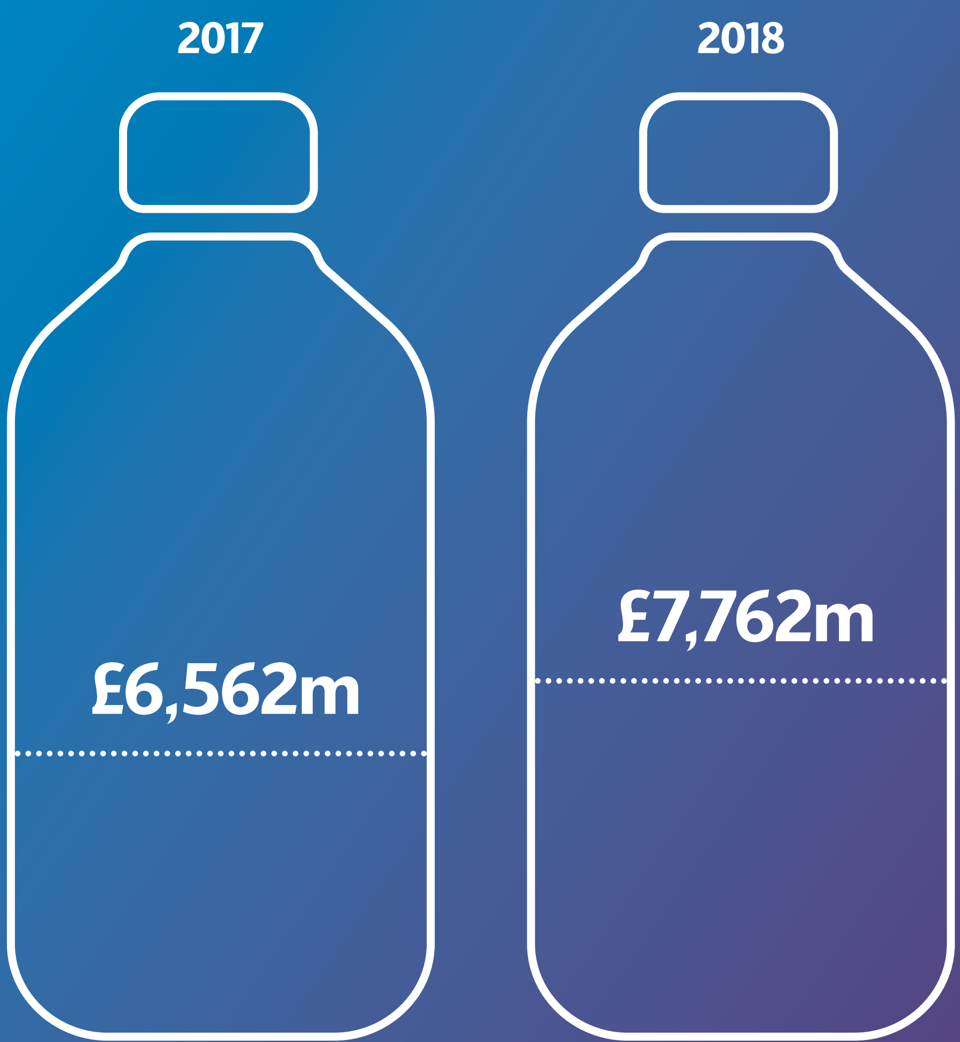
What we said we'd do...	How we delivered it...
• Further increase the scope and effectiveness of our responsible sourcing programme in areas such as palm oil and latex.	We increased the proportion of our global palm oil supplies that are traceable to mills to 88%, excluding surfactants. This includes palm supplies sourced within India.
• Integrate MJN into our responsible raw materials sourcing programme and ensure compliance programmes are in place for high-risk materials.	RB is now part of the Dairy Sustainability Framework which tracks delivery of 11 farming sustainability topics with dairy suppliers and stakeholders.

Health

Innovative solutions to put health in your hands

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

Health Net Revenue



LFL growth:

+2%

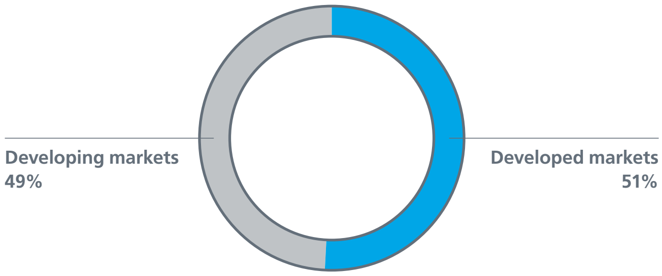
Actual growth:

+18%

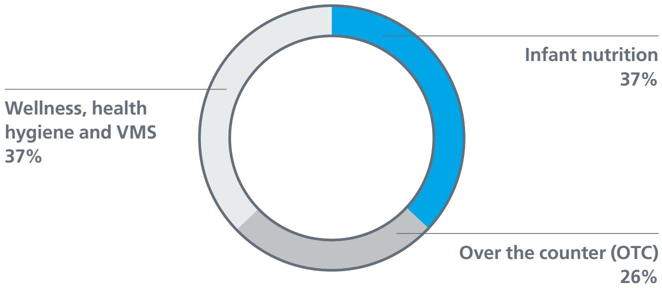
Key Health brands

GAVISCON · Enfamil · durex · Nutramigen · Mucinex · Dettol · Strepsils · MegaRed · Scholl · Veet · NUROFEN

Geographic profile



Category profile



Our priorities and aspirations

More innovative solutions to enable people globally, to manage their own health, driving innovation in both global and local brands

Drive excellence in e-commerce and digital, capitalising on our successful track record in China, and scaling globally

Grow infant nutrition category creating value for consumers and the business

Reinforce our strong foundations in safety, quality and regulatory compliance (SQRC) in support of our consumer healthcare goals

Active portfolio management to focus on categories and brands that deliver margin accretion

Continue to invest in our people, capabilities and resources, and our clinical pipeline while sustaining our best-in-class operating margins

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

Adi Sehgal
Chief Operating Officer, Health

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

£400bn

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

+3–5%

category growth rates.

We are all living longer

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

Prosperity and connectivity

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

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

Infant and Child Nutrition (IFCN)

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

RB 2.0 reorganisation

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

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

1 billion

people reached through (DUREX)RED campaign Have Sex, Save Lives.

FOCUS ON FUNDING THE FIGHT AGAINST AIDS

(Durex)RED – Have Sex, Save Lives

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

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

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

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

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

FOCUS ON PARTNERSHIP

Working in partnership for the Best Start in Life

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

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

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

Innovation for 2019

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

Financial performance

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

IFCN

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

> **"All regions for IFCN grew in 2018, delivering a strong turnaround after two years of Net Revenue decline.**
>
> **Adi Sehgal**
> Chief Operating Officer, Health

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

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

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

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

Health relief

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

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

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

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

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

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

Wellness, health hygiene and VMS

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

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

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

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

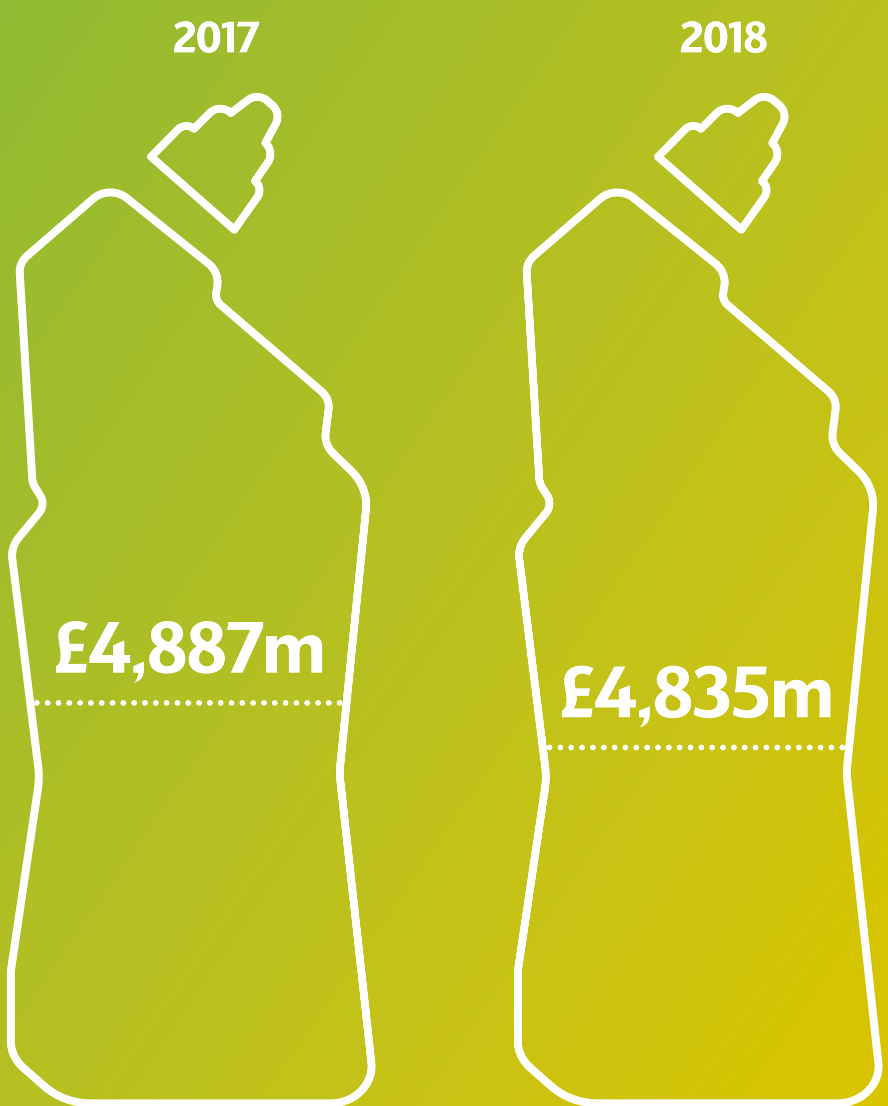
Operating Review

Hygiene Home

Creating a cleaner world

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

Hygiene Home Net Revenue



LFL growth:

+4%

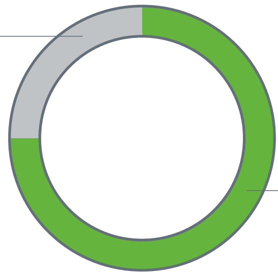
Actual growth:

-1%

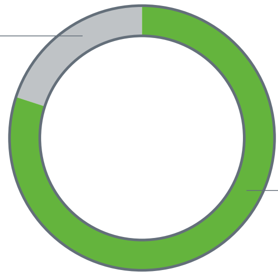
Key Hygiene Home brands

Finish, Vanish, Harpic, Air Wick, Lysol, Mortein, Veja

Geographic profile



Category profile



Our priorities and aspirations

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

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

Rob de Groot
President, Hygiene Home

We see huge opportunities in both mature and emerging markets.

Our performance in 2018

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

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

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

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

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

Where we compete

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

Our portfolio strategy is to take our seven leading brands that together deliver 80% of our Net Revenue and build on their global presence to achieve much deeper market penetration. Our unique portfolio of brands has significant growth potential, especially in emerging categories where there is currently less than 25% penetration. This is preferable to operating in a well-penetrated category that is typically characterised by promotions and cost-cutting.

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

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

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

Innovation in 2019

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

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

Picture credit: water.org

80,000

people empowered with access to safe water and sanitation.

WORLD TOILET DAY: CLEAN WATER AND SANITATION

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

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

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

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

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

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

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

Total Growth at constant rates

15%

Net Revenue

£12.6bn

Adjusted Operating Margin

26.7%

Adrian Hennah
Chief Financial Officer

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

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

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

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

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

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

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

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

Capital allocation

Our capital allocation policy remained unchanged.
Our priorities were:

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

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

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

ROCE

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

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

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

The updated definition provides an improved metric as:

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

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

RB 2.0

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

Outlook

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

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

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

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

Detailed financial review

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

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

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

1 Pro-forma basis includes MJN for the entire comparative period. It is presented on an adjusted basis above.
2 Reported basis includes MJN in the comparative period from the date of acquisition. It is presented on an adjusted basis above.

Gross margin was 60.6%, a decline of -40bps on a reported basis and -70bps on a pro-forma basis. The consolidation of MJN had a slightly positive mix effect. The margin decline was driven by the combination of input cost headwinds (which we expect to continue in the near term), and a tough, though improving, pricing environment. We also increased operating and capital expenditure slightly on capacity in a number of areas, to meet the needs of our customers. Gross margin was also negatively impacted by the temporary manufacturing disruption in our IFCN business including more expensive logistics costs as we sought to restock channels as quickly as possible in China.

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

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

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

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

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

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

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

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

Net finance expense

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

Tax

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

Adjusting items

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

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

Net working capital

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

Cash flow

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

Free cash flow is the net cash generated from operating activities (excluding discontinued operations) after capital expenditure on property, plant and equipment and intangible assets and any related disposals. Free cash flow reflects cash flows that could be used for payment of dividends, repayment of debt or to fund acquisitions or other strategic objectives. Free cash flow as a percentage of continuing Adjusted Net Income was 84% (2017: 94%).

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

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

Balance sheet

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

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

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

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

Dividends

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

Legal provisions

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

Contingent liabilities

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

Summary of % Net Revenue growth (continuing)

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

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

1 Pro-forma growth as defined on page 39.
2 Impact of the GST implemented by the Indian government from 1 July 2017.
3 Reflects the impact of acquisitions and disposals within continuing operations.

Health 62% of Net Revenue

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

Hygiene Home 38% of Net Revenue

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

1 North America comprises the United States and Canada.
2 Europe/ANZ comprises Europe, Russia/CIS, Turkey, Israel, Australia and New Zealand.
3 DvM comprises all remaining countries in the Group.
Note: due to rounding, the above tables will not always cast.

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

Adjusted measures

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

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

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

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

Other alternative performance measures and terms

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

Pro-forma growth (at constant exchange rates) excludes the impact on Net Revenue of changes in exchange rates, acquisitions, disposals and discontinued operations. It includes the results of MJN for the entire comparative period. Pro-forma growth also excludes Venezuela.

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

Free cash flow, the Group's principal measure of cash flow, is defined as net cash generated from operating activities (excluding discontinued operations) less net capital expenditure. Free cash flow reflects cash flows that could be used for payment of dividends, repayment of debt or to fund acquisitions or other strategic objectives. A reconciliation of cash generated from operations to free cash flow is shown on page 38.

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

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

ROCE is defined as Adjusted Operating Profit after tax divided by monthly average capital employed. The Group has updated its definition and measurement of capital employed for 2018 and restated comparatives to be on a consistent basis. Capital employed comprises total assets less current liabilities other than borrowings-related liabilities. Total assets exclude cash, retirement benefit surplus, current tax and a technical gross-up due to goodwill that arises because of deferred tax liabilities recorded against identified assets acquired in business combinations. Current liabilities exclude legal provisions recorded as a result of exceptional items and current tax.

Our approach to integrated risk management at RB.

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

	Functional risk assessments	Business unit/corporate risk assessments	Group principal and emerging risk assessment	Board oversight	Annual Report
		Consolidation and critical challenge by Internal Audit	Reviewed by business unit/corporate function leadership teams		Principal and emerging risks identified through the Group Risk Assessment are disclosed in RB's Annual Report
What	• Identifies and monitors risks impacting the operation of each function or functional area • Controls are mapped to the three lines of defence • Detailed management action plans are developed to address control gaps	• Identifies and monitors risks with the potential to impact each business unit and the corporate centre • High-level control strategies and action plans are documented for each risk. Supporting functional risks are referenced	• Identifies the most significant principal and emerging risks with potential to impact the Group • Principal and emerging risks are disclosed in the Annual Report	• Oversight across each principal risk provided by a nominated Board Committee	
When	• Completed annually, reviewed quarterly with updates provided to the Audit Committee	• Completed annually in advance of the business unit strategic planning process	• Completed annually in advance of the business unit strategic planning process	• Periodic reporting and risk deep dives occur with input from the risk owner	
How	• Risks identified through a series of 1:1 interviews with management • Workshops build out and stress test input from interviews • Formal sign-off by functional Head with Group CFO	• Risks identified and assessed through a series of 1:1 meetings with business unit leadership • For corporate functions, the functional risk assessments are reviewed and challenged	• 1:1 meetings are held with all Executive Committee (EC) members, Group functional and assurance heads, external advisors and Non-Executive Directors (NEDs) • Synthesized output formally reviewed and signed off by the EC and thereafter by the Board		
Who	• Initial exercise facilitated by Internal Audit • Risk assessment owned by functional leadership team • Functional risk owners assigned to each specific risk, controls and action plans	• Business unit/corporate management teams led	• Internal Audit led • Executive owners assigned with principal and emerging risks circulated to the Board for final review and sign-off	• Executive member	

Our approach to principal and emerging risk assessment

The Group principal and emerging risk assessment is an integral part of the integrated risk management framework above, identifying the principal and emerging risks with the greatest potential to impact the Group. The assessment is completed annually in advance of the business unit and corporate strategic planning process as follows:

Identification of risks

- What could impact RB and the achievement of its objectives?
- Identifies the most significant principal and emerging risks with potential to impact the Group
- 1:1 meetings are held with all EC members, Group functional and assurance heads, external advisors and NEDs
- Functional, business unit and corporate risk assessments feed into this process
- Identifies sources of risk, key drivers and areas of impact
- Completed annually in advance of the business unit strategic planning process

Control strategy

- What are we doing to manage the risk?
- Control strategy is appropriate and reviewed to establish if it is operating as intended
- Where we identify control gaps, what more do we need to do?

Assessment of net risk and prioritisation

How comfortable are we with the level of risk?

- Considering the controls we have in place to manage each risk:
  - What is the probability that the risk will materialise?
  - If it did, what would the likely impact be?
  - How comfortable are we with how the risk is being managed?
- Assessment identifies those risks and controls where management should focus its effort
- The decision to act will be based on which risks are no longer acceptable

Management action

What more do we need to do?

- Having identified areas of highest risk that require attention, action plans are developed by management to:
  - address any control gaps identified
  - improve the effectiveness of existing controls, thereby reducing the probability and impact to an acceptable level
- Executive owners assigned, with principal and emerging risks circulated to the Board for final review, sign-off and ongoing monitoring
- Principal and emerging risks are disclosed in the Annual Report

Our evolving approach to integrated risk management

The implementation of an effective risk management framework within an organisation remains a cornerstone of the corporate governance expectations contained within the 2018 revisions to the UK Corporate Governance Code. A new requirement (for accounting periods starting 1 January 2019 or later) is described in Provision 28 as follows: for management to carry out a robust assessment of emerging risks as well as principal risks and explain in the annual report what procedures are in place to identify emerging risks, including how these risks are being managed or mitigated.

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

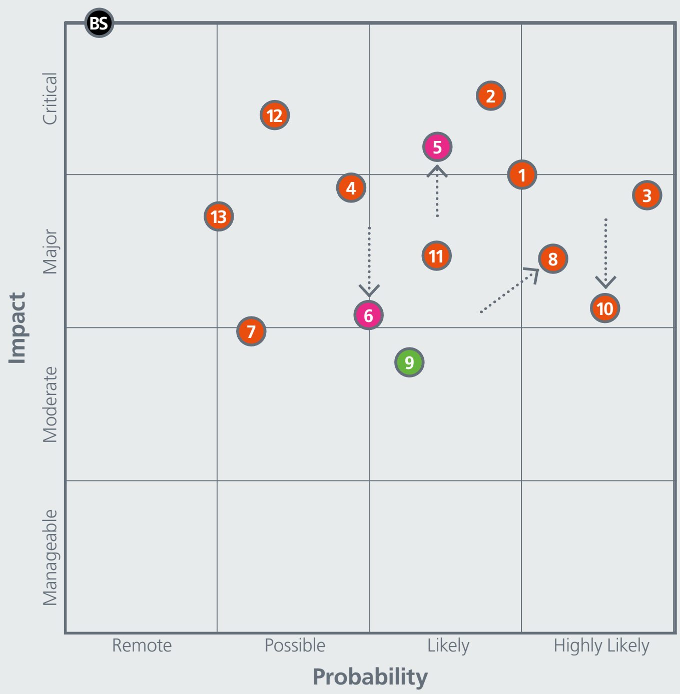
Key to principal risks

Category	ID	Risk title	Risk statement
Strategic	1	RB 2.0 delivery	RB 2.0 does not deliver improved business performance: • Change programme delivery • IFCN operational and cultural integration • Accelerated growth delivery
	2	Innovation	Inability to innovate and organically drive top-line growth
	3	Disruption	Inability to respond, adapt and evolve to changing consumer needs and behaviours: • Channel disruption (specifically digital) requires changed perspectives and greater speed and agility to compete • Increased competition from local and trade brands
Operational	4	Product safety	Consumer safety compromised
	5	Supply continuity	Disruption to the continuity of supply: • Loss or prolonged closure of a mono-source factory • Failure of operational resilience (BCP – business continuity planning) • New regulations requiring local suppliers
	6	Cyber-security	Significant business disruption due to increasingly sophisticated cyber-attacks
	7	Fatality/major employee safety incident	Death or serious injury as a result of a failure to prevent work accidents
	8	Talent	Inability to attract, retain, motivate and develop talent
Compliance	9	Tax disputes	Significant unprovisioned cash flows as a result of tax authority challenges to filed tax positions
	10	Regulatory environment	Inability to keep pace with an evolving regulatory landscape resulting in potential manufacturing and distribution disruption impacting top-line growth and brand reputation
	11	Legal non-compliance	Non-compliance with relevant laws and regulations – anti-corruption, global competition, GDPR
	12	Department of Justice (DoJ)	Risks deriving from ongoing DoJ investigation and related antitrust litigation
	13	South Korea Humidifier Sanitizer (HS)	Risk from liability beyond current provisioning
Other	BS	Black Swan event	Multiple brands impacted by unforeseen reputational incident(s)

Emerging risks:

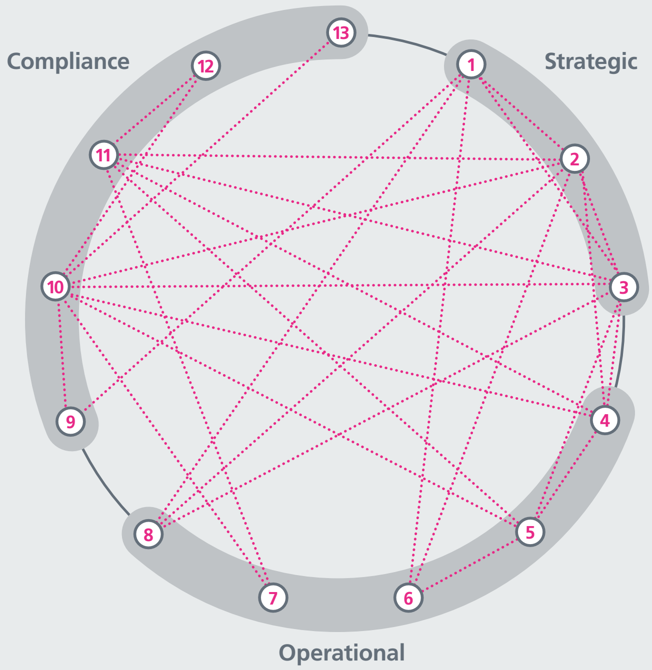
- **Sustainability** – We fail to adapt to sustainability opportunities and challenges such as transparency and traceability of sourcing, supply chain performance and environmental impacts (water, climate change, waste), alongside changing stakeholder expectations, including the use of packaging (plastics, paper and board), etc.
- **Regulatory** – Changes in the regulatory landscape in key countries adversely impact our operations there.
- **Tariffs and trade sanctions** – Increasing global political instability may result in a structural change to tariffs and trade agreements adversely impacting our supply chain.

Principal risks



Interconnected risks

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



Mitigation activity

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

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

Risk movement

Arrows indicate movement from prior year position.

Direction and distance of movement.

1. RB 2.0 delivery*

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

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

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

Mitigation progress in 2018
Detailed Gemini change programme execution plan prepared and ongoing governance model implemented alongside.

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

2. Innovation*

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

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

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

Mitigation progress in 2018
R&D organisation split between dedicated innovation teams focused on NPD delivery for key global brands and operations team focused on local brands. Front-line organisation has been strengthened through category development team being relocated into the markets. Resource dedicated to deliver on e-commerce first focused innovations.

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

Risk movement:
Decreasing

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

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

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

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

Activity impact for 2019
Execution to plan of the Gemini major change programme with each of its multiple workstreams, including legal entity restructuring, operating model, enhanced financial reporting, ERP migration, business shared services and product life cycle management. A tail of activities is expected to continue until completion, around mid-2020.

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

Risk movement:
New

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

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

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

Board oversight is provided by the main Board.

Activity impact for 2019
Ongoing activity to embed and strengthen organisation as well as enabling the core capabilities to optimise its effectiveness.

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

* See Viability Statement on pages 56-57.

3. Disruption*

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

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

Mitigation progress in 2018
End-to-end structures and accountabilities being put in place to drive disproportionate growth in key opportunity markets and categories. E-commerce strategy, resourcing and technology being rolled out to lead markets.

4. Product safety

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

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

Mitigation progress in 2018
Completion of several product safety programmes and piloting of a product lifecycle management system to improve compliance and reduce manual intervention.

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

Risk movement:
New

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

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

Board oversight is provided by the main Board.

Activity impact for 2019
E-commerce strategy, strengthened resourcing and technology, and new success models will be rolled out to markets.

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

Risk movement:
No change

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

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

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

Board oversight is provided by the CRSEC Committee.

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

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

* See Viability Statement on pages 56-57.

5. Supply continuity*

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

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

Mitigation progress in 2018
Increased investment in manufacturing facilities to enhance reliability and continuity of supply. Highly Protected Risk (HPR) certification achieved for all but one key ex-MJN manufacturing locations. Business Continuity Plans (BCPs) reviewed and strengthened to ensure that business continuity arrangements remain appropriate.

6. Cyber-security*

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

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

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

Mitigation progress in 2018
Assessment of enterprise cyber-security risk to determine downstream risks, document and prioritise, implementation of first phase of cyber defence monitoring partnership (including end-to-end execution to detect and respond in a highly proactive and controlled way) and deployment of external digital threat and risk monitoring and alerting capability.

Risk movement:
Increasing

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

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

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

Board oversight is provided by the main Board.

Activity impact for 2019
Further develop specific BCPs. For specific brands and markets, identify a second manufacturing source and execute formula/equipment qualification trials to provide an active BCP.

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

Risk movement:
Decreasing

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

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

Oversight accountability
Executive ownership resides directly with the Group Chief Information Officer.

Board oversight is provided by the main Board.

Activity impact for 2019
Deployment of agents to all RB systems to ensure continuous monitoring of vulnerabilities and implementation of an advanced remediation management service to continuously track and drive remediation of discovered system vulnerabilities. Also, further strengthening of automated tooling into digital/agile processes to reduce the risk associated with introduction of vulnerabilities into RB environments.

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

* See Viability Statement on pages 56-57.

7. Fatality/major employee safety incident

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

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

Mitigation progress in 2018
Extensive programme to embed heightened employee health and safety (EH&S) culture across the enlarged Group, through rigorous auditing, culture surveys and training initiatives.

Driver Safety Standard Programme deployed.

8. Talent*

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

Potential impact
Disruption to business performance.

Mitigation progress in 2018
The implementation of the RB 2.0 reorganisation presented the opportunity to optimise talent across the Group and succession planning has benefited from the infusion of MJN talent.

Risk movement:
No change

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

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

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

Board oversight is provided by the CRSEC Committee.

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

Activity impact for 2019
Refreshing of Group minimum standards into Highly Protected Manual format, completion of Group 18001 Certification across all RB sites by end of year. Also, continued programme of culture surveys and local safety days.

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

Risk movement:
Increasing

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

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

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

Board oversight is provided by the Remuneration Committee.

Activity impact for 2019
The current reward structure is kept under review to ensure it remains fit for purpose and appropriate targets are set for both external and internal stakeholders. Strategic workforce planning is in progress to understand the shape of the workforce and how it will change over the next three years to facilitate proactive intervention.

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

* See Viability Statement on pages 56-57.

9. Tax disputes

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

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

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

Mitigation progress in 2018
Ongoing timely and robust responses to progress outstanding disputes and continual monitoring of progression in relation to Advanced Pricing Agreements and subsequent operating model tax audits.

Detailed and thorough documentation and technical support from advisors.

10. Regulatory environment*

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

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

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

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

Risk movement:
No change

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

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

Oversight accountability
Executive ownership resides at corporate directly with the Group CFO.

Board oversight is provided by the Audit Committee.

Activity impact for 2019
Timely and robust responses to progress outstanding disputes, continual monitoring of progression in relation to APAs and subsequent operating model tax audits and increased prioritisation of projects and senior management overview.

Target rating to remain Green at the end of 2019.

Risk movement:
Decreasing

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

Also, the CMC structure ensures KPIs are reported from the top to all levels in the organisation. There is an appropriately resourced single system for consumer complaints in place and specialist audit teams providing independent assurance.

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

Board oversight is provided by the CRSEC Committee.

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

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

* See Viability Statement on pages 56-57.

11. Legal non-compliance*

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

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

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

Mitigation progress in 2018
Ongoing proactive management of current and potential litigation. Project developed for monitoring and preventing any potential abuse of market position. Development and roll-out of updated online training for the enlarged RB Group fully incorporating the acquired MJN business, including HCP interactions.

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

12. Department of Justice (DoJ)

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

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

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

Mitigation progress in 2018
Efforts to reach civil resolution of the investigation.

Ongoing preparation of defences to any criminal indictment.

Risk movement:
No change

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

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

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

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

Activity impact for 2019
Continued embedding of this function will continue with key activities including competition law targeted risk assessments and e-learning module; delivery of core GDPR requirements; and rationalisation of RB and IFCN due diligence processes.

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

Risk movement:
No change

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

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

Board oversight is provided by the main Board.

Activity impact for 2019
RB will continue to respond appropriately to any new enquiries or requirements from DoJ if and when they are received.

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

* See Viability Statement on pages 56-57.

13. South Korea Humidifier Sanitizer (HS)

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

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

Mitigation progress in 2018
RB South Korea has continued to work closely with the government, lawyers and other businesses to progress and close settlement with claimants as well as to establish a viable ongoing model for the business.

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

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

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

Risk movement:
No change

Current control strategy	Oversight accountability	Activity impact for 2019
Full public apology formally and repeatedly made by RB South Korea to affected parties. Regular review meetings continue with the Group, to oversee and guide settlement progress and other issues as they arise. Modelling continuously updated to quantify and monitor evolving risk and ensure adequacy of provisioning for financial exposure.	Executive ownership resides directly with the Group CEO. Board oversight is provided by the main Board.	Continue to work closely with the government, lawyers and other businesses to progress and close settlement with claimants as well as to establish a viable ongoing model for the business. Target rating from current Amber to Green by the end of 2019.

The sensitivity assigns each adverse assumption an estimated annual monetary value and estimates the impact on interest cover ratios and headroom over available borrowing facilities. The analysis concludes that even with the occurrence of key unexpected scenarios, RB would still have sufficient funds to trade, settle its liabilities as they fall due, and remain compliant with financial covenants.

The Board has further considered the occurrence of a Black Swan event: an event with sufficient potential impact to risk the future of RB as a strong and independent business operating in its chosen markets. The occurrence of a major issue could result in significant reputational impact, a catastrophic share price fall, significant loss of consumer confidence, and the inability to retain and recruit quality people. Such an event could have an impact on the viability of the business.

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

As a result of the Viability Review, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period covered in the Viability Review.

The Strategic Report, as set out on pages 1 to 57, has been approved by the Board.

On behalf of the Board

Rupert Bondy
Company Secretary
18 March 2019

The Board consists of a balance of Executive and Non-Executive Directors who together have collective accountability to RB's Shareholders.

Rakesh Kapoor
Chief Executive Officer
NOM >7

Chris Sinclair
Chairman
NOM REM CRS >3

Adrian Hennah
Chief Financial Officer
>5

Nicandro Durante
Senior Independent Director
REM NOM CRS 5

Mary Harris
Non-Executive Director
REM NOM >3

Committees		Chair	
REM	Remuneration	10	Tenure (in years)
NOM	Nomination		
AUD	Audit		
CRS	CRSEC		

Andrew Bonfield
Non-Executive Director
AUD NOM <1

Mehmood Khan
Non-Executive Director
CRS <1

Elane Stock
Non-Executive Director
REM <1

Pam Kirby
Non-Executive Director
CRS AUD NOM >3

Warren Tucker
Non-Executive Director
AUD >8

Rakesh Kapoor
Chief Executive Officer NOM >7

Nationality
Indian/British

Skills and experience
Rakesh joined RB in 1987 and held a number of regional and central marketing roles with the Company. In 2006 he was appointed EVP Category with responsibility for global category management, R&D, media, market research and strategic alliances. Rakesh was appointed CEO in 2011 and brings to the Board a wealth of business experience and knowledge developed through his experience with the Company.

Rakesh holds an MBA from XLRI, Jamshedpur and a Chemical Engineering degree from the Birla Institute of Technology and Science.

Rakesh will retire as CEO of the Company by the end of 2019.

Chris Sinclair
Chairman NOM REM CRS >3

Nationality
American

Skills and experience
Chris joined RB as a Non-Executive Director in February 2015 and was appointed Chairman of the Board in May 2018.

Chris has a wealth of experience in Chairman roles. Chris is the former Chairman and CEO of Mattel, Inc. Previously, he served as CEO for several private-equity backed companies, including Caribiner International and Quality Food Centers (now part of the Kroger Co.). Earlier in his career, he held various senior management positions with PepsiCo, including Chairman and CEO of Pepsi Cola Co., and Chairman of PepsiCo International Foods and Beverages, which gave him the platform to showcase his strong global branding skills. He is also a former Director of Foot Locker, Inc. and Perdue Farms, Inc.

Chris is a graduate of the University of Kansas and the Tuck School at Dartmouth College.

Adrian Hennah
Chief Financial Officer >5

Nationality
British

Skills and experience
Adrian joined RB in January 2013 as Chief Financial Officer Designate, before being appointed CFO in February 2013. Adrian has valuable financial experience, having spent six years at Smith & Nephew plc as CFO and four years as CFO at Invensys plc. He also spent 18 years at GlaxoSmithKline plc where he held a number of senior management and financial roles. He started his career with PwC (then Price Waterhouse) working in audit and consultancy and worked with Stadtsparkasse Koeln, the German regional bank.

Adrian has a degree in Law from Cambridge University and is a Sloan Fellow of the London Business School.

Current external appointments
Non-Executive Director of RELX plc.

Nicandro Durante
Senior Independent Director REM NOM CRS 5

Nationality
Brazilian/Italian

Skills and experience
Nicandro was appointed as a Non-Executive Director in December 2013 and became Senior Independent Director in January 2019. He brings strong leadership skills and international business experience to the Board. He holds degrees in Finance, Economics and Business Administration.

He started his career working in finance in Brazil and joined British American Tobacco plc (BAT) in 1981. Whilst at BAT he has worked in the UK, Hong Kong and Brazil and has held a number of senior positions, including Regional Director for Africa and the Middle East. He was appointed as Chief Operating Officer prior to being appointed as Chief Executive Officer of BAT in March 2011.

In September 2018, Nicandro announced that he will retire as CEO of BAT with effect from 1 April 2019.

Current external appointments
Chief Executive Officer of BAT since March 2011.

Mary Harris
Non-Executive Director REM NOM >3

Nationality
British

Skills and experience
Mary was appointed as a Non-Executive Director in February 2015. She became the Chair of the Remuneration Committee in November 2017. Formerly a Partner at McKinsey & Company, Mary brings to the Board substantial experience in consumer and retail business in China, South East Asia and Europe.

Mary is a graduate of the University of Oxford (MA Politics, Philosophy and Economics) and Harvard Business School.

Current external appointments
Non-Executive Director of ITV plc. Member of Supervisory Board of Unibail-Rodamco-Westfield SE.

Andrew Bonfield
Non-Executive Director AUD NOM <1

Nationality
British

Skills and experience
Andrew joined RB as a Non-Executive Director in July 2018 and became Chair of the Audit Committee on 1 January 2019. Andrew is a Chartered Accountant and brings significant financial expertise to the role.

In September 2018 he became Chief Financial Officer of Caterpillar Inc, after serving as Chief Financial Officer of National Grid plc from 2010. Prior to this he held the position of Chief Financial Officer at Cadbury plc and also served as Executive Vice President and Chief Financial Officer at Bristol Myers Squibb.

Current external appointments
Chief Financial Officer of Caterpillar Inc since September 2018.

Mehmood Khan
Non-Executive Director CRS <1

Nationality
American/British

Skills and experience
Mehmood was appointed as a Non-Executive Director in July 2018. He is the Vice Chairman and Chief Scientific Officer, Global Research and Development, at PepsiCo Inc. He will retire from that position on 1 April 2019 and take up a new role as CEO of Life Biosciences Inc.

Mehmood previously held the position of President, Global Research & Development Center at Takeda Pharmaceuticals Company. He was a faculty member at the Mayo Clinic and Mayo Medical School in Rochester, Minnesota, serving as Consultant Endocrinologist and Director of the Diabetes, Endocrine and Nutritional Trials Unit in the endocrinology division.

He earned his medical degree from the University of Liverpool Medical School and is a Fellow of the Royal College of Physicians, London, and a Fellow of the American College of Endocrinology.

Current external appointments
Vice Chairman and Chief Scientific Officer, Global Research and Development at PepsiCo. Director of CorMedix Inc. Director of Indigo Agriculture Inc.

Pam Kirby
Non-Executive Director CRS AUD NOM >3

Nationality
British

Skills and experience
Pam joined RB as a Non-Executive Director in February 2015. She was appointed as Chair of the CRSEC Committee in July 2016.

Pam brings to the Board valuable knowledge of the healthcare sector. She served as Chairman of Scynexis Inc until June 2015. She was formerly CEO of Quintiles Transnational Corporation and held senior positions in the international healthcare industry at AstraZeneca PLC and Hoffman-La Roche.

She holds a first class BSc honours degree and a PhD in clinical pharmacology from the University of London.

Current external appointments
Non-Executive Director of DCC plc, Victrex plc and Hikma Pharmaceuticals plc. Member of the Supervisory Board of AkzoNobel N.V.

Elane Stock
Non-Executive Director REM <1

Nationality
American

Skills and experience
Elane joined RB as a Non-Executive Director in September 2018 and became a member of the Remuneration Committee on 8 November 2018.

Elane was previously Group President at Kimberly-Clark International where she was responsible for business operations in EMEA, Asia-Pacific and Latin America. Prior to this, Elane was Global President, Kimberly-Clark Professional with responsibility for the division selling workplace hygiene and safety products. Earlier in her career, Elane was a partner with McKinsey and Company in the US and Ireland.

Elane holds a BA in Political Science from the University of Illinois and an MBA, Finance from The Wharton School of the University of Pennsylvania.

Current external appointments
Independent Director of Yum! Brands, Inc. Independent Director of Equifax Inc.

Warren Tucker
Non-Executive Director AUD >8

Nationality
British

Skills and experience
Warren was appointed as a Non-Executive Director in February 2010. He has extensive Board experience and financial expertise. He was Executive Director and Chief Finance Officer of Cobham plc from 2003 to 2013 and previously Non-Executive Chairman of Paypoint plc. He has also held various senior finance positions at Cable & Wireless plc and British Airways plc.

Warren is a Chartered Accountant and has an MBA from INSEAD.

Current external appointments
Non-Executive Director of Tate & Lyle plc, Thomas Cook Group PLC, Survitec Topco Limited and the UK Foreign & Commonwealth Office.

Other Directors who served in the year
Adrian Bellamy, Chairman and Non-Executive Director, appointed to the Board in December 1999, and as Chairman in May 2003. Did not seek re-election at the 2018 AGM and stepped down as Chairman and Non-Executive Director of the Company.

Ken Hydon, Non-Executive Director, appointed to the Board in December 2003, did not seek re-election at the 2018 AGM and stepped down as Non-Executive Director of the Company.

Judy Sprieser, Non-Executive Director, appointed to the Board in August 2003, did not seek re-election at the 2018 AGM and stepped down as Non-Executive Director of the Company.

André Lacroix, Non-Executive Director, appointed to the Board in October 2008 and stepped down as Non-Executive Director of the Company on 31 December 2018.

Committees		Chair	
REM	Remuneration	10	Tenure (in years)
NOM	Nomination		
AUD	Audit		
CRS	CRSEC		

Executive Committee

Rakesh Kapoor
Chief Executive Officer

Nationality
Indian/British

Company tenure
31 years

Experience
Joined Reckitt & Colman in 1987. Rakesh has held a number of roles, including: Regional Sales Manager, North India; General Manager, Indian Southern Region; and Regional Marketing Director, South Asia. In 1999, he was appointed Global Category Director, Pest Control. Following the merger of Reckitt & Colman and Benckiser, he assumed the role of Senior Vice President, Home Care. He was appointed SVP, Regional Director, Northern Europe in 2001 and in July 2006 he was promoted to EVP, Category Development.

Rakesh was appointed CEO in 2011.

As part of RB's new strategy for sustainable outperformance, in January 2018 Rakesh was also appointed President of RB's Health business, headquartered in Slough.

Rupert Bondy
Senior Vice President General Counsel & Company Secretary

Nationality
British

Company tenure
Two years

Experience
Joined RB as SVP General Counsel & Company Secretary in January 2017, and is responsible for company secretarial and legal compliance matters across RB.

Rupert began his career as a lawyer in private practice. In 1989 he joined US law firm Morrison & Foerster, working in San Francisco and London, and from 1994 he worked for Lovells in London. In 1995 he joined SmithKline Beecham as Senior Counsel for mergers and acquisitions and other corporate matters. When SmithKline Beecham and GlaxoWellcome merged to form GlaxoSmithKline, Rupert was appointed Senior Vice President and General Counsel. In 2008, Rupert became Group General Counsel of BP plc, holding that position until he joined RB.

Seth Cohen
Chief Information Officer

Nationality
American

Company tenure
One year

Experience
Joined RB in September 2017 as Group CIO and is responsible for leading the next phase of RB's transformation, including the integration of IFCN systems with RB's, upgrading and deploying finance systems and enhancing the Company's technological capabilities.

Seth joined RB from PepsiCo where he spent three and a half years as SVP and Chief Information Officer, Europe and Sub-Saharan Africa. Prior to this Seth spent 12 years in a number of senior IS roles at Pepsi, including leading Global Business Solutions and IT Transformation programmes.

Mike Duijser
Chief Supply Officer

Nationality
American

Company tenure
Less than one year

Experience
Joined RB in November 2018 as Chief Supply Officer, and is responsible for manufacturing operations and the supply chain, further integration of IFCN supply, enhancing our supply technology capabilities and driving our focus on safety, quality, service and cost.

Mike joined RB from Amazon, where he spent three years as VP of Worldwide Engineering. Prior to this, Mike spent several years with Nestlé. His last role with the company was as Chief Technical Officer for Nestlé Germany.

Other Executive Committee members who served in the year

Amedeo Fasano, Chief Supply Officer, joined the Company in 1997, and will retire in June 2019, following his handover which occurred at the end of 2018, to Mike Duijser, current Executive Committee member and Chief Supply Officer.

Rob de Groot
President, Hygiene Home

Nationality
Dutch

Company tenure
30 years

Experience
Joined RB in 1988. After international roles in marketing and sales he became General Manager, The Netherlands, then SVP, Regional Director, Eastern Europe and was appointed Global Category Officer, Surface, Dish and Home Care before being appointed EVP, North America & Australia. In January 2012 Rob became EVP of the ENA area, responsible for North America, Europe, Russia, CIS and ANZ.

In January 2018 Rob was appointed President of RB's Hygiene Home business, headquartered in Amsterdam.

Adrian Hennah
Chief Financial Officer

Nationality
British

Company tenure
Five years

Experience
Joined RB in January 2013 as Chief Financial Officer Designate, and was appointed CFO in February 2013.

He previously spent six years at Smith & Nephew plc as CFO and four years at Invensys, the international engineering company. Adrian also spent 18 years at GlaxoSmithKline plc, one of the world's largest pharmaceutical companies, holding a number of senior management and financial roles. He previously worked at PwC (then Price Waterhouse) for four years in both audit and consultancy and also for Stadtsparkasse Koeln, the German regional bank.

He is a Non-Executive Director of RELX plc.

Gurveen Singh
Chief Human Resources Officer

Nationality
Indian

Company tenure
25 years

Experience
Joined RB in 1993 as HR Director India and was promoted to the role of Manpower Planning Director based in the UK. Following the merger of Reckitt & Colman and Benckiser, Gurveen returned to India as HR Director South Asia. In 2007, she moved to Regional HRD East Asia in Singapore and was promoted to Area HRD DVM in 2010 based in the UK. In 2012 she moved back to Singapore to become Area HRD LAPAC before moving to her role as Area HR Director DVM based in Dubai in 2015.

In January 2018 Gurveen was appointed Chief Human Resources Officer.

Before joining RB Gurveen held various HR roles in the hotel and consumer goods industries.

Adi Sehgal
Chief Operating Officer, Health

Nationality
Indian

Company tenure
24 years

Experience
Joined RB in 1994 as a management trainee in India. After various roles in sales and marketing he moved to his first General Manager role in 2009. He was appointed SVP North Asia in 2012 and in 2015 he was promoted to Global Category Officer Health. In 2017 Adi became EVP Infant & Child Nutrition with responsibility for leading the onboarding of MJN into RB and the integration of the IFCN category into Health.

In January 2018, he was appointed EVP Health for Developing Markets and E-commerce.

Adi became Chief Operating Officer, Health in January 2019. In addition to his responsibilities for Developing Markets and E-commerce, Adi is responsible for the business operations across Europe and America.

Chairman's Statement

As a Board, we have a clear focus on creating value for our shareholders, and contributing to the good governance and stewardship of our business, on behalf of all our stakeholders.

Chris Sinclair
Chairman

On behalf of the Board, I present the Company's Corporate Governance Report for the financial year ended 31 December 2018. This is my first report to our Shareholders since succeeding Adrian Bellamy as Chair, following the 2018 Annual General Meeting (AGM). On behalf of the Board, I would like to thank Adrian for his contribution over many years and for the invaluable support he provided to me as Chairman-elect ahead of his retirement.

We report against the requirements of the UK Corporate Governance Code 2016 (the Code) issued by the Financial Reporting Council (FRC). I am pleased to confirm that our high standards of compliance with the Code remain.

A revised code was published in July 2018, which will become effective for accounting periods beginning on or after 1 January 2019. The key changes between the 2016 and 2018 Codes are:

- Enhanced board engagement with the workforce and focus on wider stakeholders in decision-making.
- Greater emphasis on the role of the Board in assessing and aligning culture with purpose, values and strategy.
- Broader focus on diversity and emphasis on skills and experience within the Board.
- Proportionate executive remuneration that supports the long-term success of the business.

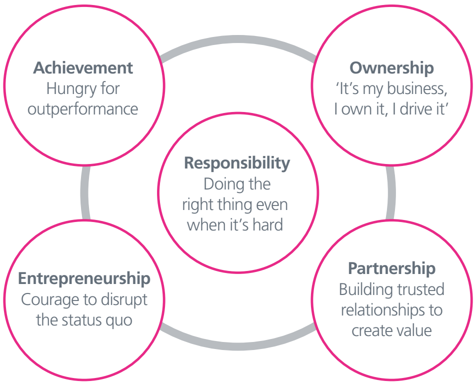
Whilst reporting against the 2018 Code is not yet mandatory, the Board has and will continue to examine its current practices in relation to the requirements of the 2018 Code and some of the new provisions have already been adopted.

There have also continued to be a significant number of other changes in the political and regulatory landscape affecting the corporate governance agenda over 2018 and in the future. The introduction of the General Data Protection Regulation, gender pay gap reporting and the implications for the Group and its two business units around the withdrawal of the UK from the EU on 29 March 2019 were reviewed by the Board during the year, and we have continued to enhance our high governance standards.

RB 2.0

The Board has also spent considerable time reviewing and approving management's plans for transforming RB's operational performance under RB 2.0. In 2017, the Board approved the decision to reorganise the Group into two focused and fully accountable business units, Health and Hygiene Home, to better serve our consumers and customers and to simplify and streamline our business. Much progress has been made under the programme, which went live on 1 January 2018. You can read about this in our Strategic Report.

RB values at a glance



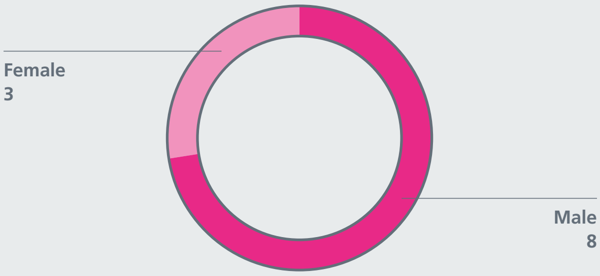
Both business units are united by shared values that reflect RB's underlying principles and beliefs. These values define the way that RB does business. Our Code of Conduct which reinforces our principles of business conduct is communicated to all employees at the start of each year with mandatory training. Our five values – Responsibility, Ownership, Entrepreneurship, Partnership and Achievement – underpin the Code and our commitment to outperformance.

Board and succession planning

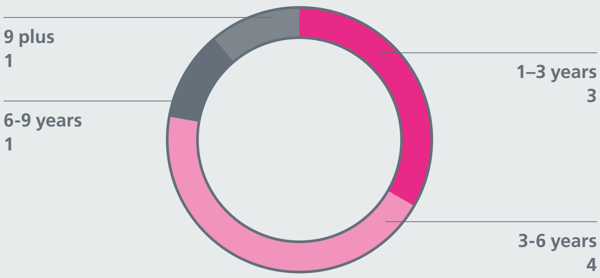
There were a number of changes to the Company's leadership during 2018. Adrian Bellamy, Ken Hydon and Judy Sprieser, all having served for a significant length of time on the Board, stepped down following the 2018 AGM on 3 May 2018. Following a detailed review of Chairman succession, led by the Senior Independent Director, the Nomination Committee in 2017 recommended to the Board that I should succeed Adrian as Chairman of the Board and I was delighted to accept.

André Lacroix also took the decision to step down from the Board at the end of December 2018, having served for over nine years. André was Senior Independent Director of the Board and these responsibilities have been taken over by Nicandro Durante.

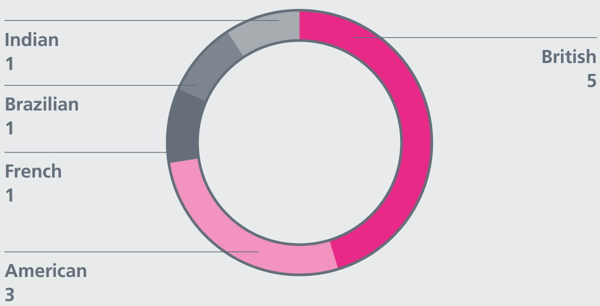
Directors as at 31 December 2018



Length of tenure of Non-Executive Directors as at 31 December 2018



Directors' nationalities as at 31 December 2018



As part of the refreshment of the Board, and following an extensive search and thorough recruitment process, we also saw three new Non-Executive Directors join the Board during the year. Andrew Bonfield and Mehmood Khan joined the Board as Non-Executive Directors on 1 July 2018, with Andrew joining the Audit Committee on appointment. Andrew was subsequently appointed Chair of the Audit Committee with effect from 1 January 2019 following the retirement of André Lacroix from the Board and its committees. On his appointment in July, Mehmood joined the Corporate Responsibility, Sustainability, Ethics and Compliance (CRSEC) Committee.

Elane Stock joined as a Non-Executive Director on 1 September 2018, and on 8 November 2018, she joined the Remuneration Committee.

I am confident that these appointments bring to the Board strategic insight and recent relevant financial and sector experience. I am delighted to welcome Andrew, Mehmood and Elane to the Board.

On 16 January 2019, we announced Rakesh Kapoor will retire as CEO by the end of 2019. The Board has initiated a formal search process to recruit Rakesh's successor, considering both internal and external candidates.

Further details on Board succession can be found in my report as Chair of the Nomination Committee, commencing on page 76.

In addition to the new Non-Executive Director appointments, we also made some changes to our Executive Committee team. We appointed Adi Sehgal, EVP Health for Developing Markets and E-commerce, as Chief Operating Officer, Health and as an Executive Committee member on 22 January 2019. Adi has consistently delivered superior results in his career at RB, holding many management roles across sales, marketing and innovation. He played a leading role in building our China business and transformed our approach to e-commerce. Adi led the integration of MJN into RB and the subsequent integration of the IFCN division into the Health business unit.

Regretfully, Amedeo Fasano, Chief Supply Officer, will retire from the Company in June 2019 after 21 years with RB. Amedeo's successor, Mike Duijser, joined RB in November 2018, to allow for a smooth transition and handover, which occurred at the end of 2018. Amedeo played an important role in the strategic transformation of RB and our leading track record in value creation and built a very strong supply leadership capability.

Mike has hands-on experience of cutting edge supply chain management and previously held senior supply roles at Amazon and Nestlé. He will progress the transformation of various supply chains in RB and will focus on continuous improvement of manufacturing operations in Health, further integration of IFCN supply chains, enhancing and diversifying our supply technology capabilities and driving our focus on safety, quality, service and cost. Mike was appointed as an Executive Committee member on 12 November 2018.

Biographies of the members of our Board of Directors and Executive Committee can be found on pages 58 to 63.

Accountability and audit

The Board has responsibility for confirming that the Financial Statements for the Group are fair, balanced and understandable. It is supported in its decision by the Audit Committee, which ensures the integrity of the Group's financial reporting, internal controls framework and risk management processes. The Audit Committee works closely with the CRSEC Committee, the Internal Audit function and the External Auditor.

Following a comprehensive audit tender process and in compliance with the UK implementation of the EU requirements on auditor rotation, at the 2018 AGM Shareholders approved the appointment of KPMG LLP (KPMG) as External Auditor, replacing PwC for the financial year ended 31 December 2018. Having confirmed their willingness to act, a resolution to propose KPMG's reappointment as External Auditor at the AGM due to be held on 9 May 2019 will be submitted to Shareholders for their approval.

Remuneration

Aligning the interests of our Executive Directors with those of our Shareholders remains the key driver behind our Remuneration Policy. We are conscious of the need for a measured approach to remuneration, whilst offering sufficient reward for effective performance to maximise our ability to recruit and retain the best-suited candidates. Shareholders last approved our Remuneration Policy in 2016 and, in line with best practice, we will be asking Shareholders to approve the Company's Remuneration Policy this year. Details of the proposed Policy are set out in the Directors' Remuneration Report on pages 98 to 106 and are summarised in the separate Notice of AGM.

Code

The Board considers compliance with the Code of utmost importance. Any instances of non-compliance are only allowed through the authority of the Board if it can be shown that the spirit of the Code and good corporate governance within the Company generally continues.

