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 2016 AGM on 5 May 2016 and will apply to payments made from this date. Until this time the Policy approved by Shareholders on 7 May 2014 will continue to apply.

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 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 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. Salaries for Executive Directors should typically be around the median for competitors. Where increases are awarded in excess of the wider employee population, the Committee will provide rationale in the relevant year's Annual Report on Remuneration.
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.	CEO: 30% of pensionable pay. CFO: 25% of pensionable pay.
Benefits To provide benefits comparable to those that would be provided for an equivalent position elsewhere	Executive Directors receive benefits which consist primarily of the provision of a company car/allowance and healthcare, although can include other benefits that the Committee deems appropriate, for example the cost of preparing tax returns or home leave. Relocation allowances and international transfer-related benefits may also be paid, where required. Executive Directors are also eligible to participate in all employee share schemes on the same basis as all employees.	None of the existing Executive Directors received total taxable benefits exceeding 10% of salary during the last three financial years, and it is not anticipated that the cost of benefits provided will exceed this level in the financial years over which this policy will apply. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in medical coverage inflation). Benefits in respect of the year under review, and participation in all employee share schemes, are disclosed in the Annual Report on Remuneration.

Directors' Remuneration Policy continued

Variable pay policy for Executive Directors

Component purpose and link to strategy	Operation	Opportunity	Performance measures
Annual bonus To drive strong financial performance with significant reward for over-achievement of annual targets	Financial 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 multiplicative combination of the payouts for performance against each of the financial targets. Bonus pay-outs are in cash. Under the terms and conditions of the plan, the Company has the right to seek redress and damages from any individual who has been found to have breached the Company's Code of Conduct. This includes the Company's right to require an individual to repay any costs incurred through a breach of the Code of Conduct from any bonus payment made in the year the breach/costs were incurred. 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.	Target opportunity: CEO: 120% of salary. CFO: 90% of salary. Maximum opportunity: 3.57x Target (CEO: 428% of salary) (CFO: 321% of salary)	Performance will be assessed against the growth in one or more key financial metrics of the business determined on an annual basis. The weighting between different financial metrics will be determined each year according to business priorities. For threshold performance, the bonus pay-out will be nil. Further details, including the performance measures for the current financial year, are disclosed in the Annual Report on Remuneration.
LTIP[1] (share options and performance shares) To incentivise and reward long-term performance, and align the interests of Executive Directors with those of Shareholders	The LTIP comprises grants of share options and awards of performance shares (based on a fixed number), which vest subject to the achievement of stretching performance targets. The LTIP has a performance period of at least three years and a minimum vesting period of three years. The LTIP opportunity and the combination of share options and performance shares are reviewed annually with reference to market data and the associated cost to the Company, calculated using an expected value methodology. 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. Awards granted under the 2015 LTIP are also subject to malus and clawback provisions. If an Executive Director ceases to be employed, any outstanding performance shares or share option awards granted on or after 5 May 2016 will vest in accordance with the Plan Rules but be subject to an additional two year holding period commencing on end of the performance period. During this period options cannot be exercised.	The Committee calibrates LTIP share award and option grant sizes as a fixed number, with periodic adjustments to ensure that the fair value of an Executive Director's total remuneration is appropriately positioned relative to peers. The maximum award to any individual in respect of one year will be 275,000 shares and 500,000 options. Details of the LTIP opportunity in respect of each year will be disclosed in the Annual Report on Remuneration. Dividends do not 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 adjusted diluted EPS growth targets. 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.

1 LTIP awards have been granted under the 2007 and 2015 LTIPs, whose rules are substantially the same as summarised in the table except for the changes noted in the 'Changes to Policy' section below.

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 financial priorities for any given financial year. With regard to the LTIP, the Committee regularly reviews the performance measure to ensure that it aligns well with the Company's strategy and with our Shareholders' interests. EPS is considered the most appropriate LTIP performance measure for a number of reasons:

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

EPS is measured on an adjusted diluted basis. However, the Remuneration Committee maintains the discretion to make adjustments to the measure if this is considered to be appropriate. Any adjustments will be disclosed in the Annual Report on Remuneration.

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

Malus and clawback

For awards granted under the LTIP adopted in 2015, the Committee has the discretion to scale back awards prior to vesting in the event of the following circumstances:

- A material misstatement of the Company's financial results; and/or
- Gross misconduct by a Participant.

Where awards granted under the 2015 LTIP have vested, the Committee has the discretion to claw back awards at any time before the later of (i) the second anniversary of the vesting date and (ii) the fifth anniversary of the date of grant in the following circumstances:

- A material misstatement of the Company's financial results;
- Gross misconduct by a Participant; and/or
- An erroneous calculation in the assessment of the extent to which the award is vested.

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 CEO is 600,000 shares and for the CFO is 200,000 shares. Details of the Executive Directors' personal shareholdings will be provided in the Annual Report on Remuneration.

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

Senior managers, who comprise the "Top400" 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, senior executives who comprise the "Top40" employees are also required to build up significant shareholdings in RB. The current level is between 30,000 and 50,000 shares, on average, representing 10x 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 5 May 2016, 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 unvested share option and performance share awards for Executive Directors who cease employment with the Company. The Policy has also been updated to include malus and clawback provisions which were included in the rules of the LTIP approved by Shareholders at the 2015 AGM and are detailed above. Awards remain outstanding under the 2007 LTIP, which is similar to the 2015 LTIP except for the terms summarised in this paragraph.

