

TERMS OF REFERENCE

RECKITT BENCKISER GROUP PLC (the *Company or Group*) AUDIT COMMITTEE

Adopted by resolution on 9 November 2018

The Board of Directors of the Company (the **Board**) resolved on 4 September 2007 to establish a Committee of the Board to be known as the Audit Committee (the **Committee**). The Board resolved on 9 November 2018 to amend the Terms of Reference of the Committee. These Terms of Reference replace in their entirety those adopted on 14 November 2017.

1. Membership and quorum

- 1.1 The Audit Committee shall be appointed by the Board on recommendation of the Nomination Committee in consultation with the Chairman of the Committee, and all members of the Committee shall be independent Non-Executive Directors of the Company. The Committee shall consist of at least three members. The Chairman of the Board shall not be a member of the Committee.
- 1.2 A quorum shall be two Committee members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vesting in or exercisable by the Committee.
- 1.3 The Chairman of the Committee shall be appointed by the Board from amongst the independent Non-Executive Directors. In the absence of the Chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.4 At least one member of the Committee should have significant, recent and relevant financial experience and with competence in accounting and/or auditing and the Committee as a whole shall have competence relevant to the sector in which the Group operates.
- 1.5 Only members of the Committee have the right to attend Committee meetings. However, the CFO, the external audit lead partner, and the Group Head of Internal Audit shall be invited to attend the meeting of the Committee on a regular basis and other individuals such as the Chairman of the Board, CEO, other Directors, and representatives from the finance function, or other persons shall attend meetings at the invitation of the Committee.
- 1.6 Committee members should serve for an initial period of up to three years, with the option to extend by no more than two additional three-year periods so long as the members continue to be independent. In exceptional circumstances, with the Board's approval, membership may be extended past a nine-year period if the Board determines that the member remains independent.

2. Secretary

- 2.1 The Secretary of the Company or his/her nominee shall act as the secretary of the Committee and shall ensure that the Committee receives the agenda, information and papers no later than five working days before the date of the meeting. Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.
- 2.2 The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board unless it would be inappropriate to do so in the opinion of the Chairman of the Committee.

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3. Frequency of meetings

- 3.1 Meetings shall be held not less than four times a year at times in the Company's financial reporting and audit cycle that allow the Committee to fulfil its duties effectively and at such other times as required.
- 3.2 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of the external audit lead partner or the Group Head of Internal Audit if they consider it necessary.
- 3.3 Outside the formal meeting schedule, the Chairman of the Committee shall maintain a dialogue with key individuals involved in the Group's governance, including the Chairman of the Board, the CEO, the CFO, the external audit lead partner and the Group Head of Internal Audit.
- 3.4 The Committee shall normally meet the external audit lead partner and the Group Head of Internal Audit without executive Board members present following each formal Committee meeting.

4. Authority

The Committee is authorised by the Board to:

- 4.1 investigate any activity within its terms of reference;
- 4.2 seek any information that it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Committee;
- 4.3 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 4.4 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter if it considers this necessary; and
- 4.5 carry out its duties for the Company, major subsidiary undertakings and the Group as appropriate.

5. Duties – External Audit

The duties of the Committee shall be to:

- 5.1 consider, and make recommendations to the Board to put to shareholders for approval at the AGM, on the appointment, reappointment and removal of the external auditor;
- 5.2 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 5.3 oversee the selection process for the appointment of the audit firm and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process. The Committee shall have regard to the Competition and Markets Authority Order¹ to hold periodic tenders of the external audit contract and the European Union Audit Directive and Regulation² imposing periodic mandatory audit firm rotation; the Committee shall ensure that any audit tenders are held in a form that accords with the regulatory requirements of both the Competition and Markets Authority Order and European Union Audit Regulation;
- 5.4 agree the remuneration to be paid to the external auditor, including the fees for audit services and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;

¹ The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014

² As reflected in The Statutory Auditors and Third Country Auditors Regulations 2016 (SI 2016/649).