All the existing Directors will be offering themselves for election or re-election at the 2019 AGM. As previously announced, Warren Tucker will have served nine years from his first election at the 2010 AGM. The Board has taken this into account and believes that the current mix of tenure is in the best interests of our Shareholders, and that Warren continues to challenge appropriately, act independently and provide our newly appointed Non-Executive Directors with a wealth of experience to avail themselves of in respect of the RB business. Consequently, we requested Warren to remain on the Board for a further year. We look for your continued support for Directors standing for election and re-election to serve the Board on your behalf and to promote the long-term success of the Company.

The Corporate Governance Statement outlines the Company's governance processes in greater detail and is on pages 68 to 75. The Company has complied with the Code throughout the year ended 31 December 2018.

I am extremely proud of the Board and all our RB colleagues for creating value for our Shareholders and contributing to the good governance and stewardship of our business, on behalf of all our stakeholders. Excellent work has been done and this will continue to be a focus for me in my role as Chairman. I believe RB is an outstanding company with leading brands, a very strong sense of purpose and a track record of outperformance. As a Board we continue to have a clear focus on maximising the opportunities to outperform in the future.

Chris Sinclair
Chairman
18 March 2019

Key areas of Board focus in 2018

The Board considers reports from the CEO and the CFO on strategic and business developments as well as financial performance and forecasts for the business at every meeting.

In addition, the following areas formed substantial areas of focus for the Board in the year:

Strategy and planning

- Group budgets, forecasts and key performance targets, including assumptions, scenarios and projections
- Potential mergers and acquisitions and post-acquisition reviews, including the integration of MJN
- Performance relative to key competitors
- Group debt and funding arrangements
- RB 2.0 structural reorganisation

Risk management and internal control

- RB's principal risks, emerging risks and the Group's risk register, including newly identified environmental risks and the impact of Brexit
- Consideration and approval of the Viability Statement
- The effectiveness of the Group's compliance programme
- Ongoing remediation of the South Korea Humidifier Sanitizer (HS) issue
- The ongoing investigation by the US Department of Justice (DoJ) into the Group's former pharmaceuticals business, which was demerged at the end of 2014
- Internal controls
- Strengthening the security and recovery processes of our IT systems

Results and Financial Statements

- Compliance with reporting requirements
- Annual Report and Financial Statements
- Results and presentations to analysts

Remuneration

- Oversight of executive remuneration and renewal of RB's Remuneration Policy

Leadership and governance

- Board and Committee evaluation and effectiveness
- Director and senior management succession planning
- Corporate responsibility, sustainability, ethics and compliance
- Relations with Shareholders
- Promoting the highest standards of corporate governance and best practice

Other

- Independent review of the Group's management of sustainability and social impact issues

The Company is premium listed on the London Stock Exchange (LSE) and this Statement is prepared with reference to the Financial Reporting Council's UK Corporate Governance Code (the Code) in effect for the financial periods beginning on or after 17 June 2016, and the Disclosure Guidance and Transparency Rules requirements to provide a corporate governance statement. This Statement sets out how the Company has applied the Main Principles of the Code throughout the year ended 31 December 2018 and as at the date of this Statement.

Leadership

Board responsibilities

The Board is responsible for the overall leadership of the Group, focusing on its governance with the highest regard to the principles of the Code. As part of its responsibility, the Board oversees the development of the Company's strategic aims, ensures appropriate processes are in place to manage risk and monitors the Company's financial and operational performance against objectives.

The Board consists of a balance of Executive and Non-Executive Directors who together have collective accountability to RB's Shareholders as well as responsibility for the overriding strategic, financial and operational objectives and direction of RB.

The Board manages the overall leadership of the Group with reference to its formal Schedule of Matters Reserved for the Board. This schedule is reviewed annually, with the last review undertaken in November 2018, and broadly covers:

- matters which are legally required to be considered or decided by the Board, such as approval of RB's Annual Report and Financial Statements, declaration of dividends and appointment of new Directors;
- matters recommended by the Code to be considered by the Board, such as terms of reference for the Board and its committees, review of internal controls and risk management;
- compliance with regulations governing UK publicly listed companies, such as the UK Listing Rules, the Disclosure Guidance and Transparency Rules and the Prospectus Rules; and
- matters relating to developments in, or changes to, the Group's strategic direction, material corporate or financial transactions.

The full Schedule of Matters Reserved for the Board is available at www.rb.com.

The principal activities undertaken by the Board are set out over the following pages. A summary overview is set out in the table on Board focus areas in 2018 on page 67.

Board meetings

Board meetings are structured in an open atmosphere conducive to challenge and debate. Five scheduled meetings are normally held each year. Additional meetings, which may be held in person, by phone or consist of written resolutions, are held throughout the year to consider topics that may have arisen outside the formal standing agenda.

Operating and financial reports from the Executive Directors are discussed at each Board meeting, and detailed presentations may be made by non-Board members on material matters to the Group.

At the conclusion of every formal Board meeting, the Chairman holds a session with the other Non-Executive Directors, without the Executive Directors present, providing further opportunity for the Non-Executive Directors to assess the performance of the Executive Directors and help drive future agenda items.

Board governance structure – Committees of the Board

The Board has established four Board Committees to assist in the execution of its responsibilities. These are the Nomination Committee, Audit Committee, Remuneration Committee and the Corporate Responsibility, Sustainability, Ethics and Compliance (CRSEC) Committee. Each Committee operates under terms of reference approved by the Board. The terms of reference are reviewed regularly, the last review taking place in November 2018, and can be found on the Company's website. The current committee membership of each Director is shown on pages 58 to 61. The Board has also established two supporting management committees: the Disclosure Committee, which ensures accuracy and timeliness of disclosure of financial and other public announcements; and the Executive Committee, which is RB's key management committee.

Board			
Audit Committee	CRSEC Committee	Remuneration Committee	Nomination Committee
See more on page 80	See more on page 87	See more on page 93	See more on page 76
Executive Committee		Disclosure Committee	

Nomination Committee
The Nomination Committee's key objective is to make recommendations to the Board on suitable candidates for appointment to the Board and its committees and regularly review and refresh their composition to ensure that they comprise individuals with the necessary skills, knowledge and experience to effectively discharge their responsibilities. The Committee also reviews and ensures that appropriate procedures are in place for succession plans of the senior management. Membership during the year and further details are set out in the Chair of the Nomination Committee Report on page 76.

Audit Committee
The Audit Committee assists the Board in discharging its responsibilities in relation to financial reporting and is responsible for ensuring effective internal financial control and risk management. Membership of the Audit Committee and details of its activities during the year are set out in the Chair of the Audit Committee Report on pages 80 to 86.

Remuneration Committee
The Remuneration Committee assists the Board in fulfilling its oversight responsibility by ensuring that Remuneration Policy and practices reward fairly and responsibly; are linked to corporate and individual performance; and take account of the generally accepted principles of good governance. Membership of the Remuneration Committee during the year is set out in the Directors' Remuneration Report on page 93. The report details the current policy on remuneration and sets out Executive Directors' remuneration, Non-Executive Directors' fees and share ownership.

CRSEC Committee
The CRSEC Committee was established in July 2016 to support the Board in reviewing, monitoring and assessing the Company's approach to responsible, sustainable, ethical and compliant corporate conduct and to assist the Board in upholding its values of honesty and respect. Details of the priorities which it has set itself for the coming year and its achievements to date are set out in the CRSEC Committee Report on pages 87 to 92.

Board attendance at scheduled meetings
In 2018, there were five scheduled Board meetings, plus seven additional meetings relating to potential M&A activities in the year. There were four regular Audit Committee meetings, five scheduled and one additional Remuneration Committee meetings, seven Nomination Committee meetings and four scheduled and two additional meetings of the CRSEC Committee. The table overleaf sets out the attendance by individual Directors at the main Board and individual Committee meetings which each Director was eligible to attend. Directors who were not members of individual Board Committees were also invited to attend one or more meetings of those Committees during the year. Where a Director is unavoidably absent from a Board or Board Committee meeting, they still receive and review the papers for the meeting and typically provide verbal or written input ahead of the meeting, usually through the Chairman of the Board or the Chairman of the relevant Board Committee, so that their views are considered at the meeting. Given the nature of the business to be conducted, some Board meetings are convened at short notice, which can make it difficult for some Directors to attend due to prior commitments and their home locations.

Board attendance at scheduled meetings

	Board	Audit Committee	Remuneration Committee	CRSEC Committee	Independence[1]
Adrian Bellamy[2]	2 of 2	–	2 of 2	2 of 2	n/a
Andrew Bonfield[3]	3 of 3	2 of 2	–	–	y
Nicandro Durante	4 of 5	–	5 of 5	3 of 4	y
Mary Harris	5 of 5	–	5 of 5	–	y
Adrian Hennah	5 of 5	–	–	–	n/a
Ken Hydon[2]	2 of 2	2 of 2	–	–	y
Rakesh Kapoor	5 of 5	–	–	–	n/a
Mehmood Khan[4]	3 of 3	–	–	1 of 2	y
Pam Kirby	5 of 5	4 of 4	–	4 of 4	y
André Lacroix[5]	5 of 5	4 of 4	–	–	y
Chris Sinclair	5 of 5	–	5 of 5	3 of 3	y
Judy Sprieser[2]	2 of 2	–	2 of 2	–	y
Elane Stock[6]	2 of 2	–	1 of 1	–	y
Warren Tucker	5 of 5	4 of 4	–	–	y

1 As determined by the Board for the purposes of the UK Corporate Governance Code.
2 Retired from the Board following the AGM on 3 May 2018.
3 Appointed to the Board and Audit Committee on 1 July 2018.
4 Appointed to the Board and CRSEC Committee on 1 July 2018.
5 Resigned on 31 December 2018.
6 Appointed to the Board on 1 September 2018, and to the Remuneration Committee on 8 November 2018.

The Chairman

The roles of the Chairman and the CEO have a clear division of responsibilities, set out in writing and agreed by the Board. The Chairman's principal responsibility is for the effective running of the Board and chairing Board and Shareholder meetings. Effective leadership and governance of the Board allows the Directors to focus on the key strategic, financial and operational issues, to make sound judgements and be comfortable to challenge any uncertainties, as well as ensuring a transparent approach in communicating with Shareholders.

The Chairman leads the annual performance evaluation process of the Board and its committees, which in 2018 was conducted using questionnaires and analytics software provided by Independent Audit Limited, in line with good governance. Details of the evaluation follow on page 72.

The Chief Executive Officer

The CEO is principally responsible for the day-to-day management of RB, in line with the strategic, financial and operational objectives set by the Board. He chairs the Executive Committee, consisting of the CEO, the CFO and senior management executives, who together are responsible for execution of the Company's strategy and achieving its commercial aims. More details about the members of the Executive Committee are set out on pages 62 to 63.

The CEO has the power delegated to him by the Board to enable him to carry out his duties efficiently. Such powers include delegation of the day-to-day management of the business of the Company to each of the Officers of the Executive Committee, acting individually or as a group or sub-committee; acquisition and disposal of businesses and unbudgeted capital expenditure projects subject, in each case, to a £50 million limit; and instructing advisors and instigating legal proceedings on behalf of the Company in respect of matters for which no further Board authority is required.

The Senior Independent Director

The Senior Independent Director provides a sounding board for the Chairman and is available to the other Directors and Shareholders who have concerns that cannot be addressed through the Chairman, CEO or CFO.

The Executive Directors

The Executive Directors have additional responsibilities for the operation of RB's business as determined by the CEO. Every Director may request that any matter not delegated to the CEO should be discussed by the Board and that no action should be taken before the Board has decided on the matter.

The Non-Executive Directors

The Non-Executive Directors share full responsibility for the execution of the Board's duties, are independent of management and provide critical input into Board decisions through their contributions to Board discussions and their roles on, and Chairmanship of, the Board Committees. With a wealth of experience and skills between them, they are well placed to help develop the Company's long-term strategic, financial and operational goals, as well as constructively challenge and examine the day-to-day management of the business against the performance targets and objectives set.

The Non-Executive Directors are responsible for setting appropriate levels of remuneration for the Executive Directors and ensuring performance targets are closely aligned with Shareholder interests. They are also critical to the development of succession planning and the appointment and removal of senior executives and management.

The Non-Executive Directors are also responsible for ensuring that adequate internal controls and risk management systems have been developed and implemented, that these are continually monitored and suitably robust and that financial information is complete, accurate and transparent.

The Company Secretary

The Company Secretary takes responsibility for compliance with all relevant governance requirements and assists the Chairman with ensuring Board procedures are followed. The Company Secretary in his or her role further advises the Board on changes to relevant legal and corporate governance regulations. The Board is collectively responsible for the appointment and removal of the Company Secretary.

Effectiveness

Board composition and succession planning

The Board regularly reviews its composition to determine whether it has the right mix of skills and background to effectively perform its duties. The Board also considers internal executives and senior management positions to ensure a proper breadth of talent is developed. The Board has appointed Directors from a wide variety of business backgrounds to provide it with a strong balance of skills and experience. The Board is comprised of the Chairman and a majority of Non-Executive Directors who, together with the Executive Directors, help maintain a solid, collective understanding of the Company and its daily business. All Non-Executive Directors, excluding the Chairman who was independent on appointment, are determined by the Board to be independent.

More details about the current Board members can be found on pages 58 to 61.

The Shareholder agreement between the Company and JAB Holdings B.V. (JAB) at the time of the merger in 1999 entitled JAB to nominate Board Directors. A holding in excess of 20% or 10% of the Company's ordinary shares entitles JAB to nominate two Directors or one Director respectively. JAB's current holding is below this amount and there is currently no nominated Director on the Board.

In accordance with the Code, every Director submits himself or herself for election/re-election at every AGM.

Inclusion and diversity

We meet the recommendations set by the Davies Report on Women on Boards, and have the potential to achieve the target of 33% of women on our Board by 2020. We have taken note of the Hampton-Alexander Review published in November 2018, which identified that RB is on target for 33% female representation at Board level, but has less than 20% female representation in the combined Executive Committee and their direct reports.

We also meet the recommendations of the Parker Review published in October 2017, with at least one person from an ethnic minority on the Board. Our Executive Committee, comprising the most senior management level in the business, represents five different nationalities from across the globe, embodying our corporate inclusion and diversity policy. The Company's wider global leadership community holds over 50 nationalities between them, representing a broad background of collective skills, cultures and experience. This widens our understanding of our consumers, who themselves come from the broadest possible backgrounds, allowing us to be best placed in serving their needs.

We always recruit the best and most suited candidates for any role and we strive for a well-balanced representation of backgrounds, nations, cultures, skills and experiences, at all levels across the Group.

We are committed to equality of opportunity in all areas of employment and business, regardless of personal characteristics. Our diversity policy can be found at www.rb.com/responsibility/workplace/diversity. We continue to work hard on our inclusion and diversity programmes, and further details can be found in our Stakeholder Engagement section from page 12.

Board balance and independence

On appointment, Non-Executive Directors are made aware and are required to confirm they will allocate sufficient time to their role to discharge their responsibilities effectively. They are also required to seek agreement from the Chairman before taking on additional commitments, and to declare any actual or potential conflicts of interest. Non-Executive Directors are engaged under the terms of a letter of appointment. Initial terms of appointment are for three years with one month's notice, with all Directors standing for election or re-election at every AGM of Shareholders.

The Nomination Committee has principal responsibility delegated to it for making recommendations to the Board on new appointments and composition of the Board and its committees. The Board and each Director are confident they individually have the expertise and relevant experience required to perform the role of a Director of a listed company. The Company recognises the developmental advantages of an external non-executive role on a non-competitor board and Executive Directors are permitted to seek such a role, provided that they do not take on more than one non-executive directorship in, or become the Chairman of, a FTSE 100 company. Adrian Hennah is a Non-Executive Director of RELX plc.

The 2018 evaluation of the Board's performance during the year concluded that the Chairman and other Non-Executive Directors continue to devote sufficient time to carrying out their duties to the Company. Each Director standing for election or re-election has individually provided assurances that they remain committed to their roles and can dedicate sufficient time to perform their duties. Accordingly, the Board recommends that Shareholders vote in favour of the resolutions to elect or re-elect all the Directors at the 2019 AGM.

Director inductions and training

RB has established a comprehensive induction programme for new Directors. The programme covers RB's business, legal and regulatory requirements of Directors and includes one-to-one presentations from senior executives across the Group covering topics such as strategy, investor relations, taxation, internal audit, CRSEC matters, supply and the Company's two business units – Health and Hygiene Home. The induction programme has several aims and serves multiple purposes. It provides new Directors with an understanding of RB, its businesses and the markets and regulatory environments in which it operates, provides an overview of the responsibilities for Non-Executive Directors of RB and builds links to RB's people and stakeholders. Incoming Board members will also have legal due diligence meetings and an open offer to meet with the Group's External Auditor.

The three new Non-Executive Directors appointed during the year received tailored inductions following their appointment, to coincide with the next meetings they would be eligible to attend. Consistent across the separate inductions were meetings with the CEO, CFO, SVP General Counsel & Company Secretary. Each of the new Directors then met with certain or pertinent individuals depending on the committees they had joined/were joining. For example, Andrew Bonfield met with the External Auditor, and Elane Stock met with Deloitte (consultant to the Remuneration Committee).

Andrew also met with key individuals across RB's Investor Relations, Tax, Treasury and Finance teams, and with representatives from each business unit. Elane and Mehmood separately met with the Group CIO and Chief Safety, Quality and Regulatory Compliance Officer, SVP Investor Relations, Chief Scientific Officer and SVP R&D Health. Elane also met with the Chief Human Resources Officer and Group Head of Audit prior to her being appointed as a member of the Remuneration Committee. Mehmood met with senior individuals within the SQRC and Supply teams.

Site visits are arranged to the Group's operations to gain an insight into the business, and form part of the annual Board meeting cycle, and we aim to have one Board strategy meeting held at an off-site business location.

The Chairman has overall responsibility for ensuring that the Directors receive suitable training to enable them to carry out their duties. As part of their role, Directors are also expected to personally identify any additional training requirements they feel would benefit them in performing their duties to the Company. Ongoing training arranged by the Company covers a wide variety of sector-specific and business issues, as well as legal and financial regulatory developments relevant to the Company and the Directors. Training is also provided by way of briefing papers or presentations at each scheduled Board meeting, as well as meetings with senior executives or other external sources.

Board support

The Company Secretary is responsible for organising Board meetings, as well as collating any papers for the Board to review and consider. Board and committee papers are accessible to all Directors through a secure and confidential electronic document storage facility. This facility is maintained by RB's Secretariat function and additionally holds other information which the Chairman, the CEO or Company Secretary may deem useful to the Directors, such as press releases and pertinent Company information.

All of the Directors have individual access to advice from the Company Secretary and a procedure exists for Directors to take independent professional advice at the Company's expense in furtherance of their duties.

Conflicts of interest and indemnity

Directors have a duty under the Companies Act 2006 (CA 2006) to avoid interests, direct or indirect, which might conflict with the interests of the Group. Under the terms of the Company's Articles of Association, such conflicts can be authorised by the Board which at all times takes responsibility for ensuring compliance with laws and regulations on corporate governance, and that Directors' potential conflicts of interest are regularly reviewed.

The Company indemnifies the Directors and Officers of the Company and any Group subsidiary to the extent permitted by CA 2006 and the FCA Listing Rules in respect of the legal defence costs for claims against them and third-party liabilities. The indemnity would not provide cover for a Director or Officer if that individual was found to have acted fraudulently or dishonestly. Additionally, Directors' and Officers' liability insurance cover was maintained throughout the year at the Company's expense.

Evaluation of the Board

The Board annually reviews its own and its committees' performance and effectiveness. In line with the Code requirements, an internal review took place in the year, with targeted questionnaires and analytics software provided by Independent Audit Limited. Independent Audit Limited provides board evaluation services and has no other connection with the Company.

The questionnaire was based around the themes of strategy and risk-taking, risk management, line of sight, leadership and accountability, roles and responsibilities, and the manner of working together with management. Positive feedback was received in all areas. A report, with action points and recommendations for the Board to consider, was distributed to Directors and the results of the assessment subsequently discussed by the Board at its November meeting.

In addition, the Chairman's performance was separately considered by the Senior Independent Director with input from his fellow Non-Executive Directors and discussed in November 2018.

The Board believes it is a collaborative team, and the refresh of talent, experience and diversity brought by the newer Non-Executive Directors has worked very well in delivering insight and improvements in our sustainability agenda, compliance activity, and the oversight of the RB 2.0 reorganisation as two business units, Health and Hygiene Home. The Board has a number of new members, and with its current membership, is quickly establishing itself and its way of working and has a willingness to openly discuss difficult issues.

The principal outcomes for the Board to focus on in the coming year are:

- continuing its focus on executive succession planning, particularly for CEO succession, talent management and leadership development, and continued renewal of the Board;
- supporting and providing oversight of the reorganisation of the Group into two business units, including monitoring delivery of the benefits of that reorganisation and leading the strategy for sustainable growth;
- reviewing and determining strategy, in particular with regard to the strategic flexibility which will be provided by RB 2.0;
- supporting a culture of responsibility, including health, safety, compliance and risk management;
- that the Board continues to consider reputational-related risks, and that the Board understands the key assumptions and uncertainties of strategic proposals; and
- maintaining the good work done on Shareholder engagement.

The 2018 review of the Board's performance and that of its committees concluded that the Board, its committees and individual Directors were continuing to perform effectively. Recommendations have been taken on board to be addressed and these will be reassessed as part of the 2019 evaluation, which will be facilitated by an external third party.

Accountability

Risk management

The Board has ultimate responsibility for preparing the Annual Report and Financial Statements. RB has implemented robust internal controls to safeguard the integrity of both the Group and its subsidiary Financial Statements and ensures that adequate verification processes are in place to enable it to confirm that the Group's Financial Statements present a fair, balanced and understandable assessment of RB's position and prospects, in line with Code requirements. The Board considers that the Annual Report and Financial Statements taken as a whole are fair, balanced and understandable and provide sufficient information for Shareholders to be able to assess the Company's position, performance, business model and strategy.

RB's finance function, headed by the CFO, has implemented a number of policies, processes and controls to enable the Company to review and fully comply with changes in accounting standards, financial regulations and recognised practices. These processes are kept under review on an ongoing basis. Multiple teams including consolidation and financial accounting, together with technical support, ensure both internal and external developments are reviewed and responded to. The Group also maintains a Finance Policy Manual setting out the required standards of financial reporting and approvals across the Group and its operating units, including a structured process for the appraisal and authorisation of any material capital projects.

The basis for the preparation of the Group Financial Statements is set out on page 142 under Accounting Policies.

The Company's External Auditor's Report, setting out its work and reporting responsibilities, can be found on pages 124 to 136. The terms, areas of responsibility and scope of the External Auditor's work are agreed by the Board and set out in the Auditor's engagement letter.

More information on the Group's principal risks and strategy for growth and achieving targeted goals is detailed in the Strategic Report, which can be found on pages 1 to 57.

The Viability Statement can be found on pages 56 to 57.

The Statement of Directors' Responsibilities on page 123 details the going concern statement as required by the Listing Rules and the Code and the Directors' responsibility for the Financial Statements, for disclosing relevant audit information to the External Auditor and for ensuring that the Annual Report is fair, balanced and understandable.

Risk appetite

The Board has overall responsibility for complying with the Code and the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. It oversees the internal controls established, and monitors their effectiveness, in managing risk. The sectors and environment within which RB operates are dynamic and fast moving, and the controls are continually kept under review to minimise the potential exposure to risk. The system is designed to assess and manage, rather than eliminate, risks to RB's business objectives, and the Board relies on these controls in so far as they are able to provide reasonable, but not absolute, assurance against material misstatement or loss. The Group's principal risks and mitigating factors are detailed on pages 42 to 57.

As part of its risk control, RB regularly evaluates principal risks to achieving objectives, emerging risks and the likelihood of such risks materialising and determining the ability of the Group to cope with the circumstances should they occur. In doing so, it also looks to actions that can be taken, controls that can be implemented and processes that can be followed to reduce the chances of risk events taking place, mitigating the potential impact and ensuring that the cost of doing so is proportionate to the benefit gained.

Internal control

Internal control processes are implemented through clearly defined roles and responsibilities, delegated by the policies to the executive team and senior management.

RB operates three strands in monitoring internal control systems and managing risk:

- Management ensures the controls, policies and procedures are followed in dealing with risks in day-to-day business. Such risks are mitigated at source with controls embedded into the relevant systems and processes. Supervisory controls either at management level or through delegation ensure appropriate checks and verifications take place, with any failures dealt with promptly and awareness raised in order to review gaps in existing controls. Throughout RB, a key responsibility for any line manager is to ensure the achievement of business objectives with appropriate risk management and internal control systems.
- Each function and business unit has its own management which acts as a second line of oversight and verification. This level sets the local level policies and procedures, specific to its own business environment, subject to Group policy and authorisation. They further act in a supervisory capacity over the lower level management implementation of controls. The financial performance of each function and business unit is monitored on a monthly basis against pre-approved budgets and set against forecasts, developed higher up the management chain, and ultimately overseen by the executive management and the Board.
- The third strand is provided through independent review by the Internal Audit team, who challenge the information and assurances provided by the first two strands. This review ultimately gets reported back to the Board, via the Audit Committee, with action taken to address matters identified. More details on the Audit Committee and its activities can be found on pages 80 to 86. The Group's compliance controls further include operating an independent and anonymous Speak Up whistleblower hotline, annual management reviews and providing training specific to individual needs within the business. The Board is also provided with reports on the effectiveness of these controls to ensure full oversight of the business.

RB is committed to maintaining strong internal controls. Function and operating management meet to discuss performance measured against strategic aims and goals, with risks and risk controls incorporated into the discussions. During the year, the Directors undertook a robust assessment of the principal risks facing the Company, including those that could threaten RB's business model, future performance, solvency and liquidity. More detail on the Group's principal strategic risks and uncertainties can be found in the Strategic Report on pages 1 to 57.

The CRSEC Committee focuses on the Company's corporate social responsibilities, environmental and sustainability issues and overall ethical conduct and regulatory compliance. Further details of the work of the Committee can be found in the report of the CRSEC Committee Chair from page 87.

The Board confirms that reviews and monitoring of the appropriateness and effectiveness of the system of internal control and risk management throughout the financial year and up to the date of approval of the Annual Report and Financial Statements have been satisfactorily completed with no significant failings or weaknesses identified.

Relations with Shareholders

The Board values effective communication with Shareholders and is committed to regular, clear and transparent dialogue. This includes formal presentations of full-year and interim results, together with quarterly statements on the Company's key performance indicators, with roadshows to meet with institutional investors following results announcements.

RB maintains regular dialogue with sector analysts and fund managers to ensure a widespread understanding and availability of information regarding developments for the Group, as well as the industry sectors which RB serves. The CEO, CFO and the SVP Investor Relations meet regularly with institutional Shareholders and analysts to discuss the performance of the Group and its strategy. The Chairman has regularly engaged in Shareholder meetings since his appointment at the last AGM. Where appropriate, the views of Shareholders are also sought in relation to remuneration plans and governance issues. RB's investor meeting held in May 2018 attended by the Chairman, SID and Committee Chairs, along with RB management, was well received. The Investor Forum engaged with the Company in preparing for this meeting.

Mary Harris, as Chair of the Remuneration Committee, met with investors during the year to discuss the renewal of RB's Remuneration Policy, which will be submitted for Shareholder approval at the forthcoming AGM. Details can be found in the Report of the Remuneration Committee Chair, commencing on page 93.

Pam Kirby, as Chair of the CRSEC Committee, also met with various institutional investors to share our progress on CRSEC matters, where we gave a deeper insight to the committed programme of work overseen by the Committee detailing the comprehensive nature of the programmes and activity since the inception of the Committee and our ongoing areas of focus.

Feedback is presented to the Board to ensure all Directors are fully aware of the views of existing Shareholders, major investors and analysts. An investor survey was undertaken in 2018 and the results were presented to the Board.

Analysis of RB's Shareholder register is made available to the Board, and reports prepared by the Group's brokers and public relations advisors are provided to all Directors after every significant corporate event and on other relevant occasions.

All Shareholders may speak with the Company's Investor Relations team and the Company Secretary and a section of the RB website is dedicated to Shareholders. The Chairman is also available to discuss governance and strategy with major Shareholders and does so regularly, providing feedback on the meetings to the rest of the Board. If required, key executives, along with the Senior Independent Director, are available to discuss matters of concern.

Annual General Meeting and Shareholder voting

The Board views the AGM as a valuable opportunity to meet with its private Shareholders, giving them an opportunity to put questions to the Chairman, Chairs of the committees and the Board.

All Shareholders can vote on the resolutions put to the meeting. In line with good governance, voting is by way of poll, providing one vote for each share held. Results of the poll are released to the LSE and published on the Group's website shortly after the AGM.

The Investment Association (IA) has launched a public register of FTSE All-Share companies which have received votes of 20% or more against any Shareholder resolution, or which withdrew a resolution prior to a shareholder vote, along with company statements of actions taken following the vote. At our AGM in May 2018, all resolutions were passed and no resolution had a vote of 20% or more against it.

Website

The Investor Relations section on the RB website provides the Board with an additional method of communicating to Shareholders. As well as the latest regulatory disclosures, copies of the latest and previous years' Annual Reports, latest share price information and copies of previous investor presentations and key calendar dates are available. The page can be found at www.rb.com/investors.

Shareholders can also access information on all our sustainability activities, our Modern Slavery Statement, our Gender Pay Gap Report and associated policies on the RB website at www.rb.com/responsibility. We published our first Payment Practices Reports in July 2018 for our qualifying UK subsidiary entities that transact with our suppliers and have since complied with the ongoing reporting requirements. We have also published our Tax Strategy in 2018.

Section 172(1) Statement

The Companies (Miscellaneous Reporting) Regulations 2018 introduced a new reporting requirement, set out in a new section 414CZA CA 2006. This requires us to report to you from next year on how the Directors of the Company have performed their duties under section 172(1) of CA 2006 to have regard to stakeholders and other matters while performing their duties to promote the success of the Company. Whilst we are not required to report on the new enhanced information for the financial year in review, we have included information about our stakeholders from page 12.

> **We are pleased with the progress we have made in renewal of the Non-Executive membership of the Board, and this work continues. We have also had a focus, along with the Board as a whole, on succession planning for top management.**

Chris Sinclair
Chair of the Nomination Committee

On behalf of the Board, I am pleased to present the Nomination Committee Report for the financial year ended 31 December 2018.

I became Chair of the Nomination Committee in September 2017 at the time RB announced that I would become Chairman of the Board after the 2018 AGM, when Adrian Bellamy would retire as Chairman and step down from the Board. The focus of the Committee since that time and during 2018 has been on renewal of the Board in terms of Non-Executive Directors, but also succession planning for top management.

At the conclusion of the 2018 AGM, my predecessor, Adrian Bellamy, retired as Chairman and two of our long-standing Non-Executive Directors, Ken Hydon and Judy Sprieser, stepped down from the Board. The Committee's work to bring in additional skills and new Directors to the Board has resulted in the appointment of three highly talented new Non-Executive Directors: Andrew Bonfield and Mehmood Khan on 1 July 2018; and Elane Stock on 1 September 2018.

We also announced on 13 December 2018, that André Lacroix would step down from the Board at the end of 2018 and retire from his roles as Senior Independent Director and Chair of our Audit Committee. On behalf of the Board, I would like to thank André for his service and wish him all the best for the future. With effect from 1 January 2019 we appointed Nicandro Durante as Senior Independent Director and Andrew Bonfield as Chair of the Audit Committee. I am pleased to also welcome them both as members of the Nomination Committee. As part of our succession planning for the Board and Audit Committee, we asked Warren Tucker to remain on the Board for an additional 12 months from the 2019 AGM, when he had been intending to retire. On 4 January 2019, with Warren's agreement and subject to re-election by Shareholders at the forthcoming AGM, we announced that Warren Tucker would remain as a Non-Executive Director and a member of the Audit Committee until the 2020 AGM.

On 16 January 2019, it was announced that Rakesh Kapoor would retire as Chief Executive Officer and a Director of RB by the end of 2019. As announced, we are undertaking a formal and comprehensive process for appointing a successor for the role, considering both internal and external candidates. I would like to express the Board's sincere thanks and appreciation for Rakesh's vision, passion and leadership throughout his tenure.

Committee priorities for 2019

- To lead, on behalf of the Board, the search for and appointment of a new CEO and Executive Director
- Succession planning and bench strength for other senior executive roles at RB
- Ongoing renewal of the Non-Executive Directors of the Board
- Ongoing review of the effectiveness of the Board and its committees in the context of RB 2.0
- To review diversity and inclusion policies, in line with the guidance being introduced under the 2018 UK Corporate Governance Code

I would like to thank my fellow Committee members for their exceptional support during a very busy year for the Nomination Committee. I will be available to answer any questions Shareholders may have at the Company's AGM on 9 May 2019.

Chris Sinclair
Chair of the Nomination Committee
18 March 2019

Composition

The members of the Committee during the year were:

Composition	Tenure during the year
Chris Sinclair (Chair)	Chair and member of the Committee for the whole year
Nicandro Durante	Appointed as member of the Committee on 1 January 2019
Andrew Bonfield	Appointed as member of the Committee on 1 January 2019
Rakesh Kapoor	Member for the whole year
Pam Kirby	Member for the whole year
Mary Harris	Member for the whole year
André Lacroix	Member for the whole year; resigned from the Committee and the Board on 31 December 2018

Members of the Committee are appointed by the Board. Membership is set out in the terms of reference and comprises the Chairman, CEO, Senior Independent Director and Chairman of each of the Board's committees. In accordance with the principles of the UK Corporate Governance Code, the Committee is made up of a majority of independent Non-Executive Directors. The Company Secretary acted as Secretary to the Committee during the year.

The membership of the Committee is reviewed annually by the Chairman, as part of the annual performance evaluation of the Committee. All Directors are required to seek re-election each year at the AGM. Biographical details of the Directors, explaining their skills and expertise, can be found on pages 58 to 61.

Meetings

The Committee meets as needed, but is required to meet at least once a year. In 2018 the Committee met seven times. Meetings usually take place ahead of Board meetings and the Chair of the Committee reports formally to the Board on its proceedings.

During the year, Committee members met with candidates shortlisted for the position of Non-Executive Director, reported their feedback at Committee meetings and made ensuing recommendations to the Board. Further details on the recruitment process are discussed on the following pages.

Role of the Nomination Committee

The role of the Committee is to ensure there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, to lead the process for Board appointments and make recommendations to the Board. The Committee also assists the Board in succession planning for top management. A further description of the Committee's roles and responsibilities is set out in its terms of reference which can be found at www.rb.com.

See more
www.rb.com

The role of the Committee extends to the following matters:

- Reviewing and ensuring that appropriate procedures are in place for succession planning of senior management and for considering and authorising conflicts of interests.
- Regularly reviewing the structure, size and composition (including skills, experience, independence, knowledge and diversity) of the Board and making recommendations to the Board with regard to any changes deemed necessary.
- Reviewing the composition of each of the Board Committees and evaluating the performance and effectiveness of each Director.
- Assessing the leadership capabilities of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the markets in which it operates.
- Ensuring that all new Directors undertake an appropriate induction programme to ensure that they are fully informed about the strategic and commercial issues affecting the Company.

Non-Executive Director search

Cognisant of the departure of Adrian Bellamy, Ken Hydon and Judy Sprieser, we conducted our search for new Non-Executive Directors to diversify the skills and expertise of the Board. The Committee discussed the need to identify individuals with international experience, financial experience and senior leadership skills in consumer-facing businesses.

We instructed Egon Zehnder International Ltd to carry out the search for new Non-Executive Directors. Upon their recommendation we reviewed a list of candidate profiles and I had exploratory meetings with potential candidates who were considered as a good fit for RB, in terms of international experience, skills, culture and diverse talent ahead of recommending for further consideration. This was followed up by individual meetings with each of the Nomination Committee members, the CEO (who is a Committee member) and the CFO.

Egon Zehnder International Ltd is an independent executive search firm which undertakes a number of executive searches for the Group and also carried out an assessment of all MJN senior management, and is a signatory to the Voluntary Code of Conduct for Executive Search Firms in the UK to address diversity and best practice relating to Board appointments.

On 1 July 2018, Andrew Bonfield was appointed as a Non-Executive Director on recommendation of the Committee. Andrew brings extensive, recent and relevant financial experience to the Board and holds, and has previously held, roles as Chief Financial Officer at large international companies. It was decided that Andrew would join as a member of the Audit Committee on his appointment to the Board, and on 1 January 2019 he was appointed as Chair of the Committee.

Mehmood Khan was identified as a strong candidate for the position of a Non-Executive Director. The Committee agreed that he would be a good cultural fit for the role and broaden the diversity of the Board membership. Mehmood has a nutrition and pharmaceutical background and brings global R&D and sustainable innovation experience to the Board. His appointment was approved by the Board with effect from 1 July 2018. On appointment, Mehmood joined RB's Corporate Responsibility, Sustainability, Ethics and Compliance Committee.

We announced the appointment of Elane Stock as a Non-Executive Director, with effect from 1 September 2018, following the recommendation of the Committee. Elane brings her expertise of consumer goods products, particularly in personal care and wellness, and has wide-ranging knowledge of emerging markets and the changing preferences of trade and consumer channels. On 9 November 2018, it was announced that Elane had joined the Remuneration Committee.

During the recruitment process, the Committee followed a formal, rigorous and transparent assessment of all potential candidates and considered potential conflicts of interest in making recommendations to the Board. As a Committee we will continue to regularly review and refresh the Board where appropriate.

Executive Director succession planning

Following the announcement of Rakesh Kapoor's decision to retire as CEO by the end of 2019, we are undertaking the formal search for his successor. Whilst internal candidates are being considered, the Committee has also instructed a third-party search firm to assist with the search, considering both internal and external candidates. This process is ongoing.

Renewal of existing Board members

During the year the Committee considered the renewal of existing Non-Executive Directors. On 13 December 2018, it was announced that André Lacroix would retire from the Board with effect from 31 December 2018.

On 4 January 2019, it was announced that Warren Tucker would remain as a Non-Executive Director and as a member of the Audit Committee for an additional 12 months from the date of the 2019 AGM, subject to re-election by Shareholders. The Committee is mindful that Warren's tenure as a Non-Executive Director will exceed nine years following the 2019 AGM. Warren had intended to retire from the Board at the 2019 AGM, having joined the Board in 2010. With the appointment of three new Non-Executive Directors in the reporting period, Warren will provide continuity to the Board with his deep insight and experience of RB. Therefore, I am pleased that he has agreed to stand for re-election at the 2019 AGM, to extend his tenure until May 2020, at which time he intends to step down from the Board. The Board continues to regard Warren Tucker as independent.

Review of potential conflicts of interest

During the year the Committee reviewed Board members' potential conflicts of interest. The Committee reviewed a schedule of external appointments as disclosed by each Director as areas of conflict. Having reviewed the schedule, the Committee concluded that the appointments did not affect a Director's ability to perform his/her duties and that the Board authorises each Director to continue in each of his/her external commitments.

We acknowledge that Pam Kirby sits on five Boards, and some Shareholders are concerned she is 'overboarded'. The Committee monitors her time devoted to her duties, her attendance at meetings and availability to Shareholders, and believes that Pam continues to be effective, committed and diligent in her role.

Governance

Committee evaluation

The Committee carried out a self-evaluation of its performance using a detailed questionnaire and report analysis software developed by Independent Audit Ltd, the results of which were reported at the November Committee meeting. The questionnaire was based on five main themes: Board composition; succession planning; finding the right people; engaging internally; and the Committee's role and composition. In summary, the results concluded that the effectiveness and performance of the Committee has strengthened. Succession planning, including executive succession, bench strength and talent management were identified as areas of continued focus for the Committee.

Review of Committee terms of reference

At the November meeting, we reviewed the Committee's terms of reference, to take account of the 2018 UK Corporate Governance Code (the Code) and recommended best practice to provide clearer detail on the role, responsibilities and duties of the Committee. The changes were approved by the Board, and the updated terms of reference can be found at www.rb.com. The terms of reference are reviewed annually.

In accordance with the Code, the Committee has also discussed Board engagement with the workforce, and various alternatives are being considered, which will be subject to future recommendation to the Board.

Diversity

We do not have a written Board diversity policy but the Committee and the Board are committed to recruit members of the Board on the strict criteria of merit, skill, experience and cultural fit of any potential candidates, and to seek gender and other diversity on the Board. The Board and Committee fully recognise the importance of diversity, including gender and ethnicity, at Board level and senior management roles at RB. This commitment is demonstrated by the composition of the Board, which comprises five nationalities, and three women, two of whom are Committee Chairs. I am pleased to report that 30% of our Board members are women, which exceeds the original 25% target set by the Davies Report and, at 28% women or more, we are closer to achieving the 33% target by 2020, set out by Lord Davies. We also meet the requirements of the Parker Review, with at least one person from an ethnic minority on the Board.

Our diversity policy can be found at www.rb.com/responsibility/workplace/diversity. Ultimate responsibility and sponsorship for this policy rests with the Executive Committee. Senior management is accountable, and all RB employees are responsible, for ensuring that our diversity policies and programmes are actively implemented and followed.

On behalf of the Board, I am pleased to present the Audit Committee Report for the financial year ended 31 December 2018, which outlines the role, responsibilities and activities of the Committee during the year.

This is my first statement as Chair of the Audit Committee. I joined RB as a Non-Executive Director and became a member of the Audit Committee on 1 July 2018 and succeeded André Lacroix on 1 January 2019 as Committee Chair. As the new Chair of the Committee, I look forward to continuing André's efforts in maintaining the integrity of financial reporting, reviewing and challenging management on the robustness and effectiveness of our internal controls and risk management systems, and providing oversight and reassurance to the Board on the risk management process and control procedures.

Each year the Committee has a detailed standing agenda of matters to be considered and reviewed. In addition to our regular agenda reviews, we have carried out focused reviews in certain areas, including: risk assurance mapping; delivery of the RB 2.0 programme; the structure of shared services; compliance risk; and taxation matters.

"Maintaining the integrity of our financial reporting, monitoring the robustness of internal controls and overseeing risk management processes continues to be our primary focus.

Andrew Bonfield
Chair of the Audit Committee

The risk and control challenges around the RB 2.0 reorganisation were reviewed and continue to be closely monitored, to track implementation of the programme and mitigation of the risks associated with it. The Committee met regularly with operational management at each of its meetings to review each of the RB 2.0 workstreams and also to consider programme governance and the financial, legal, regulatory and IT risks and controls.

During the year, we reviewed the Company's major risk assessment process, which identified and prioritised the principal and emerging strategic risks and uncertainties that might affect the Group, how they could be mitigated and whether they have increased, diminished or remained the same, compared to the previous year. Looking at the major risk assessment process is a key element of our review of the effectiveness of RB's risk management and control systems and identified risks are clearly and transparently reflected in our communications to Shareholders in this report. Details are set out on pages 40 to 57.

We also built upon the assurance mapping review carried out in 2017 to formalise and enhance our second and third line of defence assurance activities, as a basis to drive and embed a more structural approach to management of and assurance required on our systemic as well as our specific (principal) risks.

The Committee has reviewed the 2018 Annual Report and Financial Statements to ensure that they are fair, balanced and understandable and provide sufficient information to enable the Shareholders to assess the Group's position and performance, business model and strategy. The form and content of the 2018 Annual Report and Financial Statements were reviewed and approved, and consistency of narrative within the document confirmed. The preparation and verification processes were determined to be robust. Following the Committee's review, we advised the Board that we were satisfied that the 2018 Annual Report and Financial Statements, taken as a whole, met its objectives and supported the Board in making its statement on page 123.

The Committee is responsible for auditor effectiveness and independence. In 2017, the Committee led a rigorous external audit tender process leading to the Board's recommendation to Shareholders at the 2018 AGM to appoint KPMG LLP as External Auditor for the 2018 financial year. I am pleased to report that the Shareholders passed this resolution at the 2018 AGM. During the year in review, the Committee oversaw and was pleased with the transition to KPMG. The change of auditor has brought a fresh and consistent challenge of management.

Committee priorities for 2019

- Continuing to provide oversight and reassurance to the Board on the risk management process and control procedures
- Regularly reviewing key areas in the context of risk and control, in particular: RB 2.0 delivery; shared services; and cyber-security
- Building on the assurance mapping exercise, further developing first, second and third lines of defence

I would like to acknowledge and thank André Lacroix, whom I succeeded on 1 January 2019 as Audit Committee Chair, for his valued leadership of the Committee; I wish André well in his future endeavours. André succeeded Ken Hydon as Chair of the Committee in May 2017. Ken stepped down as a member of the Committee and Board in May 2018 as he did not stand for re-election at the 2018 AGM.

I would also like to acknowledge and thank my fellow Committee members, Pam Kirby and Warren Tucker, for their diligence and service during the year.

I will be available to answer any questions Shareholders may have at the Company's AGM on 9 May 2019.

Andrew Bonfield
Chair of the Audit Committee
18 March 2019

Composition

The members of the Committee during the year were:

Composition	Tenure during the year
Andrew Bonfield (Chair)	Appointed as a member of the Committee on 1 July 2018 and became Chair of the Committee on 1 January 2019
Pam Kirby	Member for the whole year
Warren Tucker	Member for the whole year
André Lacroix	Chair and member for the whole year; resigned from the Committee and the Board on 31 December 2018
Ken Hydon	Stepped down from the Committee at the AGM on 3 May 2018

The Deputy Company Secretary was Secretary to the Committee until November 2018. In November 2018, the Assistant Company Secretary was appointed as Secretary to the Committee.

Members of the Committee are appointed by the Board on the recommendation of the Nomination Committee, which reviews membership in terms of skills, knowledge and experience. The Board is satisfied that each member of the Committee is independent and that Committee members as a whole have competence relevant to the Company's sector.

The Chair of the Committee is a Chartered Accountant with recent and relevant financial experience. All Committee members have financial, economics and/or business management expertise in multinational organisations and they are expected to have an understanding of the principles of, and recent developments in, financial reporting and an understanding of the Group's internal control systems. The skills and expertise of each Committee member are summarised on pages 58 to 61.

On joining the Committee and during their tenure, members receive additional training tailored to their individual requirements. Such training includes meetings with internal management covering internal audit, legal, tax, treasury and financial matters as well as meetings with the External Auditor. All members of the Committee receive regular briefings from senior executives on matters covering governance and legislative developments, accounting practices and policies and tax and treasury.

Meetings

During 2018, the Committee held four scheduled meetings at times related to the Company's reporting cycle, and the attendance of members at the meetings is set out in the table on page 70. Senior representatives of the External Auditor, the Chief Internal Auditor and the CFO attend all meetings. The Chairman of the Board and the CEO are also invited to all meetings and other senior management attend when deemed appropriate by the Committee. Time is allocated at each meeting for private discussion with the Internal and External Auditors without other invitees being present, as well as a private session of the Committee members.

Committee meetings usually take place ahead of Board meetings and the Committee Chair provides an update of the key issues discussed to the Board at each meeting. Copies of Committee papers are provided to all Board Directors in advance of each meeting and minutes of each Committee meeting are provided to the Board.

Role and responsibilities

The Committee is part of the Group's governance framework and supports the Board in fulfilling its oversight responsibilities in ensuring the integrity of the Group's financial reporting, internal controls and overall risk management process. Its role and responsibilities are set out in its terms of reference, which can be found at www.rb.com.

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Committee meetings cover matters set out in its terms of reference related to the reporting and audit cycle, including: half- and full-year results; Internal and External Audit work plans and reports; and regular updates from senior financial management and the External Auditor.

The Committee's responsibilities include, but are not limited to, the following matters:

Financial and other reporting matters

- Monitoring the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance. Reviewing and challenging, where necessary, the actions and judgements of management before submission to the full Board.
- Reviewing the content of the Annual Report and Financial Statements and advising the Board on whether it is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.
- Reviewing and approving the statements to be included in the Annual Report concerning internal control, risk management and the Viability Statement.
- Considering significant legal claims and regulatory issues.

Internal Audit, risk and controls

- Carrying out a robust assessment of emerging risks and considering the Company's response to identified risks.
- Ensuring that procedures are in place for detecting fraud and prevention of bribery, and secure arrangements are in place by which staff may raise concerns about possible wrongdoings in matters of financial reporting and financial controls.
- Assessing and approving Internal Audit's annual work plan to ensure it is aligned to the key risks of the business and

ensuring that the Internal Audit function has sufficient resources and access to management to perform its role.

- Reviewing Internal Audit activities, significant recommendations and findings and related management actions.
- Monitoring and assessing the effectiveness of the Internal Audit function.
- Reviewing and monitoring on an ongoing basis the scope and effectiveness of internal financial, operational and compliance risk management controls and processes.

External Audit

- Considering and making recommendations to the Board to put to Shareholders for their approval at the AGM regarding the appointment, reappointment or removal of the External Auditor.
- Monitoring the rotation of the External Audit partner and managing the competitive tendering process of the audit services contract.
- Reviewing and monitoring the External Auditor's independence, objectivity and effectiveness.
- Developing, implementing and keeping under review policy on non-audit services provided by the External Auditor, considering relevant ethical guidance and the impact this may have on independence.

Activity during the year

Items considered by the Committee at meetings during the year

February 2018	• Review of 2017 preliminary results, draft unaudited Financial Statements and related announcement and recommendation to the Board for approval • Review of work undertaken in respect of the 2017 Internal Audit plan • Approval of final non-audit fees for 2017 and review of 2018 non-audit fees forecast
May 2018	• Review of progress of 2018 Internal Audit plan
July 2018	• Review of the half-year results announcement
November 2018	• Review of KPMG's 'first impressions' of RB • Review of the Committee's 2019 standing agenda • Review of the Committee's terms of reference and recommendation to the Board for approval • Review of the results of effectiveness reviews of the Committee, Internal Audit function and External Auditor • Review of 2019 Internal Audit Plan covering the first half of 2019

Standing agenda items reviewed by the Committee during the year

- Received reports of the SVP Corporate Controller, Internal Auditor and External Auditor
- Reviewed fraudulent activity or reports raised under the whistleblowing procedure
- Reviewed tax and treasury matters, including provisioning and compliance with statutory reporting obligations
- Reviewed legal matters including compliance risk
- Kept abreast of changes in financial reporting and governance matters by way of technical updates throughout the year
- Received focused risk and control reviews concerning the delivery of RB 2.0 (in particular, in the areas of the shared services function, deployment of IT systems, legal entity restructuring, operating model review and financial reporting); the integration of MJN; risk assurance mapping; IT risk; legal compliance; and tax disputes risk
- Reviewed the Group's major risk assessment process

The key matters reviewed and evaluated by the Audit Committee during the year were as follows:

Financial reporting

The Audit Committee is responsible for reviewing and approving the appropriateness of the interim and annual Financial Statements and related announcements, including:

- recommending that, in the Committee's view, the Financial Statements are fair, balanced and understandable. In addition to the detailed preparation and verification procedures in place for the 2018 Annual Report and Financial Statements, management continued its focus on narrative reporting and clear written and visual messaging to communicate the Group's strategy. The Committee concluded that the disclosures contained in the Financial Statements and the underlying processes and controls are appropriate and recommended to the Board that the 2018 Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the necessary information for Shareholders to assess the Group's position and performance, business model and strategy; and
- reviewing the appropriateness of the accounting policies, judgements and estimates used as set out from page 142 and concluding that the judgements and assumptions used are reasonable.

The significant financial judgements and complex areas in relation to the 2018 Group Financial Statements considered by the Committee, together with a summary of the actions taken, were as follows:

- **Impairment assessments**
  In the latter half of 2018, management performed its annual impairment review of goodwill and other indefinite-life intangible assets. Key management judgements included the allocation of these assets to cash-generating units (CGUs) or groups of cash-generating units (GCGUs), the assessment of expected short-, medium- and long-term growth rates, and the calculation of pre-tax discount rates (see Note 9 to the Group Financial Statements).

  The Committee reviewed management's analysis and confirmed the appropriateness of the key judgements, as well as the specific risk factors and sensitivities applied to individual CGUs and GCGUs. Given the results of management's analysis, the Committee met in January 2019 to specifically discuss both the IFCN GCGU and Oriental Pharma CGU. Whilst the Committee is satisfied that no impairment was required at 31 December 2018, the Committee will continue to monitor both operations given their relative lack of headroom and sensitivity to changes in key assumptions.

  As required under IFRS, management has included additional impairment-related disclosures in the Financial Statements. The Committee has reviewed these disclosures, included within Note 9, and considers them appropriate.

- **Trade spend**
  Trade spend remains a significant cost for the Group, and the main judgements relate to trade accruals, specifically the timing and extent to which temporary promotional activity occurred. The Committee reviewed with management its assessment of the control environment and the findings of Internal Audit relating to trade spend and considered that management operates an appropriate control environment which recognises the risks in this area.

- **Tax provisioning**
  From time to time, the Group may be involved in disputes in relation to ongoing tax matters in a number of jurisdictions around the world where the approach of the authorities is particularly difficult to predict. The level of provisioning for these investigations is an issue where management and tax judgement are important. The Committee debated the key judgements made with management, including relevant professional advice that may have been received in each case, and considers the tax provisioning levels and disclosures to be appropriate.

- **Legal liability provisioning**
  At 31 December 2018, a provision of £461 million (2017: £501 million) was held on the Group's balance sheet in relation to regulatory, civil and/or criminal investigations by government authorities as well as litigation proceedings and a provision in respect of the South Korea Humidifier Sanitizer (HS) and US Department of Justice issues. The Committee challenged management on legal judgements made in determining the level of provisioning and was satisfied with the level of provisioning and disclosure.

- **Adjusting items**
  The Committee considered the presentation of the Group Financial Statements and, in particular, the presentation of adjusting items and the elements included within such measures. The Committee discussed this with management and agreed that the presentation provided meaningful information to Shareholders about the underlying performance of the Group.

- **Going concern and Viability Statement**
  A viability review was undertaken by management, encompassing its going concern review. The Committee reviewed the key assumptions used by management in its viability review and going concern assessment, as well as the scenarios applied and risks considered. Based on its review, the Committee considers that the application of the going concern basis for the preparation of the Financial Statements was appropriate and confirmed the suitability of the Viability Statement covering a five-year period, as set out on pages 56-57. The use of a five-year period for the viability review was approved by the Board in 2018 as it is the period of the Group's long-term forecasting process and covers the various business cycles.

Risk management and internal control

In monitoring the adequacy and effectiveness of the system of internal controls, the Committee reviewed compliance procedures and RB's overall risk framework (including the Group's whistleblowing arrangements) and considered operational risk and control processes. There were no significant failings or weaknesses during the year meriting disclosure in this report and the Committee considers the internal control framework to be functioning appropriately.

