

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

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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.

Chairman's statement continued

Innovation

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

Strategy

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

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

Governance

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

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

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

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

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

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

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

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

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

CEO succession

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

AGM resolutions

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

Priorities

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

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

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

Conclusion

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

Chris Sinclair

Chairman
18 March 2019

FOCUS ON SQRC

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

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

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

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

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

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