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- 5.5 approve the terms of engagement including the scope of the audit and any engagement letter issued at the start of each audit;
- 5.6 assess annually the independence and objectivity of the external auditor, taking into account relevant UK law, regulation, the Ethical Standard³ and other professional requirements and the Group's relationship with the external auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats, including the provision of any non-audit services;
- 5.7 satisfy itself that there are no relationships between the external auditor and the Company (other than those in the normal course of business) which could adversely affect the auditor's independence and objectivity;
- 5.8 annually assess the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, such assessment to include a report from the external auditor on its own internal quality procedures;
- 5.9 monitor the external audit firm's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff; and the level of fees that the Company pays as a proportion of the overall fee income of the firm, office and partner;
- 5.10 agree with the Board and monitor the Company's policy for the employment of former employees of the external auditor, taking into account, the Ethical Standard and legal requirements;
- 5.11 develop, implement and keep under review, the Company's policy in relation to the provision of non-audit services by the external auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements⁴, taking into account the Competition and Markets Authority Order and the Ethical Standard. The policy should include the following matters:
- a) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - b) the nature of non-audit services;
 - c) whether the external audit firm is the most suitable supplier of the non-audit service;
 - d) the fees for the non-audit service both individually and in aggregate, relative to the audit fee; and
 - e) the criteria governing compensation.
- 5.12 meet regularly with the external auditor (including once at planning stage before the audit and once after the audit at reporting stage) and, meet with the external auditor following each formal Committee meeting and without management being present, to discuss matters such as the auditor's remit and any issues arising from the audit;
- 5.13 discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 5.14 review with the external auditor, the findings of the audit, including:
- a) any major issues that arose during the course of the audit;

³ FRC Ethical Standard 2016

⁴ Only where the Company plans to take advantage of the related derogation in respect of tax or valuation non-audit services.

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- b) the auditor's explanation of how the risks to audit quality were addressed;
 - c) key accounting and audit judgements;
 - d) the auditor's view of their interactions with senior management; and
 - e) levels of errors identified during the audit.
- 5.15 review any representation letters before signature by management and consider matters where representation has been requested that relate to non-standard issues;
- 5.16 review the management letter and management's response to the auditor's findings and recommendations; and
- 5.17 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

6. Duties – Internal Audit function

The duties of the Committee shall be to:

- 6.1 Review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the Group;
- 6.2 review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business and receive regular reports on work carried out;
- 6.3 ensure that the internal audit function has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- 6.4 ensure that the Group Head of Internal Audit has direct access to the Chairman of the Board and to the Committee and is accountable to the Committee;
- 6.5 monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor;
- 6.6 carry out an annual assessment of the effectiveness of internal audit and as part of this assessment;
- a) meet with the Group Head of Internal Audit without the presence of management to discuss the effectiveness of the function;
 - b) review and assess the annual internal audit work plan;
 - c) receive a report on the internal auditor's work;
 - d) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
 - e) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function
- 6.7 consider whether an independent, third party review of processes is appropriate; and

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6.8 approve the appointment or termination of appointment of the Group Head of Internal Audit.

7. Duties – Financial Reporting

- 7.1 The Committee shall monitor the integrity of the financial statements of the Company including its annual and half-yearly reports, interim management statements, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the external auditor, and shall review, and challenge management where necessary, paying particular attention to:
- a) the application of significant accounting policies and any changes to them;
 - b) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, considering the views on the financial statements of the external auditor;
 - c) the methods used to account for significant or unusual transactions where different approaches are possible;
 - d) all material information presented with the financial statements including the strategic report and the corporate governance statements relating to the audit and to risk management;
- 7.2 the Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practical and consistent with any prompt reporting requirements under any law or regulation including the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate.
- 7.3 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

8. Duties – Narrative reporting

Where requested by the Board, the Committee should review the content of the annual report and financial statements and advise the Board on whether, taken as a whole, 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 and whether it informs the Board's statement in the annual report on these matters that is required under the UK Corporate Governance Code (**Code**).

9. Duties – Internal Controls and Risk Management

The duties of the Committee shall be to:

- 9.1 review and monitor on an ongoing basis the scope and effectiveness of the systems established by management to identify, assess, manage and monitor internal financial operational and compliance risk management and controls (the Committee will also support the Board in making its decision as to whether there were any significant failings or weaknesses in the systems of risk management and internal control to report); and
- 9.2 review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement prior to endorsement by the Board;

10. Duties – Whistleblowing and Fraud arrangements

The duties of the Committee shall be to review the Company's:

- 10.1 procedures for whistleblowing and ensure that secure arrangements are in place by which staff may, in confidence, raise concerns about possible wrongdoings in matters of financial reporting,

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financial control or any other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

10.2 procedures for detecting fraud; and

10.3 systems and procedures for the prevention of bribery and receive reports on non-compliance.