External Auditor

The Committee is responsible for maintaining the relationship with RB's External Auditor on behalf of the Board. RB has a formal policy in place to safeguard the External Auditor's independence.

The Committee considers and makes a recommendation to the Board in relation to the appointment, reappointment and removal of the External Auditor, and oversees the tendering of the External Audit contract. The Committee approves the External Auditor's terms of engagement and remuneration and reviews the strategy and scope of the audit and the work plan. The Committee also monitors the rotation of the lead Audit Partner, who rotates every five years in accordance with best practice standards. The current lead Audit Partner, Richard Broadbelt, has just completed the first year of his five-year term.

Following a robust and rigorous audit tender process in 2017, the Committee and Board recommended the appointment of KPMG LLP as External Auditor of the Group for the year ending 31 December 2018 for Shareholder approval. KPMG was formally appointed as the Group's Auditor by Shareholders at the AGM on 3 May 2018. The tender process allowed for a smooth handover process from the Group's outgoing external Auditor, PricewaterhouseCoopers LLP. The Audit Committee and management closely monitored this transition process. KPMG was given an induction process to help build on its understanding of the business. These induction activities included attending key meetings with management and the outgoing Auditor during the 2017 audit cycle and attending the Committee's February 2018 meeting. This was supplemented by KPMG performing detailed audit planning activities at all of the Group's material operating locations through the Spring/Summer of 2018.

For the year ended 31 December 2018, the Company has complied with the Competition & Markets Authority Order: The Statutory Services for Large Companies Market Investigation (Mandatory use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

The Committee reviews the nature and level of non-audit services undertaken by the External Auditor during the year to satisfy itself that there is no impact on its independence and is required to approve all non-audit services. The Board recognises that in certain circumstances the nature of the advice required may make it more timely and cost-effective to appoint an auditor that already has a good understanding of RB. The total fees paid to KPMG for the year ended 31 December 2018 were £9.9 million, of which £0.4 million related to audit-related and non-audit work (to which KPMG was appointed principally for the above reasons). Details of services, provided by the auditor, are set out in Note 4 on page 154.

Following the introduction of EU reforms, the Group's internal policy on non-audit fees was revised, effective 1 January 2017, to reflect prohibited non-audit services, including all tax services provided to entities within the EU. The policy states that, on an annual basis, non-audit fees should not exceed 50% of the Group's External Audit and audit-related fees for the year. The Board confirms that, for the year ended 31 December 2018, non-audit and audit-related fees were 4% of the audit fees.

In the opinion of the Committee, the relationship with the External Auditor works well, the Committee remains satisfied with the External Auditor's independence and effectiveness and believes KPMG is best placed to conduct the Company's audit for 2019. KPMG has expressed a willingness to continue as External Auditor of the Company. Following a recommendation by the Committee, the Board concluded, on the Committee's recommendation, that it was in the best interests of the Shareholders to appoint KPMG for a further year. In accordance with s489 CA 2006, resolutions to propose the reappointment of KPMG as the Company's External Auditor and to authorise the Committee to fix its remuneration will be put to the Shareholders at the AGM.

Internal Auditor

The Committee is responsible for reviewing and monitoring the effectiveness of the Internal Audit function. The Chief Internal Auditor reports to the Chair of the Committee and to the CFO for administrative matters and updates the Committee at each meeting. The Internal Audit function is responsible for impartially assessing the key risks of the organisation and appraising and reporting on the adequacy and effectiveness of RB's risk management and internal controls in financial, information systems and other business and operational areas to develop and improve the effectiveness of the Group's risk management control and governance processes and strategies. RB's identified Group major risks and their mitigating controls are described in detail on pages 42 to 57.

The Internal Audit plan is prepared on a half-yearly basis under an agreed cover and scope policy and reflects a risk-based approach. Designated audit locations are determined at the start of each year following a risk and control assessment of each commercial and supply unit. Information systems and head office locations also fall within Internal Audit's remit and are subject to audit. Following each audit, findings are reviewed and reported to management and to the Committee, together with recommendations and updates. Resulting management actions and progress are tracked until a report is satisfactorily closed. In 2018, routine internal audit work covered 38% (by Net Revenue) of RB's global commercial business and 47% (by industrial sales) of global manufacturing facilities.

Governance

In November 2018, the Board approved the Committee's proposed changes to its terms of reference to take account of the 2018 UK Corporate Governance Code and recommended best practice. The updated terms of reference can be found at www.rb.com. We review our terms of reference annually.

During the year, the Committee undertook a self-evaluation of its performance using a detailed questionnaire. Matters reviewed by Committee members included effectiveness in the areas of: risk strategy and framework; internal and external audit; external reporting; Committee role and composition; information and support; meeting logistics and focus; and engaging internally and externally. In summary, the results concluded that the effectiveness and performance of the Committee remain strong. Risk and assurance was identified as an area of continued focus for the Committee.

The Internal Audit effectiveness review was carried out through direct post-audit feedback and questionnaires targeted at Committee members, Executive Committee members and functional heads. The evaluation of the Internal Audit function, which covered audit scope, cost and communications, quality process, governance and independence, and calibre and capability, indicated that reviewers deemed the Internal Audit team to have a strong degree of integrity and reputation for producing high-quality audits. The alignment of Internal Audit activity with that of other second line of defence providers was noted as an area for increased attention. The Committee considered the effectiveness review and the work carried out by the Internal Audit function as reported at every Committee meeting and concluded that it was an effective operation and the Committee remains satisfied that the quality, experience and expertise of the function is appropriate for the Company.

In light of 2018 being KPMG's first year as External Auditor, the assessment of the External Auditor was conducted during the Committee's November 2018 meeting. We are pleased with the way the change has been managed and the consistent challenge of management and output of a robust audit.

During the financial year under review, the Company had no interaction with the FRC's Corporate Reporting Review Team or its Audit Quality Review Team.

Corporate Responsibility, Sustainability, Ethics and Compliance Committee Report

> **We are committed to putting the safety of our consumers and employees first, and to ensuring that we conduct business responsibly.**

Pam Kirby
Chair of the Corporate Responsibility, Sustainability, Ethics and Compliance Committee

On behalf of the Board, I present the Corporate Responsibility, Sustainability, Ethics and Compliance (CRSEC) Committee Report for the financial year ended 31 December 2018.

The Committee, along with the RB management team, has worked hard building on the foundations set in 2017, which was the first full year of the Committee's operation. The following report outlines the role, responsibilities and activities of the Committee during 2018.

At the start of 2018, RB reorganised the business under RB 2.0 for long-term growth and outperformance by creating two focused, accountable and agile business units: Health and Hygiene Home. As I stated in my report last year, the Committee has ensured that momentum is maintained with regard to delivering the planned safety, quality and compliance objectives within and across each business unit. As a manufacturer, we are mindful of the emerging risks relating to the sustainability of our products and packaging using plastics. In addition, we want to reduce our environmental footprint, including reduced emissions. We have monitored and supported the varying requirements arising from such issues to ensure RB is equipped to manage its obligations and remains a responsible global citizen, on behalf of all its stakeholders. More details on our sustainability aims, activities and progress can be read from page 12 and online at www.rb.com/responsibility.

Each year, the Committee has a detailed standing agenda of matters to be considered and reviewed. In addition to our regular agenda reviews, we have carried out in-depth reviews in specific areas. These include:

- General Data Protection Regulation (GDPR) compliance;
- anti-bribery compliance;
- the Modern Slavery Act Statement;
- delivery of the RB 2.0 programme;
- approval of our Plastics Pledge and Breast-Milk Substitute Marketing Policy and Procedures;
- oversight of the revised RB Code of Conduct and associated mandatory employee training launched in 2018;
- safety and compliance risks and mitigation; and
- environmental matters.

Some of the key achievements in the reporting period follow.

Corporate Responsibility, Sustainability, Ethics and Compliance Committee Report continued

FTSE4Good accreditation

RB secured continued accreditation for the 15th consecutive year in the FTSE4Good Index, the world's leading global responsible investment index measuring the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. With the acquisition of MJN in 2017, RB needed to satisfy a number of mandatory FTSE4Good inclusion criteria for the marketing of Breast-Milk Substitutes (BMS) to retain FTSE4Good accreditation, and became the third BMS manufacturer to do so.

Ethical Marketing and Infant and Child Nutrition (IFCN)

Early in 2018, two major milestones were achieved in relation to the IFCN business, namely:

- **Infant and Child Nutrition Pledge** – outlines RB commitments on infant nutrition and our support for exclusive breastfeeding in the first six months of life.
- **Policy & Procedures on the marketing of BMS** – establishes our mandatory marketing practices in higher-risk countries, in support of the aims and principles of the World Health Organization (WHO) International Code of Marketing of Breast-Milk Substitutes of 1981. The procedures section addresses management systems, governance, monitoring and reporting.

As part of RB's commitments to monitoring and transparency, during 2018 we concluded our first external audit and published the resulting audit report and corrective action plan. In 2019, two further audits are planned, with resulting public reporting planned for late 2019. At local market level, all alleged non-compliances reported are followed up, and corrective action plans implemented, as appropriate. In June 2018, RB took appropriate action in response to the allegations of non-compliance raised by the International Baby Food Action Network (IBFAN) in its report for the three-year period ended June 2017.

The CRSEC Committee has final oversight of all BMS-related reporting. Please refer to www.rb.com/responsibility/infant-and-child-nutrition for further related materials.

Ethics & Compliance (E&C)

Following the integration with MJN, an expanded E&C function was established to reflect RB's strong culture of integrity and to support the business to live its core value of 'Responsibility'. In addition to a Group E&C team, RB now has dedicated compliance professionals in both business units and in several different jurisdictions, to assist the Company in ensuring it conducts business in an ethical way that complies with applicable laws, regulations and internal policies.

Speak Up service

During 2018, one of RB's main priorities was to increase awareness of the confidential Speak Up service available for all employees and third parties to ask questions and raise concerns on potential violations of regulations, internal policies or any misconduct observed in RB. The E&C team integrated MJN's Speak Up processes and systems into RB's to ensure that all cases are investigated in a timely manner and the outcome reflected in proportionate and fair decisions, including the improvement of internal processes and the overall culture of compliance.

RB received a total of 296 Speak Up cases during 2018 in both Health and Hygiene Home. From those cases, 202 were from Health, 86 from Hygiene Home and eight related to RB Group. All cases were or are in the process of being investigated. The complete report can be viewed online at www.rb.com/responsibility/policies-and-reports.

Plastics

We approved and launched RB's statement on plastics in June 2018, on World Environment Day. Our overriding objective is responsible use of plastic for packaging, using the 4R approach – reduce, replace, reuse and recycle. Further details can be found at: www.rb.com/responsibility/plastics.

Modern Slavery Act Statement

In May 2018, RB published its Slavery and Human Trafficking Statement following the Committee's recommendation to the Board. The Statement can be found at: www.rb.com/media/3415/rbs-2017-modern-slavery-act-statement-final.pdf. It was reassuring that external reviews of our Statement by, for example, the Business & Human Rights Resource Centre, recognised the increased transparency we have brought to bear on this agenda. Our commitment to uphold the United Nation's Guiding Principles on Business and Human Rights remains central to our operations and our work with suppliers around the world.

Global Responsible Advocacy Policy

At the end of 2018, RB launched its Global Responsible Advocacy Policy, which aims to make transparent our influencing activities and practices. This is further evidence of the progress we have made in establishing RB as a responsible company and manufacturer. The Committee assists the Board in discharging its responsibilities regarding this policy, which can be found at www.rb.com/media/3684/rb-advocacy-policy-10-december-2018.pdf

Climate change and the Task Force on Climate-related Financial Disclosures (TCFD)

We are developing our understanding of risks associated with climate change impacts and this supports our response to the TCFD. We worked with PricewaterhouseCoopers LLP (PwC) to review our activities and reporting in support of TCFD in 2018; we will report further on this and our approach from 2019 onwards. Climate change was and continues to be a material issue within our sustainability activity and we will be reviewing our strategies and operational activity on energy and water specifically, and climate change more broadly, during 2019. This includes considering risks arising from both low carbon transition policies and physical climate impacts in the context of TCFD.

GDPR

We focused on overseeing the delivery of the critical elements for compliance with GDPR prior to the May 2018 implementation deadline. Online compliance training was completed by our employees, privacy controls were implemented for new GDPR requirements of consent, collection, retention and deletion, and an operational crisis and incident management process implemented to comply with the 72-hour breach reporting requirement for any notifiable personal data breach. The Committee monitors the delivery of broader privacy requirements, and this matter is on the Committee's standing agenda. RB appointed a Group Data Protection Officer and instituted a new Privacy Office team. At country level, Heads of Privacy in each relevant EU country/cluster were appointed in both Health and Hygiene Home.

South Korea Humidifier Sanitizer (HS)

The HS issue in South Korea was a tragic event, with many parties involved, and the Committee oversees the efforts to mitigate its impact and alleviate the suffering caused. We continue to make both public and personal apologies to victims. In August 2018, Oxy RB extended its compensation plan for the Oxy RB Category I & II users categorised to date in Round 4. The South Korean government opened Round 4 to new applicants on 25 April 2016 for an indefinite period and continues to receive applications. Further details on the event and our remediation efforts can be found at www.rb.com/responsibility/humidifier-sanitizer.

Safety, Quality and Regulatory Compliance (SQRC) remediation and infrastructure programmes

The Committee has continued its oversight of the SQRC remediation and infrastructure programmes and 2018 has seen the completion of three programmes designed to strengthen the safety and compliance framework along with a successful pilot of a new Product Lifecycle Management system that is now in design for global roll-out.

We have monitored quality, safety and sustainability leading and lagging indicators which have driven real-time improvement actions where needed and which are demonstrating improved performance in areas such as quality and employee health and safety audits. The Committee has also been briefed and provided guidance on issues as they have occurred during the year, such as the temporary manufacturing disruption at an IFCN European facility, and the recall of Durex latex-free condoms.

RB 2.0

The risk and control challenges around the RB 2.0 reorganisation were reviewed and continue to be closely monitored, to track implementation of the programme and mitigate risk. The Committee met regularly with operational management at its meetings to review each of the RB 2.0 workstreams and also to consider the reputational, legal and regulatory risks and controls.

Shareholder engagement

In 2018, fellow Board members and I, along with the SVP Investor Relations and the Chief SQRC Officer, met with various institutional investors to share our progress on CRSEC matters, where we gave a deeper insight to the committed programme of work overseen by the Committee, detailing the comprehensive nature of the programmes and activities since the inception of the Committee and our ongoing areas of focus.

Committee priorities for 2019

- Review the most material sustainability issues facing RB and develop strategies looking beyond our current 2020 targets
- Continue monitoring governance and compliance as each business unit develops operationally
- Embed new standards, systems and ways of working into each of the business units
- Oversee the progress on the remaining remediation and infrastructure programmes
- Advance risk anticipation and mitigation efforts
- Support the efforts to further instil our Responsibility value into all aspects of our Group
- Support other countries to comply with new data protection regulations that follow GDPR standards
- Enhance Ethics & Compliance offline training processes and controls
- Review the existing processes and roll out a new integrated policy for third-party due diligence

I would like to acknowledge and thank our former Chairman of the Board, Adrian Bellamy, who stepped down as a member of the Committee and Board in May 2018, for his counsel and input while a member of the Committee.

I would also like to thank my fellow Committee members, Chris Sinclair, Nicandro Durante and Mehmood Khan, for their diligence and service to the Committee, and all my fellow Board colleagues for their strong support and focus on our work throughout the year. Finally, but not least, the efforts of the RB management team in the timeliness, quality and rigour of reporting to us are very much appreciated.

I look forward to meeting as many of you as possible and to answering any of your questions at the Company's AGM on 9 May 2019.

Pam Kirby
Chair of the Corporate Responsibility, Sustainability, Ethics and Compliance Committee
18 March 2019

Corporate Responsibility, Sustainability, Ethics and Compliance Committee Report continued

Activity during the year

Items considered by the Committee at meetings during the year

February 2018	• Governance in RB 2.0 • GDPR update • SQRC, including review of 2017 KPIs for reporting, update on transformation programmes, organisation and priorities • Approval of the Sustainability Report • Breast-Milk Substitute Marketing Policy and related procedures
May 2018	• Quality risk review • 2017 audit findings/remediation and 2018 Audit Plan – Quality, Health & Safety, Human Rights • Approval of Modern Slavery Act Statement
July 2018	• Approval of Plastics Strategy and the Breast Milk Substitutes Pledge • Evolution of RB Compliance Programme • SQRC key issues and programmes status update
October 2018	• Plastics update – peer benchmarking, future strategy • 2019 Sustainability strategy • GDPR update • Review of the Committee's terms of reference and recommendation to the Board for approval

Standing agenda items reviewed by the Committee during the year

- Report of the Compliance Management Committee
- Status of key programmes:
  - Product Lifecycle Management System design and implementation
  - REACH chemical legislation compliance
  - Trackwise system implementation for change control
  - Product Integrity Review to evaluate product compliance status of the portfolio
  - Product Safety Evaluation Report review of the portfolio
- Report of the Ethics Management Committee
- Legal compliance updates and key priorities
- Sustainability updates
- Progress of embedding RB Code of Conduct within RB and MJN
- Fraudulent activity or reports raised under the whistleblowing procedure
- Changes in governance matters by way of technical updates throughout the year from management
- Regular discussion without executive or management presence

Composition

The members of the Committee during the year were:

Composition	Tenure during the year
Pam Kirby (Chair)	Chair and member of the Committee for the entire year
Adrian Bellamy	Retired from the Committee and the Board on 3 May 2018
Nicandro Durante	Member of the Committee for the entire year
Chris Sinclair	Member of the Committee from 1 May 2018
Mehmood Khan	Member of the Committee from 1 July 2018

The Deputy Company Secretary was Secretary to the Committee for the full year.

Members of the Committee are appointed by the Board on the recommendation of the Nomination Committee, which reviews membership in terms of skills, knowledge and experience. The Board is satisfied that each member of the Committee is independent and that Committee members as a whole have competence relevant to the Company's sector and industries in which it operates. On joining the Committee and during their tenure, members receive additional training tailored to their individual requirements. Such training includes meetings with internal management covering CRSEC matters. All members of the Committee receive regular briefings from senior executives on matters covering governance, regulatory and legislative developments, and RB practices and policies.

Meetings

The Committee is expected to meet at least three times per year. During 2018, the Committee held four scheduled meetings, and the attendance of members at the meetings is set out in the table on page 70. The CEO and CFO, the Chief SQRC Officer, the Chief Internal Auditor, the SVP General Counsel & Company Secretary and the Head of Ethics & Compliance regularly attend meetings. Other Board members are invited to attend all meetings. Other senior management attend when deemed appropriate by the Committee. Time is allocated at each meeting for private discussion with the Chief SQRC Officer, the Chief Ethics and Compliance Officer and the Chief Internal Auditor without other invitees being present, as well as a private meeting of the Committee members.

Committee meetings usually take place ahead of Board meetings and the Committee Chair provides to the Board an update of the key issues discussed at each meeting. Copies of Committee papers are provided to all Board Directors in advance of each meeting and minutes of each Committee meeting are provided to the Board.

Role and responsibilities

The Committee is part of the Group's governance framework and supports the Board in fulfilling its oversight responsibilities in ensuring the integrity of the Group's corporate responsibility and sustainability, ethics and compliance strategies, policies, programmes and activities. Its role and responsibilities are set out in its terms of reference, which can be found at www.rb.com. In November 2018, the Board approved the Committee's proposed changes to its terms of reference, to take account of the 2018 UK Corporate Governance Code and recommended best practice. We review our terms of reference annually.

The Audit Committee has a monitoring function in respect of risk management and internal control systems, especially financial controls, but which also includes the assurance framework established by management to identify and monitor risks identified by the CRSEC Committee. The Committee liaises with the Audit Committee as appropriate.

See more
www.rb.com

Evaluation

During the year, the Committee undertook a self-evaluation of its performance using a detailed questionnaire and analysis software provided by Independent Audit Ltd, the results of which were reported to the February 2019 Committee meeting, due to the October meeting being held in advance of the finalisation of the results. Questionnaires were submitted to the Committee members, the CEO, CFO and SVP General Counsel & Company Secretary. The questionnaire was again based on four main themes: getting the right picture; role and responsibilities; quality of controls; and the manner of working with RB management. The 2017 evaluation had identified the need for closer contact with management, to assess attitudes for improved risk analysis and consideration of the Committee's longer-term strategic work goals. The Committee was pleased with progress made on these issues. They did not re-emerge in the 2018 evaluation, but it was acknowledged that there is always more work to be done by the Committee. In summary, the results concluded that the effectiveness and performance of the Committee remain strong. The Committee and management will focus on the following areas in 2019:

- ensuring reports provide the right level of detail and are presented in a way that makes it easy for the Committee to understand the important issues; and
- looking sufficiently at the root cause and accountabilities in the analysis of incidents.

RB Code of Conduct

Our training on ethical behaviour is centred on our Code of Conduct, which was approved and relaunched in 2018. Living our values means everybody at RB must place the issue of responsibility at the centre of their working life. We conduct business honestly and with integrity and do the right thing. We act fairly and treat others with respect. We look for opportunities to improve our products, develop the talent of our people and innovate for results. We drive for outperformance and take responsibility for our work, for the impact we have on society and the environment in which we operate, and for delivering sustainable results to our stakeholders. Our people are encouraged to raise concerns through our Speak Up hotline, which RB continues to promote. The Code of Conduct covers areas such as:

Our people

- Fair treatment
- Health and safety
- Respect for human rights
- Employee privacy

Our consumers and customers

- Product safety
- Reporting consumer-adverse events, safety concerns and quality issues
- Marketing activities
- Interactions with healthcare professionals

Our Shareholders and stakeholders

- Keeping accurate records
- Protecting confidential information
- Data privacy
- Insider trading and securities law compliance
- Interacting with Shareholders, analysts, the media and the public
- Government investigations
- Protecting Company assets
- Use of electronic resources
- Conflicts of interest
- Exchanging business gifts and entertainment

Our global marketplace

- Fair competition
- Anti-bribery and anti-corruption
- Working with suppliers
- Protecting the environment
- Political activities

Doing the right thing – wherever we are located
Collaboration, and supporting each other for the good of our employees, consumers, communities and Shareholders, is how we succeed.

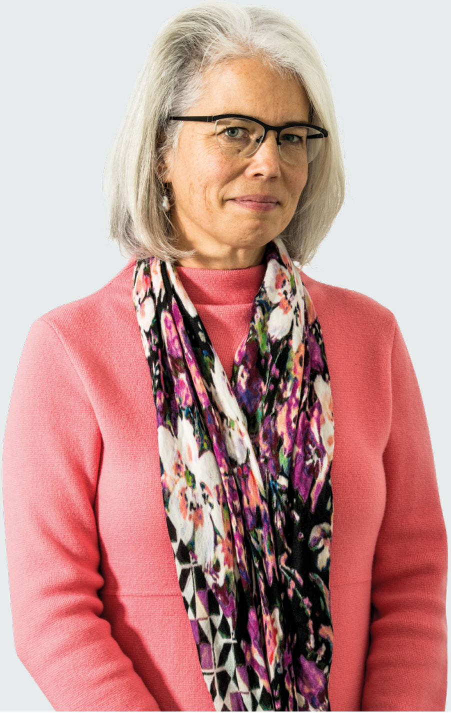
Directors' Remuneration Report

Contents of Directors' Remuneration Report

"Central to our remuneration philosophy are the principles of pay for performance and Shareholder and strategic alignment.

Mary Harris
Chair of the Remuneration Committee

This Directors' Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Report meets the requirements of the FCA Listing Authority's Listing Rules and the Disclosure Guidance and Transparency Rules. In this Report we describe how the principles of good governance relating to Directors' remuneration, as set out in the UK Corporate Governance Code (July 2018) (the Code), are applied in practice. The Remuneration Committee confirms that throughout the financial year the Company has complied with these governance rules and best practice provisions.



On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2018.

In line with the three-year life cycle, a new Remuneration Policy is being put forward to a binding Shareholder vote at our AGM on 9 May 2019. On the following pages, I have set out our new Remuneration Policy and our Annual Report on Remuneration, which explains how we have implemented the Remuneration Policy previously approved by Shareholders, as well as how we intend to implement the new Remuneration Policy if approved by Shareholders. The Annual Report on Remuneration will be subject to an advisory Shareholder vote at our AGM.

Over the past year, I have met with a majority of our largest Shareholders to evaluate and discuss RB's remuneration philosophy and the proposed changes to the Policy for 2019. I would like to thank Shareholders for the time taken and their feedback, which has provided valuable input and assisted the Committee in developing the 2019 proposals. This proposed Policy strengthens the link between remuneration and RB's strategic priorities through new performance measures in the Long-term Incentive Plan (LTIP) and introduces a number of changes to strengthen alignment with Shareholders' interests.

Context for executive remuneration at RB

RB strives for leading global performance. Our management team is multinational and we compete for talent against a peer group of global companies. Central to our remuneration philosophy are the principles of pay for performance and Shareholder and strategic alignment. Combined with RB's values and business model, they define how decisions are made, how people act and how we assess and reward them.

Over the past few years, RB has been on a well-established journey, with a focused, strategic evolution to become a world leader in consumer health. The recent acquisition of MJN has been a catalyst for RB 2.0. The Group's key strategic priorities include accelerating organic growth on the top line and focusing on achieving more sustainability and predictability in earnings growth, while ensuring return on capital is enhanced as MJN continues to be integrated. The proposed Remuneration Policy, set out in further detail on the following pages, strives to ensure that the management team is rewarded appropriately for delivering against these key strategic priorities, reflects the global nature of our business and delivers significant benefits for Shareholders.

To reinforce our philosophy, the majority of the Executive Directors' remuneration packages are made up of variable at-risk pay, linked to stretching financial targets that align with our strategy and Shareholder value creation, and are largely delivered in RB shares. In addition, we have market-leading shareholding requirements for executives. This approach is cascaded throughout our senior management.

The Committee is aware of the sensitivity around executive pay and in undertaking our thorough review of the Remuneration Policy we have taken into account Shareholders' views and guidelines and the new UK Corporate Governance Code, whilst ensuring that the Policy incentivises delivery of the Company's strategic priorities and creation of Shareholder value.

Further information regarding the composition, role and work of the Committee during 2018 can be found on page 96.

Key proposed changes to the Remuneration Policy and implementation of the Policy for 2019

As previously mentioned, RB is required to put a new Remuneration Policy forward to a binding Shareholder vote at the 2019 AGM, in line with the three-year life cycle. In developing the Policy, the Committee was mindful of the new UK Corporate Governance Code and engaged extensively with Shareholders and their representatives. The key changes to the Remuneration Policy and how we propose to implement the Policy in 2019 are as follows:

- **LTIP performance measures** – the Remuneration Committee reviewed the performance measures in light of RB's strategic priorities and is proposing to introduce two new LTIP performance measures – like-for-like Net Revenue growth and Return on Capital Employed (ROCE) – to be used alongside earnings per share (EPS) growth.
- **LTIP targets** – the LTIP targets are set out on page 111. The Committee went through a robust process when setting these targets, taking into account a number of factors and different reference points, and the Committee considers that the targets set are very stretching. As you will have seen, our guidance is for like-for-like (LFL) Net Revenue growth of 3-4%, for 2019, with a focus on sustaining our best-in-class margins. In this context, the Remuneration Committee believes that the performance ranges are appropriately stretching and incentivise management to deliver outperformance.
- **Reduction in CEO LTIP award levels** – had Rakesh Kapoor not announced his retirement, the Committee had agreed a further reduction in the CEO LTIP award level for 2019 to 160,000 options and 80,000 shares (from 200,000 options and 100,000 shares). Rakesh Kapoor will not receive a 2019 LTIP award. The 2019 LTIP award for the CFO is 80,000 options and 40,000 shares (2018: 76,500/38,250).
- **LTIP adjustment mechanism** – the Committee will implement a robust LTIP adjustment mechanism with the number of shares and options granted reviewed annually, prior to each award, in light of share price changes.
- **Reinforcing Shareholder alignment** – a two-year holding period has been introduced for LTIP awards going forward. In addition, with effect from 2019 bonus, one-third of any bonus paid will be deferred into awards over RB shares for three years.
- **Reduction in pension levels for new hires to the Board** – any new hires to the Board will have a maximum pension contribution of 10% of salary, in line with the wider workforce in the UK, representing a significant reduction on current levels.
- **Shareholding requirement** – the shareholding requirement for any new hires will be 200,000 shares for the CEO and 100,000 for the CFO. These new requirements remain the most demanding in the market. The shareholding requirements will remain at 600,000 and 200,000 shares for the current CEO and CFO respectively.

  In addition, for new hires to the Board, we are introducing a formal post-employment shareholding requirement, for two years after departure. For existing Executive Directors, on departure in 'good leaver' circumstances any deferred bonus share awards and LTIP awards (including the holding period) continue on original timescales, ensuring that they maintain sufficient shareholdings post-departure.
- **Malus and clawback** – expanded to include corporate failure.

Further detail and rationale for the changes can be found on page 98.

2019 remuneration

The salaries for the CEO and the CFO have been increased by 3% for 2019, to £973,565 and £680,000 respectively. The average salary increase for our UK employee base was 3%. There is no proposed change to the bonus opportunity for the CEO (120% of salary at target). The target bonus for the CFO is being increased to 100% of salary (from 90% of salary). The proposals for the CFO have taken into account internal relativities at RB and the role expansion last year as part of the reorganisation of RB, under RB 2.0.

Annual bonus in respect of 2018 performance

RB operates an annual bonus plan that is strongly aligned to performance, measured against stretching targets set by the Committee at the start of the year for Net Revenue growth and Net Income growth.

In 2018, RB made good progress in a transformational year, following the restructuring of the Company into two business units and with our first full year of MJN ownership. Net Revenue growth was 15% (3% pro-forma and like-for-like), there was accelerated delivery of MJN synergies and Adjusted Net Income growth of 11%.

Our Net Revenue growth was at the upper end of the bonus targets set, whilst our Net Income growth was at maximum.

As a result, the 2018 annual bonus for the CEO and CFO is 84% of maximum, in line with all other employees on the same Group-wide measures. There was no annual bonus paid in 2017.

Vesting of the 2016-2018 LTIP

All outstanding LTIP awards are subject to an EPS growth performance measure over the three-year performance period of the awards. In 2016, the EPS growth targets were set at 6% per annum for threshold performance and 10% per annum for maximum vesting.

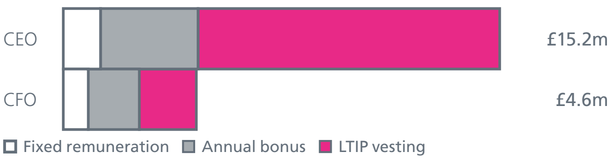
The Remuneration Committee made previous commitments to Shareholders to exclude the one-off impact of the MJN acquisition and related transactions when calculating EPS growth for measuring performance in order to ensure that the LTIP targets remain as stretching as prior to any major acquisition/disposal. This is to ensure that management's and Shareholders' interests remain fully aligned. Management should not be rewarded due to an increase in EPS derived simply from a material gearing of the balance sheet.

Further, as previously committed to Shareholders, the Committee assessed, and was satisfied, that the performance of MJN to date is in line with the expectations set at the time of the acquisition.

Earnings per share over the three-year period from 2016 to 2018, measured on an adjusted, diluted basis, grew by 31%, equivalent to compound average annual growth of 9.5% per annum. With the one-off effects of the MJN acquisition, and associated transactions, being totally removed, this reduces to 8.3% per annum. This EPS growth performance results in vesting of 65% being achieved when measured against the vesting schedule approved by Shareholders. The vesting in respect of 2017 was 50% for the CEO and the CFO.

2018 single figure

The impact of this bonus payment and LTIP vesting is a total single figure of £15.2m for the CEO and £4.6m for the CFO. The majority of this is variable pay, linked to stretching financial targets:



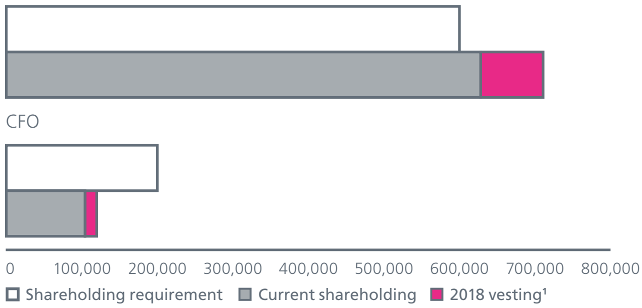
The year-on-year increase in the single figure total for the CEO is 22% when compared to the single figure total set out in the 2017 Directors' Remuneration Report. This reflects improved performance in 2018 which has been reflected in a bonus being paid in respect of 2018 (where one was not paid in 2017). The increase also reflects the Committee's decision in 2017 to use discretion and reduce the LTIP vesting by 50%. If discretion had not been exercised in 2017, the single figure total would have shown a year-on-year decrease. When determining 2018 variable pay outturns, the Committee evaluated performance in the round and determined that no discretion would be applied.

Share ownership requirements

For current incumbents, RB's share ownership requirements remain unchanged as a fixed number of shares and are equivalent to just under 4,000% of salary for the CEO and 2,000% of salary for the CFO.

These are the most demanding in the market; the highest share ownership requirement in our peer group is 800% and the highest in the FTSE 100 is 700% of salary. Amongst the FTSE 30 the median is 400% of salary, with an upper quartile of 500% of salary.

Shareholding of Executive Directors vs requirement



1 '2018 vesting' shows the estimated number of performance shares which will vest in respect of performance to 2018, after tax.

Committee changes

Judy Sprieser (the previous Committee Chair) and Adrian Bellamy both stood down as members of the Committee and Board in May 2018 as they did not stand for re-election at the 2018 AGM. I thank both for their contribution and in particular I would like to acknowledge Judy Sprieser, whom I succeeded on 1 November 2017 as Committee Chair, for her valued leadership of the Committee.

Elane Stock joined the Board as a Non-Executive Director on 1 September 2018 and was appointed as a member of the Remuneration Committee with effect from 8 November 2018.

Departure arrangements for the Chief Executive Officer

The Board announced on 16 January 2019 that Rakesh Kapoor has indicated his intention to retire as CEO by 31 December 2019, after more than eight years as CEO and 32 years at the Company.

Our approach for 2018 remuneration was unaffected and is as set out in this report.

For 2019, our approach is set out in detail on page 112. This can broadly be summarised as the same approach for 2018, save that there will be no LTIP award made to Rakesh in 2019. Outstanding LTIP awards will be appropriately time pro-rated, remaining subject to performance over the original performance period, with a further two-year holding period.

For the avoidance of doubt, all payments will be made in line with our Shareholder-approved Remuneration Policy.

Conclusion

Our revised Remuneration Policy reflects Shareholders' views and guidelines and the new UK Corporate Governance Code. It continues to drive the appropriate behaviours and performance to support the Company's business strategy and delivery of Shareholder value. I trust that I can count on your support at the upcoming AGM.

I would also like to acknowledge and thank my fellow Committee members for their diligence and service during the year. I will be available to answer any questions Shareholders may have at the Company's AGM on 9 May 2019.

Mary Harris
Chair of the Remuneration Committee
18 March 2019

Remuneration Committee governance

Who's on the Committee	The Remuneration Committee is made up entirely of Non-Executive Directors who are appointed by the Board on the recommendation of the Nomination Committee. Membership of the Remuneration Committee during the year was as follows:	Mary Harris (Chair) Nicandro Durante Chris Sinclair Adrian Bellamy[1] Judy Sprieser[1] Elane Stock[2] 1 Stepped down from the Committee on 3 May 2018. 2 Appointed to the Committee on 8 November 2018.

Our role

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

On behalf of, and subject to approval by, the Board of Directors, the Committee primarily:

- sets and regularly reviews the Company's overall remuneration strategy;
- determines the general Remuneration Policy for senior executives; and
- in respect of the Chairman, the Executive Directors and members of the Executive Committee, sets, reviews and approves:
  - remuneration policies, including annual bonuses and long-term incentives;
  - individual remuneration and compensation arrangements;
  - individual benefits including pension and superannuation arrangements;
  - terms and conditions of employment including the Executive Directors' service agreements;
  - participation in any of the Company's bonus and LTIPs; and
  - the targets for any of the Company's performance-related bonuses and LTIPs.

The Executive Directors are responsible for evaluating and making recommendations to the Board of Directors on the remuneration of the Non-Executive Directors.

Meetings

During the year the Committee held five scheduled meetings and one additional meeting. The attendance of members at meetings is set out in the table on page 70.

The Chief Human Resources Officer was Secretary to the Committee throughout the year. Meetings were also attended by the CEO, CFO, SVP General Counsel & Company Secretary and the Group Head of Reward by invitation. Deloitte acted as advisor to the Committee throughout the year.

Members of the Remuneration Committee and any person attending its meetings do not participate in any discussion or decision on their own remuneration.

Peer group

During the year the Committee reviewed the peer group to ensure the appropriateness of the selected peers. The Remuneration Committee has determined a peer group of international companies, which is referred to within the report. This peer group is used for benchmarking remuneration packages and as a reference point in ensuring that performance targets are appropriately stretching and when reviewing the Company's relative performance. This peer group is the same group used to benchmark remuneration of senior managers across the Company. The companies included are:

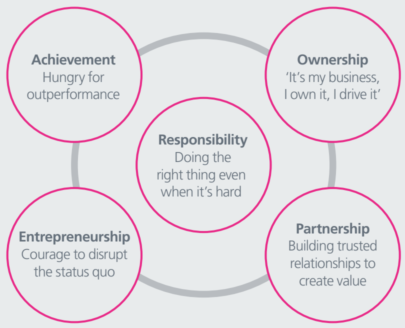
Abbott Laboratories	Coca-Cola[1]	Johnson & Johnson	Novartis
Bayer	Colgate	Kellogg[1]	PepsiCo[1]
Campbell Soup[1]	Danone	Kimberly-Clark[1]	Pfizer
Church and Dwight	GSK	Kraft Heinz	Procter & Gamble
Clorox	Henkel	Nestlé	Sanofi
			Unilever

1 Companies used for remuneration benchmarking only and not for performance comparison.

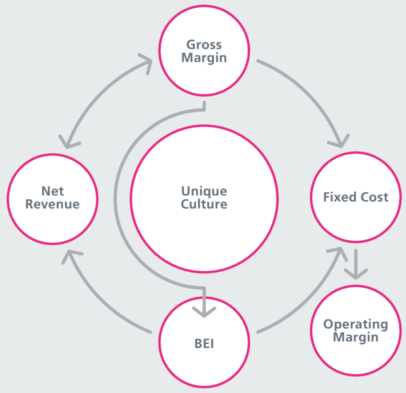
RB's proposed Remuneration Policy at a glance

A new policy, summarised below, is being put forward and will be voted on at the 2019 AGM.

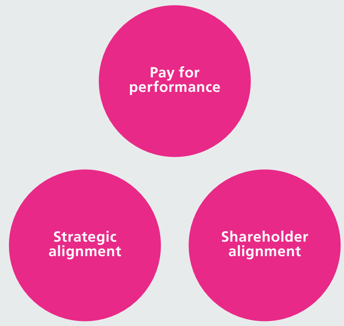
RB's values



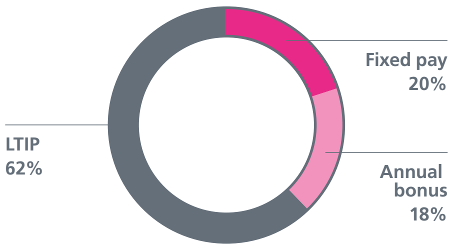
RB's virtuous earnings model



RB's remuneration philosophy



1 High proportion of long-term variable pay



Value at award of CEO's target 2018 package

3 Significant share ownership policy

Executive	No. of shares	Value of shares[1]	% of salary
CEO – current incumbent	600,000	£38.9m	3,991%
CEO – new hire	200,000	£13.0m	1,330%
CFO – current incumbent	200,000	£13.0m	1,905%
CFO – new hire	100,000	£6.5m	952%

1 Based on £64.76 share price, average Q4 2018.

2 Attract and retain the best global talent

- Engage highly performance-driven individuals
- Reflect global competitive practice across our industry peer group

4 Ensure alignment with strategy across the business

- Alignment of performance metrics with strategic priorities
- Alignment across the business of metrics and ownership

RB's proposed Remuneration Policy

RB's proposed Remuneration Policy reflects the philosophy of pay for performance, Shareholder alignment and strategic alignment over the short, medium and long term.

Element	2019 2020 2021 2022 2023 2024	Key features 2019 policy	How we implemented for 2019	Link to strategy
Base salary		• Salaries set competitively against peers	• 2019 salary increases of 3% for both the CEO and the CFO, in line with the workforce	• Supports recruitment and retention
Annual bonus		• Based on Net Revenue and Adjusted Profit Before Income Tax growth • Target bonus of 120% for CEO and 100% for CFO • One-third deferred into awards over RB shares for three years • Malus and clawback provisions apply	• Stretching Net Revenue and Adjusted Profit Before Income Tax growth targets, in excess of peer performance • Threshold performance results in zero payout, with maximum of 3.57x target level	• Drives short-term overachievement in KPIs which leads to creation of Shareholder value • Use of deferral promotes longer-term alignment with Shareholders
LTIP – Performance shares; Share options		• Based on: adjusted, diluted EPS growth, Net Revenue growth and ROCE over a three-year performance period • Malus and clawback provisions apply until two years after vesting • Two-year holding period • Options have seven years to exercise post vesting	• Vesting linked to stretching conditions requiring significant outperformance of our peers	• Incentivises long-term financial outperformance and sustained Shareholder value creation • Introduction of holding period promotes longer-term alignment with Shareholders
Shareholding requirements		• CEO: 600,000 shares (new hire: 200,000 shares) • CFO: 200,000 shares (new hire: 100,000)	• Period of eight years from appointment to achieve • A two-year shareholding requirement post-departure will apply for new hires	• Promotes long-term alignment with Shareholders • Promotes focus on management of corporate risks

Directors' Remuneration Policy

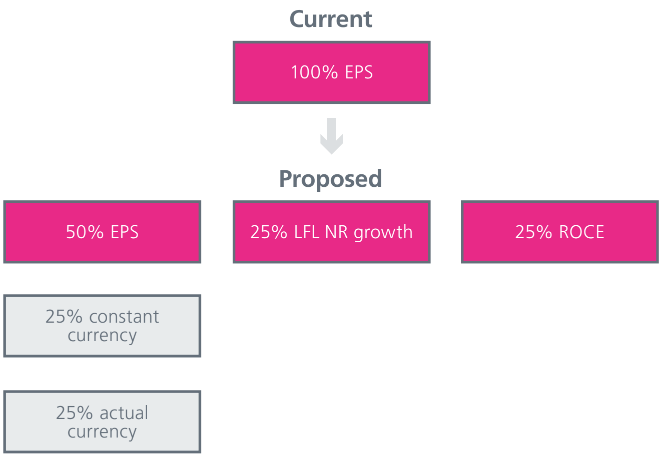
This section of the report sets out the Remuneration Policy for Executive Directors and Non-Executive Directors, which Shareholders will be asked to approve at the 2019 AGM on 9 May 2019. Until this time, the Policy approved by Shareholders on 5 May 2016 will continue to apply.

Key changes to the remuneration framework

1. LTIP performance measures

The Committee considered a broad range of performance measures and concluded that for 2019 LTIP awards onwards, there will be three measures used in order to strengthen strategic alignment: EPS growth; Net Revenue growth; and ROCE. This retains a focus on profitability, but with a proportion now based on top-line growth and how efficient profit generation has been, in line with RB's strategic priorities.

EPS growth will be split, with half measured on a constant currency basis and half measured on an actual currency basis. This retains exposure to currency movements and the introduction of EPS growth measured on a constant currency basis balances this with incentivising management over performance under its direct control.

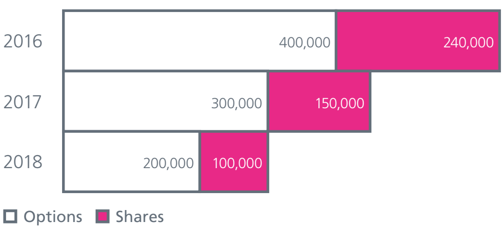


2. Reduction in CEO award levels

No LTIP award is being made to Rakesh Kapoor in 2019. Had he not been retiring, the Committee had determined to reduce the LTIP awards for the CEO to 160,000 options and 80,000 shares going forward. This is a significant reduction when compared to the last Remuneration Policy levels of 400,000 options and 240,000 shares. The graphic below shows the change in the LTIP awarded to the CEO since 2016.

Awards

Year of award



3. LTIP adjustment

In line with our historically embedded practice, LTIP award sizes are expressed as a fixed number of shares and options to provide full alignment with investors. The award size is determined by the Committee taking into account performance, the prevailing share price, market data and our pay positioning philosophy. In the event of a material increase or decrease in the share price prior to grant, the Committee will consider whether the prevailing award size remains appropriate and adjust it appropriately. Notwithstanding the above, the number granted will at no point be greater than 300,000 options and 150,000 share awards (reduced from 500,000 options and 275,000 share awards in the previous Remuneration Policy).

4. Pension reduction

Taking into account the new UK Corporate Governance Code, the Committee is proposing to commit to reducing the pension level for any new hires to the Board. The pension contribution level for any new hire will be in line with the wider workforce in the UK, 10% of pensionable salary, representing a significant decrease on current levels.

5. Reinforcing significant Shareholder alignment

Introduction of annual bonus deferral – one-third of the annual bonus will be deferred into awards over RB shares for three years.

Extension of LTIP holding period – a two-year holding period following the end of the three-year performance period will apply for LTIP awards going forward.

Shareholding requirements – the current CEO shareholding requirement has been in place since 2006. The Committee has reviewed these requirements in light of the significant share price increase since then, and the subsequent reductions in LTIP awards. The Committee has determined that for new hires the shareholding requirements will be reduced to 200,000 shares for the CEO and 100,000 for the CFO. These new requirements remain the most demanding in the market.

In addition, for new hires to the Board we are introducing a formal post-employment shareholding requirement for two years after departure. Reflecting our market-leading shareholding requirements whilst in employment, the post-employment requirement will be the lower of 50% of the shareholding requirement or actual shareholding on leaving.

6. MJN adjustment

Adjustments were made in respect of the MJN acquisition to ensure that it is a like-for-like comparison for remuneration purposes, in line with previous commitments:

- For the purpose of LTIP vesting the 2016 to 2017 EPS growth excludes MJN and related transactions.
- In calculating EPS growth from 2017 to 2018, the 2017 EPS figure has been adjusted on a pro-forma basis to include MJN results for the full year, adjusting for notional interest and tax, and related transactions.

For LTIPs outstanding at the time of acquisition, the MJN performance post-completion is reviewed at the time of vesting compared to the acquisition plan, and the Committee will use downwards discretion if the return on capital in respect of MJN does not meet the expectations agreed by the Board.

Executive Director Remuneration Policy Table

Fixed pay policy for Executive Directors

Component purpose and link to strategy	Operation	Opportunity
Base salary To enable the total package to support recruitment and retention	Base salaries are reviewed annually, typically with effect from 1 January. Salary levels/increases take account of: • salary increases awarded across the Group as a whole; and • individual performance. The Committee also reviews market data for the Company's remuneration peer group, comprising international companies of a similar size and scope of operations.	Salary increases for Executive Directors will normally be aligned with those of the wider workforce, which take into account performance. Increases may be made above this level to take account of individual circumstances, which may include: • Increase in the size or scope of the role or responsibilities. • Increase to reflect the individual's development and performance in the role. For example, where a new incumbent is appointed on a below-market salary. Salaries in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration. To avoid setting expectations of Executive Directors and other employees, no maximum salary is set under the Remuneration Policy. Where increases are awarded in excess of the wider employee population, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.
Pension To provide appropriate levels of retirement benefit	Executive Directors may receive contributions into the RB Executive Pension Scheme, a defined contribution scheme, a cash allowance or a combination thereof. Base salary is the only element of remuneration that is pensionable.	Current CEO: 30% of pensionable salary. Current CFO: 25% of pensionable salary. New hires to the Board: 10% of pensionable salary.
Benefits To enable the total package to support recruitment and retention	Executive Directors receive benefits which consist primarily of the provision of a company car/allowance and healthcare, although it can include other benefits that the Committee deems appropriate, for example, (but not limited to) the cost of legal fees, preparing tax returns or home leave. This includes the provision of a car and driver for business use, including travel from home to office, and any tax liability that may be due on this benefit. Relocation allowances and international transfer-related benefits may also be paid, where required. Executive Directors are also eligible to participate in the all-employee Sharesave Scheme on the same basis as all employees.	Whilst there is no maximum level of benefits prescribed, they are generally set at an appropriate market-competitive level determined by the Committee. Benefits in respect of the year under review, and participation in the all-employee Sharesave Scheme, are disclosed in the Annual Report on Remuneration.

Variable pay policy for Executive Directors

Component purpose and link to strategy	Operation	Opportunity	Performance measures
Annual bonus To drive strong performance with significant reward for overachievement of annual targets Use of deferral for longer-term Shareholder alignment	Targets are set by the Committee at the start of the year. At the end of the year, the Committee determines the extent to which these have been achieved. Performance is assessed on an annual basis, using a combination of the payouts for performance against each of the targets. At least one-third of bonus payouts are deferred into share awards (in the form of options or conditional awards) for a period of three years.[1] The Committee has discretion to adjust the formulaic bonus outcomes both upwards and downwards (including to zero) to ensure alignment of pay with performance, e.g. in the event performance is impacted by unforeseen circumstances outside of management control. Annual bonuses and deferred bonus awards are subject to malus and clawback provisions.	Target opportunity: • CEO: 120% of salary. • CFO: 100% of salary. Maximum opportunity: • 3.57x target. • CEO: 428% of salary. • CFO: 357% of salary. Dividend equivalents accrue on deferred share awards during the deferral period.	Performance measures may be a mix of financial and non-financial measures. For 2019 the bonus is based on 100% financial measures. Financial performance will be assessed against the growth in one or more key metrics of the business determined on an annual basis. The weighting between different metrics will be determined each year according to business priorities. For performance below threshold, the bonus payout will be nil. Further details, including the performance measures for the current financial year, are disclosed in the Annual Report on Remuneration.

1 Due to Rakesh Kapoor's upcoming retirement, his bonus to be paid in respect of 2019 will have no deferred element.

Variable pay policy for Executive Directors continued

Component purpose and link to strategy	Operation	Opportunity	Performance measures
LTIP (share options and performance share awards) To incentivise and reward long-term performance, and align the interests of Executive Directors with those of Shareholders Two-year holding period for longer-term Shareholder alignment	The LTIP comprises grants of share options and/or performance share awards (based on a fixed number), which vest subject to the achievement of stretching performance targets. The LTIP has a performance period of at least three years. Additionally, there is normally a two-year holding period commencing following the end of the performance period. The performance condition is reviewed before each award cycle to ensure it remains appropriately stretching. The Committee has discretion to adjust the formulaic LTIP outcomes to improve the alignment of pay with value creation for Shareholders to ensure the outcome is a fair reflection of the performance of the Company and the individual. Awards granted under the LTIP are also subject to malus and clawback provisions.	The Committee calibrates LTIP share award and option grant sizes as a fixed number, with periodic adjustments to ensure that the value of an Executive Director's total remuneration is appropriate. In line with our historically embedded practice, LTIP award sizes are expressed as a fixed number of shares and/or options to provide full alignment with investors. The award size is determined by the Committee taking into account performance, the prevailing share price, market data and our pay positioning philosophy. In the event of a material increase or decrease in the share price prior to grant, the Committee will consider whether the prevailing award size remains appropriate and adjust it appropriately. Notwithstanding the above, the number of shares and options granted to an individual will at no point be greater than 300,000 options and 150,000 shares. Details of the LTIP opportunity in respect of each year will be disclosed in the Annual Report on Remuneration. Neither dividends nor dividend equivalents accrue on unvested share awards or on shares underlying options before they are exercised.	Vesting of the LTIP is subject to continued employment and the achievement of stretching targets. Performance measures may be a mix of financial and non-financial measures. For 2019 the LTIP is based on 100% financial measures. Threshold performance will result in 20% of maximum vesting. The vesting level will increase on a sliding scale from this threshold to 100% vesting for stretch levels of performance. Further details, including the performance targets attached to the LTIP in respect of each year, are disclosed in the Annual Report on Remuneration.

Notes to the Policy Table

Performance measure selection and approach to target setting

The measures used under the annual bonus are selected to reflect the Group's main priorities for any given financial year. With regard to the LTIP, the Committee regularly reviews the performance measures to ensure that they align well with the Company's strategy and with our Shareholders' interests. A combination of EPS growth, Net Revenue growth and ROCE are considered the most appropriate 2019 LTIP performance measures for a number of reasons:

- they are aligned to the Company's strategic priorities;
- they retain a focus on profitability, but with a proportion based on top-line growth and how efficient profit generation has been;
- they provide well-recognised and accepted measures of the Company's underlying financial performance; and
- they are measures that the plan participants can directly impact and are easily measurable from time to time.

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

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

Malus and clawback

Annual bonuses in respect of 2019 and subsequent years will be subject to malus and clawback provisions, under which any actions or behaviours that are contrary to the Company's legitimate expectations may result in an adjustment to the amount of bonus payable and potentially clawback of annual bonus for up to three previous years.

For awards granted under the LTIP or the Deferred Bonus Plan in 2019 or subsequent years, the Committee has the discretion to apply malus and/or clawback in the event of the following circumstances:

- a material misstatement of the Company's financial results;
- gross misconduct by a participant (or serious misconduct in relation to malus);
- an erroneous calculation in assessing the number of shares subject to an award or the extent to which an award has vested; and/or
- corporate failure of the Company.

The clawback period applicable to LTIP awards ends on the earlier of (i) the second anniversary of the vesting date and (ii) the fifth anniversary of the date of grant. Deferred bonus awards are subject to malus and clawback until the third anniversary of grant.

Shareholder alignment

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

The shareholding requirement for the current CEO is 600,000 shares and for the current CFO is 200,000 shares. New hires to the Board will have shareholding guidelines of 200,000 shares for a new CEO and 100,000 for other Executive Directors. Details of the Executive Directors' personal shareholdings will be provided in the Annual Report on Remuneration.

For new hires to the Board, there will be a formal post-employment shareholding requirement. They will be required to hold the lower of 50% of their shareholding requirement or their actual shareholding at departure, for a period of two years. For current incumbents, on departure in 'good leaver' circumstances any deferred bonus share awards and LTIP awards (including the holding period) continue on original timescales, ensuring that they maintain sufficient shareholdings post-departure.

Remuneration Policy for other employees

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

The principles that apply to Executive Directors are cascaded to other employees. Approximately 14,000 employees are eligible to participate in an annual bonus scheme with similar metrics to those used for the Executive Directors. Opportunities and specific performance conditions vary by organisational level, with business area-specific metrics incorporated where appropriate.

