Financial Conduct Authority

FINAL NOTICE

To: Reckitt Benckiser Group Plc

Address: 103-105 Bath Road
Slough
Berkshire
SL1 3UH

Date: 13 January 2015

1. ACTION

1.1. For the reasons given in this notice, the Authority hereby imposes on Reckitt Benckiser Group Plc a financial penalty of £539,800.

1.2. Reckitt Benckiser Group Plc agreed to settle at an early stage of the Authority's investigation. Reckitt Benckiser Group Plc therefore qualified for a 30% (stage 1) discount under the Authority's executive settlement procedures. Were it not for this discount, the Authority would have imposed a financial penalty of £771,190 on Reckitt Benckiser Group Plc.

2. SUMMARY OF REASONS

2.1. Between 1 July 2005 and 8 October 2012 ("the relevant period") RB (as defined below):

(1) Breached Listing Rule 9.2.8 ("LR9.2.8R") by failing to require persons discharging managerial responsibilities ("PDMRs") to take all reasonable steps to secure their compliance with the Model Code;

(2) Breached Listing Principle 1[1] by failing to take reasonable steps to enable its directors to understand their responsibilities and obligations to comply with the Model Code resulting in a breach of the Model Code;

(3) Breached Listing Principle 2[2] by failing to take reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations;

(4) Breached Disclosure Rule and Transparency Rule ("DTR") 3.1.4R(2) by failing to notify the market of share dealings by two PDMRs as soon as possible, and in any event by no later than the end of the business day following receipt of the information;

(5) Breached DTR3.1.5R by failing to include all the required information in the notification to the market regarding the share dealings by the two PDMRs.

2.2. These failings occurred because, in the relevant period:

(1) RB's systems and controls were not adequate in that they did not enable it to monitor effectively all share dealing by its PDMRs or to identify potential or actual breaches of its share dealing policy and the Model Code, with the result that it failed to detect breaches in a timely manner;

(2) RB failed to review its share dealing policy to identify or mitigate certain risks which subsequently crystallised in the form of share

[1] See Annex A

[2] See Annex A.

dealing by two PDMRs ("PDMR A" and "PDMR B") in breach of the Model Code;

(3) RB placed an over-reliance on the knowledge and experience of its PDMRs to comply with the Model Code and to enable it, in turn, to comply with its regulatory obligations under the Listing Rules and Listing Principles;

(4) RB used an informal process for clearance to deal under the Model Code without keeping adequate records of any such clearance given, in breach of the Model Code;

(5) RB provided a copy of the Model Code and an explanatory document to its PDMRs in July 2005 but failed to follow this up with regular or structured training or reminders (save in advance of close periods when it reminded PDMRs of the prohibition on trading at such times and as part of RB's annual certification process);

(6) When RB became aware of the share dealing by the two PDMRs referred to above, it did not make the necessary notifications to the market within the required timeframe; and

(7) The notifications to the market did not include all of the required information: RB omitted the precise dates of the transactions, the place of the transactions, the price of the transactions and the dates when it was notified of the transactions.

2.3. The purpose of the Model Code is to ensure that PDMRs do not abuse, and do not place themselves under suspicion of abusing, inside information that they may be thought to have, especially in periods leading up to an announcement of the company's results.

2.4. Late notification of dealing by PDMRs in the shares of their issuers undermines the Authority's strategic objective of ensuring that the relevant markets function well and its operational objective of protecting and enhancing the integrity of the UK financial system.

2.5. It is imperative that all listed companies have appropriate and adequate systems and controls in place to ensure that their PDMRs comply with their responsibilities under the Model Code and to ensure that the companies comply with their responsibilities to make timely disclosures to the market.

2.6. The Authority therefore imposes a financial penalty on Reckitt Benckiser Group Plc in the amount of £539,800 (after Stage 1 discount) pursuant to sections 91(1) and 91(1ZA) of the Act.

2.7. For the avoidance of doubt, the Authority does not allege that any of the share dealing by the PDMRs referred to above took place on the basis of inside information.

3. DEFINITIONS

3.1. The definitions below are used in this Final Notice.

"the Act" means the Financial Services and Markets Act 2000

"the Authority" means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority

"Close period" means a period of time during which PDMRs are prohibited from dealing in RB's shares and is defined in the Model Code

"DEPP" is the Decision Procedures and Penalties Manual, which forms part of the Authority's Handbook

"DTR" means the Disclosure Rules and Transparency Rules, which form part of the Authority's Handbook

"LR" means the Listing Rules, which form part of the Authority's Handbook

"LSE" means the London Stock Exchange

"the Model Code" means Listing Rule 9 Annex 1 The Model Code (R)

"the new penalty regime" means the financial penalty regime which was in place from 6 March 2010, as set out in DEPP

"the old penalty regime" means the financial penalty regime which was in place before 6 March 2010, as set out in DEPP

"PDMR" means a person discharging managerial responsibilities as defined in section 96B(1) of the Act and the Glossary to the FCA Handbook