11. Reporting

11.1 The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, and on how it has discharged its responsibilities, including:

- a) the significant issues that it considered in relation to the financial statements and how these were addressed;
- b) its assessment of the effectiveness of the external audit process, the approach taken to the appointment or re-appointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and notice of any retendering plans; and
- c) any other issue on which the Board has requested the Committee's opinion.

11.2 The Committee shall make whatever recommendations to the Board it deems on any area within its remit where action of improvement is needed.

11.3 The role and responsibilities of the Committee and the actions taken by the Committee to discharge those responsibilities shall be disclosed in the annual report. Such a report should specifically include:

- a) a summary of the role and work of the Committee;
- b) how the Committee composition requirements have been addressed, and the names and qualifications of all members of the Committee during the period, if not provided elsewhere;
- c) the number of Committee meetings and attendance by each member;
- d) an explanation of how the Committee has assessed its own effectiveness and the effectiveness of the external audit process and of the approach taken to the appointment or reappointment of the external auditor; the length of tenure of the current audit firm; the current audit partner name, and for how long the partner has held the role; when a tender was last conducted; and advance notice of any retendering plans;
- e) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the external auditor, and all other information set out in the Code; the nature and extent of interaction (if any) with the FRC's Corporate Reporting Review team; where the audit has been reviewed by the FRC's Audit Quality Review team, if there are any significant findings, the actions the Committee and the auditors plan to take;
- f) in relation to the provision of non audit services by the external auditors, the fees paid to the auditor and its network firms for the statutory audit and for audit-related services and other non-audit services, including the ratio of audit to non-audit work; the reason(s) why the Committee approved management's decision to use the external auditor for each specific engagement over the required threshold (as set under the Group's financial policy on non-audit services); and how it has ensured that auditor objectivity and independence is safeguarded;
- g) an explanation of how the Committee has assessed the effectiveness of internal audit and satisfied itself that the quality, experience and expertise of the function is appropriate for the Company; and
- h) all other reporting information required in accordance with applicable laws and regulations and recommended in accordance with the Code and the Guidance on Audit Committees issued by the Financial Reporting Council (**FRC Guidance**).

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- 11.4 In compiling its reports, the Committee should exercise judgement in deciding which of the issues it considers are significant in relation to the financial statements but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and financial statements but could provide cross-references to that information.
- 11.5 When reporting on the significant issues, the Committee would not be expected to disclose information which, in its opinion, would be prejudicial to the interests of the Company (for example, because it related to impending developments or matters in the course of negotiation).
- 11.6 Where disagreements between the Committee and the Board cannot be resolved, the Committee shall report the issue to the shareholders as part of the report on its activities in the Company's annual report.
- 11.7 If the Board does not accept the Committee's recommendation regarding the appointment, reappointment and removal of the external auditors, the Committee shall include a statement explaining its recommendation and reasons why the Board has taken a different stance in the annual report.
- 11.8 The Chairman of the Committee should attend the AGM and respond to questions on the separate section of the annual report describing the Committee's activities and matters within the scope of the Committee's responsibilities.

12 Interface with the Corporate Responsibility, Sustainability, Ethics and Compliance Committee (CRSECC)

The Board has delegated the duty of reviewing and monitoring the adequacy of the Group's internal control and risk management systems to the Audit Committee. The Audit Committee will rely on the CRSECC to review and monitor the operational and compliance risk management systems and controls for those areas falling within its scope and purpose, as delegated by the Board.

13 Other matters

The Committee shall:

- 13.1 be provided with appropriate and timely training, including an induction programme for new members, and on an ongoing basis for all members;
- 13.2 review on an annual review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval;
- 13.3 seek to ensure coordination of the external audit with the activities of the internal audit function;
- 13.4 at all times during the performance of its duties be mindful of the latest FRC Guidance and its recommendations; and
- 13.5 at all times, give due consideration to relevant laws and regulations, the provisions of the Code, and the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.