Senior managers who comprise c.500 employees are eligible to participate in the LTIP on broadly similar terms to the Executive Directors, although award sizes vary by organisational level. In addition, the Group Leadership Team who comprise c.30 employees are also required to build up significant shareholdings in RB. The current level is between 24,000 and 50,000 shares averaging 8-9x base salary.

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

Changes to Policy

This Policy is intended to apply with effect from 9 May 2019, subject to Shareholder approval at the AGM.

Following consultation with our major Shareholders, the Policy has been reviewed to reduce the maximum award that can be made under the LTIP and to include an additional two-year holding period in respect of share options and performance share awards for Executive Directors. Furthermore, the performance conditions of the LTIP have been altered to include Net Revenue growth and ROCE. Annual bonuses have also been modified to introduce deferral.

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

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

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

Non-Executive Director remuneration

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

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

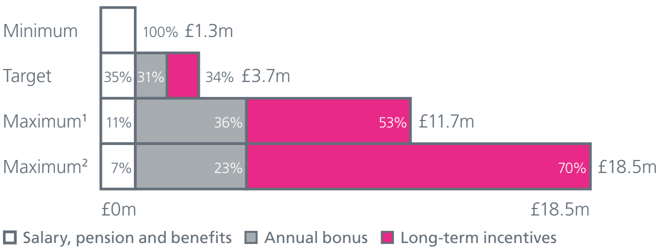
Details of the policy on fees paid to our Non-Executive Directors are set out in the table below:

Component and objective	Approach of the Company
Fees (cash and shares) To attract and retain Non-Executive Directors of the highest calibre with broad commercial experience relevant to the Company	The fees paid to Non-Executive Directors are determined by the Board of Directors, with recommendations provided by the Chairman and CEO. The fees of the Chairman are determined by the Remuneration Committee. Additional fees are payable for acting as Senior Independent Non-Executive Director and as Chair of the Committees. Members of the Committees are also eligible to receive an additional fee, which may also be payable for other Board-related services. Fee levels may be reviewed annually, with any adjustments normally effective from 1 January. Fees are reviewed by taking into account external advice on best practice and competitive levels, in particular at FTSE 30 and FTSE 100 companies. Time commitment and responsibility are also taken into account when reviewing fees. Chairman and Non-Executive Director fees are delivered partly in cash and partly in RB shares or equivalent (e.g. ADRs) which must be held until retirement from the Company. The fees paid to the Chairman and Non-Executive Directors in respect of the year under review (and for the following year), including the split between cash and shares, are disclosed in the Annual Report on Remuneration. Aggregate fees are limited by the Company's Articles of Association. Travel and expenses for Non-Executive Directors (including the Chairman) are incurred in the normal course of business, for example, in relation to attendance at Board and Committee meetings. The costs associated with these are all met by the Company.

Scenarios of total remuneration

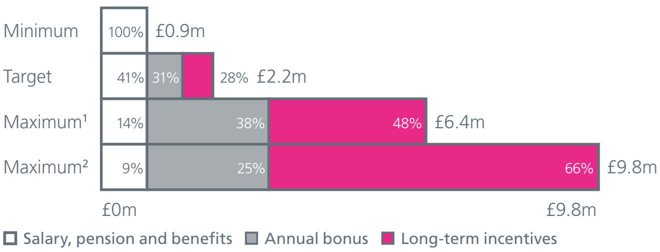
The charts below provide an estimate of the potential future total remuneration for the Executive Directors. Four scenarios of potential outcomes are provided based on underlying assumptions shown in the notes to the chart. It should be noted that the LTIP awards granted in a year do not normally vest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

CEO



1 Excluding share price growth.
2 Including 50% share price growth.

CFO



1 Excluding share price growth.
2 Including 50% share price growth.

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

The 'Minimum' scenario reflects base salary, pension and benefits (i.e. fixed remuneration), being the only elements of the Executive Directors' remuneration package not linked to performance. This is based on the base salary and pension allowance as at 1 January 2019 and an estimated value of the benefits, based on amounts paid in 2018.

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

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

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

As LTIP awards are set as a fixed number of shares and options, the LTIP value is based on the number of shares and share options to be granted to the Executive Directors, in 2019. For the purposes of these scenarios, although no 2019 LTIP award was made to the CEO the charts assume an award of 160,000 share options and 80,000 shares. The value has been calculated assuming a price at grant of £64.76. Under the disclosure requirements the first three scenarios above exclude share price appreciation; share options have therefore been valued using a Black-Scholes option pricing model and assumptions aligned to the three-year performance period, at 10% of the assumed face value. The final scenario includes a 50% share price growth assumption, over the performance period, in line with recent legislation. It should be noted that if the share price appreciation over the performance period is greater than that assumed then the actual total remuneration may be more than that shown in the above charts.

External appointments

With the approval of the Board of Directors in each case, and subject to the overriding requirements of the Company, Executive Directors may accept external appointments as a Non-Executive Director of another company and retain any fees received. Details of external appointments and the associated fees received are included in the Annual Report on Remuneration.

Consideration of conditions elsewhere in the Company

Across RB, remuneration is reviewed regularly with the intention that all employees are paid appropriately in the context of their local market and given their role, experience and performance. The Company seeks to promote and maintain good relations with employee representative bodies – including trade unions and works councils – as part of its employee engagement strategy, and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the Company operates. Although the Committee has not consulted employees on executive remuneration, the Committee is mindful of the salary increases applying across the rest of the business in relevant markets when considering salaries for Executive Directors. The Committee reviews the overall pay framework of the Group including internal relativities, gender pay and participation in all-employee share plans. The Company encourages share ownership amongst employees and those who hold shares will be able to participate in the vote on the Remuneration Policy at the AGM.

Consideration of Shareholder views

The Committee considers Shareholder views received during the year and at the Annual General Meeting each year, as well as guidance from Shareholder representative bodies more broadly, in shaping the Remuneration Policy. The Committee Chair speaks with a number of the Company's largest Shareholders on the subject of executive remuneration at least on an annual basis and the Committee is grateful for all of the feedback which is provided. The majority of Shareholders are supportive of the Company's philosophy and policy on remuneration, and the Committee will continue to keep its Remuneration Policy under regular review, to ensure it continues to reinforce the Company's long-term strategy and aligns closely with Shareholders' interests. The Committee will continue to consult our major Shareholders before making any significant changes to our Remuneration Policy.

Approach to recruitment remuneration

External appointment

In cases of hiring or appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all existing components of remuneration, as follows:

Component	Approach
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current basic salary. Where new appointees have initial base salaries set below market, or the previous incumbent's salary, the shortfall may be managed with phased increases over a period of two or three years subject to their development in the role.
Pension	New appointees will receive pension contributions and/or an equivalent cash supplement at a maximum of 10% of pensionable salary.
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a car allowance, car and driver, healthcare and any necessary relocation expenses in line with the ongoing Remuneration Policy.
Annual bonus	The structure described in the Policy Table will apply to new appointees with the relevant maximum opportunity.
LTIP	New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the Policy Table. LTIP grants can take the form of performance share awards, share options or a combination of the two.

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

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

Internal promotion

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

Recruitment of a new Non-Executive Director

In recruiting a new Non-Executive Director, the Remuneration Committee will use the policy as set out in the table on page 103. A base fee in line with the prevailing fee schedule will be payable for membership of the Board of Directors, with additional fees payable for acting as Senior Independent Non-Executive Director and as Chairman or member of a Committee. Fees will be delivered partly in cash and partly in RB shares to be held until retirement from the Company.

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

Service contracts and exit payment policy

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

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

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

Reason for cessation	Timing of vesting/payment	Calculation of vesting/payment
Annual bonus		
Voluntary resignation or termination with 'cause'	Not applicable	No bonus to be paid for the financial year
All other circumstances	Following the end of financial year	Bonuses will be paid only to the extent that objectives set at the beginning of the plan year have been met. Any such bonus will be paid on a pro-rata basis up to the termination date and will be subject to deferral requirements where applicable.
Deferred bonus share awards		
Voluntary resignation or termination with 'cause'	Not applicable	Unvested awards lapse
All other circumstances	Subject to the original time horizons, unless the Committee, at its discretion, decides these will vest on cessation of employment	Shares vest in full
LTIP		
Voluntary resignation or termination with 'cause'	Not applicable	Unvested awards lapse. Share awards and options in the holding period after the end of the performance period are retained, with the holding period continuing to apply (unless the Committee decides that they will be released early), save that they will lapse if the holder is summarily dismissed.
Ill-health, injury, permanent disability, retirement with the agreement of the Company, the participant's employing entity ceasing to be under the control of the Company, transfer of the undertaking in which the participant works outside the Group, redundancy or any other reason that the Committee determines in its absolute discretion.	Awards will vest in line with the original performance, vesting and holding periods.	The Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved and the proportion of the performance period worked. In the event of an employee leaving the Group due to ceasing to be under the control of the Company, transfer of undertaking, or change of capital structure, such as demerger, IPO, etc., the Committee will retain the discretion for awards to be exchanged for new equivalent awards in the new company, where appropriate and permitted by the rules of the LTIP.
Death	As soon as practicable after date of death (which could be at the end of the relevant financial year)	Performance conditions will be measured early and awards may be reduced to reflect the proportion of the performance period worked.
Change of control	On change of control	Awards will vest to the extent that any performance conditions have been satisfied (unless the Committee determines that the performance conditions should not apply). Awards will also be reduced pro-rata to take into account the proportion of the performance period not completed, unless the Committee decides otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer or another company where appropriate.

Annual Report on Remuneration

The rest of this report sets out how we have implemented in 2018 the Remuneration Policy previously approved by Shareholders, as well as how we intend to implement in 2019 the new Remuneration Policy, if approved by Shareholders.

2018 performance and remuneration outcomes

Base salary

Base salaries are reviewed taking into account the salary increases for the wider workforce and individual performance.

For additional context, the Remuneration Committee also reviews market practice for similar roles in the Company's remuneration peer group, comprising 21 international companies and listed on page 96.

As disclosed in last year's report, following the review of salary levels in late 2017, the Committee approved base salary increases of 0% for the CEO and 8% for the CFO with effect from 1 January 2018.

During 2018, the Remuneration Committee reviewed salaries and determined that the CEO and the CFO would have salary increases of 3% for 2019.

The table below sets out base salaries with effect from 1 January 2019:

	Base salary at 1 January 2018	**Base salary from 1 January 2019**	Percentage increase
Executive Director			
Rakesh Kapoor	£945,209	**£973,565**	3%
Adrian Hennah	£660,000	**£680,000**	3%

The average salary increase for our UK employees was c.3%, effective 1 January 2019.

Annual bonus in respect of 2018 performance

Prior to the start of the year, the Remuneration Committee set stretching performance targets for the Executive Directors in 2018. As set out in last year's report, these were based on Net Revenue growth and Adjusted Net Income growth, both measured in GBP at a constant exchange rate.

In line with the existing Remuneration Policy, the CEO and the CFO had target bonus opportunities of 120% of salary and 90% of salary respectively. Actual payments can range from zero to 3.57x target depending on performance against the stretching performance ranges as follows:

- For each performance measure a range is set.
- A performance multiplier is calculated for each measure, calculated by the extent to which the performance for that measure is achieved. These multipliers can be up to 1.89 for outperformance of the stretching range set by the Committee.
- The two individual multipliers are then multiplied together to provide the total performance multiplier.

Net Revenue multiplier (up to 1.89x) x Adjusted Net Income multiplier (up to 1.89x) = Performance multiplier (Threshold = 0x Target = 1.0x Max = 3.57x)

- The performance multiplier can range from zero for performance at threshold or below, to 3.57 for truly exceptional performance on both metrics (i.e. 1.89 x 1.89).
- This total performance multiplier is then applied to the target bonus opportunity to calculate the overall bonus outcome.

Performance multiplier x Target bonus = Final bonus outcome

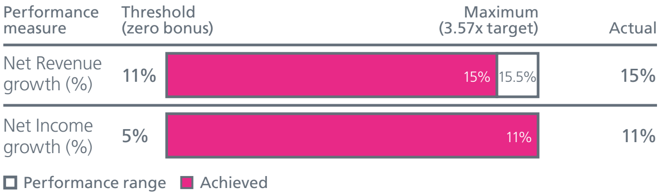
- The effect of the multiplicative approach means that a high performance multiplier can only be achieved for outperformance on both top-line and bottom-line growth.
- Similarly, underperformance in one of the performance metrics will reduce the overall bonus payout including to zero, despite outperformance of the other.
- For example, if we grow Net Revenue above the stretching requirement for maximum performance but fail to convert it into profit growth, the bonus payout will be zero (i.e. 1.89 x 0).

2018 bonus outcomes

In 2018 RB made good progress in a transformational year, following the restructure of the Company into two business units and with our first full year of MJN ownership. Highlights of the 2018 performance include:

- Net Revenue growth of 15%. On a pro-forma and like-for-like basis growth was 3%.
- Accelerated delivery of MJN synergies. In the year synergies of £158 million were delivered and we remain on track to achieve the increased synergy target.
- Adjusted Operating Margin of 26.7%.
- Adjusted Net Income growth of 11%, on a constant currency basis.
- Adjusted diluted EPS growth of 7% on continuing operations.
- Strong free cash flow generation of £2,029 million.
- This performance has resulted in a dividend payment that is a 4% increase on 2017.

The chart below illustrates the 2018 performance compared to the performance ranges set by the Remuneration Committee.



As illustrated above, the 2018 growth in Net Revenue (NR) was towards the upper end of the targets set and the Net Income (NI) growth was at maximum. The NR and NI results combined give an overall multiplier of 2.99x target – this is 84% of maximum.

This resulted in a 2018 bonus for the CEO and CFO as follows:

	Salary	x	Target bonus	x	Performance multiplier	=	2018 bonus
CEO	£945,209	x	120%	x	2.99	=	£3,391,410
CFO	£660,000	x	90%	x	2.99	=	£1,776,060

Vesting of the 2016 LTIP – performance versus targets

In determining the LTIP vesting the Committee undertook a thorough review to ensure that the payout was appropriate in light of the Company performance and in line with the Remuneration Policy.

The RB LTIP is designed to align participants with Shareholders through making awards with stretching performance conditions denominated in both share options and performance share awards.

Vesting of awards under the 2016 LTIP, granted in December 2015, is dependent on Adjusted Diluted EPS growth over the three-year period 2016-2018. Threshold vesting of 20% required EPS growth of 6% per annum, with full vesting requiring EPS growth of 10% per annum, i.e. equivalent to 33% growth over the period.

At the time that the award was made, the peer group average EPS growth was 2% p.a. with an upper quartile of 9.5% p.a.

The Remuneration Committee made previous commitments to Shareholders to exclude the MJN acquisition and related transactions in calculating EPS growth to measure performance to ensure that the LTIP targets remain as stretching as prior to any major acquisition/disposal. This is to ensure that management's and Shareholders' interests remain fully aligned. Management should not be rewarded due to an increase in EPS derived simply from a material gearing of the balance sheet.

Earnings per share over the three-year period from 2016 to 2018, measured on an adjusted, diluted basis, grew by 31%, equivalent to compound average annual growth of 9.5% per annum. With the one-off effects of the MJN acquisition and associated transactions being totally removed, this reduces to 8.3% per annum. This EPS growth performance results in vesting of 65% being achieved when measured against the vesting schedule approved by Shareholders.

Further, in line with previous commitments, the Committee assessed, and was satisfied, that the performance of MJN to date is in line with the expectations set at the time of the acquisition.

This performance is reflected in the value of the LTIP vesting as shown in the table below:

Further details on LTIP vesting (Audited)

Based on the performance assessment above, the 2016 LTIP awards to the CEO and the CFO may vest to the following extent on 9 May 2019 for performance over the completed three-year period:

	Interests held	Exercise price	Vesting %	Interests vesting	Share price[1]	Estimated value
CEO awards						
Share awards	240,000	n/a	65%	156,000	£64.76	£10,102,560
Options	400,000	£63.25	65%	260,000	£64.76	£392,600

	Interests held	Exercise price	Vesting %	Interests vesting	Share price[1]	Estimated value
CFO awards						
Share awards	45,000	n/a	65%	29,250	£64.76	£1,894,230
Options	90,000	£63.25	65%	58,500	£64.76	£88,335

1 As the share price on the date of vesting is unknown at the time of reporting, the value is estimated using the average market value over the last quarter of 2018 of £64.76. The actual value at vesting will be disclosed in the 2019 Annual Report.

Single total figure of remuneration for Executive Directors (Audited)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2018, based on the information set out in the previous sections. This is compared to the prior year figure:

	Rakesh Kapoor		Adrian Hennah	
	2018 £	2017 £	**2018 £**	2017 £
Base salary	**£945,209**	£945,209	**£660,000**	£613,020
Taxable benefits[1]	**£94,520**	£94,521	**£46,315**	£39,472
Annual bonus[2]	**£3,391,410**	£0	**£1,776,060**	£0
LTIP[3,4]	**£10,495,160**	£7,678,000	**£1,982,565**	£1,477,350
Pension benefit[5]	**£281,163**	£281,163	**£163,000**	£151,255
Total	**£15,207,462**	£8,998,893	**£4,627,940**	£2,281,097

1 Taxable benefits consist primarily of car/car allowance and healthcare. During 2019 an error in reporting of benefits came to light. The CEO and the CFO are provided with a car paid for by the Company for business travel, which also includes journeys from home to office. The Company also pays for any associated tax liability arising. This had not been included in benefits reported in prior years' remuneration reports. The 2017 benefits shown in the table above have therefore been restated to include the taxable value of this benefit. The total cost of this benefit for the years 2014-2016 was £88,995 for the CEO and £34,916 for the CFO. The Committee has limited the value of total benefits to 10% of salary in any year, with the employee required to pay the value above this.
2 Annual bonus paid at 84% of maximum as set out on page 108.
3 Reflects the estimated value of LTIP shares and options granted in December 2015, which are due to vest on 9 May 2019 at 65%. Valued using an average share price over Q4 of £64.76. See the relevant section on page 108 for more details.
4 These values have been restated from last year, which used an average share price of £66.67 over Q4 2017 to estimate the value of the vesting. The actual values shown above are based on the share price on the date of vesting of £55.60 on 3 May 2018. The year-on-year increase in the single figure total for the CEO is 22% when compared to the single figure total set out in the 2017 Directors' Remuneration Report. This reflects improved performance in 2018 which has been reflected in a bonus being paid in respect of 2018 (where one was not paid in 2017). The increase also reflects the Committee's decision in 2017 to use discretion and reduce the LTIP vesting by 50%. If this discretion had not been exercised in 2017, the single figure total would have shown a year-on-year decrease.
5 The Company paid the Executive Directors a cash allowance in respect of pension provision to the value shown in the table above. These payments reflect the full pension provision outlined in the Policy Table. Directors are only entitled to prospective pension on defined contribution basis, with no defined benefit accrual.

Executive Directors' shareholding requirements (Audited)

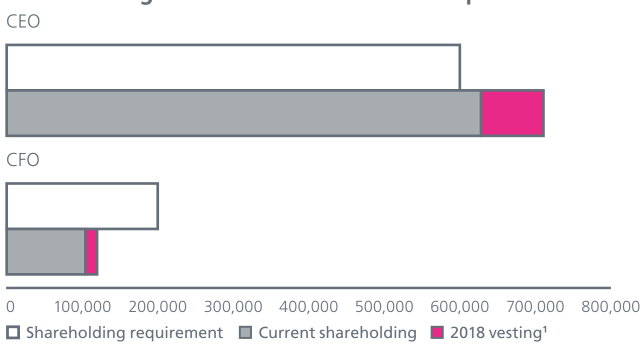
Executive Directors are expected to acquire significant numbers of shares over eight years and retain these until retirement from the Board. The table below shows the shareholding of each Executive Director against their respective shareholding requirement as of 31 December 2018:

			Other interests in shares and options under the LTIP				
			Performance shares		Options held		
	Shareholding requirement (number of shares)	**Shares owned outright**	To vest in May 2019	Unvested, subject to performance	Vested but not exercised	To vest in May 2019	Unvested, subject to performance
Rakesh Kapoor	**600,000**	**628,054**	156,000	250,000	899,176	260,000	500,000
Adrian Hennah	**200,000**	**104,190**	29,250	76,500	211,556	58,500	153,000

Rakesh Kapoor has exceeded his requirement and Adrian Hennah has made good progress towards his requirement to the satisfaction of the Committee. Further details of the scheme interests contained in the table above are provided in the table on page 116. New hires to the Board will have different shareholding requirements of 200,000 for the CEO and 100,000 for other Executive Directors.

The Executive Directors also participate in the all-employee Sharesave Scheme. Details of options held under this plan are set out on page 117.

Shareholding of Executive Directors vs requirement



1 '2018 vesting' shows the estimated number of performance shares which will vest in respect of performance to 2018, after tax.

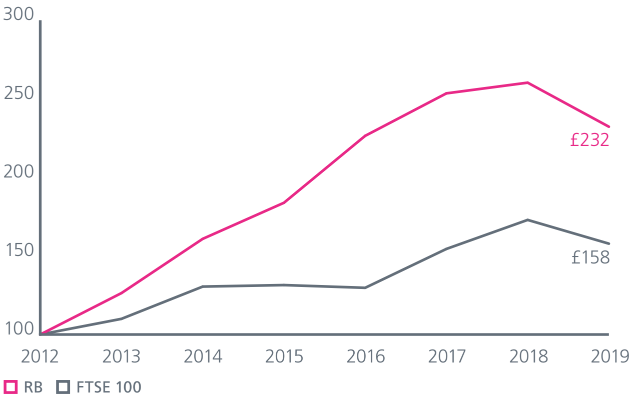
Review of past performance

The chart below shows the Total Shareholder Return (TSR) of the Company compared to the UK FTSE 100 Index over the seven-year period from 1 January 2012 to 31 December 2018. We have also shown how this translates into creation of value for our Shareholders.

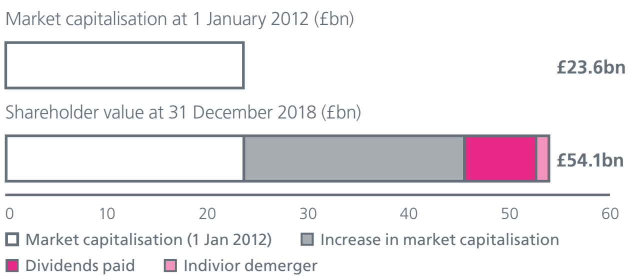
This period represents the full financial years of the tenure of Rakesh Kapoor as CEO.

Relative Total Shareholder Return since 1 January 2012

£ value of £100 invested at 1 January 2012



Creation of Shareholder value since 1 January 2012



Based on three-month average share price at start and end of period.

The table below sets out the single figure of total remuneration for Rakesh Kapoor in his tenure as Chief Executive. It should be noted that the LTIP vesting included in the single figure for 2011 to 2013 are in respect of awards made to him prior to his appointment as CEO.

(£000)	2011	2012	2013	2014	2015	2016	2017	**2018**
CEO single figure of remuneration								
Rakesh Kapoor	£4,497	£8,411	£6,840	£12,787	£25,527	£15,289	£8,999	**£15,207**
Annual bonus (as a percentage of maximum)	31%	53%	100%	72%	100%	0%	0%	**84%**
LTIP vesting	100%	100%	40%	40%	80%	50%[1]	50%[1]	**65%**

1 The Remuneration Committee exercised discretion to reduce vesting.

Implementation of Directors' Remuneration Policy for 2019

Salary
As set out earlier in this report, the CEO's and the CFO's salaries for 2019 have increased by 3% from 2018. The CEO's salary is £973,565 and the CFO's is £680,000, with effect from 1 January 2019.

Pension
The CEO and the CFO are eligible to receive pension contributions, or equivalent cash allowances, of 30% and 25% of pensionable salary, respectively. For any new hires, this will be 10%.

Annual bonus in respect of 2019 performance
For 2019, there will be no change to the annual bonus opportunity of the CEO; the CFO's target bonus opportunity has increased from 90% of salary to 100% of salary. This change has been made taking into account the internal relativities at RB and the role expansion last year as part of the reorganisation of RB.

Bonuses for 2019 will be based on RB's Net Revenue growth and Adjusted Profit Before Income Tax growth, measured in GBP at a constant exchange rate, with the outcome under each of the measures combined multiplicatively to give a maximum bonus outcome of 3.57x the target bonus opportunity if both stretch targets are met, as described on page 107.

We have not disclosed the performance target ranges for 2019 as we consider them to be commercially sensitive. However, we commit to retrospectively disclosing the performance ranges in the Directors' Remuneration Report for the year ending 31 December 2019.

2019 LTIP awards
The Remuneration Policy, to be approved by Shareholders at the AGM in May 2019, sets out the operation of the LTIP.

The Remuneration Committee undertook a thorough review of the performance measures to be used in the LTIP and in order to strengthen the alignment between LTIP participants and delivery of RB's strategic priorities has introduced new performance measures. Vesting of the LTIP awards will depend on the achievement of stretching targets relating to: growth in EPS, growth in Net Revenue and ROCE. We have set out below the definition of these measures.

EPS is measured on an adjusted diluted basis, as shown in the Group's Financial Statements, as this provides an independently verifiable measure of performance. Adjusted Diluted Earnings Per Share is defined as Adjusted Net Income attributable to owners of the parent divided by the weighted average number of ordinary shares, on a diluted basis. 25% of the LTIP measure will be based on Adjusted Diluted EPS growth at constant exchange rates, and 25% of the LTIP measure will be based on Adjusted Diluted EPS growth at actual exchange rates.

Net Revenue growth will be measured as like-for-like (LFL) growth. This excludes the impact of changes in exchange rates, acquisitions, disposals and discontinued operations. 25% of the LTIP measure will be based on LFL growth of Net Revenue.

ROCE is defined as Adjusted Operating Profit after tax divided by monthly average capital employed. This measure will be equivalent to that to be disclosed in our Annual Report from 2018 onwards. However, in view of the fact that the currency profile of the Group's income statement differs from the currency profile of the Group's capital base in respect of several major currencies, and this has the potential to distort ROCE if rates move, we are proposing to measure ROCE for LTIP purposes on a constant currency basis. 25% of the LTIP measure will be based on ROCE, in the final year of the performance period.

The table below sets out the targets set by the Remuneration Committee for the 2019 LTIP awards. These awards will be made following the 2019 AGM, subject to Shareholder approval of our Remuneration Policy.

	Threshold (20% vesting)	Maximum (100% vesting)
EPS growth (3-year CAGR) (50% weighting – 25% actual FX; 25% constant FX)	4%	9%
Net Revenue growth (3-year CAGR) (25% weighting)	2%	6%
ROCE (final year) (25% weighting)	10.8%	12.8%

The Committee went through a robust process when setting these targets, taking into account a number of factors and different reference points. These included the internal business plan, guidance we provide to the market on expected future performance, consensus forecasts and current broker views, historic performance at companies in our peer group, and the general prevailing economic environment and market growth forecasts.

The Committee considers that these targets are very stretching. The performance required to achieve maximum vesting at 6% per annum for Net Revenue growth and 9% per annum for EPS growth represents performance that is double the average growth rates in our peer group over the last five years. However, the Committee is also mindful that the EPS growth targets have been reduced from those for previous awards. As you will have seen, our guidance is for LFL Net Revenue growth of 3-4%, for 2019, with a focus on sustaining our best-in-class margins. With this in mind, the Remuneration Committee believes that the EPS performance range of 4% per annum to 9% per annum is appropriately stretching.

The Remuneration Committee maintains the discretion to make adjustments to the measures if this is considered to be appropriate. Any adjustments will be disclosed in the Annual Report on Remuneration.

RB's usual practice is that LTIP awards are made in December, prior to the start of the performance period. However, due to the proposed changes being made to the LTIP under the new Remuneration Policy, 2019 LTIP awards will be made as soon as practicable following the AGM in May 2019, subject to Shareholder approval.

No 2019 LTIP award will be made to Rakesh Kapoor. The award to Adrian Hennah will be 80,000 share options and 40,000 performance shares. The value of these will be disclosed in our 2019 Annual Report.

Remuneration arrangements for the departing Chief Executive Officer

The Board announced on 16 January 2019 that Rakesh Kapoor has indicated his intention to retire as CEO by 31 December 2019, after more than eight years as CEO and 32 years at the Company.

Our approach for 2018 remuneration was unaffected and is as set out in this report. For 2019, our approach is set out in detail below:

- Salary, benefits and pension will be paid up to the retirement date of 31 December 2019.
- There will be no payments in lieu of notice.
- Eligible for an annual bonus payment in respect of the 2019 financial year, which will be subject to RB performance over 2019 and payable at the time bonuses are paid to other RB employees. There will be no deferral applied for Rakesh Kapoor.
- The 2017-2019 and 2018-2020 LTIP awards will remain subject to performance against the original performance conditions over the respective three-year performance periods. Both of these awards will then be subject to a two-year holding period following the end of the respective performance periods.
- The 2018-2020 LTIP award will be reduced pro-rata to reflect the proportion of the performance period that Rakesh is employed for. There is no time pro-rating applicable to the 2017-2019 LTIP award, Rakesh will be employed for the whole performance period.
- There will be no 2019-2021 LTIP award made to Rakesh.
- Rakesh will retain an interest in 216,666 shares and 433,333 share options which may vest subject to performance and then will be subject to a holding period for at least two years after departure.

For the avoidance of doubt, all payments will be made in line with our Shareholder-approved Remuneration Policy.

Other required disclosures

Percentage change in CEO remuneration

The table below shows the percentage change in CEO remuneration from the prior year compared to the average percentage change in remuneration for all UK employees who form part of the senior management team. This group has been chosen as it represents the most appropriate comparator group for reward purposes for our UK-based Group Chief Executive.

The analysis excludes part-time employees and is based on a consistent set of employees, i.e. the same individuals or roles appear in the 2017 and 2018 populations.

	CEO	Other employees
	% change 2017-2018	% change 2017-2018
Base salary	0%	4%
Taxable benefits	0%	3%
Annual bonus	n/a	412%

The bonus for the CEO in 2017 was zero so it is not possible to provide a percentage change calculation. The aggregate bonus for other employees in respect of 2018 compared to 2017 shows a large uplift reflecting that just under half of the population received a zero bonus in 2017. The percentage change in annual bonus for other employees shown in last year's report for 2016-17 was -81%.

The percentage change in taxable benefits for other employees excludes international transfer benefits as this is volatile from year to year based on each individual's circumstances.

Relative importance of spend on pay

The table below shows Shareholder distributions (i.e. dividends) and total employee pay expenditure for 2017 and 2018, along with the percentage change in both.

	2018 £m	2017 £m	% change 2017-2018
Total Shareholder distribution	**1,187**	1,134	5%
Total employee expenditure	**1,767**	1,597	11%

Exit payments made in the year (Audited)

No exit payments were made to Executive Directors during the year.

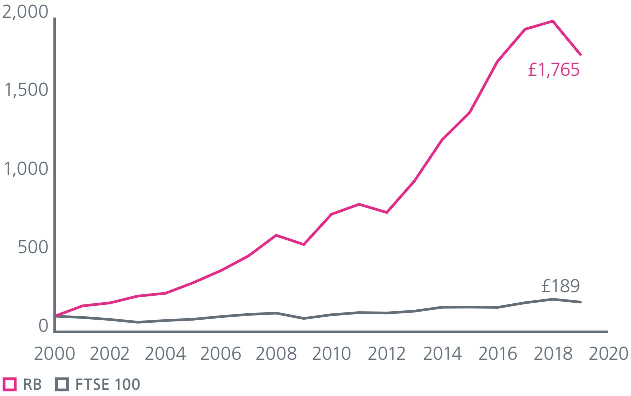
Payments to past Directors (Audited)

No payments were made to past Directors in the year.

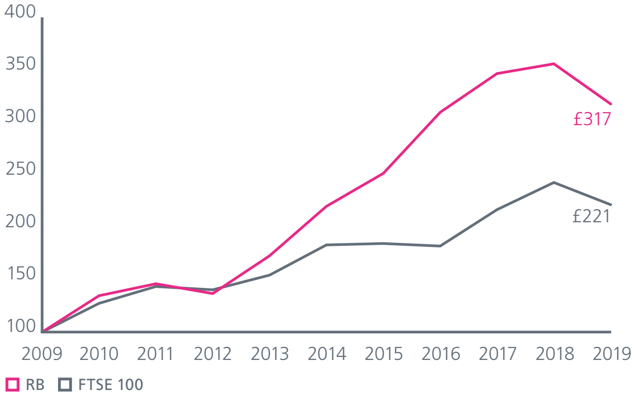
Performance graph

The graph below shows the TSR of the Company and the UK FTSE 100 Index over the period since 1 January 2000, representing the period of full financial years since the merger of Reckitt & Colman plc and Benckiser N.V. and the listing on the London Stock Exchange of Reckitt Benckiser Group plc. This shows the growth in the value of a hypothetical holding of £100 invested on 31 December 1999. We have also shown the growth in the value of a holding of £100 invested on 31 December 2008, as required by disclosure regulations. The FTSE 100 Index was selected on the basis of companies of a comparable size in the absence of an appropriate industry peer group in the UK.

Total Shareholder Return since 1 January 2000
£ value of £100 invested at 1 January 2000



Total Shareholder Return since 1 January 2009
£ value of £100 invested at 1 January 2009



The table below sets out the single figure of total remuneration received by the previous CEO (Bart Becht) between 2009 and 2011:

Year	Single figure (£000)	Annual bonus (% of max)	LTIP vesting
2009	£28,881	100%	100%
2010	£17,150	76%	100%
2011	£18,076	31%	100%

Single total figure of 2018 remuneration for Non-Executive Directors and implementation for 2019 (Audited)

The following Non-Executive Director fee policy was in place for the year ended 31 December 2018. The table also sets out the fees that will apply from 1 January 2019, which are unchanged.

	2018 fees		2019 fees	
Role	**Cash fee**	**Fee delivered in RB shares**	Cash fee	Fee delivered in RB shares
Base fees				
Chairman	**£375,000**	**£125,000**	£375,000	£125,000
Non-Executive Director	**£75,250**	**£16,750**	£75,250	£16,750
Additional fees				
Chair of Committee	**£30,000**	**–**	£30,000	–
Member of Committee	**£15,000**	**–**	£15,000	–
Senior Independent Director	**£20,000**	**–**	£20,000	–

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 December 2018 and the prior year:

	2018 fees			2017 fees		
	Cash	**Shares**	**Total**	Cash	Shares	Total
Chris Sinclair	**£278,128**	**£88,087**	**£366,215**	£88,750	£16,250	£105,000
Adrian Bellamy[2]	**£136,004**	**–**	**£136,004**	£324,000	£71,000	£395,000
Nicandro Durante	**£105,250**	**£16,750**	**£122,000**	£103,750	£16,250	£120,000
Mary Harris	**£105,250**	**£16,750**	**£122,000**	£91,250	£16,250	£107,500
Ken Hydon[2]	**£36,840**	**–**	**£36,840**	£93,750	£16,250	£110,000
Pam Kirby	**£120,250**	**£16,750**	**£137,000**	£118,750	£16,250	£135,000
André Lacroix	**£125,250**	**£16,750**	**£142,000**	£118,750	£16,250	£135,000
Judy Sprieser[2]	**£36,840**	**–**	**£36,840**	£101,250	£16,250	£117,500
Warren Tucker	**£90,250**	**£16,750**	**£107,000**	£88,750	£16,250	£105,000
Andrew Bonfield[1]	**£53,500**	**–**	**£53,500**	–	–	–
Mehmood Khan[1]	**£53,500**	**–**	**£53,500**	–	–	–
Elane Stock[1]	**£32,883**	**–**	**£32,883**	–	–	–

1 For Directors appointed following the half-year, the relevant portion of fees applied in the purchase of shares in relation to 2018 remuneration was carried out in February 2019.
2 Directors who stepped down from the Board in May 2018 received the share-related portion of their fees in cash.

Travel and expenses for Non-Executive Directors are incurred in the normal course of business, for example, in relation to attendance at Board and Committee meetings. The costs associated with these are all met by the Company.

Summary of Shareholder voting at the 2018 AGM

The following table shows the results of the voting on the 2017 Directors' Remuneration Report, at the 2018 AGM, and of the Directors' Remuneration Policy at the 2016 AGM:

	Votes for	For %	Votes against	Against %	Total	Votes withheld
Approve the 2017 Directors' Remuneration Report	474,938,175	89%	58,492,636	11%	533,430,811	613,920
Approve the Directors' Remuneration Policy	377,323,671	76%	117,846,630	24%	495,170,301	30,453,974

The Committee continues to have ongoing dialogue with Shareholders with a view to obtaining Shareholder support for our remuneration arrangements. In particular, over recent years, following consultation with our major Shareholders, we made a number of changes to the Remuneration Policy, to further align Executive Directors with Shareholders. This resulted in Shareholders supporting the 2017 Directors' Remuneration Report.

The Committee has made further changes to the Remuneration Policy for 2019, which are set out in more detail earlier in this report. We discussed our proposals with Shareholders and the Committee is grateful for the feedback provided by Shareholders throughout our engagement on these matters.

Directors' service contracts

Non-Executive Directors have letters of engagement which set out their duties and time commitment expected. They are appointed for an initial three-year term, subject to election and annual re-election by Shareholders. Appointments are renewable for subsequent three-year terms by mutual consent. Details are set out below:

		Length of service as at 31 December 2018	
Name	Date of appointment	Years	Months
Andrew Bonfield	1 July 2018	–	6
Nicandro Durante	1 December 2013	5	1
Mary Harris	10 February 2015	3	11
Mehmood Khan	1 July 2018	–	6
Pam Kirby	10 February 2015	3	11
Chris Sinclair	10 February 2015 (appointed Chairman from 3 May 2018)	3	11
Elane Stock	1 September 2018	–	4
Warren Tucker	24 February 2010	8	10

Executive Directors' service contracts contain a 12-month notice period, as set out in the Directors' Remuneration Policy. The date of appointment to the Board for Rakesh Kapoor was 1 September 2011 and for Adrian Hennah was 12 February 2013. Directors' service contracts and letters of engagement are available for inspection at the registered office.

External appointments

Adrian Hennah was paid (and is permitted to retain) £118,990 in respect of his directorships of RELX plc and RELX NV. He additionally received (and is permitted to retain) a notional tax benefit of £780 related to the preparation of a tax return filed in the Netherlands, required as a result of his directorship of RELX NV.

Advisors

Deloitte LLP (Deloitte) was appointed by the Remuneration Committee as independent advisor effective from 1 January 2014 following a review of the advisor in late 2013. The Committee undertakes due diligence periodically to ensure that Deloitte remains independent of the Company and that the advice provided is impartial and objective. Deloitte is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. During 2018, Deloitte LLP also provided the Group with support and advice in numerous areas, including corporate and employment taxes, share schemes, RB 2.0 and the HS issue in South Korea. These services were provided under separate engagement terms and the Committee is satisfied that the provision of these services did not impair Deloitte's ability to advise the Committee independently. Its total fees for the provision of remuneration services to the Committee in 2018 were £400,600 on the basis of time and materials.

Directors' interests in shares and options under the LTIP (Audited)

LTIP	Notes	Grant date	At 1.1.18	Granted during the year	Exercised/ vested during the year	Lapsed during the year	At 31.12.18	Option price (£)	Market price at date of award (£)	Market price at date of exercise/ vesting (£)	Exercise/vesting period
Adrian Hennah											
Options		13.2.13	704	–	–	–	704	42.61	–	–	May 16-Feb 23
		13.2.13	73,312	–	–	–	73,312	41.44	–	–	May 16-Feb 23
		11.12.13	92,540	–	–	–	92,540	46.51	–	–	May 17-Dec 23
	1	1.12.14	90,000	–	–	45,000	45,000	50.57	–	–	May 18-Dec 24
	2	2.12.15	90,000	–	–	–	90,000	63.25	–	–	May 19-Dec 25
	2	1.12.16	76,500	–	–	–	76,500	67.68	–	–	May 20-Dec 26
	2	30.11.17	76,500	–	–	–	76,500	64.99	–	–	May 21-Nov 27
Performance-based share awards	1	1.12.14	45,000	–	22,500	22,500	–	–	52.40	55.60	May 18
	2	2.12.15	45,000	–	–	–	45,000	–	64.15	–	May 19
	2	1.12.16	38,250	–	–	–	38,250	–	66.28	–	May 20
	2	30.11.17	38,250	–	–	–	38,250	–	64.86	–	May 21
Rakesh Kapoor											
Options		5.12.11	164,514	–	–	–	164,514	31.20	–	–	May 15-Dec 21
		3.12.12	329,028	–	–	–	329,028	38.06	–	–	May 16-Dec 22
		11.12.13	627	–	–	–	627	47.83	–	–	May 17-Dec 23
		11.12.13	205,007	–	–	–	205,007	46.51	–	–	May 17-Dec 23
	1	1.12.14	400,000	–	–	200.000	200,000	50.57	–	–	May 18-Dec 24
	2	2.12.15	400,000	–	–	–	400,000	63.25	–	–	May 19-Dec 25
	2	1.12.16	300,000	–	–	–	300,000	67.68	–	–	May 20-Dec 26
	2	30.11.17	200,000	–	–	–	200,000	64.99			May 21-Nov 27
Performance-based share awards	1	1.12.14	240,000	–	120,000	120,000	–	–	52.40	55.60	May 18
	2	2.12.15	240,000	–	–	–	240,000	–	64.15	–	May 19
	2	1.12.16	150,000	–	–	–	150,000	–	66.28	–	May 20
	2	30.11.17	100,000	–	–	–	100,000	–	64.86	–	May 21

Notes
1 As disclosed in last year's report, vesting of the award made in December 2014 was 50% for the CEO and the CFO. This vested following the AGM in 2018 and any unvested award lapsed.
2 Vesting of the LTIP is subject to the achievement of the following compound average annual growth (CAGR) in Adjusted EPS over the three financial years prior to the vesting date shown above.

EPS CAGR for awards granted in December 2014–2017	<6%	6%	Between 6% and 10%	≥10%
Proportion of awards vesting (%)	Nil	20%	Straight-line vesting between 20% and 100%	100%

Executive employees also participate in the all-employee Sharesave Scheme on the same basis as all other employees. The table below details options held.

Sharesave Scheme	Grant date	At 1.1.18	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.18	Option price (£)	Market price at exercise (£)	Exercise period
Rakesh Kapoor	02.09.16	509	–	–	–	509	58.86	–	Feb 22-Jul 22
Adrian Hennah	04.09.13	403	–	–	–	403	37.20	–	Feb 19-Jul 19
	01.09.15	307	–	–	–	307	48.71	–	Feb 21-Jul 21

There have been no changes to the Directors' interests as set out in the above tables between 31 December 2018 and 18 March 2019.

Directors' interests in the share capital of the Company (Audited)

The Directors in office at the end of the year and those in office at 18 March 2019 had the following beneficial interests in the ordinary shares of the Company:

	18 March 2019	31 December 2018	31 December 2017
Andrew Bonfield	**80**	0	–
Nicandro Durante	**579**	579	434
Mary Harris	**2,114**	2,114	1,902
Adrian Hennah	**104,190**	104,190	92,166
Rakesh Kapoor	**628,054**	628,054	628,054
Mehmood Khan	**80**	0	–
Pam Kirby	**3,452**	3,452	3,301
André Lacroix	**–**	2,931	2,786
Chris Sinclair	**4,062**	4,062	3,246
Elane Stock	**1,910**	0	–
Warren Tucker	**2,471**	2,471	2,318

Notes
1 No person who was a Director (or a Director's connected person) on 31 December 2018 and at 18 March 2019 had any notifiable share interests in any subsidiary.
2 The Company's Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe for shares.

Report of the Directors

The Directors present their Annual Report and audited Financial Statements of the Group for the year ended 31 December 2018 to the Shareholders of the Company.

Directors

The Directors who held office during the year and those serving at the date of this report are:

Adrian Bellamy	Stood down following conclusion of RB's AGM on 3 May 2018
Adrian Hennah	
André Lacroix	Resigned on 31 December 2018
Andrew Bonfield	Appointed on 1 July 2018
Chris Sinclair	
Elane Stock	Appointed on 1 September 2018
Judy Sprieser	Stood down following conclusion of RB's AGM on 3 May 2018
Ken Hydon	Stood down following conclusion of RB's AGM on 3 May 2018
Mary Harris	
Mehmood Khan	Appointed on 1 July 2018
Nicandro Durante	
Pam Kirby	
Rakesh Kapoor	
Warren Tucker	

The biographical details of the current Directors are listed on pages 58 to 61.

We announced on 4 January 2019 that Warren Tucker will not stand for re-election at the Company's 2020 AGM and will retire from the Board following the Company's 2020 AGM.

On 16 January 2019, we announced Rakesh Kapoor will retire as CEO by the end of 2019. The Board has initiated a formal process to appoint Rakesh's successor, considering both internal and external candidates.

Directors' interests

A statement of Directors' interests in the share capital of the Company is shown on page 117.

Details of Executive Directors' options to subscribe for shares in the Company are included on page 116 in the audited part of the Directors' Remuneration Report.

During the year, none of the Directors had a material interest in any derivative or financial instrument relating to the Company's shares. Details of the Directors' remuneration and service agreements are disclosed in the Directors' Remuneration Report on pages 93 to 117.

No Director has a material interest in any 'contract of significance' (as that term is defined by the FCA) to which the Company, or any of its subsidiary undertakings, is a party.

Takeover directive

The Company is required to disclose certain additional information required by s992 of the Companies Act 2006 (CA 2006) which implemented the EU Takeover Directive. The following sets out disclosures not covered elsewhere in this Annual Report.

The Board's power to appoint Directors is contained in the Company's Articles of Association (the Articles). The Articles stipulate an appointed Director must submit themselves for election at the first AGM following their appointment. In addition, all Directors are required to offer themselves for re-election every three years. However, in accordance with the principles of the UK Corporate Governance Code (the Code), Directors submit themselves annually and will resubmit themselves at the forthcoming AGM.

The Board is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of the Company's Articles and with regard to their statutory duties as Directors under CA 2006.

The Articles contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the alteration of share capital are also included in the Articles and Shareholders are asked to renew such authorities each year at the AGM. A copy of the Articles is available from the Company's website at www.rb.com or can be obtained upon written request from the Company Secretary or from the UK Registrar of Companies.

Unless expressly specified to the contrary in the Articles, the Company's Articles may be amended by a special resolution of the Company's Shareholders.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover, such as commercial contracts, bank agreements, property lease arrangements and employee share plans. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole.

There are no significant agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover.

There is no information that the Company would be required to disclose about persons with whom it has contractual or other arrangements which are essential to the business of the Company.

Dividend

In July 2018, the Directors resolved to pay an interim dividend of 70.5 pence per ordinary share (2017: 66.6 pence), which was paid to Shareholders on 27 September 2018.

The Directors recommend a final dividend for the year of 100.2 pence per share (2017: 97.7 pence) which, together with the interim dividend, makes a total for the year of 170.7 pence per share (2017: 164.3 pence).

The final dividend, if approved by the Shareholders, will be paid on 23 May 2019 to Shareholders on the register at the close of business on 23 April 2019.

Share capital

As at 31 December 2018, the Company's issued share capital consisted of 736,535,179 ordinary shares of 10 pence each, of which 707,501,818 were with voting rights and 29,033,361 ordinary shares were held in treasury. Details of changes to the ordinary shares issued and of options and awards granted during the year are set out in Notes 23 and 24 to the Financial Statements.

The Articles contain the rights and obligations attached to the Company's ordinary shares.

There are no restrictions on the voting rights attached to the Company's ordinary shares or the transfer of securities other than certain restrictions which may from time to time be imposed by laws, for example, insider trading law; in accordance with the EU Market Abuse Regulation, certain employees require the approval of the Company to deal in the Company's ordinary shares.

There are no restrictions on the voting rights attached to the Company's ordinary shares or the transfer of securities in the Company except, in the case of transfers of securities:

- that certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws); and
- pursuant to the Listing Rules of the United Kingdom Listing Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

No person holds securities in the Company which carry special voting rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Allotment of shares

In accordance with CA 2006, Directors may only allot shares or grant rights to subscribe for, or convert any security into, shares if authorised to do so by Shareholders at a general meeting.

The authority granted to the Directors at the 2018 AGM under s551 CA 2006 will expire at the conclusion of this year's AGM. At the 2019 AGM, a resolution will be proposed to the Shareholders to renew the Directors' authority to allot equity shares representing approximately one-third of the Company's issued share capital as at the latest practicable date prior to the publication of the Notice of AGM.

In accordance with the Investment Association Share Capital Management Guidelines, Directors will once again seek authority to allot further ordinary shares, in connection with a pre-emptive offer by way of a rights issue, up to a further one-third of the Company's existing issued share capital on the same date. The authorities sought would, if granted, expire at the earlier of six months after the Company's next accounting reference date, or at the conclusion of the AGM of the Company held in 2020, whichever is the sooner.

Under s561 CA 2006, Shareholders have a right of first refusal in relation to certain issues of new shares. A special resolution will also be proposed to renew the Directors' power to make non-pre-emptive issues for cash up to a nominal amount representing less than 10% of the Company's issued share capital as at the latest practicable date prior to the publication of the Notice of AGM. The resolution would also permit Directors, within the same aggregate limit, to sell for cash, shares that may be held by the Company in treasury.

In accordance with the Pre-Emption Group's Statement of Principles, the Investment Association Share Capital Management Guidelines and the Pensions and Lifetime Savings Associations' Corporate Governance Policy and Voting Guidelines 2018, the Directors confirm their intention that, other than in relation to a rights issue, no more than 5% of the issued ordinary share capital of the Company, exclusive of treasury shares, will be issued for cash on a non-pre-emptive basis and no more than 7.5% of the share capital of the Company, exclusive of treasury shares, will be allotted for cash under a non-pre-emptive basis over a rolling three-year period without prior consultation with Shareholders, in each case other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

Since the 2017 AGM, the Company has (in line with best practice recommendations) split the s561 resolution into two separate resolutions. At this year's AGM the resolution will again be proposed as two separate resolutions. The first resolution seeks authorisation for 5% of the issued ordinary share capital to be issued on an unrestricted basis, whilst the second resolution seeks authority for the additional 5% of the issued ordinary share capital to be used for an acquisition or a specified capital investment. This authority will maintain the Company's flexibility in relation to future share issues, including issues required to finance business opportunities, should appropriate circumstances arise.

Authority to purchase own shares

Authority was granted to Directors at the 2018 AGM to repurchase shares in the market and this authority remains valid until the conclusion of this year's AGM. There were no share repurchases during 2018.

At the 2019 AGM, the Directors will seek to renew the authority granted to them. Such authority, if approved, will be limited to a maximum of 70 million ordinary shares, representing less than 10% of the Company's issued ordinary share capital (excluding treasury shares) calculated as at the latest practicable date prior to publication of the Notice of AGM, and sets the minimum and maximum prices which may be paid.

The Company's present intention is to hold shares acquired under such authority in treasury to satisfy outstanding awards under employee share incentive plans.

Employees

During 2018, the Group employed an average of 42,400 (2017: 40,400) employees worldwide, of whom 3,654 (2017: 3,431) were employed in the UK.

The Group is committed to the principle of equal opportunity in employment: no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion, race, ethnicity or disability.

The Group recognises its responsibilities to disabled persons and endeavours to assist them to make their full contribution at work. Where employees become disabled, every practical effort is made to allow them to continue in their jobs or to provide retraining in suitable alternative work.

It is essential to the continued improvement in efficiency and productivity throughout the Group that each employee understands the Group's strategies, policies and procedures.

Open and regular communication with employees at all levels is an essential part of the management process. A continuing programme of training and development reinforces the Group's commitment to employee development.

Regular departmental meetings are held where opinions of employees are sought on a variety of issues. The Group operates multi-dimensional internal communications programmes which include the provision of a Group intranet and the publication of regular Group newsletters.

Group incentive schemes reinforce financial and economic factors affecting the performance of the business. Employees typically have three to five performance objectives which are directly linked to their job and their specific contribution to the overall performance of the Group. In addition, presentations and videos are given to employees around the Group on publication of the Group's financial results.

The Board encourages employees to become Shareholders and to participate in the Group's employee share ownership schemes, should they so wish. Savings-related share plans covering most of the world give employees the opportunity to acquire shares in the Company by means of regular savings.

Political donations

Authority is sought each year from Shareholders, on a precautionary basis, to approve political donations and incur political expenditures in accordance with the requirements of Part 14 CA 2006 as the definitions in the Act are broad.

No political donations or expenditure of the type requiring disclosure under s366 and s367 of CA 2006 were made in the year ended 31 December 2018 nor are any contemplated.

Independent Auditor

The External Auditor, KPMG LLP (KPMG), has indicated its willingness to continue in office and a resolution that KPMG be reappointed as External Auditor for the financial year ending 31 December 2019 will be proposed at the AGM on 9 May 2019.

Further disclosures

Further information, including information fulfilling the further disclosure requirements contained in CA 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Part 3 of the Companies (Miscellaneous Reporting) Regulations 2018 and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules can be found in the following sections of the Annual Report for the period ended 31 December 2018, which are incorporated into the Report of the Directors by reference:

Information on subsidiaries of the Company, including overseas branches, can be found in Note 11 (Subsidiary Undertakings) to the Parent Company Financial Statements, from page 203.

There is no additional information requiring disclosure under Listing Rule 9.8.4R.

Substantial shareholdings

As at 31 December 2018 and as at 18 March 2019, pursuant to DTR5 of the FCA's Disclosure Guidance and Transparency Rules, the Company had received the following notices of substantial interests (3% or more) in the total voting rights of the Company:

Holder	Date of last TR-1 notification	Nature of interest	% of voting rights
Massachusetts Financial Services Company and/or its subsidiaries	16 January 2013[1]	Indirect	5.00

1 Under a s.793 CA 2006 request Massachusetts Financial Services Company confirmed on 26 February 2019 that its aggregate holding had increased to 112,576,564 shares and 4,179,816 American Depositary Receipts (ADRs). The voting percentage was not disclosed.

Corporate Governance Statement
In compliance with the Disclosure Guidance and Transparency Rules 7.2.1, the disclosures required by DTR 7.2.2R to 7.2.7R and 7.2.8A are set out in this Report of the Directors and in the Corporate Governance Statement on pages 68 to 75 which together with the Statement of Directors' Responsibilities are incorporated by reference into this Report of the Directors.

Application of the UK Corporate Governance Code 2016
We report against the requirements of the UK Corporate Governance Code (the Code) 2016 issued by the Financial Reporting Council (FRC).

A revised code was published in July 2018, which will become effective for accounting periods beginning on or after 1 January 2019. Whilst reporting against the 2018 Code is not yet mandatory, the Board has and will continue to examine its current practices in relation to the requirements of the 2018 Code and some of the new provisions have already been adopted and are referred to in this Annual Report.