"RB" means Reckitt Benckiser Plc (company number 00527217) for the period 1 July 2005 to 22 October 2007, and thereafter Reckitt Benckiser Group Plc (company number 06270876)

"Top 40 executives" means the 40 most senior executives of RB

"the Tribunal" means the Upper Tribunal (Tax and Chancery Chamber)

4. FACTS AND MATTERS

Background

4.1. Throughout the relevant period:

(1) Shares in RB were admitted to listing on the Official List of the UKLA and admitted to trading on the Main Market of the LSE;

(2) RB held Premium Listing status and was therefore subject to Chapter 7 of the Listing Rules (Listing Principles) and Chapter 9 of the Listing Rules (Continuing Obligations); and

(3) All members of RB's Executive Committee were designated as PDMRs (PDMR B was a member throughout the relevant period and PDMR A became a member in July 2006).

RB's share dealing policy

4.2. RB, from its inception in 1999, adopted the Model Code as its internal share dealing policy and from that time it required its Top 40 executives to seek clearance from the CEO before dealing in RB shares. In addition, RB's Insider Information Policy states that the Model Code applies to RB's Top 40 executives, which includes PDMRs.

4.3. New rules in effect from 1 July 2005 introduced the concept of PDMRs in listed companies, and imposed requirements on both PDMRs and companies to take certain steps to ensure the market was notified of share dealing by the PDMRs. At that time RB designated all members of its Executive Committee (nine individuals, including two directors) as PDMRs.

4.4. RB's share dealing policy during the relevant period:

(1) Required PDMRs to seek clearance from the CEO in advance of dealing in RB shares, in accordance with the Model Code;

(2) Required PDMRs to complete a prescribed form (referred to by RB as an "Intention to Deal" form) to request clearance, to be submitted to the company secretary and then on to the CEO for consideration as to whether to grant clearance;

(3) Stipulated that dealing by PDMRs must take place within two business days of clearance being granted or the clearance would have to be re-validated through the company secretary's office, in accordance with the Model Code;

(4) Required PDMRs to notify RB that the dealing had taken place within four business days of the date of dealing, in accordance with the DTR; and

(5) Prohibited PDMRs from dealing during close periods, in accordance with the Model Code.

4.5. The company secretary provided the PDMRs with a copy of the Model Code and an explanatory document by email on 21 July 2005. RB made the Model Code generally available to its staff via its intranet. It was also available via the website of RB's external share plan administrator.

4.6. Among other things, the email reminded PDMRs of RB's policies on inside information and insiders lists, and notified them that as a result of the new rules any share dealing in the future would be notified to the market. Despite a request to acknowledge in writing that they had read the documents and would comply with the new requirements, two PDMRs failed to submit an acknowledgement and RB did not follow this up with them.

4.7. The company secretary also provided the Top 40 executives with a copy of the Model Code and the explanatory document on 21 July 2005. PDMR A was a Top 40 executive at that time. He was designated as a PDMR on 1

July 2006 when he became an Executive Vice President and joined RB's Executive Committee.

4.8. In addition, RB required every employee (including PDMRs) on an annual basis to certify electronically that he/she had reviewed, and would adhere to, RB's Code of Conduct. The Code of Conduct referred to insider trading and included a prohibition on employees trading on the basis of inside information pertaining to RB. Each executive who had to seek pre-clearance to deal in RB's shares (which included PDMRs) also had to provide an additional hard-copy certification.

4.9. From 1 July 2005 RB did not provide training on the Model Code or the DTR to its PDMRs to ensure they fully understood the requirements of each and their responsibilities under each. Although RB sent emails to its PDMRs during the relevant period in advance of each close period to remind them of the prohibition on share dealing during such periods, it did not otherwise proactively remind PDMRs of their responsibilities under the Model Code or DTR. Instead it relied on (i) the annual certification process referred to above, and (ii) the knowledge and experience of its PDMRs, predominantly on the basis that from 1999 its senior executives (including those later designated as PDMRs) had been required to seek clearance in advance of share dealing. In RB's view its PDMRs were already familiar with the requirements of the new regime introduced in July 2005.

4.10. The vast majority of share dealing by PDMRs related to RB's share plan and was processed through the share plan administrator. The company secretary provided the share plan administrator with a continually updated list of PDMRs and Top 40 executives who required clearance to deal in accordance with RB's share dealing policy. The administrator would process transactions only on behalf of individuals for whom it had received written confirmation of clearance to deal. Rather than the PDMRs themselves notifying RB when share dealing had taken place, the share plan administrator automatically notified RB and on the basis of this information the company secretary maintained a running total of each PDMR's share portfolio and made any required announcements to the market.

RB and share dealing in the relevant period

4.11. As part of a scheme of arrangement in the High Court, Reckitt Benckiser Plc was incorporated into a new publicly listed and traded entity called Reckitt Benckiser Group Plc. This scheme of arrangement took effect on 23 October 2007. After that date, Reckitt Benckiser Plc ceased to be a listed trading entity and Reckitt Benckiser Group Plc became the new publicly traded listed entity. Reckitt Benckiser Plc still exists, but it is a private company wholly owned by Reckitt Benckiser Group Plc, and is not listed on any exchange. Reckitt Benckiser Group Plc has agreed to be liable for any penalty which Reckitt Benckiser Plc might otherwise be liable for in connection with the findings in this Final Notice.