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 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 de-merger, then the maximum number of shares and options which may be awarded 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.

Directors' Remuneration Policy continued

Non-Executive Director remuneration

Non-Executive Directors do not have service agreements, but are engaged on the basis of a letter of appointment. In line with the UK Corporate Governance Code (September 2014) 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.

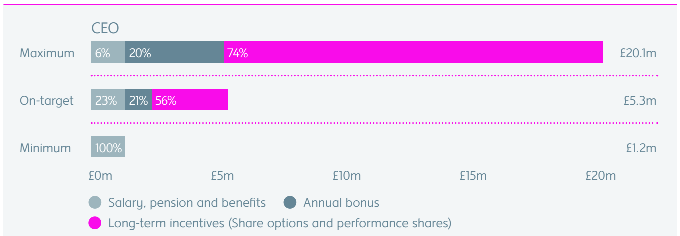
Details of the policy on fees paid to our Non-Executive Directors are set out in the table below:

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 Deputy Chairman, Senior Independent Non-Executive Director and as Chairman of the Committees. Members of the Committees are also eligible to receive an additional fee. Fee levels may be reviewed annually, with any adjustments 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 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.

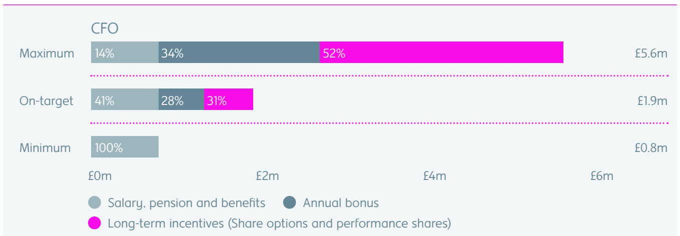
Scenarios of total remuneration

The charts below provide an estimate of the potential future total remuneration for the Executive Directors. Three 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 the date of the AGM which follows the third anniversary of grant and the projected values exclude the impact of share price movement.

Rakesh Kapoor / CEO



Adrian Hennah / CFO



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 2016 and an estimated value of the benefits, based on amounts paid in 2015.

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

The 'Maximum' scenario sets out fixed remuneration, plus full maximum pay-out of the annual bonus and full vesting of the LTIP awards.

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 last granted to the Executive Directors, in December 2015. The value has been calculated assuming a price at grant of £53.44, being the average share price at grant over the last three LTIP awards. Under the disclosure requirements the 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. 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 Committee does not consult with employees specifically on the Directors' Remuneration Policy. However, the Company seeks to promote and maintain good relations with employee representative bodies – including trade unions and works councils – as part of its employee engagement strategy, and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the Company operates. Although the Company does not consult employees on executive remuneration, the Committee is mindful of the salary increases applying across the rest of the business in relevant markets when considering salaries for Executive Directors. As the Company encourages share ownership amongst employees, 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 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	Maximum annual grant
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, the shortfall to median may be managed with phased increases over a period of two or three years subject to their development in the role.	
Pension	New appointees will receive pension contributions and/or an equivalent cash supplement in line with existing executives as set out in the ongoing remuneration policy.	
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a car allowance, or car, healthcare and any necessary relocation expenses in line with ongoing remuneration policy.	
Annual bonus	The structure described in the Policy Table will apply to new appointees with the relevant maximum opportunity.	Target: 120% of salary Multiple: 3.57x Target
LTIP	New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the Policy Table. LTIP grants can take the form of performance shares, share options or a combination of the two.	275,000 performance shares 500,000 share options

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

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

Directors' Remuneration Policy continued

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 82. 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 Deputy Chairman, Senior Independent Non-Executive Director, as Chairman of the Audit and Remuneration Committees, and for being a 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 Company's policy on any termination payments is to consider the circumstances on a case-by-case basis, taking into account the relevant contractual terms in the executive's service contract and the circumstances of the termination. The table below summarises how awards under the annual bonus and LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion as provided under the rules of the plan:

Reason for cessation	Timing of vesting/payment	Calculation of vesting/payment
Annual bonus		
Voluntary resignation or termination with 'cause'	Not applicable	No bonus to be paid for the financial year.
All other circumstances	At the end of the financial year.	Bonuses will be paid only to the extent that objectives set at the beginning of the plan year have been met. Any such bonus will be paid on a pro-rata basis up to the termination date.
LTIP		
Voluntary resignation or termination with 'cause'	Not applicable	Unvested awards lapse.
Ill-health, injury, permanent disability, retirement with the agreement of the Company, the participant's employing 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 after the end of the financial year in which the cessation of employment occurs; or at the discretion of the Committee, after the end of the relevant performance period. Outstanding options and performance share awards granted on or after 5 May 2016 will be subject to an additional two year holding period, commencing on the end of the performance period. Options cannot be exercised during this period.	The Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved (either to the end of the financial year in which cessation of employment occurs, or over the full performance period) and the proportion of the performance period worked.
Death	As soon as possible after date of death	The Committee may disapply performance conditions but will reduce awards to reflect the proportion of the performance period worked.
Change of control	On change of control	Awards will vest to the extent that any performance conditions have been satisfied (unless the Committee determines that the performance conditions should not apply). Awards will also be reduced pro-rata to take into account the proportion of the performance period not completed, unless the Committee decides otherwise. Awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.