For the year in review, our high standards of compliance with the 2016 Code remain, and details of how the Company has applied the 2016 Code principles and provisions can be found in the Corporate Governance Report on pages 64 to 75.

Annual General Meeting (AGM)
The forthcoming AGM of Reckitt Benckiser Group plc will be held on 9 May 2019 at 11.15am at the London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex UB3 5AN.

A separate Notice of Meeting, setting out the resolutions to be proposed to Shareholders, is available at www.rb.com. The Board considers that each of the resolutions is in the best interests of the Company and the Shareholders as a whole. The Directors unanimously recommend that Shareholders vote in favour of all the resolutions as they intend to do in respect of their own beneficial holdings.

By Order of the Board

Rupert Bondy
Company Secretary
Reckitt Benckiser Group plc
103-105 Bath Road
Slough, Berkshire SL1 3UH

Company registration number: 6270876
Legal Entity Identifier: 5493003JFSMOJG48V108

18 March 2019

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company Financial Statements in accordance with UK accounting standards, including FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company Financial Statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy.

Rupert Bondy
Company Secretary
Reckitt Benckiser Group plc
103-105 Bath Road
Slough, Berkshire SL1 3UH

18 March 2019

Independent Auditor's Report to the Members of Reckitt Benckiser Group plc

Our opinion is unmodified

We have audited the financial statements of Reckitt Benckiser Group plc ("the Company") for the year ended 31 December 2018 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Statement of Changes in Equity, Group Cash Flow Statement, and the related notes, including accounting policies in Note 1, and the Parent Company Balance Sheet, Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies in Note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Additional opinion in relation to IFRS as issued by the IASB:

As explained in Note 1 to the Group financial statements, the group, in addition to complying with its legal obligation to apply IFRS as adopted by the EU, has also applied IFRS as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements have been properly prepared in accordance with IFRS as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the Shareholders on 3 May 2018. Therefore the year ended 31 December 2018 is our first year acting as auditor. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£140 million 4.6% of adjusted Group profit before tax
Coverage	82% of Group net revenue and 77% of total profits and losses that made up Group profit before tax
Risks of material misstatement	
Key audit matters	Recoverability of goodwill and indefinite life intangible assets relating to IFCN
	Revenue recognition in relation to trade spend
	Provision for uncertain tax positions
	Liabilities and contingent liabilities arising from ongoing investigations by the US Department of Justice (DoJ) and the South Korea Humidifier Sanitizer (HS) issue
	Classification of exceptional items
	Recoverability of Parent Company's investment in subsidiaries

1. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of goodwill and indefinite life intangible assets relating to IFCN (£16,407 million; 2017: £15,868 million) *Refer to page 84 (Audit Committee Report), pages 145-146 (accounting policy) and pages 159-162 (financial disclosures).*	**Forecast-based valuation:** The recoverability of goodwill and indefinite life intangible assets relating to IFCN is assessed using forecast financial information within a discounted cash flow model ("the model") that is highly sensitive to changes in key assumptions. As disclosed in Note 9, there exists a reasonably plausible set of changes in these assumptions that would result in the recognition of an impairment well in excess of our materiality for the financial statements as a whole and possibly many times that amount. It is common for goodwill and other indefinite life intangible assets recognised on a recent business combination to be sensitive to impairment. However, in 2018 the risk of impairment relating to IFCN is heightened because: • the key drivers of product category growth for IFCN, birth rates and GDP growth, have seen actual and forecast declines in China, a significant market; and • the temporary disruption at the European manufacturing plant in the third quarter of 2018 resulted in underperformance against forecasts in 2018. The impact of the disruption is expected to continue into 2019, in China in particular, as the supply chain recovers and due to loss of future consumer demand arising from on-shelf availability shortages. The model forecasts the successful execution of the Group's 'sustainable outperformance' strategy. IFCN management must gain market share, deliver forecast synergies and improve EBIT margins. In addition, the model is highly sensitive to external factors such as changes in the growth of the product category as a whole, discount rates and terminal growth rate assumptions.	**Our procedures included:** **Sensitivity analysis:** We considered the sensitivity of each assumption, identified changes to these assumptions since previous forecasts, and focused our attention on those assumptions we considered to be most sensitive, judgemental or otherwise prone to management bias. **Benchmarking assumptions:** We critically evaluated the bridge between net revenue growth assumptions within the model and management's forecast growth for the product category as a whole. We benchmarked those forecasts against external market data and considered the extent to which they reflected the latest sentiment on birth rates and GDP growth in China. We benchmarked the terminal growth assumptions against long-term estimates of GDP growth and inflation in key markets. **Historical comparisons:** • We reviewed the performance of IFCN since acquisition against plan and evaluated this in relation to forecast growth. In relation to the temporary disruption at the European manufacturing plant, we assessed the impact on 2018 results, reviewed management's evaluation of the impact on forecast growth and how this was incorporated in the model. • We challenged the Directors on the ability of the Group's innovation pipeline to deliver forecast revenue growth by assessing the Group's past experience in bringing new or improved products to market, and evaluated how that experience can be applied to the IFCN product category. • We critically challenged the EBIT margin projections by reference to those achieved historically, forecast volume growth and with reference to forecast and achieved synergies to date. **Our sector experience:** We evaluated the robustness and available capacity of the supply chain to support revenue growth projections, in light of the temporary disruption at the European manufacturing plant during the year and forecast maintenance spend.

1. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Recoverability of goodwill and indefinite life intangible assets relating to IFCN (continued)		**Our valuation expertise:** We independently derived a reasonable range of appropriate discount rates with the assistance of our valuation experts, compared these to those calculated by the Directors and identified any differences in assumptions between the calculations. We challenged the Group on any such differences and assessed the discount rate in relation to our appropriate range and those utilised in previous valuations. **Assessing transparency:** We considered the adequacy of the disclosures provided by Note 9 of the consolidated financial statements in relation to relevant accounting standards, paying particular attention to ensuring the sensitivity disclosures appropriately reflect an acceptable recoverable amount of these assets and sufficiently highlight the potentially material impairment that could result from reasonably plausible changes in key assumptions. **Our findings** We found the resulting estimate of the carrying value of goodwill and indefinite life intangible assets to be acceptable.

1. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Revenue recognition in relation to trade spend Net Revenue; Trade spend accrual (£1,025 million; 2017: £905 million) *Refer to page 84 (Audit Committee Report), page 144 (accounting policy) and page 179 (financial disclosures).*	**Subjective estimate:** As is industry practice, the Group enters into numerous types of complex commercial arrangements with retailers and other customers to offer product promotions and discounts. Revenue is measured net of estimated rebates and discounts earned by customers on the Group's sales. Trade spend arrangements have varying terms and levels of complexity – with some requiring a significant level of judgement – depending primarily on local practice, the customer, or product category. Some arrangements are supported by annual contracts or joint business plans, whilst others may be shorter term agreements entered into and concluded during the year. Where activity spans a year end, judgement may be required to estimate the timing and amount of trade spend accrued but not settled at the year end. These judgements impact on reported net revenue and operating profit, both of which are key performance indicators for management incentive schemes. Therefore, there is a risk that net revenue and operating profit may be misstated either through error, or as a result of manipulation of rebates and discounts accruals arising from the pressure management may feel to achieve performance targets.	**Our procedures included:** **Accounting policies:** Assessed the appropriateness of the Group's revenue recognition accounting policies, including the recognition criteria for trade spend. **Tests of details:** Risk-based selection or representative sampling of trade spend accruals and performed the following: • Identified the key assumptions underpinning the calculation for each accrual selected, such as forecast volume or margin levels at the customer; • Evaluated within the Group's markets, the process for developing the estimate; • Agreed certain assumptions used in making the estimate to relevant documentation, such as EPOS data or customer contracts; and • Challenged the appropriateness of the assumptions used in the calculation of the estimate. **Test of details:** Assessed the completeness of trade spend accruals on a sample basis by obtaining supporting documentation for rebates settled after the year end date. **Historical comparisons:** Evaluated the accuracy of previous trade spend accruals calculated by the Group comparing the prior year end trade spend accrual to the actual trade spend incurred. **Our sector experience:** Challenged the Group's assumptions used in estimating trade spend accruals using our industry experience and our experience in those countries in which it operates. **Assessing disclosures:** Assessed the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the trade spend accrual and the amount of trade spend recognised. **Our findings** We found the trade spend accrual and related expense recognised to be acceptable.

1. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Provision for Uncertain Tax Positions (UTPs) *Refer to page 84 (Audit Committee Report), page 144 (accounting policy) and page 179 (financial disclosures).*	**Subjective valuation:** Due to the Group operating across a number of different tax jurisdictions, and the complexities of transfer pricing and other international tax legislation, it is subject to periodic challenge by local tax authorities on a range of tax matters arising in the normal course of business. These challenges by the local tax authorities include but are not limited to: • Transfer pricing arrangements relating to one of the Group's key operating models; • Transfer pricing arrangements relating to the ownership of intellectual property rights that are used across the Group; • Deductibility of interest on intra-group borrowings; and • The European Commission's ongoing State Aid investigations into transfer pricing ruling practices of certain member states. Accruals for tax contingencies require the Directors to make judgements and estimates in relation to tax issues and exposures. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of uncertain tax positions has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** **Our tax expertise:** Used our own international and local tax specialists to: • Inspect and assess the centrally prepared transfer pricing policies to ensure they reflect the risks, activities and substance of each of the entities within the supply chain; and • Assess the Group's tax positions, its correspondence with the relevant tax authorities, and to analyse and challenge the assumptions used to determine provisions for tax uncertainties based on our knowledge and experiences of the application of the tax legislation. **Historical comparisons:** Assessed the historical accuracy of the provision level following any recent court judgements and results of relevant tax authority audits on the remaining provision. **Assessing transparency:** Assessed the adequacy of the Group's disclosures in respect of uncertain tax positions. **Our findings** We found the level of tax provisioning to be acceptable.

1. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Liabilities and contingent liabilities arising from ongoing investigations by the US Department of Justice (DoJ) and the South Korea Humidifier Sanitizer (HS) issue *Refer to page 84 (Audit Committee Report), page 148 (accounting policy) and pages 177-179 (financial disclosures).*	**Subjective estimate and dispute outcome:** The Group is involved in ongoing investigations by the DoJ and in 2017 recognised a liability for USD$400 million. The Group determined that there were no developments during 2018 which would require a change in the amount of the liability held. There is significant judgement associated with determining the need for, and the size of, provisions for liabilities arising from these investigations. As a result, there is a risk that the final cost to the Group may be substantially more than the liability. In addition the Group is subject to ongoing investigations relating to the HS issue in South Korea. The Korean Ministry of the Environment (MOE) continue their categorisation of victims for a number of injuries which may give rise to further liabilities. There is significant judgement associated in particular with determining the need for, and the size of, liabilities for asthma-related injury and other potential lung and non-lung injuries. The effect of the DoJ and HS matter is that, as part of our risk assessment, we determined that the provision liabilities and contingent liabilities have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** **DoJ investigation** **Enquiry of lawyers:** We enquired of the Group and Parent Company's General Counsel to obtain an understanding of the investigation, the status of the discussions, and the potential outcome. Performed enquiries with external counsel to ascertain the reasonableness of the Directors' assertion in respect of the likely outcome. We also received formal confirmations from external counsel. **Assessing disclosures:** Assessed the adequacy of the Group's disclosures in relation to the DoJ investigation. **HS Issue** **Enquiry of lawyers:** We enquired of the Group and Parent Company's General Counsel and reviewed steering committee minutes to obtain an understanding of the facts in relation to the HS issue and we obtained the Directors' assessment of whether further liabilities are required in respect of asthma-related injury and other potential lung and non-lung injuries. We inspected correspondence from and performed enquiries of external counsel to ascertain the reasonableness of the Directors' assertion in respect of the likely outcome. We also received formal confirmations from external counsel. **Independent re-performance:** Developed an independent expectation of the HS provision by using historical payment data and historical victim categorisation data to calculate the expected payments to be made to victims to challenge the valuation and completeness of the liabilities recognised by the Group. **Sensitivity analysis:** Performed sensitivity analysis on the assumptions used to create our independent expectation to determine if a reasonably possible change in assumptions would materially alter the liability level. **Assessing disclosures:** Assessed whether the Group's disclosures adequately disclose the liabilities and contingent liabilities of the Group. **Our findings** The results of our testing were satisfactory and we considered the liabilities recognised and contingent liabilities to be acceptable.

1. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Classification of Exceptional Items (£188 million expense; 2017: £3,891 million income) *Refer to page 84 (Audit Committee Report), pages 144-145 (accounting policy) and pages 153-154 (financial disclosures).*	**Presentation appropriateness:** The Group separately presents 'exceptional items' as a note to the Group Income Statement and these items are excluded from management's reporting of the underlying results of the business. The reasoning behind this presentation is set out in the notes to the Group financial statements. Exceptional items are not defined by IFRS and therefore the identification and presentation of these as exceptional requires judgement, and has a direct impact on underlying results which are used to determine certain management incentive targets.	**Our procedures included:** **Assessing principles:** We challenged management's rationale for the designation of certain items as exceptional and assessed such items against the Group's accounting policy, considering the nature and value of items. **Assessing application:** We assessed the consistency of application of this policy and obtained corroborative evidence on a sample basis to support the presentation of these items as 'exceptional'. **Assessing transparency:** We assessed whether the accounting policy for exceptional items is clearly and accurately described and whether the exceptional items are discussed with sufficient clarity in the annual report as a whole. **Our findings** We found the presentation of exceptional items to be acceptable.

1. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Recoverability of Parent Company's investment in subsidiaries (£14,949 million; 2017: £14,925 million) *Refer to page 197 (accounting policy) and page 199 (financial disclosures).*	**Low risk, high value** The carrying amount of the Parent Company's investments in subsidiaries represents 99.7% (2017: 99.7%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	**Our procedures included:** **Tests of detail:** Comparing the carrying amount of 100% of the total investment balance with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit teams on a sample of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. **Our findings** We found the Group's assessment of the recoverability of the investment in subsidiaries to be acceptable.

2. Our application of materiality and an overview of the scope of our audit

Materiality

Materiality for the group financial statements as a whole was set at £140 million, determined with reference to a benchmark of adjusted group profit before tax as defined in note 3, of which it represents 4.6%.

Materiality for the Parent Company financial statements as a whole was set at £75 million determined with reference to a benchmark of Company total assets of which it represents 0.5%.

In addition, we applied materiality of £22.5 million to the classification of exceptional items for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

We agreed with the Audit Committee that we would report to the Committee any corrected or uncorrected identified misstatements exceeding £7 million, in addition to other identified misstatements that warranted, in our view, reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that are identified when assessing the overall presentation of the financial statements.

Scope

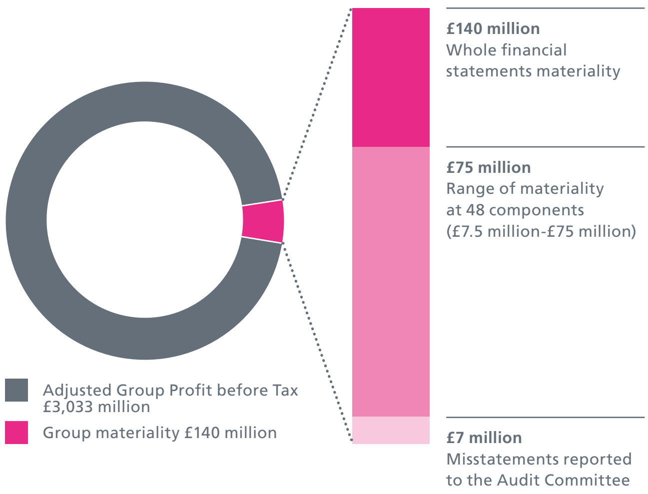
The Group operates in more than 60 countries across 6 continents with the largest footprint being in the US and China, and from 1 January 2018 is organised into two business units being Health and Hygiene Home.

We scoped the audit by obtaining an understanding of the Group and its environment and assessing the risk of material misstatement at the Group and component level. Specifically we instructed component auditors to complete a trade spend questionnaire where they would perform an analysis into the characteristics, complexity and relative materiality of accruals held locally to aid our risk assessment.

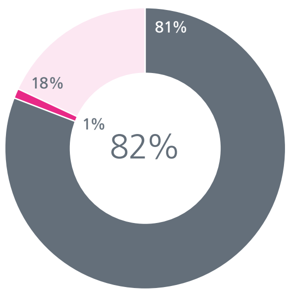
We have considered components on the basis of their contribution to Group net revenue and total profits and losses that made up Group profit before tax, and including whether we had sufficient coverage over each business unit and the specific risks in the components. Of the Group's 368 reporting components, component teams in 23 countries subjected 44 to full scope audits for group purposes, 3 to specified risk-focused audit procedures including procedures over net revenue, trade spend, inventory, cost of sales, PPE, and cash and 1 to audit of account balance over inventory, cost of sales, PPE, and cash. The latter 4 components were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

Adjusted Group Profit before Tax
£3,033 million

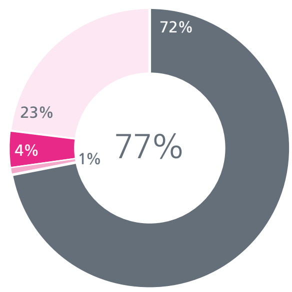
Group materiality
£140 million



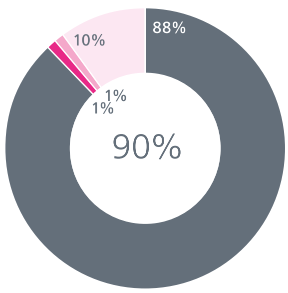
Group net revenue



Total profits and losses that made up Group profit before tax



Group total assets



Key:
- Full scope for Group audit purposes 2018
- Specified risk-focused procedures 2018
- Audit of account balances 2018
- Residual components

2. Our application of materiality and an overview of the scope of our audit continued

The remaining 18% of Group net revenue, 23% of total profits and losses that made up Group profit before tax and 10% of Group total assets is represented by a number of reporting components, none of which individually represented more than 1% of any of Group net revenue, Group profit before tax or Group total assets. For these residual 320 components, we performed analysis at an aggregated Group level and performed unpredictable procedures at the component level to re-examine our assessment that there were no significant risks of material misstatement within these.

Team Structure

The Group team led a global audit planning conference to discuss key audit risks and to obtain input from component and other participating locations.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £7.5 million to £75 million, having regard to the mix of size and risk profile across the components.

The work on 45 of the 48 components was performed by component auditors and the rest, including the audit of the Group's treasury company and the Parent Company both located in the UK, were performed by the Group team.

The Senior Statutory Auditor or a senior member of the group team visited 21 countries which represents 43 reporting components of the 48 in scope for Group reporting purposes. The visits included assessing the audit risk and strategy and attending a balance sheet review with Group management, local management and component auditors. Video or telephone conference meetings were also held with these component auditors and the two others that were not physically visited throughout the conduct of the audit. This included attending the year end clearance meetings. At these visits and meetings, the findings reported to the Group team were discussed in more detail. In addition we reviewed the component auditors' key working papers, including assessing the trade spend risk identified against the work performed, and any further work required by the Group team was then performed by the component auditor.

We attended via telephone calls balance sheet review meetings for 7 components not in scope for the Group audit as part of our unpredictable procedures, to reconfirm our risk assessment and to further enhance our understanding of the business in our first year of engagement.

3. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Inability to innovate and organically drive top line growth;
- The impact of a significant business continuity issue affecting the Group's manufacturing facilities or those of its suppliers; and
- A product safety issue leading to reputational damage with customers, consumers or regulators.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as erosion of customer or supplier confidence and the impact of Brexit, which could result in a rapid reduction of available financial resources.

3. We have nothing to report on going concern continued
Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 123 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

4. We have nothing to report on the other information in the Annual Report
The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' Report
Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability
Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement page 56-57 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the risk management framework disclosures describing these material existing and emerging risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures
We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

5. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

6. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 123, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting (including related companies legislation), distributable profits and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety (reflecting the nature of the Group's production and distribution process), anti-bribery (reflecting that the Group operates in a number of countries where there is an opportunity to engage in bribery given the lack of regulation by the local governments), interaction with healthcare professionals (reflecting the nature of the Group's products in the Health business unit), competition law (reflecting the nature of the Group's business and market positions), consumer product law such as product safety and product claims (reflecting the nature of the Group's diverse product base), data privacy legislation (reflecting the Group's growing amounts of personal data held) and intellectual property legislation (reflecting the potential for the Group to infringe trademarks, copyright and patents). Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of instances of actual or suspected non-compliance of a scale and nature that is unexceptional for a group of this size and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

6. Respective responsibilities continued

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

7. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Broadbelt
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London

18 March 2019

Group Income Statement

For the year ended 31 December	Note	2018 £m	2017 (restated)[1] £m
CONTINUING OPERATIONS			
Net Revenue	2	**12,597**	11,449
Cost of sales		**(4,962)**	(4,626)
Gross profit		**7,635**	6,823
Net operating expenses	3	**(4,588)**	(4,086)
Operating profit	2	**3,047**	2,737
Adjusted operating profit		**3,358**	3,122
Adjusting items	3	**(311)**	(385)
Operating profit		**3,047**	2,737
Finance income	6	**78**	60
Finance expense	6	**(403)**	(298)
Net finance expense		**(325)**	(238)
Profit before income tax		**2,722**	2,499
Income tax (expense)/benefit	7	**(536)**	894
Net income from continuing operations		**2,186**	3,393
Net (loss)/income from discontinued operations		**(5)**	2,796
Net income		**2,181**	6,189
Attributable to non-controlling interests		**20**	17
Attributable to owners of the parent		**2,161**	6,172
Net income		**2,181**	6,189
Basic earnings per ordinary share (pence)			
From continuing operations	8	**306.8**	480.6
From discontinued operations	8	**(0.7)**	398.1
From total operations		**306.1**	878.7
Diluted earnings per ordinary share (pence)			
From continuing operations	8	**305.5**	474.7
From discontinued operations	8	**(0.7)**	393.2
From total operations		**304.8**	867.9

1. Restated for the adoption of IFRS 15 (see Note 1).

Group Statement of Comprehensive Income

For the year ended 31 December	Note	2018 £m	2017 (restated)[1] £m
Net income		**2,181**	6,189
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss in subsequent years			
Net exchange gains/(losses) on foreign currency translation, net of tax	7	**67**	(310)
(Losses)/gains on net investment hedges, net of tax	7	**(44)**	44
Gains on cash flow hedges, net of tax	7	**8**	3
Reclassification of foreign currency translation reserves on disposal of foreign operations, net of tax	7	**–**	145
		31	(118)
Items that will not be reclassified to profit or loss in subsequent years			
Remeasurements of defined benefit pension plans, net of tax	7	**123**	12
Revaluation of equity instruments – FVOCI	7	**–**	6
		123	18
Other comprehensive income/(expense), net of tax		**154**	(100)
Total comprehensive income		**2,335**	6,089
Attributable to non-controlling interests		**20**	15
Attributable to owners of the parent		**2,315**	6,074
Total comprehensive income		**2,335**	6,089
Total comprehensive income attributable to owners of the parent arising from:			
Continuing operations		**2,320**	3,133
Discontinued operations		**(5)**	2,941
		2,315	6,074

1. As a result of the adoption of IFRS 9, 'Revaluation of equity instruments – FVOCI' is now presented as an item that will not be reclassified to profit or loss in subsequent years. In the prior year, it was presented as an item that may be reclassified to profit or loss in subsequent years.

Group Balance Sheet

As at 31 December	Note	2018 £m	2017 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	9	**30,278**	29,487
Property, plant and equipment	10	**1,858**	1,754
Equity instruments – FVOCI	14	**53**	41
Deferred tax assets	11	**209**	118
Retirement benefit surplus	22	**191**	90
Other non-current receivables	13	**109**	99
		32,698	31,589
Current assets			
Inventories	12	**1,276**	1,201
Trade and other receivables	13	**2,097**	2,004
Derivative financial instruments	14	**38**	18
Current tax recoverable		**48**	58
Cash and cash equivalents	15	**1,483**	2,125
		4,942	5,406
Assets classified as held for sale		**10**	18
		4,952	5,424
Total assets		**37,650**	37,013
LIABILITIES			
Current liabilities			
Short-term borrowings	16	**(2,209)**	(1,346)
Provisions for liabilities and charges	17	**(542)**	(517)
Trade and other payables	20	**(4,811)**	(4,629)
Derivative financial instruments	14	**(42)**	(19)
Current tax liabilities	21	**(10)**	(65)
		(7,614)	(6,576)
Non-current liabilities			
Long-term borrowings	16	**(9,670)**	(11,515)
Deferred tax liabilities	11	**(3,619)**	(3,443)
Retirement benefit obligations	22	**(318)**	(393)
Provisions for liabilities and charges	17	**(87)**	(81)
Derivative financial instruments	14	**–**	(12)
Non-current tax liabilities	21	**(1,105)**	(1,012)
Other non-current liabilities	20	**(448)**	(408)
		(15,247)	(16,864)
Total liabilities		**(22,861)**	(23,440)
Net assets		**14,789**	13,573
EQUITY			
Capital and reserves			
Share capital	23	**74**	74
Share premium		**245**	243
Merger reserve		**(14,229)**	(14,229)
Hedging reserve	25	**7**	(1)
Foreign currency translation reserve	25	**430**	407
Retained earnings		**28,215**	27,039
Attributable to owners of the parent		**14,742**	13,533
Attributable to non-controlling interests		**47**	40
Total equity		**14,789**	13,573

The Financial Statements on pages 137 to 192 were approved by the Board of Directors and signed on its behalf on 18 March 2019 by:

Chris Sinclair
Director

Rakesh Kapoor
Director

Group Statement of Changes in Equity

	Note	Share capital £m	Share premium £m	Merger reserves £m	Other reserves £m	Retained earnings £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2017		**74**	**243**	**(14,229)**	**522**	**21,811**	**8,421**	**5**	**8,426**
Comprehensive income									
Net income		–	–	–	–	6,172	6,172	17	6,189
Other comprehensive (expense)/income		–	–	–	(116)	18	(98)	(2)	(100)
Total comprehensive (expense)/income		**–**	**–**	**–**	**(116)**	**6,190**	**6,074**	**15**	**6,089**
Transactions with owners									
Treasury shares re-issued	23	–	–	–	–	94	94	–	94
Share-based payments	24	–	–	–	–	72	72	–	72
Current tax on share awards	7	–	–	–	–	20	20	–	20
Deferred tax on share awards	7	–	–	–	–	(14)	(14)	–	(14)
Cash dividends	27	–	–	–	–	(1,134)	(1,134)	(11)	(1,145)
Arising on business combination		–	–	–	–	–	–	31	31
Total transactions with owners		**–**	**–**	**–**	**–**	**(962)**	**(962)**	**20**	**(942)**
Balance at 31 December 2017		**74**	**243**	**(14,229)**	**406**	**27,039**	**13,533**	**40**	**13,573**
Comprehensive income									
Net income		–	–	–	–	2,161	2,161	20	2,181
Other comprehensive income		–	–	–	31	123	154	–	154
Total comprehensive income		**–**	**–**	**–**	**31**	**2,284**	**2,315**	**20**	**2,335**
Transactions with owners									
Treasury shares re-issued	23	–	2	–	–	103	105	–	105
Share-based payments	24	–	–	–	–	14	14	–	14
Current tax on share awards	7	–	–	–	–	7	7	–	7
Deferred tax on share awards	7	–	–	–	–	(12)	(12)	–	(12)
Cash dividends	27	–	–	–	–	(1,187)	(1,187)	(13)	(1,200)
Transactions with non-controlling interests		–	–	–	–	(33)	(33)	–	(33)
Total transactions with owners		**–**	**2**	**–**	**–**	**(1,108)**	**(1,106)**	**(13)**	**(1,119)**
Balance at 31 December 2018		**74**	**245**	**(14,229)**	**437**	**28,215**	**14,742**	**47**	**14,789**

The merger reserve relates to the 1999 combination of Reckitt & Colman plc and Benckiser N.V. and a Group reconstruction in 2007 treated as a merger under Part 27 of the Companies Act 2006.

Refer to Note 25 for an explanation of other reserves.

Group Cash Flow Statement

For the year ended 31 December	Note	2018 £m	2017 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from continuing operations	29	**3,330**	3,153
Interest paid		**(396)**	(226)
Interest received		**75**	59
Tax paid		**(567)**	(543)
Net cash flows attributable to discontinued operations		**12**	48
Net cash generated from operating activities		**2,454**	2,491
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(342)**	(286)
Purchase of intangible assets		**(95)**	(63)
Proceeds from the sale of property, plant and equipment		**24**	35
Acquisition of businesses, net of cash acquired		**–**	(11,817)
Purchase of equity instruments – FVOCI		**(9)**	–
Reduction in short-term investments		**–**	3
Net cash flows attributable to discontinued operations		**–**	3,232
Net cash used in investing activities		**(422)**	(8,896)
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasury shares re-issued	23	**105**	94
Proceeds from borrowings	16	**697**	19,523
Repayment of borrowings	16	**(2,244)**	(10,723)
Dividends paid to owners of the parent	27	**(1,187)**	(1,134)
Dividends paid to non-controlling interests		**(13)**	(11)
Other financing activities		**24**	(12)
Net cash (used in)/generated from financing activities		**(2,618)**	7,737
Net (decrease)/increase in cash and cash equivalents		**(586)**	1,332
Cash and cash equivalents at beginning of the year		**2,117**	873
Exchange losses		**(54)**	(88)
Cash and cash equivalents at end of the year		**1,477**	2,117
Cash and cash equivalents comprise:			
Cash and cash equivalents	15	**1,483**	2,125
Overdrafts	16	**(6)**	(8)
		1,477	2,117

Notes to the Financial Statements

1 Accounting Policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

Basis of Preparation

These Financial Statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRIC) interpretations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements are also in compliance with IFRS as issued by the International Accounting Standards Board (IASB).

These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss. A summary of the Group's more important accounting policies is set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The preparation of Financial Statements that conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the Balance Sheet date and revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge at the time, actual amounts may ultimately differ from those estimates.

Adoption of New and Revised Standards

The following standards issued by the IASB and endorsed by the EU have been adopted by the Group from 1 January 2018:

- *IFRS 15 Revenue from Contracts with Customers* (replacing IAS 18 Revenue)

  IFRS 15 deals with revenue recognition and establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenues and cash flows arising from the Group's contracts with its customers. The standard provides clarification about when control of goods is passed to customers and contains more guidance about the measurement of revenue contracts which have discounts, rebates and other payments to customers.

  Prior to its adoption, and as disclosed in the 2017 Annual Report and Financial Statements, the Group completed a detailed review of the requirements of IFRS 15 against its current accounting policies. The areas the Group considered included payments to customers, the timing of revenue recognition based on control of goods, principal and agent relationships and consignment inventories. The Group concluded that there was no material impact of adopting IFRS 15. Refer to Note 2 for the disclosure of revenue (from the sale of products) by operating segment. The Group does not generate multiple revenue streams requiring further levels of disaggregation.

  The requirements of IFRS 15 have been applied retrospectively to each prior reporting period presented in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

- *IFRS 9 Financial Instruments* (replacing IAS 39 Financial instruments: Recognition and Measurement)

  IFRS 9 addresses the classification and measurement of financial instruments and introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

  The adoption of IFRS 9 principles did not result in any material changes to the measurement and classification of income and costs in the Income Statement or of assets and liabilities on the Balance Sheet.

  All classes of financial assets and financial liabilities had, as at 1 January 2018, the same carrying values under IFRS 9 as they had under IAS 39.

  All hedge relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 on 1 January 2018 and were hence regarded as continuing hedging relationships.

1 Accounting Policies continued

In these Financial Statements, the Group has not applied the following new and revised IFRS that have been issued but are not yet effective:

- *IFRS 16 Leases* (replacing IAS 17 Leases)

  IFRS 16 will be effective from the annual period beginning on 1 January 2019. The standard changes the principles for the recognition, measurement, presentation and disclosure of leases. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise lease liabilities and 'right of use' assets on the Balance Sheet, with exemptions for low value and short-term leases. The Group has evaluated the impact of IFRS 16 and concluded that it does not expect a material impact on the recognition and measurement of income and costs in the income statement or of the net assets in the balance sheet.

A number of other new standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2019 and have not yet been applied in preparing these Financial Statements. None of these are expected to have a significant effect on the Financial Statements of the Group.

Going Concern

Having assessed the principal risks and other matters discussed in connection with the Viability Statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated Financial Statements. Further detail is contained in the Strategic Report on pages 1 to 57.

Basis of Consolidation

The consolidated Financial Statements include the results of Reckitt Benckiser Group plc, a company registered in the UK, and all its subsidiary undertakings made up to the same accounting date. Subsidiary undertakings are those entities controlled by Reckitt Benckiser Group plc. Control exists where the Group is exposed to, or has the rights to variable returns from its involvement with, the investee and has the ability to use its power over the investee to affect its returns.

Intercompany transactions, balances and unrealised gains on transactions between Group companies have been eliminated on consolidation. Unrealised losses have also been eliminated to the extent that they do not represent an impairment of a transferred asset. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign Currency Translation

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated Financial Statements are presented in Sterling, which is the Group's presentational currency.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except where hedge accounting is applied.

The Financial Statements of overseas subsidiary undertakings are translated into Sterling on the following basis:

- Assets and liabilities at the rate of exchange ruling at the year end date.
- Profit and loss account items at the average rate of exchange for the year.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity on consolidation.

Business Combinations

The acquisition method is used to account for the acquisition of subsidiaries. Identifiable net assets acquired (including intangibles) in a business combination are measured initially at their fair values at the acquisition date.

Where the measurement of the fair value of identifiable net assets acquired is incomplete at the end of the reporting period in which the combination occurs, the Group will report provisional fair values. Final fair values are determined within a year of the acquisition date and retrospectively applied.

1 Accounting Policies continued

The excess of the consideration transferred and the amount of any non-controlling interest over the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities acquired is recorded as goodwill.

The consideration transferred is measured as the fair value of the assets given, equity instruments issued (if any), and liabilities assumed or incurred at the date of acquisition.

Acquisition-related costs are expensed as incurred.

The results of the subsidiaries acquired are included in the consolidated Financial Statements from the acquisition date.

Disposal of Subsidiaries

The financial performance of subsidiaries is included in the Group results up to the point the Group ceases to have control over that subsidiary. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of related assets and liabilities. This may mean amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Non-Controlling Interests

On an acquisition-by-acquisition basis the non-controlling interest is measured at either fair value or a proportionate share of the acquiree's net assets.

Purchases from non-controlling interests are accounted for as transactions with the owners and therefore no goodwill is recognised as a result of such transactions.

Revenue

Revenue from the sale of products is recognised in the Group Income Statement when control of the product is transferred to the customer.

Net Revenue is defined as the amount invoiced to external customers during the year and comprises, as required by IFRS 15, gross sales net of trade spend, customer allowances for credit notes, returns and consumer coupons. The methodology and assumptions used to estimate credit notes, returns and consumer coupons are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions.

Trade spend, which consists primarily of customer pricing allowances, placement/listing fees and promotional allowances, is governed by sales agreements with the Group's trade customers (retailers and distributors). Trade spend also includes reimbursement arrangements under the Special Supplemental Nutrition Program for Women, Infants and Children ("WIC"), payable to the respective US State WIC agencies.

Accruals are recognised under the terms of these agreements to reflect the expected activity level and the Group's historical experience. These accruals are reported within Trade and other payables.

Value-added tax and other sales taxes are excluded from Net Revenue.

Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Executive Committee.

Adjusting Items, including Exceptional Items

The Group makes reference to adjusting items in presenting the Group's principal adjusted earnings measures.

These 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, which are relevant to an understanding of the underlying performance and trends of the business. Examples of exceptional items include the following:

- Restructuring and other expenses relating to the integration of an acquired business and related expenses for reconfiguration of the Group's activities;
- Impairments of current and non-current assets;
- Gains/losses on disposals of businesses;
- Acquisition-related costs, including advisor fees incurred for significant transactions, and adjustments to the fair values of assets and liabilities that result in non-recurring charges to the Income Statement;
- Costs arising because of material and non-recurring regulatory and litigation matters; and
- The Income Statement impact of unwinding fair value adjustments for inventory recorded as the result of a business combination.

1 Accounting Policies continued

Other adjusting items are adjusted because their pattern of recognition is largely uncorrelated with the underlying performance of the business. They include the following:

- Amortisation of acquired brands, trademarks and similar assets; and
- Amortisation of certain other intangible assets recorded as the result of a business combination.

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 in the adjusted profit before income tax measure.

Research and Development

Research expenditure is expensed in the year in which it is incurred.

Development expenditure is expensed in the year in which it is incurred, unless it meets the requirements of IAS 38 to be capitalised and then amortised over the useful life of the developed product.

Income Tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted in each jurisdiction, or substantively enacted, at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated Financial Statements. Deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss at that time. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Balance Sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the investor is able to control the timing of temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities within the same tax jurisdiction are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where there is an intention to settle these balances on a net basis.

Goodwill and Other Intangible Assets

(i) Goodwill

Goodwill is allocated to the cash generating unit (CGU), or group of CGUs, to which it relates and is tested annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

(ii) Brands

Separately acquired brands are shown at cost less accumulated amortisation and impairment. Brands acquired as part of a business combination are recognised at fair value at the acquisition date, where they are separately identifiable. Brands are amortised over their useful economic life (no more than ten years), except when their life is determined as being indefinite.

Applying indefinite lives to certain acquired brands is appropriate due to the stable long-term nature of the business and the enduring nature of the brands. A core element of the Group's strategy is to invest in building its brands through an ongoing programme of product innovation and increasing marketing investment. Within the Group, a brand typically comprises an assortment of base products and more innovative products. Both contribute to the enduring nature of the brand. The base products establish the long-term positioning of the brand while a succession of innovations attracts ongoing consumer interest and attention. Indefinite life brands are allocated to the CGUs to which they relate and are tested annually for impairment.

The Directors also review the useful economic life of brands annually, to ensure that these lives are still appropriate. If a brand is considered to have a finite life, its carrying value is amortised over that period.

(iii) Distribution rights

Payments made in respect of product registration, acquired and re-acquired distribution rights are capitalised where the rights comply with the above requirements for recognition of acquired brands. If the registration or distribution rights are for a defined time period, the intangible asset is amortised over that period. If no time period is defined, the intangible asset is treated in the same way as acquired brands.

1 Accounting Policies continued

(iv) Software

Acquired computer software licences are capitalised at cost. These costs are amortised on a straight-line basis over a period of seven years for Enterprise Resource Planning systems and five years or less for all other software licences.

(v) Customer contracts

Acquired customer contracts are capitalised at cost. These costs are amortised on a straight-line basis over the period of the contract.

Amortisation of intangible assets in (ii) to (v) is charged to net operating expenses.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment, with the exception of freehold land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. Except for freehold land and assets under construction, the cost of property, plant and equipment is written off on a straight-line basis over the period of the expected useful life of the asset. For this purpose, expected lives are determined within the following limits:

- Freehold buildings: not more than 50 years;
- Leasehold land and buildings: the lesser of 50 years or the life of the lease; and
- Owned plant and equipment: not more than 15 years (except for environmental assets and spray dryers which are not more than 20 years).

In general, production plant and equipment and office equipment are written off over ten years or less; motor vehicles and computer equipment over five years or less.

Assets' residual values and useful lives are reviewed, and adjusted if necessary, at each Balance Sheet date. Property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be appropriate. Freehold land is reviewed for impairment on an annual basis.

Gains and losses on the disposal of property, plant and equipment are determined by comparing the asset's carrying value with any sale proceeds, and are included in the Income Statement.

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised at lease inception at the lower of the asset's fair value and the present value of the minimum lease payments. Obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate within borrowings. The interest element of the finance cost is charged to the Income Statement over the life of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Leased property, plant and equipment are depreciated on the same basis as owned plant and equipment or over the life of the lease, if shorter.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals (net of any related lease incentives) are charged against profit on a straight-line basis over the period of the lease.

Impairment of Assets

Assets that have indefinite lives, including goodwill, are tested annually for impairment at the level where cash flows are considered to be largely independent. This is at either a CGU level, or as a group of CGUs. All assets are tested for impairment if there is an event or circumstance that indicates that their carrying value may not be recoverable. If an asset's carrying value exceeds its recoverable amount an impairment loss is recognised in the Income Statement. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use.

Value in use is calculated with reference to the future cash flows expected to be generated by an asset (or group of assets where cash flows are not identifiable to specific assets). The pre-tax discount rate used in asset impairment reviews is based on a weighted average cost of capital for comparable companies operating in similar markets and geographies as the Group including, where appropriate, an adjustment for the specific risks associated with the relevant CGU.

Fair value less costs of disposal is calculated using a discounted cash flow approach, with a post-tax discount rate applied to projected risk-adjusted post-tax cash flows and terminal value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and an appropriate portion of overhead expenses (based on normal operating capacity) required to get the inventory to its present location and condition. Inventory valuation is determined on a first in, first out (FIFO) basis. Net realisable value represents the estimated selling price less applicable selling expenses.

1 Accounting Policies continued

Trade Receivables

Trade and other receivables are initially recognised at fair value less transaction costs and subsequently held at amortised cost, less provision for discounts and doubtful debts. Allowance losses are calculated by reviewing lifetime expected credit losses using historic and forward-looking data on credit risk.

Trade Payables

Trade and other payables are initially recognised at fair value including transaction costs and subsequently carried at amortised cost.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and other deposits with a maturity of less than three months when deposited.

For the purpose of the cash flow statement, bank overdrafts that form an integral part of the Group's cash management, and are repayable on demand, are included as a component of cash and cash equivalents. Bank overdrafts are included within short-term borrowings in the Balance Sheet.

Borrowings

Interest-bearing borrowings are recognised initially at fair value less, where permitted by IFRS 9, any directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis.

Derivative Financial Instruments and Hedging Activity

The Group may use derivatives to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged.

At the inception of designated hedge relationships, the Group documents its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows or fair values of hedged items.

The Group designates certain derivatives as either:

- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedges); or
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges).

Derivatives designated as cash flow hedges: the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve. Any gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. For all other transactions, the amounts accumulated in the hedging reserve are recycled to the Income Statement in the period (or periods) when the hedged item affects the Income Statement.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated, or is exercised, then hedge accounting is discontinued prospectively. The amount that has been accumulated in the hedging reserve remains in equity until it is either included in the cost of a non-financial item or recycled to the Income Statement.

Derivatives designated as fair value hedges: fair value hedges are used to manage the currency and/or interest rate risks to which the fair value of certain assets and liabilities are exposed. Changes in the fair value are recognised in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If such a hedge relationship no longer meets hedge accounting criteria, fair value movements on the derivative continued to be taken to the Income Statement while any fair value adjustments made to the underlying hedged item to that date are amortised through the Income Statement over its remaining life using the effective interest rate method.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement.

Net Investment Hedges

Gains and losses on those hedging instruments designated as hedges of the net investments in foreign operations are recognised in other comprehensive income to the extent that the hedging relationship is effective. Gains and losses accumulated in the foreign currency translation reserve are recycled to the Income Statement when the foreign operation is disposed of.

1 Accounting Policies continued

Equity Instruments – FVOCI

Equity Instruments – FVOCI are investments that are neither held for trading nor classified as investments in subsidiaries, associates or joint arrangements. Subsequent to their initial recognition, Equity Instruments – FVOCI are stated at their fair value. Gains and losses arising from subsequent changes in the fair value are recognised (irrecoverably) in other comprehensive income. Accumulated gains and losses included in other comprehensive income are not recycled to the Income Statement. Dividends from these investments are recognised in the consolidated Income Statement.

Employee Share Schemes

Incentives in the form of shares are provided to employees under share option and restricted share schemes vested in accordance with non-market conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each Balance Sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Additional employer costs in respect of options and awards are charged, including social security taxes, to the Income Statement over the same period with a corresponding liability recognised.

Repurchase and Reissuance of Ordinary Shares

When shares recognised as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Repurchased shares are classified as Treasury shares and are presented in retained earnings. When Treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit is presented within share premium.

Pension Commitments

Group companies operate defined contribution and (funded and unfunded) defined benefit pension plans.

The cost of providing pensions to employees who are members of defined contribution plans is charged to the Income Statement as contributions are made. The Group has no further payment obligations once the contributions have been paid.

The deficit or surplus recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Balance Sheet date, less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows by the yield on high quality corporate bonds denominated in the currency in which the benefits will be paid, and that have a maturity approximating to the terms of the pension obligations. The costs of providing these defined benefit plans are accrued over the period of employment. Actuarial gains and losses are recognised immediately in other comprehensive income.

Past service costs are recognised immediately in profit or loss.

The net interest amount is calculated by applying the discounted rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset.

The net pension plan interest is presented as finance income/expense.

Post-Retirement Benefits Other than Pensions

Some Group companies provide post-retirement medical care to their retirees. The costs of providing these benefits are accrued over the period of employment and the liability recognised in the Balance Sheet is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related asset is deducted.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that there will be an outflow of resources to settle that obligation; and the amount can be reliably estimated. Provisions are valued at the present value of the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date. Where it is possible that a settlement may be reached or it is not possible to make a reliable estimate of the estimated financial impact, appropriate disclosure is made but no provision recognised.

Share Capital Transactions

When the Group purchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Purchased shares are either held in treasury, in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled would be transferred from retained earnings to the capital redemption reserve.

1 Accounting Policies continued

Dividend Distribution

Dividends to owners of the parent are recognised as a liability in the period in which the dividends are approved by the Company's Shareholders. Interim dividends are recorded in the period in which they are approved and paid.

Dividend payments are recorded at fair value. Where non-cash dividend payments are made, gains arising as a result of fair value remeasurements are recognised in profit or loss in the same period.

Accounting Estimates and Judgements

In the application of the Group's accounting policies the Directors are required to make a number of estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, that the Directors have made in the process of applying the Group's accounting policies, that have the most significant effect on the amounts recognised in the Group's Financial Statements.

- The Group has identified matters which may incur liabilities in the future, but do not recognise these where it is too early to determine the likely outcome or make a reliable estimate (Note 19).
- The continuing enduring nature of the Group's brands supports the indefinite life assumption of these assets (Note 9).
- Assumptions are made as to the recoverability of tax assets especially as to whether there will be sufficient future taxable profits in the same jurisdictions to fully utilise losses in future years (Note 11).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the Balance Sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

- The Group is subject to tax audits and uncertainties in a number of jurisdictions. The issues involved can be complex and disputes may take a number of years to resolve. Each uncertainty is separately assessed and management applies judgement in the recognition and measurement of the uncertainty based on the relevant circumstances. The accounting estimates and judgements considered include:
  - status of the unresolved matter;
  - clarity of relevant legislation and related guidance;
  - pre-clearances issued by taxing authorities;
  - advice from in-house specialists and opinions of professional firms;
  - resolution process and range of possible outcomes;
  - past experience and precedents set by the particular taxing authority;
  - decisions and agreements reached in other jurisdictions on comparable issues;
  - unutilised tax losses, tax credits and availability of mutual agreement procedures between tax authorities; and
  - statute of limitations.

Management is of the opinion that the carrying values of the provisions made in respect of these matters represent the most accurate measurement once all facts and circumstances have been taken into account. Nevertheless, the final amounts paid to discharge the liabilities arising (either through negotiated settlement or litigation) will in all likelihood be different from the provision recognised. Management does not foresee a significant risk of a material adjustment to the carrying value of the net liabilities disclosed in Note 21 during the next financial year.

1 Accounting Policies continued

- The Group recognises legal and regulatory provisions in line with the Group's provisions policy. The level of provisioning for regulatory civil and/or criminal investigations is an issue where management and legal judgement is important (Note 17). These are valued based on the Directors' best estimates taking into account all available information, external advice and historical experience.
- Estimates of future business performance and cash generation, discount rates and long-term growth rates supporting the net book amount of indefinite life intangible assets at the Balance Sheet date (Note 9). If the actual results should differ, or changes in expectations arise, impairment charges may be required which would adversely impact operating results.
- Measurement of intangible assets both in business combinations and other asset acquisitions requires the Group to value such assets. Assumptions and estimates are made about future cash flows and appropriate discount rates to value identified intangible assets.
- The Group provides for amounts payable to our trade customers for promotional activity and Government reimbursement arrangements. Where an activity spans across the year end, an accrual is reflected in the consolidated Financial Statements based on our estimation of customer and consumer uptake during the relevant period and the extent to which temporary funded activity has occurred. There is a timing difference between that initial estimation and final settlement of trade spend with our customers - the result of which could lead to variations between the two. Details of trade spend accrued as at the year end (£1,025 million) are provided in Note 20.
- The value of the Group's defined benefit pension plan obligations is dependent on a number of key assumptions. These include assumptions over the rate of increase in pensionable salaries, the discount rate to be applied, the level of inflation and the life expectancy of the schemes' members. Details of the key assumptions and the sensitivity of the principal schemes' carrying value to changes in the assumptions are set out in Note 22.

2 Operating Segments

On 1 January 2018, the Group's operating segments changed from ENA, DvM and IFCN to Health and Hygiene Home.

This change, which aligns the operating segments with the new business unit structure, was prompted by the RB 2.0 reorganisation effective 1 January 2018 and associated updates to the way in which information is presented to, and reviewed by, the Group's Chief Operating Decision Maker (CODM) for the purposes of making strategic decisions and assessing Group-wide performance.

The CODM is the Group Executive Committee. This Committee is responsible for the implementation of strategy (approved by the Board), the management of risk (delegated by the Board) and the review of Group operational performance and ongoing business integration.

The Executive Committee assesses the performance of these operating segments based on Net Revenue from external customers and Adjusted Operating Profit. Intercompany transactions between operating segments are eliminated. Finance income and expense are not allocated to segments, as each is managed on a centralised basis.

The segment information provided to the Executive Committee for the operating segments for the year ended 31 December is as follows:

Year ended 31 December 2018	**Health £m**	**Hygiene Home £m**	**Total £m**
Net Revenue	**7,762**	**4,835**	**12,597**
Adjusted Operating Profit	**2,207**	**1,151**	**3,358**
Adjusting items			**(311)**
Operating Profit			**3,047**
Net finance expense			**(325)**
Profit before income tax			**2,722**

Year ended 31 December 2017 (restated)[1]	Health £m	Hygiene Home £m	Total £m
Net Revenue[2]	6,562	4,887	11,449
Adjusted Operating Profit	1,949	1,173	3,122
Reallocation of central costs			(385)
Operating Profit			2,737
Net finance expense			(238)
Profit before income tax			2,499

1. Restated to reflect new operating segments.
2. Restated for the adoption of IFRS 15 (see Note 1).

2 Operating Segments continued

The Company is domiciled in the UK. The split of Net Revenue from external customers and non-current assets (other than equity instruments – FVOCI, deferred tax assets and retirement benefit surplus assets) between the UK, the US, Greater China (US and Greater China being the two biggest countries outside the country of domicile) and all other countries is:

2018	UK £m	US £m	Greater China[1] £m	All other countries £m	Total £m
Net Revenue	**737**	**3,176**	**1,431**	**7,253**	**12,597**
Goodwill and other intangible assets	**1,962**	**11,048**	**8,249**	**9,019**	**30,278**
Property, plant and equipment	**261**	**464**	**46**	**1,087**	**1,858**
Other non-current receivables	**3**	**67**	**3**	**36**	**109**

2017	UK £m	US £m	Greater China[1] £m	All other countries £m	Total £m
Net Revenue[2]	712	2,792	819	7,126	11,449
Goodwill and other intangible assets	1,937	10,470	8,164	8,916	29,487
Property, plant and equipment	207	461	49	1,037	1,754
Other non-current receivables	15	61	1	22	99

1. Greater China represents Mainland China, Hong Kong and Taiwan.
2. Restated for the adoption of IFRS 15 (see Note 1).

The Net Revenue from external customers reported on a geographical basis above is measured consistently with that in the operating segments. Major customers are typically large grocery chains, mass markets and multiple retailers. The Group's customer base is diverse, with no individual customer accounting for more than 10% of Net Revenue (2017: one customer accounting for more than 10%).

3 Analysis of Net Operating Expenses

	2018 £m	2017 (restated)[1] £m
Distribution costs	**(3,168)**	(2,952)
Administrative expenses:		
Research and development[2]	**(223)**	(187)
Other	**(890)**	(724)
Total administrative expenses	**(1,113)**	(911)
Other net operating income	**4**	3
Adjusting items included in net operating expenses	**(311)**	(226)
Net operating expenses	**(4,588)**	(4,086)

1. Restated for the adoption of IFRS 15 (see Note 1).
2. Research and development excludes the cost of local regulatory support.

A net foreign exchange loss of £1 million (2017: £20 million) has been recognised through the Income Statement.

3 Analysis of Net Operating Expenses continued

Adjusting Items

The Group uses certain adjusted earnings measures, including Adjusted Operating Profit and Adjusted Net Income, to provide additional clarity about the underlying performance of the business.

The Group makes reference to adjusting items in presenting the Group's principal adjusted earnings measures. These 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, which are relevant to an understanding of the underlying performance and trends of the business.
- Other adjusting items comprise the amortisation of certain fair value adjustments recorded in respect of finite-life intangible assets recognised in the purchase price allocation for the acquisition of MJN. The Group adjusts for these charges because their pattern of recognition is largely uncorrelated with the underlying performance of the business.
- 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 in the adjusted profit before income tax measure.

The table below provides a reconciliation of the Group's reported statutory earnings measures to its adjusted measures for the year ended 31 December 2018:

Year ended 31 December 2018	Reported £m	Adjusting: Exceptional items £m	Adjusting: Other items £m	Adjusting: Finance expense reclassification £m	Adjusted £m
Operating Profit	**3,047**	**233**[2]	**78**[3]	**–**	**3,358**
Net finance expense	**(325)**	**–**	**–**	**29**[4]	**(296)**
Profit before income tax	**2,722**	**233**	**78**	**29**	**3,062**
Income tax expense	**(536)**	**(50)**[2]	**(17)**[3]	**(29)**[4]	**(632)**
Net income for the year from continuing operations	**2,186**	**183**	**61**	**–**	**2,430**
Less: Attributable to non-controlling interests	**(20)**	**–**	**–**	**–**	**(20)**
Net income for the year attributable to owners of the parent (continuing)	**2,166**	**183**	**61**	**–**	**2,410**
Net loss for the year from discontinued operations	**(5)**[1]	**5**	**–**	**–**	**–**
Total net income for the year attributable to owners of the parent	**2,161**	**188**	**61**	**–**	**2,410**

1. Exceptional items within discontinued operations relate to a foreign exchange loss of £17 million on the provision booked in prior year for ongoing investigations by the US Department of Justice ("DoJ") and the US Federal Trade Commission, offset by further consideration from McCormick & Company, Inc of £12 million relating to the 2017 sale of RB Food.
2. Exceptional items within Operating Profit of £233 million relate to:
   - MJN integration/RB 2.0 costs of £185 million; and
   - Restructuring, Supercharge and other projects strategic to the Group of £48 million.

   Included within income tax expense is a £50 million tax credit for these exceptional costs.
3. Other adjusting items of £78 million relate to the amortisation of certain intangible assets recognised as a result of the acquisition of MJN, charged during the period ended 31 December 2018. In addition, there is a £17 million income tax credit in respect of these costs.
4. Adjusting items of £29 million relate to the reclassification of interest on income tax balances from finance expense to income tax in the adjusting measure.

3 Analysis of Net Operating Expenses continued

The table below provides a reconciliation of the Group's reported statutory earnings measures to its adjusted measures for the year ended 31 December 2017:

Year ended 31 December 2017	Reported £m	Adjusting: Exceptional items £m	Adjusting: Other items £m	Adjusting: Finance expense reclassification £m	Adjusted £m
Operating Profit	2,737	342[1]	43[5]	–	3,122
Net finance expense	(238)	35[2]	–	30[6]	(173)
Profit before income tax	2,499	377	43	30	2,949
Income tax expense	894	(1,527)[3]	(16)[5]	(30)[6]	(679)
Net income for the year from continuing operations	3,393	(1,150)	27	–	2,270
Less: Attributable to non-controlling interests	(17)	–	–	–	(17)
Net income for the year attributable to owners of the parent (continuing)	3,376	(1,150)	27	–	2,253
Net income for the year from discontinued operations	2,796	(2,741)[4]	–	–	55
Total net income for the year attributable to owners of the parent	6,172	(3,891)	27	–	2,308

1. Exceptional items within Operating Profit of £342 million include £219 million relating to the acquisition of MJN, which comprise the following:
   - Transaction fees of £60 million.
   - Unwinding of fair value adjustment made to inventories recorded on the purchase price allocation of £159 million, recorded in cost of sales in the Group Income Statement.

   The remaining exceptional costs within operating profit relate to previously announced restructuring projects, including:
   - MJN integration/RB 2.0 of £90 million.
   - Restructuring, Supercharge and other projects strategic to the Group of £33 million.
2. Exceptional costs included within net finance expense comprises £23 million for the accelerated write-off of facility fees as a result of the acquisition of MJN in June 2017, when short-term bridge facilities were replaced with the issuance of $7,750 million of fixed and floating rate loan notes, and £12 million for the accelerated write-off of facility fees as a result of the early repayment of certain term loans using the proceeds from the disposal of RB Food.
3. Included within income tax credit is a £1,421 million tax credit resulting from the US Tax Reform and £106 million, representing the tax credit for the exceptional costs noted above.
4. Adjusting items included in discontinued operations comprise the gain on the disposal of RB Food of £3,024 million, a tax credit of £13 million on this gain, and a charge of £296 million in respect of provision for settlement of the ongoing investigations by the US Department of Justice ("DoJ") arising from certain matters relating to the RB Pharmaceuticals business prior to its demerger in December 2014.
5. Other adjusting items of £43 million relate to the amortisation of certain intangible assets recognised as a result of the acquisition of MJN, charged over the period since the acquisition up to 31 December 2017. In addition, there is a £16 million income tax credit in respect of these costs.
6. Adjusting items of £30 million relate to the reclassification of interest on income tax balances from finance expense to income tax in the adjusting measure (Note 1).

4 Auditor's Remuneration

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's Auditor and its associates. In 2018, the Company's Auditor was KPMG LLP, while in 2017 the Company's Auditor was PwC LLP.

	2018 £m	2017 £m
Audit services pursuant to legislation		
Audit of the Group's Annual Report and Financial Statements	**3.6**	2.3
Audit of the Financial Statements of the Group's subsidiaries	**5.9**	4.3
Audit-related assurance services	**0.3**	1.3
Total audit and audit-related services	**9.8**	7.9
Fees payable to the Company's Auditors and its associates for other services:		
Corporate finance services	**–**	2.7
Taxation compliance services	**–**	0.4
Taxation advisory services	**–**	0.3
Other assurance services	**0.1**	0.8
Total non-audit services	**0.1**	4.2
	9.9	12.1

5 Employees

Staff Costs

The total employment costs, including Directors, were:

	Note	2018 £m	2017 £m
Wages and salaries		**1,471**	1,252
Social security costs		**227**	204
Other pension costs	22	**53**	63
Share-based payments	24	**16**	78
		1,767	1,597

Executive Directors' aggregate emoluments are disclosed in the Directors' Remuneration Report.

Compensation awarded to key management (the Executive Committee) was:

	2018 £m	2017 £m
Short-term employee benefits	**16**	7
Post-employment benefits	**1**	1
Share-based payments	**1**	26
Termination benefits	**–**	1
	18	35

Termination benefits and share-based payments include contractual commitments made to key management in 2018, comprising cash payments and share awards.

Staff Numbers

The monthly average number of people employed by the Group, including Directors, during the year was:

	2018 '000	2017[1] '000
Continuing operations		
North America	**4.3**	4.8
Europe/ANZ	**13.3**	12.7
DvM	**24.8**	22.6
Discontinued operations		
RB Food	**–**	0.3
	42.4	40.4

1. 2017 staff numbers for continuing operations have been re-presented on a geographic basis.

6 Net Finance Expense

	2018 £m	2017 £m
Finance income		
Interest income on cash and cash equivalents	**78**	60
Total finance income	**78**	60
Finance expense		
Interest payable on borrowings	**(352)**	(205)
Net pension plan interest	**(2)**	(9)
Amortisation of issue costs of bank loans	**(5)**	(42)
Finance expense on tax balances	**(29)**	(30)
Other finance expense	**(15)**	(12)
Total finance expense	**(403)**	(298)
Net finance expense	**(325)**	(238)

All net finance expense relates to continuing operations only.

7 Income Tax Expense/(Benefit)

	2018 £m	2017 £m
Current tax	**545**	760
Adjustment in respect of prior periods	**50**	(52)
Total current tax	**595**	708
Origination and reversal of temporary differences	**(59)**	(38)
Impact of changes in tax rates	**–**	(1,564)
Total deferred tax	**(59)**	(1,602)
Income tax expense/(benefit)	**536**	(894)

Current tax includes tax incurred by UK entities of £55 million (2017: £53 million). This is comprised of UK corporation tax of £32 million (2017: £25 million) and overseas tax suffered of £23 million (2017: £28 million). UK current tax is calculated at 19% (2017: 19.25%) of the estimated assessable profit for the year, net of relief for overseas taxes where available. Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Cash tax paid in the year was £567 million (2017: £543 million). The variance between the current year tax charge of £545 million and cash tax paid is attributable to movements on non-current tax liabilities (shown in Note 21) and timing differences arising between accrual and payment of income tax liabilities.

The 2017 deferred tax impact of changes in tax rates of £1,564 million primarily relates to the enactment of a reduction in the US federal corporation rate from 35% to 21%, applicable from 1 January 2018. This resulted in a reduction in the value of deferred tax assets and deferred tax liabilities.

Origination and reversal of temporary differences includes adjustments in respect of prior periods of £22 million expense (2017: £23 million income).

The total tax charge on the Group's profits for the year can be reconciled to the notional tax charge calculated at the UK tax rate as follows:

Continuing operations	2018 £m	2017 £m
Profit before income tax	**2,722**	2,499
Tax at the notional UK corporation tax rate of 19% (2017: 19.25%)	**517**	481
Effect of:		
Overseas tax rates	**(79)**	(66)
Movement in provision related to uncertain tax positions	**78**	122
Unrecognised tax losses and other unrecognised tax assets	**(44)**	(17)
Withholding and local taxes	**74**	29
US tax reform – transition tax and cost of repatriation	**–**	208
Reassessment of prior year estimates	**(10)**	(75)
Impact of changes in tax rates	**–**	(1,564)
Adjusting items	**4**	(11)
Other permanent differences	**(4)**	(1)
Income tax expense/(benefit)	**536**	(894)

Our effective tax rate in any given financial year reflects a variety of factors that may not be present in succeeding financial years, and may be affected by variations in profit mix and changes in tax laws, regulations and related interpretations.

The effect of overseas tax rates represents the impact of profits arising outside the UK that are taxed at different rates to the UK rate.

Unrecognised tax losses and other unrecognised tax assets primarily relates to losses arising from an internal restructuring carried out during 2018.

7 Income Tax Expense/(Benefit) continued

Withholding and local taxes includes a provision for deferred tax on unremitted earnings. This charge is expected to arise on planned repatriations of retained earnings from overseas subsidiaries in future periods.

Reassessment of prior year estimates arose as a result of revised tax filings and differences between final tax return submissions and liabilities accrued in these Financial Statements.

We conduct business operations in a number of countries, and are therefore subject to tax and intercompany pricing laws in multiple jurisdictions. We have in the past faced, and may in the future face, audits and challenges brought by tax authorities, and we are involved in ongoing tax investigations in a number of countries. If material challenges were to be successful, our effective tax rate may increase, we may be required to modify structures at significant costs to us, we may also be subject to interest and penalty charges and we may incur costs in defending litigation or reaching a settlement. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

On 19 December 2018, the European Commission ("EC") issued a press release in connection with its investigation into certain aspects of the Gibraltar tax system and on 25 January 2019 published its resultant decision which concluded that Gibraltar had granted State Aid to a number of companies and that this State Aid now needed to be recovered by the Gibraltar authorities. This judgement impacted a former MJN subsidiary which no longer exists and the Group is currently assessing the implications of the Commission's investigation.

The EC's investigation into whether the United Kingdom's controlled foreign company Group finance exemption constitutes State Aid remains ongoing and the Group continues to monitor developments.

The tax credit/(charge) relating to components of other comprehensive income is as follows:

	2018			2017		
	Before tax £m	**Tax credit/(charge) £m**	**After tax £m**	Before tax £m	Tax (charge)/credit £m	After tax £m
Net exchange gains/(losses) on foreign currency translation	**59**	**8**	**67**	(310)	–	(310)
(Losses)/gains on cash flow and net investment hedges	**(38)**	**2**	**(36)**	55	(8)	47
Reclassification of foreign currency translation reserves on disposal of foreign operations	**–**	**–**	**–**	145	–	145
Remeasurement of defined benefit pension plans (Note 22)	**149**	**(26)**	**123**	34	(22)	12
Revaluation of equity instruments – FVOCI	**–**	**–**	**–**	6	–	6
Other comprehensive income	**170**	**(16)**	**154**	(70)	(30)	(100)
Current tax		**6**			1	
Deferred tax (Note 11)		**(22)**			(31)	
		(16)			(30)	

The tax credited/(charged) directly to the Statement of Changes in Equity during the year is as follows:

	2018 £m	2017 £m
Current tax	**7**	20
Deferred tax (Note 11)	**(12)**	(14)
	(5)	6

8 Earnings Per Share

	2018 pence	2017 pence
Basic earnings per share		
From continuing operations	**306.8**	480.6
From discontinued operations	**(0.7)**	398.1
Total basic earnings per share	**306.1**	878.7
Diluted earnings per share		
From continuing operations	**305.5**	474.7
From discontinued operations	**(0.7)**	393.2
Total diluted earnings per share	**304.8**	867.9
Adjusted basic earnings per share		
From continuing operations	**341.4**	320.8
From discontinued operations	**–**	7.8
Total adjusted basic earnings per share	**341.4**	328.6
Adjusted diluted earnings per share		
From continuing operations	**339.9**	316.9
From discontinued operations	**–**	7.7
Total adjusted diluted earnings per share	**339.9**	324.6

Basic

Basic earnings per share is calculated by dividing the net income attributable to owners of the parent from continuing operations (2018: £2,166 million; 2017: £3,376 million) and discontinued operations (2018: £5 million loss; 2017: £2,796 million income) by the weighted average number of ordinary shares in issue during the year (2018: 705,903,566; 2017: 702,379,197).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has the following categories of potentially dilutive ordinary shares: Executive Share Awards (including Executive Share Options and Executive Restricted Share Scheme Awards) and Employee Sharesave Scheme Options. The options only dilute earnings when they result in the issue of shares at a value below the market price of the share and when all performance criteria (if applicable) have been met. As at 31 December 2018 there were 4,628,897 (2017: 69,200) Executive Share Awards excluded from the dilution because the exercise price for the options was greater than the average share price for the year or the performance criteria have not been met.

	2018 Average number of shares	2017 Average number of shares
On a basic basis	**705,903,566**	702,379,197
Dilution for Executive Share Awards	**2,908,086**	8,054,213
Dilution for Employee Sharesave Scheme Options outstanding	**192,973**	691,174
On a diluted basis	**709,004,625**	711,124,584

Adjusted earnings

Details of the adjusted net income attributable to owners of the parent are as follows:

Continuing operations	2018 £m	2017 £m
Net income attributable to owners of the parent	**2,166**	3,376
Exceptional items, net of tax (Note 3)	**183**	(1,150)
Other Adjusting items, net of tax (Note 3)	**61**	27
Adjusted net income attributable to owners of the parent	**2,410**	2,253

8 Earnings Per Share continued

Discontinued operations	2018 £m	2017 £m
Net (loss)/income attributable to owners of the parent	**(5)**	2,796
Exceptional items, net of tax (Note 3)	**5**	(2,741)
Adjusted net income attributable to owners of the parent	**–**	55

9 Goodwill and Other Intangible Assets

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2017	9,549	3,942	137	65	13,693
Additions	–	–	63	–	63
Arising on business combinations	9,043	8,020	19	107	17,189
Disposals	(52)	–	(2)	–	(54)
Exchange adjustments	(652)	(443)	(2)	(7)	(1,104)
At 31 December 2017	**17,888**	**11,519**	**215**	**165**	**29,787**
Additions	–	–	94	–	94
Arising on business combinations	–	28	–	–	28
Disposals	–	–	(10)	–	(10)
Exchange adjustments	482	304	4	3	793
At 31 December 2018	**18,370**	**11,851**	**303**	**168**	**30,692**
Accumulated amortisation and impairment					
At 1 January 2017	156	22	41	20	239
Amortisation and impairment charge	35	–	23	12	70
Disposals	–	–	(1)	–	(1)
Exchange adjustments	(3)	(4)	–	(1)	(8)
At 31 December 2017	**188**	**18**	**63**	**31**	**300**
Amortisation and impairment charge	61	–	38	22	121
Disposals	–	–	(8)	–	(8)
Exchange adjustments	1	–	–	–	1
At 31 December 2018	**250**	**18**	**93**	**53**	**414**
Net book value					
At 31 December 2017	**17,700**	**11,501**	**152**	**134**	**29,487**
At 31 December 2018	**18,120**	**11,833**	**210**	**115**	**30,278**

The amount stated for brands represents the fair value of brands acquired since 1985 at the date of acquisition. Other includes product registration, distribution rights, capitalised product development costs and customer contracts.

Software includes intangible assets under construction of £47 million (2017: £54 million).

The majority of brands, all of goodwill and certain other intangibles are considered to have indefinite lives for the reasons noted in the Accounting Policies and therefore are subject to an annual impairment review. The MJN global brand, acquired MJN WIC contracts and a number of small non-core brands are deemed to have a finite life and are amortised accordingly. Amortisation is recognised in net operating expenses.

9 Goodwill and Other Intangible Assets continued

The net book amounts of indefinite and finite life intangible assets are as follows:

Net book amount	2018 £m	2017 £m
Indefinite life assets:		
Brands	**17,616**	17,153
Goodwill	**11,833**	11,501
Other	**42**	45
Total indefinite life assets	**29,491**	28,699
Finite life assets:		
Brands	**504**	547
Software	**210**	152
Other	**73**	89
Total finite life assets	**787**	788
Total net book amount of intangible assets	**30,278**	29,487

Cash Generating Units

Goodwill and other intangible assets with indefinite lives are allocated to either individual cash generating units (CGUs), or groups of cash generating units (together 'GCGUs'). The goodwill and intangible assets with indefinite lives are tested for impairment at the level at which identifiable cash inflows are largely independent. Generally this is at a GCGU level, but for certain intangible assets this is at a CGU level.

After considering all the evidence available, including how brand and production assets generate cash inflows and how management monitors the business, the Directors have concluded that for the purpose of impairment testing of goodwill and intangible assets, the Group's GCGUs are as follows: Health, Hygiene Home and IFCN.

Hygiene and Home are no longer considered separate GCGUs on the basis of changes made as part of RB 2.0.

An analysis of the net book value of indefinite life assets and goodwill by GCGU is shown below:

		2018			2017 (restated)[1]		
GCGU	Key brands[1]	Indefinite life assets £m	Goodwill £m	Total £m	Indefinite life assets £m	Goodwill £m	Total £m
Health	Durex, Gaviscon, Mucinex, Nurofen, Scholl, Strepsils, Clearasil, Dettol, Veet	**7,405**	**3,783**	**11,188**	7,271	3,726	10,997
Hygiene Home[2]	Cillit Bang, Finish, Harpic, Lysol, Mortein, Air Wick, Calgon, Vanish, Woolite	**1,851**	**45**	**1,896**	1,789	45	1,834
IFCN	Enfamil, Nutramigen	**8,402**	**8,005**	**16,407**	8,138	7,730	15,868
		17,658	**11,833**	**29,491**	17,198	11,501	28,699

1. As part of RB 2.0, certain key brands have moved from the former Hygiene GCGU into Health. The 2017 comparative balances have been restated to reflect these movements.
2. As Hygiene Home is now considered to represent one GCGU, the 2017 comparative balances (restated) have been disclosed on an aggregated basis.

Within the Health GCGU, the cash flows of certain brands are separately identifiable. As a result, the carrying values of the associated indefinite life assets and goodwill have been tested for impairment as CGUs. This is in addition to the impairment testing over the Health GCGU. The CGUs tested separately in 2018 are shown below. BMS and VMS were not tested in 2018 as changes to their factory brand mix meant that the associated cash flows were no longer separately identifiable.

Indefinite life assets and goodwill	2018 £m	2017 £m
Sexual Wellbeing	**2,229**	2,201
Brazilian Sexual Wellbeing	**36**	47
Oriental Pharma	**128**	142

9 Goodwill and Other Intangible Assets continued

Annual Impairment Review

The annual impairment review of goodwill and indefinite life assets is based on an assessment of each GCGU's or CGU's recoverable amount, being the higher of value in use or fair value less costs of disposal. Both valuation models are calculated from cash flow projections, based on historical operating results, short-term budgets and medium-term financial plans, which have each been approved by management and cover either a three or five-year period. These projections exclude any estimated future cash inflows or outflows expected to arise from restructuring not yet implemented.

Given their nature, the cash flow projections are influenced by:

- Net Revenue growth based upon forecast future sales volumes and prices, which take account of the expected impact from committed new product initiatives, geographical expansion and the maturity of the markets in which each GCGU or CGU operates;
- Gross Margin based on historical experience adjusted for the impact of forecast production costs, cost optimisation initiatives and changes in product mix;
- Marketing and other expenditure, reflecting historical experience, expected levels of cost inflation, committed cost saving initiatives and future levels of marketing support required to sustain, grow and further innovate brands; and
- The discount rates used to calculate the present value of cash flows.

Cash flows beyond the initial three or five-year period are forecast using progressively decreasing growth rates followed by terminal growth rates. These rates do not exceed the long-term average growth rate for the products and markets in which the GCGU or CGU operates.

Management has determined an appropriate discount rate for each GCGU and CGU. In 2018, this was performed via a bottom-up analysis of the relevant Weighted Average Cost of Capital (WACC), combined with benchmarking of comparable companies.

Due to the wide geographic and product diversification of their respective markets, and the diverse risks associated with a number of GCGUs and CGUs, a pre-tax discount rate of 10% was determined for both the Health and Hygiene Home GCGUs as well as the Sexual Wellbeing CGU (2017: 10%).

The IFCN recoverable amount was calculated on a value in use basis using a pre-tax discount rate of 10%. In 2017, the IFCN recoverable amount was calculated on a fair value less costs of disposal basis using a post-tax discount rate of 8%.

The Oriental Pharma CGU is concentrated in China while the Brazilian Sexual Wellbeing CGU is concentrated in Brazil. Pre-tax discount rates of 13% were applied to both CGUs, reflecting the risks specific to each of these businesses.

	2018		2017	
GCGU/CGU	**Terminal growth rate %**	**Discount rate %**	Terminal growth rate %	Discount rate %
Health	**3**	**10**	4	10
Hygiene Home[1]	**2**	**10**	2	10
IFCN[2]	**3**	**10**	3	8
Oriental Pharma	**3**	**13**	4	12
Sexual Wellbeing	**3**	**10**	4	10
Brazilian Sexual Wellbeing	**3**	**13**	4	13

1. In 2017, the Hygiene terminal growth rate was 2% while the Home terminal growth rate was 1%.
2. The 2018 IFCN discount rate is on a pre-tax basis while the 2017 IFCN discount rate is on a post-tax basis.

9 Goodwill and Other Intangible Assets continued

Following the Group's annual impairment review, no impairments have been identified.

For the Health and Hygiene Home GCGUs, along with the Sexual Wellbeing and Brazilian Sexual Wellbeing CGUs, any reasonably possible change in the key valuation assumptions would not imply possible impairment. The results of the IFCN and Oriental Pharma impairment reviews are summarised below.

IFCN

On 15 June 2017, the Group acquired 100% of the issued share capital of MJN for cash consideration of £13,044 million ($16,642 million). The acquisition was treated as a business combination and hence both the assets acquired and liabilities assumed were brought onto the Group Balance Sheet at their fair value.

As part of the 2018 IFCN impairment assessment, future cash flows were estimated using a ten-year IFCN forecast (covering the period 2019 to 2028), which was derived from a detailed five-year financial plan and progressively decreasing growth rates thereafter. Over this period, the Net Revenue growth rates ranged between 3% and 6% per annum. A terminal growth rate of 3% was applied from 2029 onwards.

The IFCN impairment assessment indicated that the recoverable amount exceeded the net book value by less than 10 percent. This valuation incorporated the impact of the 2018 disruption at our European manufacturing plant. Looking ahead, management remains committed to delivering the expected sustained growth in both IFCN revenue and margins. This growth is expected to be achieved through an increase in volumes (generated via the utilisation of IFCN's already strong presence in developing and often fragmented markets), ongoing product innovation and premiumisation, and the achievement of scale and synergies with the wider RB Group.

The table below shows the impairment charge that would be required if key assumptions were negatively impacted. The table assumes no response by management (e.g. to drive further cost savings) and hence is theoretical in nature.

	Impairment charge £m
Expected Net Revenue growth rates (2019 to 2028) adjusted downwards by 100 bps	1,300
Expected EBIT growth rates (2019 to 2028) adjusted downwards by 100 bps	1,000
Terminal growth rate adjusted downwards by 100 bps	1,000
Pre-tax discount rate adjusted upwards by 100 bps	1,500

The table below shows the percentage movement in key assumptions that (individually) would be required to reach the point at which the IFCN value in use approximates its carrying value.

	Movement
Expected Net Revenue growth rates (2019-2028)	30 bps decrease
Expected EBIT growth rates (2019-2028)	30 bps decrease
Terminal growth rate	30 bps decrease
Pre-tax discount rate	20 bps increase

Oriental Pharma

The value in use of the Oriental Pharma CGU approximates its carrying value, and as such is highly sensitive to changes in key assumptions. If all other assumptions were held constant, a 30 percent reduction in assumed Net Revenue growth rates between 2019 and 2023 would lead to an impairment of £23 million. In addition, a 100 bps increase in the discount rate would result in an impairment of £15 million while a 100 bps reduction in the terminal growth rate would result in an impairment of £8 million. Applying these sensitivities together would result in an impairment of circa £37 million.

10 Property, Plant and Equipment

	Land and buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost				
At 1 January 2017	676	1,325	110	2,111
Additions	42	67	180	289
Arising on business combinations	399	439	82	920
Disposals	(42)	(165)	(8)	(215)
Transferred to assets classified as held for sale	(30)	(5)	–	(35)
Reclassifications	50	71	(121)	–
Exchange adjustments	(33)	(36)	(7)	(76)
At 31 December 2017	**1,062**	**1,696**	**236**	**2,994**
Additions	24	61	244	329
Disposals	(18)	(35)	–	(53)
Reclassifications	35	121	(156)	–
Exchange adjustments	14	14	3	31
At 31 December 2018	**1,117**	**1,857**	**327**	**3,301**
Accumulated depreciation and impairment				
At 1 January 2017	270	963	–	1,233
Charge for the year	48	150	–	198
Disposals	(24)	(150)	–	(174)
Impairment losses	3	–	–	3
Transferred to assets classified as held for sale	(14)	(4)	–	(18)
Exchange adjustments	(1)	(1)	–	(2)
At 31 December 2017	**282**	**958**	**–**	**1,240**
Charge for the year	54	169	–	223
Disposals	(2)	(26)	–	(28)
Impairment losses	5	1	–	6
Reclassifications	2	(2)	–	–
Exchange adjustments	2	–	–	2
At 31 December 2018	**343**	**1,100**	**–**	**1,443**
Net book value				
As at 31 December 2017	**780**	**738**	**236**	**1,754**
As at 31 December 2018	**774**	**757**	**327**	**1,858**

In the prior year, assets under construction were shown in plant and equipment. In the current year, they are shown separately from the other asset classes. Prior year amounts have been re-presented on a consistent basis.

The Group has commitments to purchase property, plant and equipment of £48 million (2017: £90 million).

11 Deferred Tax

Deferred tax	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2017	(5)	(2,335)	349	8	81	(1,902)
Credited/(charged) to the Income Statement	13	1,676	(75)	(4)	(13)	1,597
Credited/(charged) to other comprehensive income	1	(1)	(5)	–	(26)	(31)
Charged directly to equity	–	–	(14)	–	–	(14)
Arising on business combinations	(45)	(3,397)	212	9	27	(3,194)
Divestment of discontinued operations	3	17	–	–	(6)	14
Exchange differences	4	229	(21)	(2)	(5)	205
At 31 December 2017	(29)	(3,811)	446	11	58	(3,325)

2017	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
Deferred tax assets	10	(24)	108	4	20	118
Deferred tax liabilities	(39)	(3,787)	338	7	38	(3,443)
Deferred tax	(29)	(3,811)	446	11	58	(3,325)

Deferred tax	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2018	**(29)**	**(3,811)**	**446**	**11**	**58**	**(3,325)**
Credited/(charged) to the Income Statement	**6**	**75**	**(27)**	**12**	**(7)**	**59**
Credited/(charged) to other comprehensive income	**–**	**–**	**4**	**–**	**(26)**	**(22)**
Charged directly to equity	**–**	**–**	**(12)**	**–**	**–**	**(12)**
Arising on business combinations	**–**	**–**	**(2)**	**–**	**–**	**(2)**
Exchange differences	**(1)**	**(112)**	**–**	**1**	**4**	**(108)**
At 31 December 2018	**(24)**	**(3,848)**	**409**	**24**	**29**	**(3,410)**

2018	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
Deferred tax assets	**10**	**(19)**	**186**	**16**	**16**	**209**
Deferred tax liabilities	**(34)**	**(3,829)**	**223**	**8**	**13**	**(3,619)**
Deferred tax	**(24)**	**(3,848)**	**409**	**24**	**29**	**(3,410)**

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority.

Certain deferred tax assets in respect of corporation tax losses and other temporary differences totalling £1,063 million (2017: £1,139 million) have not been recognised at 31 December 2018 as it is not probable that taxable profit will be available, against which the deductible temporary differences can be utilised. These assets will be recognised if utilisation of the losses and other temporary differences becomes sufficiently probable.

12 Inventories

	2018 £m	2017 £m
Raw materials and consumables	**286**	269
Work in progress	**91**	120
Finished goods and goods held for resale	**899**	812
Total inventories	**1,276**	1,201

The total cost of inventories recognised as an expense and included in cost of sales amounted to £4,732 million (2017: £4,426 million). This includes inventory write-offs and losses of £150 million (2017: £73 million).

The Group inventory provision at 31 December 2018 was £159 million (2017: £95 million).

13 Trade and Other Receivables

Amounts falling due within one year	2018 £m	2017 £m
Trade receivables	**1,902**	1,778
Less: Provision for impairment of receivables	**(67)**	(55)
Trade receivables – net	**1,835**	1,723
Other receivables	**192**	215
Prepayments and accrued income	**70**	66
	2,097	2,004

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2018 £m	2017 £m
US dollar	**687**	547
Euro	**299**	317
Sterling	**128**	112
Brazil real	**120**	119
Other currencies	**863**	909
	2,097	2,004

The maximum exposure to credit risk at the year end is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

a Trade receivables

Trade receivables consist of amounts due from customers. The Group's customer base is large and diverse and consequently there is limited concentration of credit risk. Credit risk is assessed at a subsidiary and Group level and take into account the financial positions of customers, past experiences, future expectations and other relevant factors. Individual credit limits are imposed based on those factors.

The following table provides an ageing analysis of trade receivables at year end:

13 Trade and Other Receivables continued

Ageing analysis	2018 £m	2017 £m
Not overdue	**1,538**	1,502
Up to three months overdue	**311**	217
Over three months overdue	**53**	59
Trade receivables	**1,902**	1,778

At 31 December 2018, a provision of £67 million (2017: £55 million) was recorded against certain trade receivables based on a forward-looking assessment of the lifetime expected credit loss as required by IFRS 9. This assessment considered the ageing profiles of specific trade receivable balances along with the risk of future customer defaults.

As at 31 December 2018, trade receivables of £297 million (2017: £221 million) were past due but not impaired. These receivables were not impaired because having considered their nature and historical collection, recovery of the unprovided amounts is expected in due course.

b Other current receivables

Other receivables includes recoverable sales tax of £121 million (2017: £151 million). This contains £4 million (2017: £3 million) of impaired assets all aged over three months from a broad range of countries within the Group.

Other non-current receivables

Non-current other receivables at 31 December 2018 were £109 million (2017: £99 million). This includes non-current derivative financial instruments of £1 million (2017: £2 million).

14 Financial Instruments and Financial Risk Management

'IFRS 9 – Financial Instruments' replaces 'IAS 39 Financial Instruments – Recognition and measurement' and was adopted by RB from 1 January 2018. IFRS 9 covers the recognition and measurement of financial instruments, impairment, derecognition and general hedge accounting, as well as emphasising Treasury-related risk management activities. The adoption of IFRS 9 did not result in any material changes to the recognition of financial instruments.

Financial Instruments by Category

At 31 December 2018	Amortised cost £m	Hedging Instruments at fair value £m	Fair value through the Income Statement £m	Fair value through OCI £m	Carrying value total £m
Assets as per the Balance Sheet					
Trade and other receivables[1]	**2,086**	–	–	–	**2,086**
Derivative financial instruments – FX forward exchange contracts	–	**24**	**15**	–	**39**
Equity instruments – FVOCI[2]	–	–	–	**53**	**53**
Cash and cash equivalents	**1,483**	–	–	–	**1,483**

	Hedging Instruments at fair value £m	Fair value through the Income Statement £m	Amortised cost £m	Carrying value total £m
Liabilities as per the Balance Sheet				
Borrowings (commercial paper, bank loans and overdrafts)[3]	–	–	**1,648**	**1,648**
Financial lease obligations[3]	–	–	**1**	**1**
Bonds	–	–	**6,440**	**6,440**
Senior notes	–	–	**2,464**	**2,464**
Term loans	–	–	**1,326**	**1,326**
Derivative financial instruments – FX forward exchange contracts	**17**	**9**	–	**26**
Derivative financial instruments – Interest rate swaps	**16**	–	–	**16**
Trade and other payables[4]	–	–	**4,664**	**4,664**
Other non-current liabilities[4,5]	–	–	**224**	**224**

14 Financial Instruments and Financial Risk Management continued

At 31 December 2017	Amortised cost £m	Hedging Instruments at fair value £m	Fair value through the Income Statement £m	Fair value through OCI £m	Carrying value total £m
Assets as per the Balance Sheet					
Trade and other receivables[1]	1,998	–	–	–	1,998
Derivative financial instruments – FX forward exchange contracts	–	15	5	–	20
Equity instruments – FVOCI[2]	–	–	–	41	41
Cash and cash equivalents	2,125	–	–	–	2,125

	Hedging Instruments at fair value £m	Fair value through the Income Statement £m	Amortised cost £m	Carrying value total £m
Liabilities as per the Balance Sheet				
Borrowings (commercial paper, bank loans and overdrafts)[3]	–	–	976	976
Bonds	–	–	6,443	6,443
Senior notes	–	–	2,350	2,350
Term loans	–	–	3,092	3,092
Derivative financial instruments – FX forward exchange contracts	16	3	–	19
Derivative financial instruments – Interest rate swaps	12	–	–	12
Trade and other payables[4]	–	–	4,410	4,410
Other non-current liabilities[4,5]	–	–	196	196

1. Prepayments and employee benefit assets are excluded from the trade and other receivables balance as they are out of scope of IFRS 7.
2. Equity instruments – FVOCI (classified as available for sale financial assets prior to the adoption of IFRS 9) relate to an investment of less than 1% of the shares in issue of China Resources Pharmaceutical Group Limited (CRP) and an investment in Pharmapacks, LLC.
3. The categories in this disclosure are determined by IFRS 9. Borrowings largely relate to commercial paper. As at 31 December 2018, the Group had commercial paper in issue amounting to $783 million (nominal values) at the rate of between 2.54% and 2.98% with maturities ranging from 3 January 2019 to 7 March 2019, and €1,110 million (nominal values) at the rate of between negative 0.21% and negative 0.25% with maturities ranging from 23 January 2019 to 13 June 2019. Finance leases are outside the scope of IFRS 9, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately.
4. Social security liabilities, other employee benefit liabilities, and interest accrued on tax balances are excluded as they are out of scope of IFRS 7.
5. Other non-current liabilities principally comprise a put option over the non-controlling interests of certain Group subsidiaries in China of £148 million (2017: £105 million). Refer to Note 26 for further details.

The fair value measurement hierarchy levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly, i.e. derived from prices (level 2). If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

14 Financial Instruments and Financial Risk Management continued

The following table categorises the Group's financial assets and liabilities held at fair value by the valuation methodology applied in determining their fair value.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 December 2018				
Assets as per the Balance Sheet				
Derivative financial instruments – FX forward exchange contracts		**39**		**39**
Equity instruments – FVOCI	**44**		**9**	**53**
Liabilities as per the Balance Sheet				
Derivative financial instruments – FX forward exchange contracts		**26**		**26**
Derivative financial instruments – Interest rate swaps		**16**		**16**
At 31 December 2017				
Assets as per the Balance Sheet				
Derivative financial instruments – FX forward exchange contracts		20		20
Equity instruments – FVOCI	41			41
Liabilities as per the Balance Sheet				
Derivative financial instruments – FX forward exchange contracts		19		19
Derivative financial instruments – Interest rate swaps		12		12

The fair value of forward foreign exchange contracts was determined using forward exchange rates derived from market sourced data at the Balance Sheet date, with the resulting value discounted back to present value (level 2 classification). The fair value of Equity Instruments – FVOCI was determined using both quoted share price information (level 1 classification) and other non-market information (level 3 classification).

The fair value of the interest rate swap contracts was calculated using discounted future cash flows at floating market rates (level 2 classification).

Except for the bonds and senior notes, the fair values of other financial assets and liabilities at amortised cost approximate their carrying values. The fair value of the bonds as at 31 December 2018 is a liability of £6,175 million (2017: £6,375 million) and the fair value of the senior notes as at 31 December 2018 is a liability of £2,432 million (2017: £2,391 million). The fair value of the bonds and senior notes was derived using quoted market rates in an active market (level 1 classification).

Offsetting Financial Assets and Financial Liabilities

The Group has forward foreign exchange contracts and cash that are subject to enforceable master netting arrangements. The following tables set out the carrying amounts of the recognised financial instruments that are subject to these agreements.

(a) Financial assets

At 31 December 2018	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the Balance Sheet £m	Net amounts of financial assets presented in the Balance Sheet £m	Financial instruments not set off in the Balance Sheet £m	Net amount £m
Forward foreign exchange contracts	**39**	**–**	**39**	**(21)**	**18**
Cash and cash equivalents	**1,483**	**–**	**1,483**	**–**	**1,483**
	1,522	**–**	**1,522**	**(21)**	**1,501**

14 Financial Instruments and Financial Risk Management continued

As at 31 December 2017	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the Balance Sheet £m	Net amounts of financial assets presented in the Balance Sheet £m	Financial instruments not set off in the Balance Sheet £m	Net amount £m
Forward foreign exchange contracts	20	–	20	(13)	7
Cash and cash equivalents	2,125	–	2,125	–	2,125
	2,145	–	2,145	(13)	2,132

(b) Financial liabilities

As at 31 December 2018	**Gross amounts of recognised financial liabilities £m**	**Gross amounts of recognised financial assets set off in the Balance Sheet £m**	**Net amounts of financial liabilities presented in the Balance Sheet £m**	**Financial instruments not set off in the Balance Sheet £m**	**Net amount £m**
Forward foreign exchange contracts	**(26)**	**–**	**(26)**	**21**	**(5)**
Interest rate swaps	**(16)**	**–**	**(16)**	**–**	**(16)**
Bank overdrafts	**(6)**	**–**	**(6)**	**–**	**(6)**
	(48)	**–**	**(48)**	**21**	**(27)**

As at 31 December 2017	Gross amounts of recognised financial liabilities £m	Gross amounts of recognised financial assets set off in the Balance Sheet £m	Net amounts of financial liabilities presented in the Balance Sheet £m	Financial instruments not set off in the Balance Sheet £m	Net amount £m
Forward foreign exchange contracts	(19)	–	(19)	13	(6)
Interest rate swaps	(12)	–	(12)	–	(12)
Bank overdrafts	(8)	–	(8)	–	(8)
	(39)	–	(39)	13	(26)

Financial Risk Management

The Group's multinational operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates (foreign exchange risk), market prices, interest rates, credit risks and liquidity. The Group has in place a risk management programme that uses foreign currency financial instruments, including debt, and other instruments, to limit the impact of these risks on the financial performance of the Group.

The Group's financing and financial risk management activities are centralised into Group Treasury ('GT') to achieve benefits of scale and control. GT manages financial exposures of the Group centrally in a manner consistent with underlying business risks. GT manages only those risks and flows generated by the underlying commercial operations and speculative transactions are not undertaken.

The Board of Directors reviews and agrees policies, guidelines and authority levels for all areas of Treasury activity and individually approves significant activities. GT operates under the close control of the CFO and is subject to periodic independent reviews and audits, both internal and external.

1. Market risk

(a) Currency risk

The Group operates internationally and enters into transactions in many currencies and as such is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

14 Financial Instruments and Financial Risk Management continued

The Group's policy is to align interest costs and operating profit of its major currencies in order to provide some protection against the translation exposure on foreign currency profits after tax. The Group may undertake borrowings and other hedging methods in the currencies of the countries where most of its assets are located.

It is the Group's policy to monitor and only where appropriate hedge its foreign currency transaction exposure. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services and from the remittances of foreign currency dividends and loans. Where the Group enters into hedges and applies hedge accounting, hedges are documented and tested for effectiveness on an ongoing basis with any ineffectiveness recorded in the Income Statement.

The local business units enter into forward foreign exchange contracts with GT to manage these exposures where practical and allowed by local regulations. GT matches the Group exposures, and hedges the position where possible, using spot and forward foreign currency exchange contracts.

The Group's strategy is to minimise Income Statement volatility by monitoring foreign currency balances, external financing, and external hedging arrangements. The Group's hedging profile is regularly reviewed to ensure it is appropriate and to mitigate these risks as far as possible.

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2018 was £4,486 million payable (2017: £2,760 million payable).

As at 31 December 2018, the Group had designated bonds totalling $500 million (2017: $1,000 million) as the hedging instrument in a net investment hedge relationship. The hedged risk is the foreign exchange currency risk on the value of the Group's net investments in US dollars. Possible sources of ineffectiveness include any impairments to the Group's net investments in US dollars. The hedges are documented and are assessed for effectiveness on an ongoing basis.

As at 31 December 2018, the Group had designated commercial paper totalling €1,000 million (2017: €1,000 million), for which the carrying value was equal to the fair value, as the hedging instrument in a net investment hedge relationship. This is to hedge the risk of loss in value of the Group's Euro net investments due to exchange rate fluctuations. The hedges are documented and are assessed for effectiveness on an ongoing basis.

The net gain or loss under these arrangements is recognised in other comprehensive income. The net effect on other comprehensive income for the year ended 31 December 2018 was a £44 million loss (2017: £44 million gain). If Sterling strengthens/weakens by 5% against the US dollar and Euro, the maximum impact on Shareholders' equity due to net investment hedging by US dollar bond and Euro commercial paper would be £20 million and £47 million respectively.

The Group held forward foreign exchange contracts designated as cash flow hedges. These were primarily denominated in US dollar, Euro, Sterling, Chinese renminbi, Mexican peso, Canadian dollar and Australian dollar. The notional value of the payable leg resulting from these financial instruments was as follows:

Cash Flow Hedge Profile	2018 £m	2017 £m
Euro	**403**	221
US dollar	**395**	115
Sterling	**241**	383
Chinese renminbi	**214**	–
Mexican peso	**88**	41
Canadian dollar	**82**	105
Australian dollar	**61**	63
Saudi riyal	**40**	98
Other	**351**	286
	1,875	1,312

These forward foreign exchange contracts are expected to mature over the period January 2019 to December 2020 (2017: January 2018 to December 2020).

14 Financial Instruments and Financial Risk Management continued

Hedge accounting is applied to the cash flow hedges and the economic relationship and expected effectiveness is assessed at inception, with any ineffectiveness recognised in the Income Statement. The ineffective portion recognised in the Income Statement arising from cash flow hedges is immaterial (2017: immaterial).

Gains and losses recognised in the hedging reserve in other comprehensive income on forward exchange contracts in 2018 of £6 million gain (2017: £12 million gain) are recognised in the Income Statement in the year or years during which the hedged forecast transaction affects the Income Statement, which is generally within 36 months from the Balance Sheet date.

At 31 December 2018, the Group had forward contracts used for cash flow hedging with total fair value of £7 million asset (2017: £1 million liability). These contracts are denominated in a diverse range of currency pairings, where a fluctuation of 5% in any one of the contract pairings, with all others remaining constant, would have a maximum effect of £25 million (2017: £13 million) on Shareholder equity, until the point at which the contracts mature and the forecast transaction occurs. The four largest contract pairings in order of nominal value were US dollar/Chinese renminbi, Euro/Polish zloty, US dollar/Euro and Sterling/Euro.

The remaining major monetary financial instruments (liquid assets, receivables, interest and non-interest bearing liabilities) are directly denominated in the functional currency of the Group or are transferred to the functional currency of the local entity through the use of derivatives.

The gains and losses from fair value movements on derivatives held at fair value through the Income Statement, recognised in the Income Statement in 2018, was a £65 million gain (2017: £61 million loss).

(b) Price risk

Due to the nature of its business the Group is exposed to commodity price risk related to the production or packaging of finished goods, such as oil-related, and a diverse range of other, raw materials. This risk is, however, managed primarily through medium-term contracts with certain key suppliers and is not therefore viewed as being a material risk.

(c) Interest rate risk

The Group has both interest-bearing and non-interest-bearing assets and liabilities. The Group monitors its interest income and expense rate exposure on a regular basis. The Group manages its interest income rate exposure on its gross financial assets by using a combination of fixed-rate term deposits.

Under the Group’s interest rate management strategy a percentage of fixed interest rate borrowings have been swapped to floating interest rate. The Group’s debt is obtained on a fixed or floating basis to align with fixed to floating debt requirements.

Interest rate swaps are held to hedge the interest rate risk associated with the $700 million 2019 Senior Note and $750 million 2020 Senior Note. The interest rate swaps convert the fixed rate of 4.9% on the 2019 Senior Note and 3% on the 2020 Senior Note to floating and have been designated as a fair value hedge. As at 31 December 2018, interest rate swaps held at fair value totalled £16 million payable (2017: £12 million payable). The fair value adjustment applied to the bonds due to the hedge designation totalled £16 million receivable (2017: £12 million receivable). The hedges are documented and assessed for ineffectiveness on an ongoing basis, with any ineffectiveness recognised in the Income Statement. Possible sources of ineffectiveness include any changes to credit ratings of the Group or counterparties to the interest rate swaps, differences in day counts between the interest rate swaps and the coupons of the hedged senior notes, and modifications to the senior notes such as any repayments.

Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on the Income Statement of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies, calculated on a full year and pre-tax basis.

14 Financial Instruments and Financial Risk Management continued

The scenarios are only run for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on the Income Statement of a 50 basis-point shift in interest rates would be a maximum increase of £16 million (2017: £18 million) or decrease of £16 million (2017: £18 million), respectively, for the liabilities covered. The simulation is done on a periodic basis to verify that the maximum loss simulated is within the limit given by management.

2. Credit risk

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to customers. The assessment of lifetime expected credit losses relating to trade and other receivables is detailed in Note 13. Financial institution counterparties are subject to approval under the Group's counterparty risk policy and such approval is limited to financial institutions with a BBB rating or above. The Group uses BBB and higher rated counterparties to manage risk and only uses sub-BBB rated counterparties by exception. The amount of exposure to any individual counterparty is subject to a limit defined within the counterparty risk policy, which is reassessed annually by the Board of Directors. Derivative financial instruments are only traded with counterparties approved in accordance with the approved policy. Derivative risk is measured using a risk weighting method.

The Group has counterparty risk from asset positions held with financial institutions. This is comprised of short-term investments, cash and cash equivalents and derivatives positions as stated on the face of the Balance Sheet. For risk management purposes, the Group assesses the exposure to major financial institutions by looking at the deposits, cash and cash equivalents and 5% of derivative notional position. The following table summarises the Group's assessment of its exposure:

	2018		
Counterparty	**Credit rating**	**Limit £m**	**Exposure £m**
Financial institution A	**AA-**	**200**	**201**
Financial institution B	**AAA**	**300**	**168**
Financial institution C	**A+**	**150**	**133**
Financial institution D	**A**	**121**	**112**
Financial institution E	**A**	**125**	**107**
Financial institution F	**A**	**100**	**99**
Financial institution G	**A+**	**125**	**95**
Financial institution H	**A**	**125**	**89**
Financial institution I	**A**	**115**	**85**
Financial institution J	**A**	**125**	**84**

	2017		
Counterparty	Credit rating	Limit £m	Exposure £m
Financial institution A	AAA	300	266
Financial institution B	AAA	250	193
Financial institution C	AAA	300	189
Financial institution D	AAA	200	182
Financial institution E	A+	150	179
Financial institution F	AA-	200	163
Financial institution G	AAA	300	115
Financial institution H	A	125	97
Financial institution I	A	125	93
Financial institution J	AA-	100	90

14 Financial Instruments and Financial Risk Management continued

3. Liquidity risk

Liquidity risk is the risk that the Group cannot repay financial liabilities as and when they fall due. The Group's liquidity risk is concentrated towards bond, term loan and senior note principal repayments due between 2019 and 2044.

The Group has various borrowing facilities available to it. The Group has bilateral credit facilities with high-quality international banks and has a financial covenant, which is not expected to restrict the Group's future operations.

At the end of 2018, the Group had long-term debt of £9,670 million (2017: £11,515 million), of which £9,091 million (2017: £10,979 million) is repayable in more than two years. In addition, the Group has undrawn committed borrowing facilities totalling £4,500 million (2017: £4,500 million), which expire after more than two years. The committed borrowing facilities (both drawn and undrawn), together with central cash and investments, are considered sufficient to meet the Group's projected cash requirements.

The undrawn committed facilities available, in respect of which all conditions precedent have been met at the Balance Sheet date, were as follows:

	2018 £m	2017 £m
Undrawn committed borrowing facilities:		
Expiring within one year	**–**	–
Expiring between one and two years	**–**	–
Expiring after more than two years	**4,500**	4,500
	4,500	4,500

All borrowing facilities are at floating rates of interest.

The facilities have been arranged to cover general corporate purposes, including support for commercial paper issuance. All facilities incur commitment fees at market rates.

The Group's borrowing limit at 31 December 2018, calculated in accordance with the Articles of Association, was £44,228 million (2017: £40,599 million).

The table below shows the Group's financial liabilities and the derivatives that will be settled on a net basis. It categorises these into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant Balance Sheet date, including interest to be paid.

At 31 December 2018	**Total £m**	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Commercial paper	**(1,608)**	**(1,608)**	**–**	**–**	**–**
Bonds	**(7,511)**	**(183)**	**(183)**	**(3,389)**	**(3,756)**
Term loans	**(1,476)**	**(42)**	**(42)**	**(1,392)**	**–**
Senior notes	**(3,337)**	**(650)**	**(662)**	**(169)**	**(1,856)**
Other borrowings	**(40)**	**(40)**	**–**	**–**	**–**
Interest rate swaps	**(18)**	**(12)**	**(6)**	**–**	**–**
Trade payables	**(1,798)**	**(1,798)**	**–**	**–**	**–**
Other payables	**(3,100)**	**(2,865)**	**(76)**	**–**	**(159)**

14 Financial Instruments and Financial Risk Management continued

At 31 December 2017	Total £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Commercial paper	(948)	(948)	–	–	–
Bonds	(7,631)	(546)	(171)	(2,890)	(4,024)
Term loans	(3,343)	(65)	(65)	(3,213)	–
Senior notes	(3,243)	(95)	(613)	(731)	(1,804)
Other borrowings	(28)	(28)	–	–	–
Interest rate swaps	(16)	(2)	(8)	(6)	–
Trade payables	(1,770)	(1,770)	–	–	–
Other payables	(2,844)	(2,640)	(91)	(113)	–

The table below shows the Group's derivative financial instruments that will be settled on a gross basis. It categorises these into relevant maturity groupings based on the remaining period between the Balance Sheet and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant Balance Sheet date.

At 31 December 2018	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Forward exchange contracts				
Outflow	**(4,480)**	**(6)**	**–**	**–**
Inflow	**4,491**	**8**	**–**	**–**

At 31 December 2017	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Forward exchange contracts				
Outflow	(2,749)	(6)	(3)	–
Inflow	2,763	8	5	–

Cash flow forecasting is performed by the local business units and on an aggregated basis by GT. GT monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Funds over and above those required for short-term working capital purposes by the local businesses are generally remitted to GT. The Group uses the remittances to settle obligations, repay borrowings, or, in the event of a surplus, invest in short-term instruments issued by institutions with a BBB rating or better.

4. Capital management

The Group considers capital to be net debt plus total equity. Net debt is calculated as total borrowings less cash and cash equivalents, short-term other investments and financing derivative financial instruments (Note 16). Total equity includes share capital, reserves and retained earnings as shown in the Group Balance Sheet.

	2018 £m	2017 £m
Net debt (Note 16)	**10,406**	10,746
Total equity	**14,789**	13,573
	25,195	24,319

14 Financial Instruments and Financial Risk Management continued

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital.

In 2018, the Group provided returns to Shareholders in the form of dividends. Refer to Note 27 for further details.

The Group monitors net debt and at the year end the Group had net debt of £10,406 million (2017: £10,746 million). The Group seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

Certain suppliers to the Group are able to access a supply chain financing arrangement that enables them to fund their working capital. As part of this facility, the Group has confirmed to certain financial institutions that it will make payments of £322 million (2017: £277 million) to these suppliers as they fall due. These amounts are recorded within trade payables on the Balance Sheet and all cash flows associated with the programme are included within operating cash flows as they continue to be part of the normal operating cycle of the Group.

15 Cash and Cash Equivalents

	2018 £m	2017 £m
Cash at bank and in hand	**635**	1,355
Short-term bank deposits	**848**	770
Cash and cash equivalents	**1,483**	2,125

The Group operates in a number of territories where there are either foreign currency exchange restrictions, or where it is difficult for the Group to extract cash readily and easily in the short-term. As a result, £2 million (2017: £10 million) of cash included in cash and cash equivalents is restricted for use by the Group, yet is available for use in the relevant subsidiary's day-to-day operations.

16 Financial Liabilities – Borrowings

Current	**2018 £m**	2017 £m
Bank loans and overdrafts[1]	**40**	28
Commercial paper[2]	**1,608**	948
Bonds	**–**	370
Senior notes	**560**	–
Finance lease obligations	**1**	–
	2,209	1,346

Non-current	**2018 £m**	2017 £m
Bonds	**6,440**	6,073
Senior notes	**1,904**	2,350
Term loans	**1,326**	3,092
	9,670	11,515

1. Bank loans are denominated in a number of currencies: all are unsecured and bear interest based on the relevant LIBOR equivalent.
2. Commercial paper was issued in US dollars and Euros, is unsecured and bears interest based on the relevant LIBOR equivalent.

16 Financial Liabilities – Borrowings continued

Maturity of debt	2018 £m	2017 £m
Bank loans and overdrafts repayable:		
Within one year or on demand	**40**	28
Other borrowings repayable:		
Within one year:		
Commercial paper	**1,608**	948
Finance leases	**1**	–
Bonds	**–**	370
Senior notes	**560**	–
After one year and in less than five years:		
Bonds	**2,930**	2,399
Senior notes	**579**	1,095
Term loans	**1,326**	1,324
After five years or longer:		
Bonds	**3,510**	3,674
Senior notes	**1,325**	1,255
Term loans	**–**	1,768
	11,839	12,833
Gross borrowings (unsecured)	**11,879**	12,861

Analysis of net debt	2018 £m	2017 £m
Cash and cash equivalents	**1,483**	2,125
Overdrafts	**(6)**	(8)
Cash and cash equivalents	**1,477**	2,117
Borrowings (excluding overdrafts)	**(11,873)**	(12,853)
Derivative financial instruments (debt)	**(10)**	(10)
Financing liabilities	**(11,883)**	(12,863)
Short-term investments	**–**	–
Net debt at end of year	**(10,406)**	(10,746)

The Group uses derivative financial instruments to hedge certain elements of interest rate and exchange risk on its net debt. The split between these items and other derivatives on the Balance Sheet is shown below:

	Assets		Liabilities	
2017 (£m)	Current	Non-Current	Current	Non-Current
Derivative financial instruments (debt)	5	–	(3)	(12)
Derivative financial instruments (non-debt)	13	2	(16)	–
At 31 December 2017	18	2	(19)	(12)

	Assets		Liabilities	
2018 (£m)	Current	Non-Current	Current	Non-Current
Derivative financial instruments (debt)	**15**	**–**	**(25)**	**–**
Derivative financial instruments (non-debt)	**23**	**1**	**(17)**	**–**
At 31 December 2018	**38**	**1**	**(42)**	**–**

Note that non-current derivative assets are presented within other non-current receivables on the Balance Sheet.

16 Financial Liabilities – Borrowings continued

	Cash and cash equivalents £m	Financing liabilities £m	Net Debt £m	2017 Net Debt £m
At 1 January 2018	2,117	(12,863)	**(10,746)**	(1,391)
Net (decrease)/increase in cash and cash equivalents	(586)	–	**(586)**	1,332
Proceeds from borrowings	–	(697)	**(697)**	(19,523)
Repayment of borrowings	–	2,244	**2,244**	10,723
Arising on business combinations	–	–	**–**	(2,525)
Other financing cash flows	–	(24)	**(24)**	(12)
Reduction in short-term investments	–	–	**–**	(3)
Exchange, fair value and other movements	(54)	(543)	**(597)**	653
At 31 December 2018	1,477	(11,883)	**(10,406)**	(10,746)

17 Provisions for Liabilities and Charges

	Legal provisions £m	Restructuring provisions £m	Other provisions £m	Total provisions £m
At 1 January 2017	329	22	74	425
Charged to the Income Statement	352	17	15	384
Arising on business combinations	–	7	–	7
Utilised during the year	(142)	(20)	(9)	(171)
Released to the Income Statement	(44)	–	(9)	(53)
Exchange adjustments	6	–	–	6
At 31 December 2017	**501**	**26**	**71**	**598**
Charged to the Income Statement	**38**	**44**	**30**	**112**
Arising on business combinations	**–**	**–**	**31**	**31**
Utilised during the year	**(74)**	**(7)**	**(21)**	**(102)**
Released to the Income Statement	**(5)**	**(1)**	**(5)**	**(11)**
Exchange adjustments	**1**	**1**	**(1)**	**1**
At 31 December 2018	**461**	**63**	**105**	**629**

Provisions have been analysed between current and non-current as follows:

	2018 £m	2017 £m
Current	**542**	517
Non-current	**87**	81
	629	598

Legal provisions of £461 million (2017: £501 million) include exceptional legal provisions of £431 million (2017: £465 million) in relation to a number of historical regulatory matters in a number of markets, predominantly the "DoJ" investigation referenced in Note 19 (£313 million) and the HS issue in South Korea. The HS issue was a tragic event. The Group continues to make both public and personal apologies to victims. During the year, a number of payments were made to claimants in respect of Rounds 1, 2, 3 and 4 of the HS issue, partially utilising the provision held for this matter.

The restructuring provision relates principally to business integration costs associated with the acquisition of MJN and subsequent RB 2.0 reorganisation, the majority of which is expected to be utilised within one year.

Other provisions include environmental and other obligations throughout the Group, the majority of which are expected to be utilised within five years.

18 Operating Lease Commitments

Future minimum lease payments under non-cancellable operating leases due	2018 £m	2017 £m
Within one year	**88**	76
Later than one and less than five years	**179**	178
After five years	**75**	86
	342	340

The majority of operating leases relate to property. Provisions of £17 million (2017: £16 million) have been recognised in respect of onerous leases that arose as a result of Group restructuring following business combinations.

Operating lease rentals charged to the Income Statement in 2018 were £95 million (2017: £77 million).

As at 31 December 2018, total amounts expected to be received under non-cancellable sub-lease arrangements were £24 million (2017: £6 million).

Amounts credited to the Income Statement in respect of sub-lease arrangements were £2 million (2017: £2 million).

19 Contingent Liabilities and Assets

The Group remains involved in ongoing investigations by the DoJ and the US Federal Trade Commission and related litigation proceedings in the US arising from certain matters relating to the RB Pharmaceuticals ("RBP") business prior to its demerger in December 2014 to form Indivior PLC, and may incur liabilities in relation to such matters. These investigations and related proceedings are continuing and the Group has been in discussions with the DoJ. At 31 December 2018, the Company was recognising a provision (denominated in US dollars) of $400 million (2017: $400 million) or £313 million (2017: £296 million). The Group remains committed to ensuring these issues are concluded or resolved satisfactorily but we cannot predict with any certainty whether we will be able to reach any agreement with the DoJ or other parties who are involved in any other investigation or related proceedings. The final cost for the Group may be substantially higher than this provision.

From time to time, the Group is involved in discussions in relation to ongoing tax matters in a number of jurisdictions around the world. Where appropriate, the Directors make provisions based on their assessment of each case.

HS South Korea

The HS issue in South Korea was a tragic event. The Group continues to make both public and personal apologies to victims. There are a number of further expected costs and income relating to the issue that either cannot be reliably estimated or are not considered probable at the current time. In particular:

1. Round 4 lung injury: The South Korean government opened Round 4 to new applicants on 25 April 2016 for an indefinite period. It has received 4,990 applications to participate in Round 4 as at 11 January 2019 and continues to receive applications. Oxy RB has commenced payments under a compensation plan during 2018 and made provision for the Round 4 Oxy RB Category I & II users categorised to date. The number of additional victims in Round 4 cannot be reliably estimated at the current time as it is open for an indefinite period.

2. Asthma-related injury and other potential lung or non-lung injuries: A damage relief committee set up by the Ministry of Environment ("MOE") announced a recognition standard for asthma caused by HS, based on the increased incidence of asthma in HS users. From 23 July 2018, HS users can apply for asthma-only categorisation as part of Round 4. No provision has been made because:
   a) no detailed underlying data has yet been made available in respect of general causation of asthma injuries by HS, although 316 victims have been announced by the MOE as at 26 December 2018; and
   b) it is not possible to estimate the total number of applicants across all rounds (including future asthma-only claims in Round 4) and therefore the total number of potential victims with potential asthma injuries, or for any other injuries that the MOE may decide to recognise.

19 Contingent Liabilities and Assets continued

3. The Group continues to assess and, where appropriate, pursue rights which Oxy RB may have to recover sums from other involved parties.

4. On 9 August 2017, the Humidifier Sanitiser Injury Special Relief Act became effective and further amendments have since been introduced. Given the high profile and complex nature of this issue, the amendments to this Act, the rules and regulations issued pursuant to this Act and other legal or governmental proposals or developments in South Korea may give rise to further financial liability for RB.

20 Trade and Other Payables

	2018 £m	2017 £m
Trade payables	**1,798**	1,770
Other payables	**104**	139
Other tax and social security payable	**123**	165
Accruals	**2,786**	2,555
	4,811	4,629

Included within accruals is £1,025 million (2017: £905 million) in respect of amounts payable to trade customers and government bodies for trade spend.

Within other non-current liabilities of £448 million (2017: £408 million) is a financial liability of £148 million (2017: £105 million). This liability is in respect of the present value of the expected redemption amount of a written put option granted to the non-controlling interest as described in Note 26. The amortised cost of the liability is subject to estimation of the future performance of certain Group products. Future changes in estimation would result in the remeasurement of the liability through the Income Statement. In addition, other non-current liabilities includes US employee related payables of £32 million (2017: £34 million), and interest accrued on tax balances of £191 million (2017: £189 million).

21 Current and Non-Current Tax Liabilities

	2018 £m	2017 £m
Current tax liabilities	**(10)**	(65)
Non-current tax liabilities	**(1,105)**	(1,012)
Total current and non-current tax liabilities	**(1,115)**	(1,077)

Included in total current and non-current tax liabilities is an amount of £1,002 million (2017: £1,014 million) relating to tax contingencies primarily arising in relation to transfer pricing and financing.

Certain tax positions taken by the Group are based on industry practice, tax advice and drawing similarities from our facts and circumstances to those in case law. In particular, international transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgement. Tax assets and liabilities are offset where there is a legally enforceable right to do so.

22 Pension and Post-Retirement Commitments

Plan Details

The Group operates a number of defined benefit and defined contribution pension plans around the world covering many of its employees, which are principally funded. The Group's most significant defined benefit pension plan (UK) is a final salary plan, which closed to new entrants in 2005 and following consultation was closed to further accrual from 31 December 2017. Trustees of the plan are appointed by the Group, active members and pensioner membership, and are responsible for the governance of the plan, including paying all administrative costs and compliance with regulations. The plan is funded by the payment of contributions to the plan's trust, which is a separate entity from the rest of the Group.

The Group also operates a number of other post-retirement plans in certain countries. The two major plans are the US Retiree Health Care Plan and the Mead Johnson & Company, LLC Medical Plan (together, the "US (Medical)" plans). In the US Retiree Health Care Plan, salaried participants become eligible for retiree health-care benefits after they reach a combined 'age and years of service rendered' figure of 70, although the age must be a minimum of 55. This plan closed to new members in 2009. In the Mead Johnson & Company, LLC Medical Plan, acquired as part of the acquisition of MJN on 15 June 2017, participants become eligible for retiree health-care benefits if they leave employment after the age of 65, leave after the age of 55 and have completed ten years of service, or have their employment involuntarily terminated after the age of 55. A Benefits Committee is appointed by the Group for both of these plans, responsible for the governance of the plans, including paying all administrative costs and compliance with regulations. Both of these plans are unfunded.

For the principal UK plan, a full independent actuarial valuation is carried out on a triennial basis. The most recent valuation was carried out at 5 April 2016. The Group has agreed that it will aim to eliminate the pension plan technical provisions deficit in the UK and Ireland by the end of 2020. Funding levels are monitored on an annual basis and the current agreed annual deficit reduction contributions are £25 million p.a. It is expected that contributions to the UK defined benefit plan in 2019 will be £25 million (2018: £30 million).

During 2018, a UK High Court ruling (the 'Lloyds Case') clarified the benefits due to members of certain UK defined benefit pension schemes under the provisions of 'Guaranteed Minimum Pension' (GMP), which led to enhanced benefits in some circumstances. As no allowance had previously been made, accordingly a past service cost has been charged in the current year of £4 million (2017: N/A) reflecting the best estimate of the likely additional benefits that will be due to members. The final amount will be subject to agreement of the relevant pension trustees.

For the US Retiree Health Care Plan, a full independent actuarial valuation is carried out on an annual basis. The most recent valuation was carried out on 1 January 2018. For the Mead Johnson & Company, LLC Medical Plan, the most recent valuation was carried out at 31 December 2018. For both of these plans, funding levels are monitored on an annual basis with contributions made equal to the claims made each year. It is expected that the combined contributions to these plans in 2019 will be £8 million (2018: £10 million).

For the purpose of IAS 19, the projected unit valuation method was used for the UK and US plans, as per the principal UK plan triennial valuation results (at 5 April 2016) and the US (Medical) plan valuations to 31 December 2018. The UK plans have a weighted average duration of the deferred benefit obligation of 17.6 years (2018: 18.5 years).

22 Pension and Post-Retirement Commitments continued

Significant Actuarial Assumptions

The significant actuarial assumptions used in determining the Group's net liability for the UK and US (Medical) plans as at 31 December were:

	2018 UK %	2018 US (Medical) %	2017 UK %	2017 US (Medical) %
Rate of increase in pensionable salaries	**5.4**	**–**	5.4	–
Rate of increase in deferred pensions during deferment	**3.2**	**–**	3.2	–
Rate of increase in pension payments	**3.0**	**–**	3.0	–
Discount rate	**2.7**	**4.1**	2.4	3.5
Inflation assumption – RPI	**3.4**	**–**	3.4	–
Annual medical cost inflation	**–**	**4.5-8.0**	–	5.0-8.5

Assumptions regarding future mortality experience are set in accordance with published statistics and experience in each territory. The expected lifetime of a participant aged 60 and the expected lifetime of a participant who will be aged 60 in 15 years (20 years in the US) are detailed below:

	2018 UK years	2018 US years	2017 UK years	2017 US years
Number of years a current pensioner is expected to live beyond 60:				
Male	**29.2**	**25.0**	29.1	25.1
Female	**30.1**	**27.2**	29.9	27.3
Number of years a future pensioner is expected to live beyond 60:				
Male	**30.9**	**26.8**	30.8	26.8
Female	**31.8**	**28.9**	31.7	29.0

For the principal UK plan, the mortality assumptions were based on the standard SAPS mortality table 2NMA for males (scaled by 85%) and table 2NFA for females (scaled by 100%). Allowance for future improvements is made by adopting the 2015 edition of the CMI series with a long-term improvement trend of 1.5% per annum from 2007 onwards. For the US plan, the mortality assumptions were determined using the RP-2014 Total Employee and Healthy Annuitant Mortality Tables regressed to 2006 and projected with Mortality Improvement Scale MP-2018.

Amounts Recognised on the Balance Sheet

The amounts recognised on the Balance Sheet are as follows:

	2018 £m	2017 £m
Balance Sheet liability for:		
UK	**–**	(55)
US (Medical)	**(126)**	(137)
Other	**(192)**	(201)
Liability on Balance Sheet	**(318)**	(393)
Balance Sheet assets for:		
UK	**138**	33
Other	**53**	57
Asset on Balance Sheet	**191**	90
Net pension liability	**(127)**	(303)

22 Pension and Post-Retirement Commitments continued

The funded and unfunded amounts recognised on the Balance Sheet are determined as follows:

	2018				2017			
	UK £m	**US (Medical) £m**	**Other £m**	**Total £m**	UK £m	US (Medical) £m	Other £m	Total £m
Present value of funded obligations	**(1,472)**	**–**	**(508)**	**(1,980)**	(1,635)	–	(569)	(2,204)
Fair value of plan assets	**1,628**	**–**	**523**	**2,151**	1,702	–	574	2,276
Surplus of funded plans	**156**	**–**	**15**	**171**	67	–	5	72
Present value of unfunded obligations	**–**	**(126)**	**(154)**	**(280)**	–	(137)	(149)	(286)
Irrecoverable surplus[1]	**(18)**	**–**	**–**	**(18)**	(89)	–	–	(89)
Net pension liability	**138**	**(126)**	**(139)**	**(127)**	(22)	(137)	(144)	(303)

1 The movement in irrecoverable surplus since prior year comprises an underlying liability reduction/surplus recognition of £71 million. During 2018, the Group sought further legal advice to clarify the circumstances in which the Group would be unable to recover any surplus in the principal UK pension fund. After consideration, the Group would be able to recover any surplus in the fund once all benefits had been paid and accordingly a pension surplus has been recognised in the Balance Sheet.

Group plan assets are comprised as follows:

	2018				2017			
	UK £m	**US (Medical) £m**	**Other £m**	**Total £m**	UK £m	US (Medical) £m	Other £m	Total £m
Equities – quoted	**205**	**–**	**235**	**440**	374	–	264	638
Government bonds	**941**	**–**	**130**	**1,071**	841	–	124	965
Corporate bonds	**326**	**–**	**129**	**455**	325	–	143	468
Real estate/property – unquoted	**135**	**–**	**20**	**155**	148	–	19	167
Other assets – unquoted	**21**	**–**	**9**	**30**	14	–	24	38
Fair value of plan assets	**1,628**	**–**	**523**	**2,151**	1,702	–	574	2,276

The present value of obligations for the principal UK plan and the US (Medical) plans at last valuation date is attributable to participants as follows:

	2018		2017	
	UK £m	**US (Medical) £m**	UK £m	US (Medical) £m
Active participants	**–**	**(45)**	(211)	(50)
Participants with deferred benefits	**(759)**	**(2)**	(632)	(2)
Participants receiving benefits	**(713)**	**(79)**	(792)	(85)
Present value of obligation	**(1,472)**	**(126)**	(1,635)	(137)

22 Pension and Post-Retirement Commitments continued

The movement in the Group's net deficit is as follows:

	Present value of obligation				Fair value of plan assets			
	UK £m	US (Medical) £m	Other £m	Total £m	UK £m	US (Medical) £m	Other £m	Total £m
At 1 January 2017	1,642	108	514	2,264	(1,621)	–	(381)	(2,002)
Arising on business combinations	–	36	262	298	–	–	(221)	(221)
Current service cost	10	2	11	23	–	–	–	–
Curtailment gains	–	–	(1)	(1)	–	–	–	–
Interest expense/(income)	42	5	22	69	(42)	–	(20)	(62)
	52	7	32	91	(42)	–	(20)	(62)
Remeasurements:								
Return on plan assets, excluding amounts included in interest income	–	–	–	–	(71)	–	(36)	(107)
(Gain)/loss from changes in demographic assumptions	–	(1)	2	1	–	–	–	–
Loss from changes in financial assumptions	12	7	24	43	–	–	–	–
Experience (gains)/losses	–	(1)	6	5	–	–	–	–
	12	5	32	49	(71)	–	(36)	(107)
Exchange differences	–	(11)	(33)	(44)	–	–	34	34
Contributions – employees	1	–	–	1	–	–	–	–
Contributions – employers	–	–	–	–	(40)	(8)	(23)	(71)
Payments from plans:								
Benefit payments	(72)	(8)	(51)	(131)	72	8	51	131
Disposal of RB Food	–	–	(38)	(38)	–	–	22	22
At 31 December 2017	**1,635**	**137**	**718**	**2,490**	**(1,702)**	**–**	**(574)**	**(2,276)**
Current service cost	**2**	**2**	**5**	**9**	**–**	**–**	**–**	**–**
Past service cost	**4**	**–**	**–**	**4**	**–**	**–**	**–**	**–**
Interest expense/(income)	**39**	**4**	**19**	**62**	**(41)**	**–**	**(19)**	**(60)**
	45	**6**	**24**	**75**	**(41)**	**–**	**(19)**	**(60)**
Remeasurements:								
Return on plan assets, excluding amounts included in interest income	**–**	**–**	**–**	**–**	**72**	**–**	**41**	**113**
Gain from changes in demographic assumptions	**(24)**	**–**	**(1)**	**(25)**	**–**	**–**	**–**	**–**
Gain from changes in financial assumptions	**(89)**	**(8)**	**(40)**	**(137)**	**–**	**–**	**–**	**–**
Experience (gains)/losses	**(22)**	**(10)**	**3**	**(29)**	**–**	**–**	**–**	**–**
	(135)	**(18)**	**(38)**	**(191)**	**72**	**–**	**41**	**113**
Exchange differences	**–**	**7**	**25**	**32**	**–**	**–**	**(22)**	**(22)**
Contributions – employees	**–**	**1**	**–**	**1**	**–**	**(1)**	**–**	**(1)**
Contributions – employers	**–**	**–**	**–**	**–**	**(30)**	**(6)**	**(16)**	**(52)**
Payments from plans:								
Benefit payments	**(73)**	**(7)**	**(67)**	**(147)**	**73**	**7**	**67**	**147**
As at 31 December 2018	**1,472**	**126**	**662**	**2,260**	**(1,628)**	**–**	**(523)**	**(2,151)**

22 Pension and Post-Retirement Commitments continued

Amounts Recognised in the Income Statement

The charge for the year ended 31 December is shown below:

Income Statement charge included in operating profit for:	2018 £m	2017 £m
Defined contribution plans	**40**	41
Defined benefit plans (net charge excluding interest)		
UK	**6**	10
US (Medical)	**2**	2
Other	**5**	10
Total pension costs included in operating profit (Note 5)[1]	**53**	63
Income Statement charge included in finance expense (Note 6)	**2**	9
Income Statement charge included in profit before income tax	**55**	72
Remeasurement (gains)/losses for[2]:		
UK	**(63)**	(59)
US (Medical)	**(18)**	5
Other	**3**	(4)
	(78)	(58)

1. The Income Statement charge recognised in operating profit includes current service cost and past service cost.
2. Remeasurement (gains)/losses excludes £71 million gain (2017: £24 million loss) recognised in OCI for irrecoverable surplus.

Sensitivity of Significant Actuarial Assumptions

The sensitivity of the UK defined benefit obligation to changes in the principal assumptions is shown below:

2018	Change in assumption	Change in defined benefit obligation
Discount rate	**Increase 0.1%**	**Decrease by 1.8%**
RPI increase	**Increase 0.1%**	**Increase by 0.6%**
Life expectancy	**Members live 1 year longer**	**Increase by 4.0%**

2017	Change in assumption	Change in defined benefit obligation
Discount rate	Increase 0.1%	Decrease by 1.9%
RPI increase	Increase 0.1%	Increase by 0.5%
Life expectancy	Members live 1 year longer	Increase by 4.5%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Impact of Medical Cost Trend Rates

A one percent change in the assumed health-care cost trend rates would have an immaterial impact on the service cost, interest cost and post-retirement benefit obligation.

Risk and Risk Management

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed as follows:

Asset Volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. Both the UK and US plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. All the UK plans have agreed with the Group a plan to de-risk the investment strategy of the plans at a pace that is commensurate with a planned return to full funding over a reasonable timescale.

22 Pension and Post-Retirement Commitments continued

The de-risking plan provides for a proportion of the investment portfolio to move from equity holdings to government and corporate bonds over time. The corporate bonds are global securities with an emphasis on the UK and US. However, the Group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

Changes in Bond Yields: A decrease in government and corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation Risk: Some of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plans' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.

Life Expectancy: The majority of the plans' obligations are to provide benefits for the life of the member. Whilst the plans allow for an increase in life expectancy, increases above this assumption will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflationary increases result in higher sensitivity to changes in life expectancy.

Change in Regulations: The Group is aware that future changes to the regulatory framework may impact the funding basis of the various plans in the future. The Group's pensions department monitors the changes in legislation and analyses the risks as and when they occur.

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets consists of quoted equities and quoted bonds, although the Group also invests in property and cash. The Group believes that quoted equities offer the best returns over the long-term with an acceptable level of risk. The trustees of all the UK funds have moved the overwhelming majority of their assets to low-cost investment funds in consultation with the Group whilst maintaining a prudent diversification.

23 Share Capital

Issued and fully paid	Equity ordinary shares number	Nominal value £m
At 31 December 2017	736,535,179	74
At 31 December 2018	**736,535,179**	**74**

The holders of ordinary shares (par value 10p) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Parent Company.

Allotment of Ordinary Shares and Release of Treasury Shares

During the year nil ordinary shares (2017: nil ordinary shares) were allotted and 3,697,245 ordinary shares were released from Treasury (2017: 3,728,361) to satisfy vestings/exercises under the Group's various share schemes as follows:

	2018		2017	
Ordinary shares of 10p	**Number of shares**	**Consideration £m**	Number of shares	Consideration £m
Executive Share Options – exercises	**1,581,100**	**67**	2,145,152	85
Restricted Shares Awards – vesting	**1,121,636**	**–**	1,328,980	–
Total under Executive Share Option and Restricted Share Schemes	**2,702,736**	**67**	3,474,132	85
Senior Executives Share Ownership Policy Plan – vesting	**69,826**	**–**	31,000	–
Savings-Related Share Option Schemes – exercises	**924,683**	**38**	223,229	9
Total	**3,697,245**	**105**	3,728,361	94

23 Share Capital continued

Market Purchases of Shares

In 2018, 3,697,245 Treasury shares were released (2017: 3,728,361), leaving a balance held at 31 December 2018 of 29,033,361 (2017: 32,730,606). Proceeds received from the reissuance of Treasury shares to exercise share options were £105 million (2017: £94 million).

24 Share-Based Payments

The Group operates a number of incentive schemes, including a share option scheme, a restricted share scheme, and other share award schemes. During 2017, as part of a transitional scheme for MJN employees, a cash-settled scheme replaced an MJN equity-settled scheme. All other schemes within the Group are equity-settled. The total charge for share-based payments for the year was £16 million (2017: £78 million).

Executive Share Awards

Executive share awards, comprising both Executive Share Options and Restricted Share Awards, are awarded to the senior management team. Executive Share Options are awarded at an exercise price determined on grant date and become payable on exercise – following satisfaction of performance criteria. Restricted Share Awards entitle the recipient to receive shares at no cost following satisfaction of the following performance criteria.

For awards granted before December 2012:

Adjusted earnings per share growth over three years (%)	<6%	6%	7%	8%	≥9%
Proportion of awards vesting (%)	Nil	40%	60%	80%	100%

For awards granted in December 2013 and thereafter:

Adjusted earnings per share growth over three years (%)	<6%	6%	Between 6% and 10%	≥10%
Proportion of awards vesting (%)	Nil	20%	Straight-line vesting between 20% and 100%	100%

The cost is spread over the three years of the performance period. For Executive Committee and members of the Group Leadership Team, vesting conditions must be met over the three-year period and are not retested. For the remaining members of the senior management team the targets can be retested after four or five years. If any target has not been met, any remaining shares or options which have not vested will lapse.

Other Share Awards

Other share awards represent SAYE schemes (offered to all staff within the relevant geographic area) and a number of Senior Executive Share Ownership Policy Plan (SOPP) awards. Other share awards have contractual lives of between three and eight years and are generally not subject to any vesting criteria other than the employee's continued employment.

Individual tranches of these other share awards are not material for detailed disclosure and therefore have been aggregated in the tables following.

24 Share-Based Payments continued

Modifications to Share Awards

The Remuneration Committee approved modifications to all unexercised share schemes in December 2014 following the demerger of RB Pharmaceuticals to compensate for the loss of scheme value. For SAYE schemes this was in the form of a one-off payment. For executive share awards this included an adjustment to shares under the amount of each grant, and the lowering of exercise price, where applicable. There is no change to the IFRS fair value charge as a result of these modifications.

Summary of Shares Outstanding

All outstanding Executive and other share awards as at 31 December 2018 and 31 December 2017 are included in the following tables, which analyse the charge for 2018 and 2017. The Group has used the Black-Scholes model to calculate the fair value of one award on the date of the grant of the award.

Table 1: Fair value

The most significant awards are share options and restricted shares, details of which have been provided below.

The 2019 Executive Share Awards are expected to be granted in May 2019 following approval of the new Remuneration Policy.

		Black-Scholes model assumptions								
Award	Grant date	Exercise price at grant £	Modified exercise price £	Performance period	Share price on grant date £	Volatility %	Dividend yield %	Life years	Risk-free interest rate %	Fair value of one award £
Share options										
2009	08 December 2008	27.29	26.54	2009–11	27.80	25	3.1	4	2.78	4.69
2010	07 December 2009	31.65	30.78	2010–12	31.80	26	3.5	4	1.69	4.70
2011	01 December 2010	34.64	33.68	2011–13	34.08	26	4.3	4	2.16	4.49
2012	05 December 2011	32.09	31.20	2012–14	32.19	25	5.4	4	1.00	3.18
2013	03 December 2012	39.14	38.06	2013–15	39.66	20	4.3	4	0.61	3.29
2014	11 December 2013	47.83	46.51	2014–16	46.69	19	3.7	4	0.76	3.85
2015	01 December 2014	50.57	50.57	2015–17	52.40	17	4.0	4	1.03	4.34
2016	02 December 2015	63.25	63.25	2016–18	64.15	18	2.9	4	1.07	6.75
2017	01 December 2016	67.68	67.68	2017–19	66.28	18	3.0	4	0.46	5.54
2018	30 November 2017	64.99	64.99	2018–20	64.86	18	3.4	4	0.68	5.58
Restricted shares										
2010	07 December 2009	–	–	2010–12	31.80	26	3.5	4	1.69	27.23
2011	01 December 2010	–	–	2011–13	34.08	26	4.3	4	2.16	28.22
2012	05 December 2011	–	–	2012–14	32.19	25	5.4	4	1.00	25.30
2013	03 December 2012	–	–	2013–15	39.66	20	4.3	4	0.61	32.76
2014	11 December 2013	–	–	2014–16	46.69	19	3.7	4	0.76	39.80
2015	01 December 2014	–	–	2015–17	52.40	17	4.0	4	1.03	43.93
2016	02 December 2015	–	–	2016–18	64.15	18	2.9	4	1.07	57.13
2017	01 December 2016	–	–	2017–19	66.28	18	3.0	4	0.46	58.85
2018	30 November 2017	–	–	2018–20	64.86	18	3.4	4	0.68	56.71

24 Share-Based Payments continued

Table 2: Share awards movements 2018

Award	Options outstanding at 1 January 2018 number	Movement in number of options: Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2018 number
Share options[1]					
2009	104,597	–	–	(104,597)	–
2010	200,945	–	–	(101,664)	99,281
2011	276,229	–	–	(156,586)	119,643
2012	596,307	–	–	(116,204)	480,103
2013	1,076,562	–	–	(142,187)	934,375
2014	1,572,032	–	–	(336,516)	1,235,516
2015	2,588,261	–	(278,118)	(615,359)	1,694,784
2016	2,714,334	–	(706,985)	(4,758)	2,002,591
2017	2,364,884	–	(273,527)	–	2,091,357
2018	3,200,000	52,760	(762,705)	–	2,490,055
Restricted shares[1]					
2015	1,210,573	–	(159,045)	(1,051,528)	–
2016	1,258,037	1,000	(288,817)	(39,322)	930,898
2017	1,116,434	–	(179,211)	(17,636)	919,587
2018	1,600,000	98,880	(416,312)	(13,150)	1,269,418
Other share awards					
UK SAYE	749,906	227,268	(120,498)	(163,363)	693,313
US SAYE	294,434	374,170	(36,872)	(64,432)	567,300
Overseas SAYE	2,112,455	807,428	(541,227)	(698,564)	1,680,092
SOPP	146,800	58,000	(16,174)	(69,826)	118,800
Weighted average exercise price (share options)	**£55.91**	**£64.99**	**£62.76**	**£42.64**	**£56.59**

1. Grant date and exercise price for each of the awards are shown in Table 1.

24 Share-Based Payments continued

Table 3: Share awards movements 2017

Award	Options outstanding at 1 January 2017 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 December 2017 number
	Movement in number of options				
Share options[1]					
2008	137,912	–	(3,079)	(134,833)	–
2009	171,273	–	–	(66,676)	104,597
2010	245,510	–	–	(44,565)	200,945
2011	330,337	–	–	(54,108)	276,229
2012	923,895	1,441	(7,657)	(321,372)	596,307
2013	1,701,230	–	(10,725)	(613,943)	1,076,562
2014	2,617,899	7,850	(220,327)	(833,390)	1,572,032
2015	2,732,980	5,153	(90,098)	(59,774)	2,588,261
2016	3,027,586	–	(296,761)	(16,491)	2,714,334
2017	3,200,000	69,200	(904,316)	–	2,364,884
2018	–	3,200,000	–	–	3,200,000
Restricted shares[1]					
2012	74,401	–	(2,595)	(71,806)	–
2013	91,766	–	(3,808)	(87,958)	–
2014	1,225,888	1,029	(128,490)	(1,098,427)	–
2015	1,300,409	3,000	(40,138)	(52,698)	1,210,573
2016	1,396,196	–	(121,068)	(17,091)	1,258,037
2017	1,600,000	89,417	(571,983)	(1,000)	1,116,434
2018	–	1,600,000	–	–	1,600,000
Other share awards					
UK SAYE	687,635	223,131	(62,218)	(98,642)	749,906
US SAYE	323,495	94,231	(45,032)	(78,260)	294,434
Overseas SAYE	944,934	1,273,468	(59,620)	(46,327)	2,112,455
SOPP	170,000	12,800	(5,000)	(31,000)	146,800
Weighted average exercise price (share options)	**£52.28**	**£64.97**	**£62.31**	**£39.64**	**£55.91**

1. Grant date and exercise price for each of the awards are shown in Table 1.

For options outstanding at the year end, the weighted average remaining contractual life is 5.84 years (2017: 6.92 years). Options outstanding at 31 December 2018 that could have been exercised at that date were 4,606,460 (2017: 3,897,913) with a weighted average exercise price of £43.87 (2017: £38.82).

The assumptions made within the valuation calculation with respect to the achievement of performance criteria are based on the Directors' expectations in light of the Group's business model and relevant published targets.

Under the terms of the schemes, early exercise may only be granted in exceptional circumstances and therefore the effect of early exercise is not incorporated into the calculation.

The calculation also assumes that there will be no leavers in the following year. No material modifications have been made to these calculations in 2018 or 2017 for the purposes of the valuation.

An estimate of future volatility is made with reference to historical volatility over a similar time period to the performance period or the contractual life as appropriate. Historical volatility is calculated based on the annualised standard deviation of the Group's daily share price movement, being an approximation to the continuously compounded rate of return on the share.

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions. The contribution in 2018 was £25 million (2017: £43 million).

The weighted average share price for the year was £63.32 (2017: £71.70).

24 Share-Based Payments continued

Options and Restricted Shares Granted During the Year

Options and restricted shares granted during the year which may vest or become exercisable at various dates between 2019 and 2026 are as follows:

	Price to be paid £	Number of shares under option
Executive share option and restricted share schemes		
Reckitt Benckiser Long-term Incentive Plan – share options	64.99	52,760
Reckitt Benckiser Long-term Incentive Plan – restricted shares	–	99,880
Reckitt Benckiser Senior Executive Share Ownership Policy Plan	–	58,000
Total		**210,640**
Savings-related share option schemes		
UK Scheme	54.31	227,268
US Scheme	54.31	374,170
Overseas Scheme	54.31	807,428
Total		**1,408,866**

Options and Restricted Shares Outstanding at 31 December 2018

Options and restricted shares which have vested or may vest at various dates between 2019 and 2026 are as follows:

	Price to be paid £		Number of shares under option	
	From	To	2018	2017
Executive share option and restricted share schemes				
Reckitt Benckiser Long-term Incentive Plan – 2010 Annual Grant – options	30.78	71.80	11,147,705	14,695,054
Reckitt Benckiser Long-term Incentive Plan – 2016 Annual Grant – restricted shares	–	–	3,119,903	5,185,044
Reckitt Benckiser Senior Executive Share Ownership Policy Plan	–	–	118,800	146,800
Total			**14,386,408**	20,026,898
Savings-related share option schemes				
UK Scheme	27.57	58.95	693,313	749,003
US Scheme	48.71	58.95	567,300	294,434
Overseas Scheme	41.88	58.95	1,680,092	2,112,455
Total			**2,940,705**	3,155,892

25 Other Reserves

	Hedging reserve £m	Foreign currency translation reserve £m	Total other reserves £m
Balance at 1 January 2017	(4)	526	522
Other comprehensive income/(expense)			
Gains on cash flow hedges, net of tax	3	–	3
Net exchange losses on foreign currency translation, net of tax	–	(308)	(308)
Gains on net investment hedges	–	44	44
Reclassification of foreign currency translation reserves on disposal of foreign operations net of tax	–	145	145
Total other comprehensive income/(expense) for the year	**3**	**(119)**	**(116)**
Balance at 31 December 2017	**(1)**	**407**	**406**
Other comprehensive income/(expense)			
Gains on cash flow hedges, net of tax	8	–	8
Net exchange gains on foreign currency translation, net of tax	–	67	67
Losses on net investment hedges	–	(44)	(44)
Total other comprehensive income for the year	**8**	**23**	**31**
Balance at 31 December 2018	**7**	**430**	**437**

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedge transactions that are extant at year end.

The foreign currency translation reserve contains the accumulated foreign exchange differences from the translation of the Financial Statements of the Group's foreign operations arising when the Group's entities are consolidated. The reserve also contains the translation of liabilities that hedge the Group's net exposure in a foreign currency.

26 Related Party Transactions

RB & Manon Business Co. Ltd, RB & Manon Business Limited and RB (China Trading) Limited (together "the Manon entities")

As part of the arrangements with the non-controlling shareholders of the Manon entities, the parties are subject to symmetrical put and call options over the non-controlling shareholdings. In 2018, the parties agreed to extend the initial term period of the options to 31 December 2023. In the event that the options are not exercised in accordance with the agreement, they are automatically extended for a further six twelve-month terms. The present value of the put option liability at year end was £148 million (2017: £105 million).

Other

The Group has related party relationships with its Directors and key management personnel (Note 5) and pension schemes (Note 22).

André Lacroix stepped down as a Non-Executive Director of the Company on 31 December 2018, and is the current Chief Executive Officer of Intertek Group plc. During the year, payments made by the Company to Intertek Group plc, for product testing and assurance services, were £0.4m (2017: £0.2m).

27 Dividends

	2018 £m	2017 £m
Cash dividends on equity ordinary shares:		
2017 Final paid: 97.7p (2016: Final 95.0p) per share	**688**	666
2018 Interim paid: 70.5p (2017: Interim 66.6p) per share	**499**	468
Total dividends for the year	**1,187**	1,134

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2018 of 100.2 pence per share which will absorb an estimated £709 million of Shareholders' funds. If approved by Shareholders it will be paid on 23 May 2019 to Shareholders who are on the register on 23 April 2019, with an ex-dividend date of 18 April 2019.

28 Acquisitions

On 15 June 2017, the Group completed the acquisition of 100% of the issued share capital of MJN for cash consideration of £13,044 million ($16,642 million). Provisional total identifiable net assets of £5,052 million and goodwill of £8,023 million were recognised in 2017.

The measurement period to finalise the purchase price allocation concluded in 2018. The finalisation led to a £28 million increase in goodwill and a £28 million reduction in total net identifiable assets during the year.

29 Cash Generated from Operations

For the year ended 31 December	2018 £m	2017[1] £m
Operating profit from continuing operations	**3,047**	2,737
Depreciation, amortisation and impairment[2]	**350**	268
Losses on sale of property, plant and equipment	**9**	–
(Increase)/decrease in inventories[3]	**(68)**	54
Increase in receivables	**(103)**	(210)
Increase in payables and provisions	**81**	232
Share-based payments	**14**	72
Cash generated from continuing operations	**3,330**	3,153

1. Presentation of cash flow in 2018 has been updated, 2017 items are re-presented on a consistent basis.
2. Includes £78 million (2017: £43 million) amortisation on acquisition-related intangibles (adjusting item).
3. Includes nil (2017: £159 million) adjusting cost of goods sold.

30 Post Balance Sheet Events

As at 18 March 2019, there are no post-balance sheet events requiring disclosure.

Five Year Summary

The five year summary below is presented on a statutory basis. The years ending 31 December 2016, 31 December 2017 and 31 December 2018 show the results for continuing operations and exclude the impact of RB Food. The years ending 31 December 2014 and 31 December 2015 show the results for continuing operations including RB Food. All years exclude the impact of RB Pharmaceuticals.

The Balance Sheet has not been restated for the impact of discontinued operations.

	2018 £m	Restated[3] 2017 £m	2016 £m	2015 £m	2014 £m
Income Statement					
Net Revenue	**12,597**	11,449	9,480	8,874	8,836
Operating Profit	**3,047**	2,737	2,269	2,241	2,164
Adjusted Operating Profit	**3,358**	3,122	2,636	2,374	2,185
Adjusting items	**(311)**	(385)	(367)	(133)	(21)
Operating Profit	**3,047**	2,737	2,269	2,241	2,164
Net finance expense	**(325)**	(238)	(16)	(33)	(38)
Profit before income tax	**2,722**	2,499	2,253	2,208	2,126
Income tax benefit/(expense)	**(536)**	894	(520)	(463)	(462)
Attributable to non-controlling interests	**(20)**	(17)	(4)	(2)	(1)
Net income attributable to owners of the parent from continuing operations	**2,166**	3,376	1,729	1,743	1,663
Balance Sheet					
Net assets	**14,789**	13,573	8,426	6,906	6,834
Net Working Capital	**(1,438)**	(1,424)	(1,102)	(936)	(831)
Statistics					
Reported basis					
Operating margin	**24.2%**	23.9%	23.9%	25.3%	24.5%
Total interest to Operating Profit (times covered)	**9.4x**	11.5x	141.8x	67.9x	56.9x
Tax rate	**19.7%**	-35.8%	23.1%	21.0%	21.7%
Diluted earnings per share, continuing	**305.5p**	474.7p	242.1p	240.9p	227.6p
Dividend cover[1]	**1.8x**	2.9x	1.6x	1.7x	1.6x
Declared total dividends per ordinary share	**170.7p**	164.3p	153.2p	139p	139p
Adjusted basis[2]					
Operating margin	**26.7%**	27.3%	27.8%	26.8%	24.7%
Total interest to operating profit (times covered)	**10.3x**	13.1x	164.8x	71.9x	57.5x
Diluted earnings per share, continuing	**339.9p**	316.9p	287.6p	258.6p	230.5p
Dividend cover[1]	**2.0x**	1.9x	1.9x	1.9x	1.7x

1. Dividend cover is calculated by dividing diluted earnings per share by total ordinary dividends per share relating to the year.
2. Adjusted basis is calculated by excluding the adjusting items for the year (Note 3).
3. The 2017 balances have been restated for the adoption of IFRS 15 (see Note 1). The 2014, 2015 and 2016 balances have not been restated.

Parent Company Balance Sheet

As at 31 December	Notes	2018 £m	2017 £m
Fixed assets			
Investments	2	**14,949**	14,925
Current assets			
Debtors due within one year	3,6	**44**	39
Debtors due after more than one year	4	**3**	8
Cash and cash equivalents	6	**1**	2
		48	49
Current liabilities			
Creditors due within one year	5,6	**(6,347)**	(6,697)
Net current liabilities		**(6,299)**	(6,648)
Total assets less current liabilities		**8,650**	8,277
Provisions for liabilities and charges	7	**(369)**	(356)
Net assets		**8,281**	7,921
EQUITY			
Share capital	8	**74**	74
Share premium		**245**	243
Retained earnings		**7,962**	7,604
Total equity		**8,281**	7,921

The Financial Statements on pages 194 to 221 were approved by the Board of Directors on 18 March 2019 and signed on its behalf by:

Chris Sinclair
Director

Rakesh Kapoor
Director

Company Number: 06270876

Parent Company Statement of Changes in Equity

	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
Balance at 1 January 2017	**74**	**243**	**8,048**	**8,365**
Comprehensive income				
Profit for the financial year	–	–	522	522
Total comprehensive income	**–**	**–**	**522**	**522**
Transactions with owners				
Treasury shares re-issued	–	–	94	94
Share-based payments	–	–	10	10
Capital contribution in respect of share-based payments	–	–	64	64
Cash dividends	–	–	(1,134)	(1,134)
Total transactions with owners	**–**	**–**	**(966)**	**(966)**
Balance at 31 December 2017	**74**	**243**	**7,604**	**7,921**
Comprehensive income				
Profit for the financial year	–	–	1,428	1,428
Total comprehensive income	**–**	**–**	**1,428**	**1,428**
Transactions with owners				
Treasury shares re-issued	–	2	103	105
Share-based payments	–	–	(10)	(10)
Capital contribution in respect of share-based payments	–	–	24	24
Cash dividends	–	–	(1,187)	(1,187)
Total transactions with owners	**–**	**2**	**(1,070)**	**(1,068)**
Balance at 31 December 2018	**74**	**245**	**7,962**	**8,281**

Reckitt Benckiser Group plc has £7,355 million (2017: £7,011 million) of its retained earnings available for distribution.

Details of Treasury shares and other equity transactions are included in Note 23 of the Group Financial Statements.

Notes to the Parent Company Financial Statements

1 Parent Company Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General Information and Basis of Accounting

Reckitt Benckiser Group plc is a company incorporated in the United Kingdom, registered in England and Wales under the Companies Act 2006, and is a public limited company. The address of the registered office is given on page 223. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 57.

Statement of Compliance

The Financial Statements have been prepared under the historical cost convention and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ('FRS 102') and the Companies Act 2006.

The functional currency of Reckitt Benckiser Group plc is considered to be Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

As permitted by s408 of the Companies Act 2006, a Statement of Comprehensive Income is not presented for Reckitt Benckiser Group plc.

Going Concern

The Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Company Financial Statements.

Financial Reporting Standard 102 – Reduced Disclosure Exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with.

The Company has taken advantage of the following exemptions:
(i) from preparing a Statement of Cash Flows, on the basis that it is a qualifying entity and the Group Cash Flow Statement, included in these Financial Statements, includes the Company's cash flows;
(ii) from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

The Company's results are included in the publicly available consolidated Financial Statements of Reckitt Benckiser Group plc and these Financial Statements may be obtained from 103-105 Bath Road, Slough, Berkshire SL1 3UH or at www.rb.com.

Foreign Currency Translation

Transactions denominated in foreign currencies are translated using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Taxation

The tax charge/credit is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax liabilities are provided for in full and deferred tax assets are recognised to the extent that they are considered recoverable.

A net deferred tax asset is considered recoverable if it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance Sheet date.

1 Parent Company Accounting Policies continued

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is measured on an undiscounted basis.

Fixed Asset Investments

Fixed asset investments are stated at the lower of cost or their recoverable amount, which is determined as the higher of net realisable value and value in use. A review of the potential impairment of an investment is carried out by the Directors if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable. Such impairment reviews are performed in accordance with FRS 102 Section 27 'Impairment of assets'.

Employee Share Schemes

Incentives in the form of shares are provided to employees under share option and restricted share schemes which vest in accordance with non-market conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each Balance Sheet date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in comprehensive income or expense such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Additional employer costs in respect of options and awards are charged, including social security taxes, to the Statement of Comprehensive Income over the same period, with a corresponding liability recognised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the Company Financial Statements.

Financial Instruments

The Company only enters into basic financial instrument transactions that result in the recognition of basic financial assets and liabilities, including trade and other receivables and payables and loans to and from related parties. These transactions are initially recorded at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of the future receipt discounted at a market rate of interest, and subsequently recognised at amortised cost.

(i) Financial Assets

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in comprehensive income or expense.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial Liabilities

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

1 Parent Company Accounting Policies continued

Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that there will be an outflow of resources to settle that obligation; and the amount can be reliably estimated. Provisions are valued at the present value of the Directors' best estimate of the expenditure required to settle the obligation at the Balance Sheet date. Where it is possible that a settlement may be reached or it is not possible to make a reliable estimate of the estimated financial impact, appropriate disclosure is made but no provision recognised.

Share Capital Transactions
When the Company purchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Purchased shares are either held in treasury in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled is transferred from retained earnings.

Repurchase and Reissuance of Ordinary Shares
When shares recognised as equity are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a charge to equity. Repurchased shares are classified as Treasury shares and are presented in retained earnings. When Treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit is presented within share premium.

Dividends
Dividends payable are recognised when they meet the criteria for a present obligation (i.e. when they have been approved).

Accounting Estimates and Judgements
In the application of the Company's accounting policies the Directors are required to make a number of estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant estimates and judgements made in applying the Company's accounting policies:

Estimates:

- The Company recognises legal and regulatory provisions in line with the Group's provisions policy. The level of provisioning for regulatory, civil and/or criminal investigation is an issue where management and legal judgement is important. These are valued based on the Directors' best estimates taking into account all available information, external advice and historical experience.

Judgements:

- Determine whether there are indicators of impairment of the Company's fixed asset investments.

The Company's Directors are of the opinion that there are no further judgements and no key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities for the Company within the next financial year.

2 Investments

	Shares in subsidiary undertakings £m
Cost	
At 1 January 2017	14,861
Additions during the year	64
At 31 December 2017	**14,925**
Additions during the year	24
At 31 December 2018	**14,949**
Provision for impairment	
At 1 January 2017	–
Provided for during the year	–
At 31 December 2017	**–**
Provided for during the year	–
At 31 December 2018	**–**
Net book amounts	
At 31 December 2017	14,925
At 31 December 2018	**14,949**

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The subsidiary undertakings as at 31 December 2018, all of which are included in the Group Financial Statements, are shown in Note 11 of the Company Financial Statements.

With the exception of Reckitt Benckiser plc, none of the subsidiaries are directly held by Reckitt Benckiser Group plc. All subsidiaries have a financial year ending 31 December with the exception of Reckitt Benckiser (India) Private Limited, Reckitt Benckiser Healthcare India Private Limited, Reckitt Benckiser Scholl India Private Limited and Reckitt & Colman Management Services (Ireland) Limited which have a year ending 31 March; Lloyds Pharmaceuticals which has a year ending 24 August; Reigate Square Holdings Sàrl which has a year ending 31 August; Crookes Healthcare Limited which has a year ending 31 January and Reckitt Benckiser Healthcare (Ireland) Limited which has a year ending 30 November.

Additions during the year, and in 2017, relate to the grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group.

3 Debtors Due Within One Year

	2018 £m	2017 £m
Amounts owed by Group undertakings	**44**	39

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand (2017: same).

4 Debtors Due After More Than One Year

	2018 £m	2017 £m
Deferred tax assets	**3**	8

Deferred tax assets consist of short-term timing differences.

5 Creditors Due Within One Year

	2018 £m	2017 £m
Amounts owed to Group undertakings	**6,342**	6,687
Taxation and social security	**5**	10
	6,347	6,697

Included in the amounts owed to Group undertakings is an amount of £6,333 million (2017: £6,675 million) which is unsecured, carries interest at 3M LIBOR and is repayable on demand (2017: same). All other amounts owed to Group undertakings are unsecured, non-interest bearing and are repayable on demand (2017: same).

6 Financial Instruments

	2018 £m	2017 £m
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**44**	39
Cash and cash equivalents	**1**	2
Financial liabilities		
Financial liabilities at amortised cost	**6,342**	6,687

7 Provisions for Liabilities and Charges

	Legal provisions £m	Total provisions £m
At 1 January 2017	62	62
Charged to the Statement of Comprehensive Income	306	306
Utilised during the year	(11)	(11)
Released to the Statement of Comprehensive Income	(1)	(1)
At 31 December 2017	**356**	**356**
Charged to the Statement of Comprehensive Income	17	17
Utilised during the year	(2)	(2)
Released to the Statement of Comprehensive Income	(2)	(2)
At 31 December 2018	**369**	**369**

Provisions have been analysed between current and non-current as follows:

	2018 £m	2017 £m
Current	**369**	356
Non-current	**–**	–
	369	356

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that there will be an outflow of resources to settle that obligation, and the amount can be reliably estimated.

Legal provisions include indemnities provided by the Company. Legal provisions released during the prior year relate to those for which an indemnity is no longer required.

7 Provisions for Liabilities and Charges continued

The utilisation of legal provisions during the year relates to legal costs for ongoing litigation proceedings.

The Group remains involved in ongoing investigations by the DoJ and the US Federal Trade Commission and related litigation proceedings in the US arising from certain matters relating to the RB Pharmaceuticals ("RBP") business prior to its demerger in December 2014 to form Indivior PLC, and may incur liabilities in relation to such matters. These investigations and related proceedings are continuing and the Group has been in discussions with the DoJ. At 31 December 2018, the Company was recognising a provision (denominated in US dollars) of $400 million (2017: $400 million) or £313 million (2017: £296 million). The Group remains committed to ensuring these issues are concluded or resolved satisfactorily but we cannot predict with any certainty whether we will be able to reach any agreement with the DoJ or other parties who are involved in any other investigation or related proceedings. The final cost for the Company may be substantially higher than this provision.

8 Share Capital

Issued and fully paid	Equity ordinary shares	Nominal value £m
At 1 January 2018	736,535,179	74
Allotments	–	–
At 31 December 2018	**736,535,179**	**74**

For details of the allotment of ordinary shares and release of Treasury shares during both the current and prior years, refer to Note 23 of the Group Financial Statements.

The holders of ordinary shares (par value 10p) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Parent Company.

9 Related Party Transactions

Reckitt Benckiser Group plc has related party relationships with its pension schemes as disclosed in Note 26 of the Group Financial Statements.

There were no other transactions with related parties other than wholly owned companies within the Group.

10 Contingent Liabilities

The Company has issued a guarantee to the trustees of the Reckitt Benckiser Pension Fund covering the obligations of certain UK subsidiaries of the Group who are the sponsoring employers of the UK defined benefit pension fund. The guarantee covers any amounts due to the pension fund from these subsidiaries if they fail to meet their pension obligations.

As referred to in Note 7, the Group remains involved in ongoing investigations by the DoJ and the US Federal Trade Commission and related litigation proceedings in the US arising from certain matters relating to the RBP business prior to its demerger in December 2014 to form Indivior PLC, and may incur liabilities in relation to such matters. These investigations and related proceedings are continuing and the Group has been in discussions with the DoJ. At 31 December 2018, the Company was recognising a provision (denominated in US dollars) of $400 million (2017: $400 million) or £313 million (2017: £296 million). The Company remains committed to ensuring these issues are concluded or resolved satisfactorily but we cannot predict with any certainty whether we will be able to reach any agreement with the DoJ or other parties who are involved in any other investigation or related proceedings. The final cost for the Company may be substantially higher than this provision.

The Company has also issued a guarantee on behalf of Reckitt Benckiser Treasury Services plc in relation to the issuance of a US$8,250 million bond (two tranches of US$2,500 million, one tranche of US$2,000 million, one tranche of US$750 million and one tranche of US$500 million). Details are included in Note 14 of the Group Financial Statements.

The Company has also issued a guarantee on behalf of MJN in relation to outstanding senior notes of US$3,000 million issued by MJN prior to acquisition (two tranches of US$750 million, one tranche of US$700 million, one tranche of US$500 million and one tranche of US$300 million).

Other contingent liabilities are discussed in Note 19 of the Group Financial Statements.

11 Subsidiary Undertakings

Reckitt Benckiser Group plc holds 100% of the ordinary share capital of Reckitt Benckiser plc, a company incorporated in England and Wales with its registered office at 103-105 Bath Road, Slough, Berkshire, SL1 3UH, United Kingdom. The Company has no further direct shareholdings.

All subsidiary undertakings of Reckitt Benckiser Group plc are included in the consolidated Financial Statements of the Group.

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
103-105 Bath Road Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
2309 Realty Corporation	Philippines	2309 Don Chino Roces Avenue, Makati City, PH 1321, Philippines	A and B shares	88.32%
Airwick Industrie SAS	France	38 rue Victor Basch, 91300 Massy, France	ORD	100.00%
Anhui Guilong Pharmaceutical Trading Company Ltd	China	Dangtu Economic Development Zone, Maanshan City, Anhui Province, China	ORD	100.00%
Beleggingsmaatschappij Lemore BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Benckiser	UK	4th Floor, 115, George Street, Edinburgh, EH2 4JN, Scotland	ORD	100.00%
Blisa, LLC	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	Membership shares	100.00%
Brevet Hospital Products (UK) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
British Surgical Industries Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD/PREF	100.00%
Canterbury Square Holdings Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
Central Square Holding BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Crookes Healthcare Limited	Ireland	3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland	ORD	100.00%
Crookes Healthcare Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Cupal,Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD/PREF	100.00%
Dakin Brothers Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Dorincourt Holdings (Ireland) Limited	Ireland	3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland	ORD	100.00%
Durex Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Earex Products Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
ERH Propack Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Exponential Health LLC	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	Membership shares	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Fenla Industria, Comercio e Administracao Ltda	Brazil	Rodovia Raposo Tavares, 8015, km 18, Jardim Arpoador, CEP 05577-900, São Paulo, Brazil	ORD	100.00%
Gainbridge Investments (Cyprus) Limited	Cyprus	1 Lampousas Street, P.C. 1095, Nicosia, Cyprus	ORD	100.00%
Glasgow Square Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Green, Young & Company Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Grosvenor Square Holding BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Guilong Pharmaceutical (Anhui) Co. Ltd	China	Dangtu Economic Development Zone, Maanshan City, Anhui Province, China	ORD	100.00%
Guilong Pharmaceutical (Anhui) Co. Ltd – Xiamen Branch	China	11F New Port Plaza, 10 Hubinbei Road, Xiamen, China	–	100.00%
Hamol Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Helpcentral Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Howard Lloyd & Company, Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Kukident GmbH	Germany	Heinestrasse 9, 69469 Weinheim, Germany	ORD	100.00%
Lancaster Square Holdings SL	Spain	Carrer de Mataró, 28, 08403 Granollers, Barcelona, Spain	ORD	100.00%
LI Pensions Trust Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Linden Germany A Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Linden Germany B Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Lloyds Pharmaceuticals	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
London International Group Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
London International Trading Asia Ltd	Hong Kong	Units 1503-7, 15th Floor, Millennium City 6, 392 Kwun Tong, Kowloon, Hong Kong	ORD	100.00%
LRC Investments Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD/PREF	100.00%
LRC North America Inc	USA	c/o Corporation Service Company, 2711 Centerville Rd, Ste 400, Wilmington, DE 19808, USA	Common	100.00%
LRC Products Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
LRC Products Limited – Australian Branch	Australia	44 Wharf Road, West Ryde, NSW 2114, Australia	–	100.00%
LRC Secretarial Services Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Maddison Square Holding BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Manufactura MJN, S. de R.L. de C.V.	Mexico	Avenida de las Granjas 972, Pueblo Santa Bárbara, 02230 Azcapotzalco, CDMX, Mexico	Partnership/ Membership interests	100.00%
Mead Johnson & Company LLC	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	Membership shares	100.00%
Mead Johnson B.V.	Netherlands	Middenkampweg 2, 6545 CJ Nijmegen, The Netherlands	ORD	100.00%
Mead Johnson do Brasil Comercio E Importacao De Productos de Nutricao Ltda.	Brazil	Av.das Nacoes Unidas 14171, 8 andar, Torre Marble-Vila Gertrudes, São Paolo, 04794-000, Brazil	Participation/ Membership interests	100.00%
Mead Johnson Nutricionales de México, S. de R.L. de C.V.	Mexico	Lago Zurich 245, Ampl Granada, 11529 Miguel Hidalgo, CDMX, Mexico	Partnership/ Membership interests	100.00%
Mead Johnson Nutrition (Asia Pacific) Pte. Ltd.	Singapore	80 Robinson Road, #02-00, Singapore 068898	ORD	100.00%
Mead Johnson Nutrition (Australia) Pty Ltd	Australia	King & Wood Mallesons Governor Phillip Tower Level 61 1, Farrer Place Sydney NSW 2000, Australia	ORD	100.00%
Mead Johnson Nutrition (Belgium) BVBA	Belgium	International Business Company Formation, Inc., Researchdreef/Allée de la Recherche 20, B-1070 Brussels, Belgium	Participation interests	100.00%
Mead Johnson Nutrition (Canada) Co.	Canada	900-535 Legget Drive, Kanata K2K 3B8 Ontario, Canada	Common	100.00%
Mead Johnson Nutrition (Colombia) Ltda.	Colombia	Calle 76 No. 11-17 Piso 3, Edificio Torre Los Nogales, Bogotá, Colombia	Participation/ Membership interests	100.00%
Mead Johnson Nutrition (Dominicana), S.A.	United States	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	Common	100.00%
Mead Johnson Nutrition (Dominicana), S.A. – Dominican Republic Branch	Dominican Republic	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	–	100.00%
Mead Johnson Nutrition (Ecuador) Cia. Ltda.	Ecuador	Av. Coruna N27-88 y Orellana, Edificio Coruña Plaza 7 Floor, Quito, Pichincha, Ecuador	Participation/ Membership interests	100.00%
Mead Johnson Nutrition (France) SAS	France	14 rue Ballu, 75009 Paris, France	ORD	100.00%
Mead Johnson Nutrition (Hong Kong) Limited	Hong Kong	25/F., Chubb Tower, Windsor House, 311 Gloucester Rd., Causeway Bay, Hong Kong	ORD	100.00%
Mead Johnson Nutrition (Hong Kong) Limited – Macau Branch	Hong Kong	Alamdea Dr. Carlos D'assumpcao No.258,6 Andar, F6, Edif.Kin Heng Long Plaza, Macau, MO, Macau	–	100.00%
Mead Johnson Nutrition (India) Private Limited	India	3rd Floor, Piramal Towers, Penisula Corporate Park, G.K. Marg, Lower Parel, India-Mumbai, IN 400013, India	ORD	100.00%
Mead Johnson Nutrition (Italia) S.R.L.	Italy	Via Birmania 81, CAP 00144 Rome, Italy	ORD	100.00%
Mead Johnson Nutrition (Malaysia) Sdn Bhd	Malaysia	Level 17, Menara 1 Sentrum, No.201, Jalan Tun Sambanthan, Kuala Lumpur 50470 MY, Malaysia	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Mead Johnson Nutrition (Panama), S. de R.L.	Panama	Costa Del Este, Ave. La Rotonda, Edificio Bladex Piso 6, Oficina 6E, Panama	Partnership/ Membership interests	100.00%
Mead Johnson Nutrition (Peru) S.R.L.	Peru	Calle Dean Valdivia 148 Piso 5, San Isidro Lima 27, Peru	Partnership/ Membership interests	100.00%
Mead Johnson Nutrition (Philippines), Inc.	Philippines	2309 Don Chino Roces Avenue, Makati City PH, Philippines	Common/PREF	99.96%
Mead Johnson Nutrition (Poland) SP.Z.O.O.	Poland	Al. Armii Ludowej 26, Warsaw, 00-609, Poland	ORD	100.00%
Mead Johnson Nutrition (Puerto Rico) Inc.	United States	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	Common	100.00%
Mead Johnson Nutrition (Puerto Rico) Inc. – Puerto Rico Branch	Puerto Rico	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	–	100.00%
Mead Johnson Nutrition (Singapore) Pte. Ltd.	Singapore	80 Robinson Road, #02-00, Singapore 068898	ORD	100.00%
Mead Johnson Nutrition (Spain), S.L.	Spain	Calle Beatriz de Bobadilla, 14, 5º Planta, 28040 Madrid, Spain	Participation quotas	100.00%
Mead Johnson Nutrition (Taiwan) Ltd.	Taiwan	5F., No.156, Jiankang Rd., Songshan Dist.Taipei, 105, Taiwan	ORD	100.00%
Mead Johnson Nutrition (Thailand) Ltd.	Thailand	388 Exchange Tower, 14th Fl.,Sukhumvit Rd., Klongtoey, Bangkok, 10110, Thailand	ORD	100.00%
Mead Johnson Nutrition (UK) Ltd.	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Mead Johnson Nutrition (Venezuela) LLC	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	Membership shares	100.00%
Mead Johnson Nutrition (Vietnam) Company Limited	Vietnam	Suite 401,4th flr,Metropolitan Bldg, 235 Dong Khoi St., District 1, Ho Chi Minh City, Vietnam	ORD	100.00%
Mead Johnson Nutrition Argentina, S.A.	Argentina	Alferez Bouchard 4191, 3rd floor, Munro, Buenos Aires 1605, Argentina	ORD	90.00%
Mead Johnson Nutrition Company	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	Common	100.00%
Mead Johnson Nutrition Foundation (IL)	USA	Illinois Corporation Service Company, 801 Adlai Stevenson Drive, Springfield IL 62703, Sangamon County, USA	Not for profit	100.00%
Mead Johnson Nutrition Holdings (Singapore) Pte. Ltd.	Singapore	80 Robinson Road, #02-00, Singapore 068898	ORD	100.00%
Mead Johnson Nutrition International Holdings Pte Ltd	Singapore	80 Robinson Road, #02-00, Singapore 068898	ORD	100.00%
Mead Johnson Nutrition Nominees LLC	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	Membership shares	100.00%
Mead Johnson Nutrition Trading Poland Sp. z o.o	Poland	Al. Armii Ludowej 26, Warsaw, 00-609, Poland	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Mead Johnson Nutrition Venezuela S.C.A.	Venezuela	Edificio Torre Nordic, Intersección Av Orinoco c/Mucuchies, Piso 1 Oficinas 1 y 2 – Urb. Las Mercedes, Caracas 1060, Venezuela	ORD/Common	100.00%
Mead Johnson Nutritionals (China) Ltd.	China	2# Xia Yuan Road, Dongji Industrial District, Guangzhou Economic & Technological Development Zone, Guangzhou 510730 China	ORD	88.89%
Mead Johnson One, C.V.	Netherlands	225 North Canal Street, Floor 25, Chicago, IL 60606, USA	Partnership interests	100.00%
Mead Johnson Pediatric Nutrition Institiute (China) Ltd.	China	Unit 01,2/F, Office building, 2# Xia Yuan Road, Dongji Industrial District, Guangzhou Economic & Technological Development Zone, Guangzhou 510730 China	ORD	100.00%
Mead Johnson Two, C.V.	Netherlands	225 North Canal Street, Floor 25, Chicago, IL 60606, USA	Partnership interests	100.00%
Medcom Marketing And Prodazha Ukraine LLC (in liquidation)	Ukraine	1 Block, 120 40-Richchia Zhovtnia Ave., Kyiv, 03127, Ukraine	ORD	100.00%
Medcom MP Belarus LLC	Belarus	220108, Minsk, Kazintsa, 121A, app.450, Belarus	ORD	100.00%
MJ UK Holdings Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
MJ USA Holdings LLC	USA	c/o Corporation Service Company, 2711 Centerville Rd, Ste 400, Wilmington, DE 19808, USA	Membership shares	100.00%
MJN Asia Pacific Holdings LLC	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	Membership shares	100.00%
MJN Global Holdings B.V.	Netherlands	Zuidplein 142, Tower H, 17th Floor, 1077 XV Amsterdam, The Netherlands	ORD	100.00%
MJN Holdings (Netherlands) B.V.	Netherlands	Zuidplein 142, Tower H, 17th Floor, 1077 XV Amsterdam, The Netherlands	ORD	100.00%
MJN Innovation Services B.V.	Netherlands	Middenkampweg 2, 6545 CJ Nijmegen, The Netherlands	ORD	100.00%
MJN International Holdings (UK), Ltd.	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
MJN U.S. Holdings LLC	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	Membership shares	100.00%
New Bridge Holdings BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
New Bridge Street Invoicing Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Norwich Square Holding SL	Spain	Carrer de Mataró, 28, 08403 Granollers, Barcelona, Spain	ORD	100.00%
Nurofen Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Only Good Nutrition Industria de Alimentos Ltda.	Brazil	Estrada Fukutaro Yida, 930, Cooperativa, São Bernado Do Campo, São Paulo, 09852-060, Brazil	Participation/ Membership interests	100.00%
Open Championship Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Optrex Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Oriental Medicine Company Limited	Hong Kong	Units 1503-7, 15th Floor, Millennium City 6, 392 Kwun Tong, Kowloon, Hong Kong	ORD	100.00%
Oxy Reckitt Benckiser LLC	South Korea	24th Floor Two IFC, 10 Gukjegeumyung-ro, Youngdeungpo-gu, Seoul, 150-945 South Korea	ORD	100.00%
Paras Global FZE	Dubai	Sheikh Zayed Road, 8.5 Interchange, Dubai, United Arab Emirates	ORD	100.00%
Paras Overseas Holding Limited	Dubai	Sheikh Zayed Road, 8.5 Interchange, Dubai, United Arab Emirates	ORD	100.00%
Pharmalab Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Prebbles Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD/DEF	100.00%
Propack GmbH	Germany	Dr. Albert-Reimann-Strasse 3, 68526 Ladenburg, Germany	ORD	100.00%
PT Mead Johnson Indonesia	Indonesia	The Plaza Office Tower 43rd floor, Jalan MH. Thamrin Kav 28-30, Jakarta, 10350, Indonesia	Common	90.10%
PT Reckitt Benckiser Indonesia	Indonesia	Artha Graha Building, 11th Floor, Jalan Jendral Sudirman Kav 52-53, Jakarta 12190, Indonesia	ORD	100.00%
PT Reckitt Benckiser Trading Indonesia	Indonesia	Jalan Raya Narogong Km. 15, Desa Limusnunggal Pangkalan VII, Kec Cileungsi, Bogor, Indonesia	ORD	100.00%
Qingdao London Durex Co Ltd	China	No.1 Shangma, Aodong Road, Qingdao City, Shandong Province, China	ORD	100.00%
Qingdao New Bridge Corporate Management Consulting Company Ltd	China	No.1 Shangma, Aodong Road, Qingdao City, Shandong Province, China	ORD	100.00%
R&C Nominees Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
R&C Nominees One Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
R&C Nominees Two Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
RB & Manon Business Co. Ltd	China	Room 1101, No.1033, Zhao Jia Bang Road, Shanghai, China	ORD	75.05%
RB & Manon Business Limited	Hong Kong	Unit 2001, 20/F, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong	ORD	75.00%
RB (China Trading) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	80.00%
RB (China) Holding Co Ltd	China	6th Floor, Tower D, Parkview Green Fang Cao Di, No.9 Dongdaqiao Road, Chaoyang District, China	ORD	100.00%
RB (Health) Colombia SAS	Colombia	Calle 76 No.11 – 17 oficina 301 Bogotá, Colombia	ORD	100.00%
RB (Health) Malaysia Sdn Bhd	Malaysia	Unit No. 50-8-1, 8th floot, Wisma Uoa Damansara, 50 Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur	ORD	100.00%
RB (Hygiene Home) Australia Pty Ltd	Australia	Level 47, 680 George Street, Sydney, NSW, 2000, Australia	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
RB (Hygiene Home) Czech Republic, spol s.r.o	Czech Republic	Vinohradská 2828/151, Praha 3, 13000, Czech Republic	ORD	100.00%
RB (Hygiene Home) Hungary Kft	Hungary	1113 Budapest, Bocskai út 134-146, Hungary	ORD	100.00%
RB (Hygiene Home) New Zealand Limited	New Zealand	2 Fred Thomas Drive Takapuna, Auckland, 0622, New Zealand	ORD	100.00%
RB (Hygiene Home) Romania S.R.L.	Romania	89-97 Grigore Alexandrescu street, Building A, 5th floor, Finish room, Sector 1, Bucharest, Romania	ORD	100.00%
RB Asia Holding Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
RB East Trading Limited	Dubai	Behind GAC Complex, Jebel Ali Free Zone, PO Box 61344 Dubai, United Arab Emirates	–	80.00%
RB Finance Luxembourg (2018) Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
RB Health (Canada) Inc.	Canada	Suite 2300, 550 Burard Street, Vancouver BC V6C 2BS, Canada	Common	100.00%
RB Health (US) LLC	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	Membership shares	100.00%
RB Health Manufacturing (US) LLC	USA	Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, New Castle County, USA	Membership shares	100.00%
RB Health Mexico, S.A de C.V.	Mexico	Av. Ejército Nacional No. 769, Corporativo Miyana Torre B, piso 6, Alcaldía Miguel Hidalgo, Colonia Granada, CP 11520, Mexico	ORD	100.00%
RB Health Services Mexico, S.A de C.V.	Mexico	Av. Ejército Nacional No. 769, Corporativo Miyana Torre B, piso 6, Alcaldía Miguel Hidalgo, Colonia Granada, CP 11520, Mexico	ORD	100.00%
RB Healthcare Pte Ltd – Malaysia Branch	Malaysia	Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia	ORD	100.00%
RB Healthcare Pte Ltd (in liquidation)	Singapore	1 Fifth Avenue, #04-06 Guthrie House, Singapore 268802	ORD	100.00%
RB Holding Europe Du Sud SNC	France	38 rue Victor Basch, 91300 Massy, France	ORD	100.00%
RB Holdings (Luxembourg) Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
RB Holdings (Nottingham) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
RB Holdings Luxembourg (2018) Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
RB Hygiene Home Arabia FZE	Dubai	Behind GAC Complex, Jebel Ali Free Zone, PO Box 61344 Dubai, United Arab Emirates	ORD	100.00%
RB Hygiene Home Belgium SA/NV	Belgium	20 Allée de la Recherche, 1070 Anderlecht, Belgium	ORD	100.00%
RB Hygiene Home France SAS	France	38 rue Victor Basch, 91300 Massy, France	ORD	100.00%
RB Hygiene Home India Private Limited	India	Plot No. 48, Sector-32, Institutional Area, Gurugram – 122 001, India	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
RB Hygiene Home Netherlands BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
RB Ireland Hygiene Home Commercial Limited	Ireland	6th Floor, 2 Grand Canal Square, Dublin 2, Ireland	ORD	100.00%
RB LATAM Holding B.V.	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
RB Luxembourg (2016) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
RB Luxembourg (TFFC) S.a.r.l	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
RB Luxembourg Holdings (TFFC) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
RB Luxembourg Holdings (TFFC) Limited – Luxembourg Branch	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	–	100.00%
RB Manufacturing LLC	USA	c/o Corporation Service Company, 2711 Centerville Rd, Ste 400, Wilmington, DE 19808, USA	Membership shares	100.00%
RB Mexico Investments Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
RB NL Brands B.V.	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
RB Reigate (Ireland) Unlimited Company	Ireland	3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland	ORD	100.00%
RB Reigate (UK) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
RB Salute Mexico S.A de C.V.	Mexico	Av. De los Angeles No 303 Bodega 3B-1 Col. San Matin Xochinahuac, Azcapotzalco, Mexico	ORD	100.00%
RB Square Holdings (Spain) SL	Spain	Carrer de Mataró, 28, 08403 Granollers, Barcelona, Spain	ORD	100.00%
RB UK Commercial Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
RB UK Hygiene Home Commercial Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
RB USA Holdings LLC	USA	c/o Corporation Service Company, 2711 Centerville Rd, Ste 400, Wilmington, DE 19808, USA	Membership shares	100.00%
RB Winchester (Ireland) Unlimited Company	Ireland	3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland	ORD	100.00%
RBHCR Health Reckitt Costa Rica Sociedad Anonima	Costa Rica	San José, Escazú, San Rafael, costado sur de Multiplaza de Escazú, Edificio Escazú Corporate Center Séptimo Piso, Costa Rica	Common	100.00%
Reckitt & Colman (Jersey) Limited	Jersey	ICF 5, St. Helier, Jersey JE1 1ST	ORD/PREF	100.00%
Reckitt & Colman (Overseas) Health Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt & Colman (Overseas) Hygiene Home Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt & Colman (Overseas) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Reckitt & Colman (UK) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD/PREF	100.00%
Reckitt & Colman Capital Finance Limited	Jersey	ICF 5, St. Helier, Jersey JE1 1ST	ORD	100.00%
Reckitt & Colman Guangzhou Limited	China	Economic and Technological Development Zone, Eastern, Guangzhou City, Guangdong Province, China	ORD	100.00%
Reckitt & Colman Holdings Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt & Colman Management Services (Ireland) Limited	Ireland	3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland	ORD	100.00%
Reckitt & Colman Pension Trustee Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt & Colman Sagrotan Verwaltungsgesellschaft mbH	Germany	Darwinstrasse 2-4, 69115 Heidelberg, Germany	ORD	100.00%
Reckitt & Colman Trustee Services Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt & Sons Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser (2012) BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser (Australia) Pty Limited	Australia	44 Wharf Road, West Ryde, NSW 2114, Australia	ORD/PREF	100.00%
Reckitt Benckiser (Bangladesh) Limited	Bangladesh	58/59 Nasirabad Industrial Area, Chittagong- 4209, Bangladesh	ORD	82.96%
Reckitt Benckiser (Belgium) SA/NV	Belgium	Researchdreef, Allée de la Recherche 20, B-1070 Brussels, Belgium	ORD	100.00%
Reckitt Benckiser (Brands) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser (Brasil) Comercial De Products De Higene, Limpeza E Cosmeticos Ltda.	Brazil	Av. Presidente Juscelino Kubitshek,1909, cj 241 and 251, Ed. São Paulo Corporate Center/North Tower, São Paulo, 04543-903, Brazil	ORD	100.00%
Reckitt Benckiser (Brasil) Ltda	Brazil	Rodovia Raposo Tavares, 8015, km 18, Jardim Arpoador, CEP 05577-900, São Paulo, Brazil	ORD	100.00%
Reckitt Benckiser (BVI) No. 1 Limited	British Virgin Islands	Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands	ORD	100.00%
Reckitt Benckiser (BVI) No. 1 Limited – UK Branch	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	–	100.00%
Reckitt Benckiser (BVI) No. 2 Limited	British Virgin Islands	Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands	ORD	100.00%
Reckitt Benckiser (BVI) No. 2 Limited – UK Branch	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	–	100.00%
Reckitt Benckiser (BVI) No. 3 Limited	British Virgin Islands	Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands	ORD	100.00%
Reckitt Benckiser (BVI) No. 3 Limited – UK Branch	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	–	100.00%
Reckitt Benckiser (BVI) No. 4 Limited	British Virgin Islands	Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Reckitt Benckiser (Canada) Inc	Canada	1680 Tech Avenue Unit 2, Mississauga, Ontario L4W 5S9, Canada	New common	100.00%
Reckitt Benckiser (Cayman Islands) Limited	Cayman Islands	PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman, KY1-1104, Cayman Islands	ORD	100.00%
Reckitt Benckiser (Centroamerica) SA	Costa Rica	San José, Escazú Corporate Center, 7 Piso, Costado Sur de Multiplaza Escazú, San José, Costa Rica	ORD	100.00%
Reckitt Benckiser (Channel Islands) Limited	Guernsey	1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW	ORD	100.00%
Reckitt Benckiser (Czech Republic) Spol s r o	Czech Republic	Vinohradská 2828/151, 130 00 Praha 3-Žižkov, Czech Republic	ORD	100.00%
Reckitt Benckiser (Egypt) Limited	Egypt	Polyium Building 22, Off-road 90, District 1, 5th Settlement, New Cairo, Egypt	ORD	100.00%
Reckitt Benckiser (ENA) BV	Netherlands	Schiphol Boulevard 267, 1118 BH Schiphol, The Netherlands	ORD	100.00%
Reckitt Benckiser (Espana) SL	Spain	Carrer de Mataró, 28, 08403 Granollers, Barcelona, Spain	ORD	100.00%
Reckitt Benckiser (Granollers) SL	Spain	Carrer de Mataró, 28, 08403 Granollers, Barcelona, Spain	ORD	100.00%
Reckitt Benckiser (Grosvenor) Holdings Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser (Health) Holdings Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser (Health) Malaysia Sdn. Bhd.	Malaysia	Unit No. 50-8-1, 8th Floor, Wisma Uoa Damansara, 50 Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia	ORD	100.00%
Reckitt Benckiser (Hygiene Home) Holdings Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser (India) Private Limited	India	227, Okhla Industrial Estate, Phase III, New Delhi, South Delhi, Delhi, India, 110020	ORD	100.00%
Reckitt Benckiser (Lanka) Limited	Sri Lanka	41 Lauries Road, Colombo 4, Sri Lanka	ORD	99.99%
Reckitt Benckiser (Latvia) SIA	Latvia	Strelnieku iela 1A - 2, Riga, LV-1010, Latvia	ORD	100.00%
Reckitt Benckiser (Malaysia) Sdn Bhd	Malaysia	Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia	ORD	100.00%
Reckitt Benckiser (Near East) Limited	Israel	6 Hangar Street, I.Z. Neve Neeman B Hod Hasharon 45250, P.O. Box 6440, Israel	ORD	100.00%
Reckitt Benckiser (New Zealand) Limited	New Zealand	2 Fred Thomas Dr, Takapuna, Auckland 0622, New Zealand	ORD	100.00%
Reckitt Benckiser (Pars) PJSC	Iran	No 67, West Taban Avenue, Africa Boulevard, Tehran, Iran	ORD	99.80%
Reckitt Benckiser (Poland) SA	Poland	Okunin 1, 05-100 Nowy Dwór Mazowiecki, Poland	ORD	100.00%
Reckitt Benckiser (Portugal) SA	Portugal	R. Dom Cristóvão da Gama 1 – 1° Andar C/D, Edifício Restelo, 1400-113 Lisbon, Portugal	ORD	100.00%
Reckitt Benckiser (Romania) Srl	Romania	89-97 Grigore Alexandrescu street, Building A, 5th floor, Sector 1, Bucharest, Romania	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Reckitt Benckiser (RUMEA) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser (RUMEA) Limited – Dubai Branch	Dubai	Behind GAC Complex, Jebel Ali Free Zone, PO Box 61344 Dubai, United Arab Emirates	–	100.00%
Reckitt Benckiser (RUMEA) Limited – JAFZA Branch	Dubai	Behind GAC Complex, Jebel Ali Free Zone, PO Box 61344 Dubai, United Arab Emirates	–	100.00%
Reckitt Benckiser (Singapore) Pte Limited	Singapore	1 Fifth Avenue, #04-06 Guthrie House, Singapore 268802	ORD	100.00%
Reckitt Benckiser (Slovak Republic) Spol s r o	Slovakia	Drienová 3, 82108 Bratislava, Slovakia	ORD	100.00%
Reckitt Benckiser (South America) Holding BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser (Spain) BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser (Switzerland) AG	Switzerland	Richtistrasse 5, 8405 Wallisellen, Switzerland	ORD	100.00%
Reckitt Benckiser (Thailand) Limited	Thailand	No. 89 AIA Capital Center, Rooms 2504 – 2507, 25th Floor, Ratchadaphisek Rd., Dindaeng Sub-District, Dindaeng District, Bangkok 10400, Thailand	ORD	45.00%
Reckitt Benckiser (UK) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser (USA) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser AG	Switzerland	Richtistrasse 5, 8304 Wallisellen, Switzerland	ORD	100.00%
Reckitt Benckiser Arabia FZE	Dubai	Behind GAC Complex, Jebel Ali Free Zone, PO Box 61344 Dubai, United Arab Emirates	ORD	100.00%
Reckitt Benckiser Argentina SA	Argentina	Bucarelli 2608 PB A, CABA, Buenos Aires, Argentina	ORD	100.00%
Reckitt Benckiser Asia Pacific Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Asia Pacific Limited – Japan Branch	Japan	3-20-14 Higashi-Gotanda, Shinagawa-ku, Tokyo 141-0022	–	100.00%
Reckitt Benckiser Austria GmbH	Austria	Guglgasse 15, A-1110 Vienna, Austria	ORD	100.00%
Reckitt Benckiser Bahrain W.L.L	Bahrain	PO Box 50833, Hidd, Kingdom of Bahrain	ORD	100.00%
Reckitt Benckiser Brands Investments BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser Bulgaria EOOD	Bulgaria	Office 4, Third floor, 22 Zlaten Rog Street, Lozenets Region, 1407 Sofia City, Bulgaria	ORD	100.00%
Reckitt Benckiser BY LLC	Belarus	220108, Minsk, Kazintsa, 121A, app.403, Belarus	Common	100.00%
Reckitt Benckiser Calgon BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser Chartres SAS	France	102 rue de Sours 28000 Chartres, France	ORD	100.00%
Reckitt Benckiser Chile SA	Chile	Av. Pdte. Kennedy Lateral 5454, Vitacura, Región Metropolitana, Chile	ORD	100.00%
Reckitt Benckiser Colombia SA	Colombia	Calle 46 # 5 – 76. Cali, Colombia	ORD	100.00%
Reckitt Benckiser Commercial (Italia) Srl	Italy	Via Spadolini, 7, 20141 Milan, Italy	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Reckitt Benckiser Corporate Services Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser d.o.o	Croatia	Ulica grada Vukovara 269d, 10 000 Zagreb, Hrvatska, Croatia	ORD	100.00%
Reckitt Benckiser Detergents GmbH	Germany	Darwinstrasse 2-4, 69115 Heidelberg, Germany	ORD	100.00%
Reckitt Benckiser Deutschland GmbH	Germany	Darwinstrasse 2-4, 69115 Heidelberg, Germany	ORD	100.00%
Reckitt Benckiser East Africa Limited	Kenya	Plot Lr No 209/2462, Likoni Road, Nairobi, Kenya, Africa	ORD	99.00%
Reckitt Benckiser Ecuador SA	Ecuador	Francisco Salazar E10-37 y Jose Luis Tamayo. Quito, Ecuador	ORD	100.00%
Reckitt Benckiser Europe General Partnership	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	Partnership shares	100.00%
Reckitt Benckiser Europe General Partnership, Slough (UK), Wallisellen Branch – Swiss Branch	Switzerland	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	–	100.00%
Reckitt Benckiser Expatriate Services Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Fabric Treatment BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser Finance (2005) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Finance (2007)	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Finance (2010) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Finance (Ireland) Unlimited Company	Ireland	3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland	ORD	100.00%
Reckitt Benckiser Finance Company Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Finish BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser France SAS	France	38 rue Victor Basch, 91300 Massy, France	ORD	100.00%
Reckitt Benckiser FSIA BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser Global R&D GmbH	Germany	Dr. Albert-Reimann-Strasse 3, 68526 Ladenburg, Germany	ORD	100.00%
Reckitt Benckiser Health Argentina SA	Argentina	Alferez Bouchard 4191, 3rd floor, Munro, Buenos Aires, Argentina	ORD	100.00%
Reckitt Benckiser Health Comercial Ltda	Brazil	Estado de São Paulo, na Av. Presidente Juscelino Kubitschek, nº 1.909, Conjunto 241, Parte C, localizado no 24º andar da Torre Norte do Condomínio São Paulo Corporate Centers, Bairro Vila Nova Conceição, CEP 04543-907, Brazil	ORD	100.00%
Reckitt Benckiser Health Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Healthcare (Central & Eastern Europe) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Reckitt Benckiser Healthcare (CIS) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Healthcare (Ireland) Limited	Ireland	3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland	ORD	100.00%
Reckitt Benckiser Healthcare (Italia) SpA	Italy	Via Spadolini, 7, 20141 Milan, Italy	ORD	100.00%
Reckitt Benckiser Healthcare (MEMA) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Healthcare (Philippines), Inc	Philippines	Unit 2202 One Global Place, 5th Ave. Corner 25th St. Bonifacio Global City, Taguig City 1634, Philippines	ORD	100.00%
Reckitt Benckiser Healthcare (Russia) LLC	Russia	Shlyuzovaya emb., 4, 115114 Moscow, Russia	ORD	100.00%
Reckitt Benckiser Healthcare (UK) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Healthcare Australia Pty Limited	Australia	44 Wharf Road, West Ryde, NSW 2114, Australia	ORD	100.00%
Reckitt Benckiser Healthcare BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser Healthcare France SAS	France	38 rue Victor Basch, 91300 Massy, France	ORD	100.00%
Reckitt Benckiser Healthcare India Private Limited	India	Plot No. 48, Sector 32, Near IITM, Gurgaon, Gurgaon, Haryana, India, 122001	ORD	100.00%
Reckitt Benckiser Healthcare International Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Healthcare Manufacturing (Thailand) Limited	Thailand	65 Moo 12 Lardkrabang-Bangplee Road, Bangplee Samutprakarn, Bangkok 10540, Thailand	ORD/PREF	45.00%
Reckitt Benckiser Healthcare Portugal Ltda	Portugal	R. Dom Cristóvão da Gama 1 – 1º Andar C/D, Edifício Restelo, 1400-113 Lisbon, Portugal	ORD	100.00%
Reckitt Benckiser Healthcare SA	Spain	Carrer de Mataró, 28, 08403 Granollers, Barcelona, Spain	ORD	100.00%
Reckitt Benckiser Hellas Chemicals SA	Greece	7 Taki Kavalieratou Street, 145 64 Kifissia, Greece	ORD	100.00%
Reckitt Benckiser Holding (Thailand) Limited	Thailand	No. 89 AIA Capital Center, Rooms 2504 – 2507, 25th Floor, Ratchadaphisek Rd., Dindaeng Sub-District, Dindaeng District, Bangkok 10400, Thailand	ORD/PREF	45.00%
Reckitt Benckiser Holding GmbH & Co KG	Germany	Darwinstrasse 2-4, 69115 Heidelberg, Germany	ORD	100.00%
Reckitt Benckiser Holdings (2017) Ltd	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Holdings (Channel Islands) Limited	Guernsey	1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW	ORD	100.00%
Reckitt Benckiser Holdings (Channel Islands) Limited – UK Branch	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	–	100.00%
Reckitt Benckiser Holdings (Italia) Srl	Italy	Via Spadolini, 7, 20141 Milan, Italy	ORD	100.00%
Reckitt Benckiser Holdings (Luxembourg) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD/PREF	100.00%
Reckitt Benckiser Holdings (Overseas) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Reckitt Benckiser Holdings (TFFC) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Holdings (USA) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Holdings (USA) Limited – Luxembourg Branch	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	–	100.00%
Reckitt Benckiser Home Chemical Products Trading (Shanghai) Co Limited	China	C6-8 site, 6F, No.333 Futexi Road, Waigaoqiao Free Trade Zone, Shanghai City, China	ORD	100.00%
Reckitt Benckiser Hong Kong Limited	Hong Kong	Room 03-07, 15/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong	ORD	100.00%
Reckitt Benckiser Hong Kong Limited – Taiwan Branch	Taiwan	6F., No. 136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City 10657, Taiwan, R.O.C.	–	100.00%
Reckitt Benckiser Household and Healthcare Ukraine LLC	Ukraine	Office 80, Letter G, Building 28-A Prospekt Stepana Bandery, Kiev 04073, Ukraine	ORD	100.00%
Reckitt Benckiser Household Products (China) Company Limited	China	No.34 Beijing East Road, Jingzhou City, Hubei Province, China	ORD	100.00%
Reckitt Benckiser Hygiene Home Brands B.V.	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser Investments (2012) LLC	USA	c/o Corporation Service Company, 2711 Centerville Rd, Ste 400, Wilmington, DE 19808, USA	Membership shares	100.00%
Reckitt Benckiser Investments (2017) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Investments (No. 1) Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
Reckitt Benckiser Investments (No. 2) Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
Reckitt Benckiser Investments (No. 4) Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
Reckitt Benckiser Investments (No. 5) Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
Reckitt Benckiser Investments (No. 6) Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
Reckitt Benckiser Investments (No. 7) Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
Reckitt Benckiser Investments (No. 8) Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
Reckitt Benckiser Investments Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser IP LLC	Russia	Kosmodamianskaya Nab d.52/1, Moscow, Russia	ORD	100.00%
Reckitt Benckiser Ireland Limited	Ireland	3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland	ORD	100.00%
Reckitt Benckiser Italia SpA	Italy	Via Spadolini, 7, 20141 Milan, Italy	ORD	100.00%
Reckitt Benckiser Japan Limited	Japan	Shinagawa-ku, 141-0022, Japan	ORD	100.00%
Reckitt Benckiser Jersey (No.1) Limited	Jersey	ICF 5, St. Helier, Jersey JE1 1ST	ORD	100.00%
Reckitt Benckiser Jersey (No.1) Limited – UK Branch	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	–	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Reckitt Benckiser Jersey (No.2) Limited	Jersey	ICF 5, St. Helier, Jersey JE1 1ST	ORD	100.00%
Reckitt Benckiser Jersey (No.2) Limited – UK Branch	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	–	100.00%
Reckitt Benckiser Jersey (No.3) Limited	Jersey	ICF 5, St. Helier, Jersey JE1 1ST	ORD	100.00%
Reckitt Benckiser Jersey (No.3) Limited – UK Branch	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	–	100.00%
Reckitt Benckiser Jersey (No.5) Limited	Jersey	ICF 5, St. Helier, Jersey JE1 1ST	ORD	100.00%
Reckitt Benckiser Jersey (No.5) Limited – UK Branch	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	–	100.00%
Reckitt Benckiser Jersey (No.7) Limited	Jersey	ICF 5, St. Helier, Jersey JE1 1ST	ORD, Class A, C & D	100.00%
Reckitt Benckiser Kazakhstan LLC	Kazakhstan	House 15A, Koktem 1, Bostandyksky District, Almaty, 050040, Kazakhstan	ORD	100.00%
Reckitt Benckiser Kereskedelmi Kft	Hungary	134-146 ut Bocksai, 1113 Budapest, Hungary	ORD	100.00%
Reckitt Benckiser Laundry Detergents (No. 1) BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser Laundry Detergents (No. 2) BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser Lime-A-Way BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser LLC	Russia	Kosmodamianskaya Nab d.52/1, Moscow, Russia	ORD	100.00%
Reckitt Benckiser LLC	USA	c/o Corporation Service Company, 2711 Centerville Rd, Ste 400, Wilmington, DE 19808, USA	Membership shares	100.00%
Reckitt Benckiser Luxembourg (2010) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Luxembourg (No. 1) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Luxembourg (No. 2) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Luxembourg (No. 3) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Luxembourg (No. 4) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Management Services Unlimited Company	Ireland	3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland	A, B, C, D, E, F, G, H, I, K ORD	100.00%
Reckitt Benckiser Marc BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser Mexico, SA de CV	Mexico	Circuito Dr Gustavo Baz,7 No 7, Fracc Industrial El Pedregal, Atizapan de Zaragoza, Edomex, Mexico	ORD	100.00%
Reckitt Benckiser Morocco Sarl AU	Morocco	322 Boulevard, Zerktouni, Residence Boissy Ler Etage – Bourgogne, Casablanca, Morocco	ORD	100.00%
Reckitt Benckiser Nigeria Limited	Nigeria	12 Montgomery Road, Yaba, Lagos, Nigeria	ORD	99.53%
Reckitt Benckiser Nordic A/S	Denmark	Vandtårnsvej 83 A, 2860 Søborg, Denmark	ORD	100.00%
Reckitt Benckiser NV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Reckitt Benckiser NV – Luxembourg Branch	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	–	100.00%
Reckitt Benckiser Oven Cleaners BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser Pakistan Limited	Pakistan	3rd Floor, Tenancy 04 and 05, Corporate Office Block, Dolman City, HC-3, Block 4, Scheme 5, Clifton, Karachi, Pakistan	ORD	98.60%
Reckitt Benckiser Peru SA	Peru	Avenida República de Panamá No. 2557 Int. 202, La Victoria. Lima, Perú	ORD	100.00%
Reckitt Benckiser Pharmaceuticals (Pty) Limited	South Africa	8 Jet Park Road, Elandsfontein 1406, South Africa	ORD	100.00%
Reckitt Benckiser plc	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Porto Alto Lda	Portugal	Estrada Malhada dos Carrascos nr12, 2135-061, Samora Correia, Portugal	ORD	100.00%
Reckitt Benckiser Power Cleaners BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser Production (Poland) Sp. z.o.o.	Poland	Okunin 1, 05-100 Nowy Dwór Mazowiecki, Poland	ORD	100.00%
Reckitt Benckiser Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
Reckitt Benckiser Scholl India Private Limited	India	F73 & 74, Sipcot Industrial Park, Irungattukottai, Sriperumbudur TK, Kancheepuram District. – 602 117, Tamilnadu, India	ORD	100.00%
Reckitt Benckiser Service Bureau Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Services (Kenya) Limited	Kenya	Plot Lr No 1870/I/569, 2nd Floor Apollo Centre, Ring Road Parklands, Westlands, Pobox 764, 00606 Nairobi, Kenya, Africa	ORD	100.00%
Reckitt Benckiser Services SA de CV	Mexico	Circuito Dr Gustavo Baz,7 No 7, Fracc Industrial El Pedregal, Atizapan de Zaragoza, Edomex, Mexico	ORD	100.00%
Reckitt Benckiser South Africa (Pty) Limited	South Africa	8 Jet Park Road, Elandsfontein 1406, South Africa	ORD	100.00%
Reckitt Benckiser South Africa Health Holdings (Pty) Limited	South Africa	8 Jet Park Road, Elandsfontein, Gauteng, 1601, South Africa	ORD	100.00%
Reckitt Benckiser Taiwan Limited	Taiwan	106 94043 Charity No. 136, Sec Taiwan	ORD	100.00%
Reckitt Benckiser Tatabanya Kft	Hungary	134-146 ut Bocksai, 1113 Budapest, Hungary	ORD	100.00%
Reckitt Benckiser Temizlik Malzemesi San. ve Tic. A.S.	Turkey	Hakki Yeten Cad. Selenium Plaza K:7-8-9, Fulya, Besiktas, Istanbul, Turkey	ORD	99.96%
Reckitt Benckiser Tiret BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser Treasury (2007) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD/PREF	100.00%
Reckitt Benckiser Treasury Services plc	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser USA (2010) LLC	USA	c/o Corporation Service Company, 2711 Centerville Rd, Ste 400, Wilmington, DE 19808, USA	Membership shares	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Reckitt Benckiser USA (2010) LLC – UK Branch	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	–	100.00%
Reckitt Benckiser USA (2012) LLC	USA	c/o Corporation Service Company, 2711 Centerville Rd, Ste 400, Wilmington, DE 19808, United States	Membership shares	100.00%
Reckitt Benckiser USA (2013) LLC	USA	c/o Corporation Service Company, 2711 Centerville Rd, Ste 400, Wilmington, DE 19808, United States	Membership shares	100.00%
Reckitt Benckiser USA (2013) LLC – UK Branch	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	–	100.00%
Reckitt Benckiser USA Finance (No.1) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser USA Finance (No.2) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser USA Finance (No.3) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Benckiser Vanish BV	Netherlands	Siriusdreef 14, 2132 WT Hoofddorp, The Netherlands	ORD	100.00%
Reckitt Benckiser Venezuela SA	Venezuela	Avenida Mara con Calle San José, Centro Comercial Macaracuay Plaza, Nivel C3, Locales 5 y 12. Urb. Colinas de la California. Caracas, Venezuela	ORD	100.00%
Reckitt Colman Chiswick (OTC) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Reckitt Piramal Private Limited	India	8th Floor, B-Wing, Marwah Centre, Krishanlal Marwah Marg, Saki Naka, Andheri East, Mumbai – 400 072, India	ORD	100.00%
Reigate Square Holdings Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
Relcamp Aie (in liquidation)	Spain	Carrer de Fray Pau Carbó, 24, 08403, Granollers, Barcelona, Spain	ORD	100.00%
Rivalmuster	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Scholl (Investments) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Scholl (UK) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Scholl Consumer Products Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Scholl Latin America Limited (in liquidation)	Bahamas	c/o 103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Scholl Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD/PREF	100.00%
Servicios Nutricionales Mead Johnson, S. de R.L. de C.V.	Mexico	Lago Zurich #245, Edificio Presa Falcon Floor 11, Mexico City, 11529, Mexico	Partnership/ Membership interests	100.00%
Seton Healthcare Group No.2 Trustee Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
Seton Healthcare No.1 Trustee Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Sonet Group Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Sonet Healthcare Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Sonet Investments Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Sonet Prebbles Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Sonet Products Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Sonet Scholl Healthcare International Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Sonet Scholl Healthcare Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Sonet Scholl Overseas Investments Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Sonet Scholl UK Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Sphinx Holding Company, Inc.	Philippines	2309 Don Chino Roces Avenue, Makati City, PH 1321, Philippines	Common/PREF	38.00%
SSL (C C Manufacturing) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
SSL (C C Services) Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD/PREF	100.00%
SSL (MG) Polymers Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
SSL (MG) Products Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
SSL (RB) Products Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
SSL (SD) International Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
SSL Australia Pty Ltd	Australia	225 Beach Road, Mordialloc VIC 3195, Australia	ORD	100.00%
SSL Capital Limited	Jersey	44 Esplanade, St Helier, Jersey, JE4 9WG	ORD/PREF	100.00%
SSL Healthcare (Shanghai) Ltd	China	Room 1605, No.660 Shangcheng Road, Pudong District, Shanghai City, China	ORD	100.00%
SSL Healthcare Ireland Limited	Ireland	3rd Floor Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland	ORD	100.00%
SSL Healthcare Malaysia Sdn Bhd (in liquidation)	Malaysia	Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia	ORD	100.00%
SSL Healthcare Manufacturing SA	Spain	Av. Can Fatjó, 151, 08191 Rubí, Barcelona, Spain	ORD	100.00%
SSL Healthcare Norge AS	Norway	Vollsveien 9, 1366 Lysaker, Norway	ORD	100.00%
SSL Healthcare Sverige AB	Sweden	Waterfront, Box 190, SE-101 23 Stockholm, Sweden	ORD	100.00%

11 Subsidiary Undertakings continued

Name	Country of Incorporation	Registered office	Share Class	Proportion of shares held
SSL Holdings (USA) Inc	USA	c/o Corporation Service Company, 2711 Centerville Rd, Ste 400, Wilmington, DE 19808, USA	Common	100.00%
SSL International plc	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
SSL Manufacturing (Thailand) Ltd	Thailand	Wellgrow Industrial Estate, 100 Moo 5, Bagna Trad Rd Km 36 Bangaamak, Bangpakong, Chachoengsao, Bangkok 24180, Thailand	ORD	100.00%
SSL New Zealand Limited	New Zealand	2 Fred Thomas Dr, Takapuna, Auckland 0622, New Zealand	ORD	100.00%
SSL Products Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Suffolk Finance Company Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD/DEF	100.00%
Suffolk Insurance Limited	Bermuda	Clarendon House, 2 Church Street, Hamilton, HM DX, Bermuda	Common	100.00%
Tai He Tai Lai Culture Communication Co Ltd	China	1-1707, No.15 Majiapu West Road, Fengtai District, Beijing City, China	ORD	100.00%
The RB Company (Malaysia) Sdn Bhd (in liquidation)	Malaysia	Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia	ORD	100.00%
Tubifoam Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Ultra Chemical Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Ultra Laboratories Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
W.Woodward,Limited	UK	103-105 Bath Road, Slough, SL1 3UH, United Kingdom	ORD	100.00%
Winchester Square Holdings Sarl	Luxembourg	1 Rue de la Poudrerie, L – 3364 Leudelange, Luxembourg	ORD	100.00%
Xinzhou ZhongHeng Pharmaceutical Co Ltd	China	Economic Development Zone, Xinzhou City, Shanxi Province, China	ORD	100.00%
Zhong Wei Guo Yuan (Beijing) Biotech Co Ltd	China	B-1201, Area 1, Fang Zhuang Fang Cheng Yuan, Fengtai District, Beijing, China	ORD	100.00%

Shareholder Information

Annual General Meeting

The AGM will be held on Thursday 9 May 2019 at 11.15am at the London Heathrow Marriott Hotel, Bath Road, Hayes, Middlesex UB3 5AN.

The Notice convening the meeting is contained in a separate document for Shareholders. The Notice contains an explanation of the business to be considered and is available on the Company's website www.rb.com.

2019 Financial Calendar and Key Dates

Announcement of Quarter 1 interim management statement	2 May 2019
Annual General Meeting	9 May 2019
Record date for 2018 final dividend	23 April 2019
Payment of 2018 final ordinary dividend	23 May 2019
Announcement of 2019 interim results	30 July 2019[1]
Record date for 2019 interim dividend	23 August 2019[1]
Payment of 2019 interim ordinary dividend	26 September 2019[1]
Announcement of Quarter 3 interim management statement	22 October 2019[1]

1 Provisional dates

Dividend

The Directors have recommended a final dividend of 100.2 pence per share, for the year ended 31 December 2018. Subject to approval at the 2019 AGM, payment will be made on 23 May 2019 to all Shareholders on the register as at 23 April 2019. The latest date for receipt of new applications to participate in the DRIP in respect of the 2018 final dividend is 1 May 2019.

Mandatory Direct Credit

We recently changed our practice and now pay dividends to Shareholders directly to Shareholders' bank accounts; we no longer pay dividend payments by cheque. The reasons and benefits for this change are: Shareholders receive dividend funds quicker, we reduce our environmental impact, we reduce the risk of cheque fraud, and reduce the administration costs of issuing or banking cheques. For our Shareholders who currently have not provided their bank details, you will need to provide Computershare with them as soon as possible, to have your dividends paid directly into your bank account.

You can register your preference, either online at www.investorcentre.co.uk, or by telephone on +44 (0)370 703 0118. If you are overseas, you may choose to have your dividends paid to your account in your local currency by using Computershare's Global Payment Service (GPS). If you wish to reinvest your dividend to buy more shares, please join our Dividend Reinvestment Plan (DRIP).

If you do not choose a new payment method, we will hold your dividends for you until you provide valid bank details. Administration charges may be applied to reissue any dividend payments.

Shareholders on the UK main register who already have their dividends paid: (1) by direct credit into their UK bank or building society account; or (2) through the Euroclear service using the CREST messaging system; or (3) through Computershare's Global Payments Service (GPS) are not affected by this change. Similarly, Shareholders who participate in our Dividend Reinvestment Plan (DRIP) are not required to take any action unless they choose to withdraw from the DRIP.

Dividend Reinvestment Plan

Shareholders participating in the DRIP receive additional shares purchased in the market instead of receiving a cash dividend. Statements and (if appropriate) share certificates are posted to each DRIP participant after the shares have been purchased, confirming how many additional shares have been added to their holding. You can elect to join the DRIP by registering at the Computershare Investor Centre at www.investorcentre.co.uk. Alternatively, you can request a DRIP mandate form and terms and conditions by contacting Computershare.

Global Payments Service

This service provided by the Registrar enables Shareholders to have dividend payments paid directly into their bank account in their chosen local currency. To view terms and register, please visit www.computershare.com/uk/investor/GPS.

Electronic Communications

We encourage all Shareholders to receive an email notification when Shareholder documents become available online, to reduce our impact on the environment. An election to receive Shareholder communications in this way will:

- result in annual cost savings to the Company since less paper documentation will need to be produced and posted;
- allow for more effective communications with Shareholders; and
- support RB's corporate responsibility profile.

Shareholders can register their email address at www.investorcentre.co.uk/etreeuk/ReckittBenckiser. For each new Shareholder that does so, we will donate to the Tree for All campaign run by the Woodland Trust.

Shareholders who have positively elected for electronic communications will receive an email whenever Shareholder documents are available to view on the Company's website. Shareholders who have elected by deemed consent in accordance with the Companies Act 2006 will receive a hard copy notice of availability of a document on the Company's website and are entitled to request a hard copy of any such document, at any time, free of charge from the Company's Registrar. Shareholders can revoke their consent at any time by contacting the Registrar.

The Company's 2018 Annual Report and Notice of the 2019 AGM are available to view at www.rb.com. The Investor Relations section of the website contains up-to-date information for Shareholders, including:

- detailed share price information;
- financial results;
- regulatory announcements;
- dividend payment dates and amounts;
- access to Shareholder documents including the Annual Report; and
- share capital information.

Share Dealing Facility

The Company's shares can be traded through most banks, building societies, stockbrokers or 'share shops'. In addition, UK-based Shareholders can buy or sell Reckitt Benckiser Group plc shares using a share dealing facility operated by the Registrar:

- Telephone share dealing: Commission is 1%, plus £35; stamp duty at 0.5% is payable on purchases. The service is available from 8.00am to 4.30pm Monday to Friday excluding bank holidays. Telephone: +44 (0)370 703 0084.
- Internet share dealing: Commission is 1%, subject to a minimum charge of £30; stamp duty at 0.5% is payable on purchases. The service is available to place orders out of market hours. Simply log onto www.investorcentre.co.uk.

Terms and conditions of both services can be obtained by telephoning +44(0) 370 703 0118.

Analysis of Shareholders as at 31 December 2018

Distribution of shares by type of Shareholder	No. of holdings	Shares
Nominees and institutional investors	5,757	725,203,894
Individuals	12,011	11,331,285
Total	**17,768**	**736,535,179**

Size of shareholding	No. of holdings	Shares
1 – 500	10,728	2,017,163
501 – 1,000	2,683	1,954,762
1,001 – 5,000	2,618	5,393,438
5,001 – 10,000	389	2,747,002
10,001 – 50,000	655	16,180,319
50,001 – 100,000	199	14,024,335
100,001 – 1,000,000	388	118,431,107
1,000,001 and above	108	575,787,053
Total	**17,768**	**736,535,179**

American Depositary Receipts

Reckitt Benckiser Group plc American Depositary Receipts (ADRs) are traded on the over-the-counter market (OTC) under the symbol RBGLY. Five ADRs represent one ordinary RB share. J.P. Morgan Chase Bank N.A. is the Depositary.

J.P. Morgan Chase Bank N.A.
PO Box 64504, St. Paul, MN 55164-0504, US
Email: jpmorgan.adr@eq-us.com
Telephone number for general queries: Tel. (800) 990 1135
Telephone number from outside the US: Tel. +1 651 453 2128

Company Secretary

Rupert Bondy

Registered Office

103–105 Bath Road, Slough
Berkshire SL1 3UH
Telephone: +44 (0) 1753 217800
Registered and domiciled in England and Wales No. 6270876

Company Status

Public Limited Company

Auditor

KPMG LLP

Solicitors

Linklaters LLP/Slaughter and May

Registrar and Transfer Office

The Company's Registrar, Computershare, is responsible for maintaining and updating the Shareholder register and making dividend payments. If you have any queries relating to your shareholding please write to, or telephone, the Company's Registrar at the following address:

Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
Reckitt Benckiser Shareholder helpline:
Tel. +44 (0)370 703 0118
Website: www.computershare.com/uk

Charity Donation
ShareGift is a UK registered charity (No.1052686) which specialises in realising the value locked up in small shareholdings for charitable purposes. The resulting proceeds are donated to a wide range of charities, reflecting suggestions received from donors. If you have only a small number of Reckitt Benckiser Group plc shares which are uneconomic to continue holding, you may wish to consider donating them to ShareGift. Please visit www.ShareGift.org/donate-shares or telephone +44 (0)20 7930 3737 for more information about how to proceed. Further details about ShareGift can be found at www.ShareGift.org.

Unsolicited Mail
We are legally obliged to make our register of Shareholders available to the public, subject to a proper purpose test. As a result, some Shareholders might receive unsolicited mail. Shareholders wishing to limit the amount of such mail should write to the Mailing Preference Service, MPS FREEPOST 29 LON20771, London W1E 0ZT or register online at register online at www.mpsonline.org.uk.

'Boiler Room' Scams
Shareholders who are offered unsolicited investment advice, invited to comment on the Company's activities, discounted shares, a premium price for shares, or free company or research reports, should take these steps before handing over any money:

- Obtain the name of the person and organisation and their telephone number (if possible) and make a record of any information given.
- Check the FCA website which lists steps you can take to protect yourself and how to avoid scams from unauthorised firms: www.fca.org.uk/consumers/unauthorised-firms-individuals.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or if they are out of date.

Using an unauthorised firm to buy or sell shares or other investments will prohibit access to the Financial Ombudsman or Financial Services Compensation Scheme (FSCS) if things go wrong.

Cautionary Note Concerning Forward-looking Statements
This Annual Report and Financial Statements contains statements with respect to the financial condition, results of operations and business of RB (the 'Group') and certain of the plans and objectives of the Group that are forward-looking statements. Words such as 'intends', 'targets', or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including targets for Net Revenue, operating margin and cost efficiency, are forward-looking statements. Such statements are not historical facts, nor are they guarantees of future performance.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside the Group's control. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: the general economic, business, political and social conditions in the key markets in which the Group operates; the ability of the Group to manage regulatory, tax and legal matters, including changes thereto; the reliability of the Group's technological infrastructure or that of third parties on which the Group relies; interruptions in the Group's supply chain and disruptions to its production facilities; the reputation of the Group's global brands; and the recruitment and retention of key management.

These forward-looking statements speak only as of the date of this Annual Report and Financial Statements. Except as required by any applicable law or regulation, RB expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Any information contained in the 2018 Annual Report and Financial Statements on the price at which shares or other securities in Reckitt Benckiser Group plc have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

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Visit us at emperor.works

Reckitt Benckiser Group plc
Registered office
103 - 105 Bath Road,
Slough, Berkshire, SL1 3UH
Registered in England & Wales
No 6270876

rb.com