4.12. PDMR B was a PDMR of Reckitt Benckiser Plc for the first portion of the relevant period to 22 October 2007 and PDMR A was a PDMR of the same company from July 2006 until 22 October 2007. Both individuals were PDMRs of the new entity, Reckitt Benckiser Group Plc, for the remainder of the relevant period. Their share dealings were in the shares of Reckitt Benckiser Group Plc.

4.13. On 9 March 2010 the third party custodian of PDMR A's shares in RB informed him that a credit facility was available to him and it used shares held in his brokerage account as security for the facility, although PDMR A was unaware of this. He was also unaware that using his shares in this way constituted dealing under the Model Code and that he therefore should have sought clearance in advance and that he needed to notify RB afterwards so that RB could make the required notification to the market.

4.14. Although he was unaware that the Model Code applied in the circumstances, PDMR A issued a written instruction to the custodian to copy certain documents regarding the use of the shares against the loan facility to RB. The custodian was unable to comply with the instruction but did not notify PDMR A of this. He therefore believed that RB had been informed of his use of the shares as security.

4.15. On three occasions between October 2011 and September 2012, PDMR A received further shares (in two instances by way of dividends received as

shares) into his brokerage account. The custodian allocated these shares as further security for the loan. This was a standard term of the loan agreement although PDMR A was not aware of these transactions, each of which constituted dealing under the Model Code, with one instance of such dealing occurring during a close period.

4.16. RB was unaware of the share dealing until September 2012 when PDMR A, at the suggestion of his custodian, sought advice as to whether the use of shares as security fell within the Model Code definition of dealing.

4.17. On learning of PDMR A's share dealing, RB immediately notified the UKLA and kept it updated (through its broker) but did not notify the market within the time frame stipulated by the DTR. Rather RB conducted a reconciliation exercise on the shareholdings of all its PDMRs in an attempt to identify any other dealings of which it had been unaware, and which should have been notified to the market.

4.18. As part of its reconciliation exercise RB raised a query with regard to PDMR B's shareholding and he confirmed in response, on 4 October 2012, that he had sold RB shares on 3 and 4 December 2008. RB had been unaware of this share dealing and therefore had made no announcement to the market at the relevant time.

4.19. The shares PDMR B sold had been held in the name of a private foundation in an off-shore account. Although RB's records do not assist in this regard, PDMR B believes he sought clearance orally in advance of the dealing (and that a written request may also have been submitted by him) and that clearance was granted orally or by email to him. RB has no record of clearance being sought or granted and, therefore, it is not possible to verify whether a request was made and, if so, whether such clearance was given.

4.20. As the vast majority of PDMR B's share dealing was processed by RB's share plan administrator, it appears that he grew accustomed to relying on it to inform RB of his transactions. The share dealing on 3 and 4 December 2008 was not, however, processed by the share plan administrator and it therefore fell to PDMR B to notify RB of the

transactions. As RB has no record of clearance being obtained or notification given, the Authority has been unable to establish whether PDMR B in fact sought and obtained such clearance and notified RB of his share dealing on this occasion. The Authority notes that it is possible that PDMR B on this occasion failed to seek clearance and to notify RB of the share dealing.

4.21. RB notified the market on 8 October 2012 of PDMR A and PDMR B's share dealing. The notification did not contain certain required information: the precise dates, place and price of the various transactions, and the dates on which RB became aware of them.

Actions on discovering the breaches of the Model Code

4.22. RB took a number of remedial actions on discovering the breaches of the Model Code:

(1) It reminded all of its PDMRs in writing and in person of their obligations, including that they must inform the company secretary that they wished to deal in shares before doing so;

(2) It required all of the PDMRs to provide confirmation that none of their shareholdings in RB shares was subject to any encumbrances;

(3) In addition to the annual certification requirement, it added a term to their contracts of employment making compliance with their obligations as PDMRs part of their terms and conditions of employment;

(4) It arranged for "VIP" markers to be put against all shareholdings of its PDMRs and Top 40 Executives so that any movements in these shareholdings are notified to the company secretary immediately for further investigation (in the event that they are unexpected) and, in addition, arranged for the company secretary to receive a weekly report of all these VIP shareholdings;

(5) It required those PDMRs who hold shares other than in their own names to provide contact details for the relevant nominee or

custodian and arranged for the company secretary to receive notifications of any changes in the shareholdings in addition to a copy of the month end statement provided to the PDMR;

(6) It required the PDMRs to provide evidence on an annual basis of all their RB shareholdings so that a reconciliation exercise may be carried out to identify any anomalies;

(7) It required each of the PDMRs to confirm, after each dividend payment they receive, whether they had applied their dividends in the purchase of additional shares, so that the appropriate notifications could be made to the market.

5. FAILINGS

5.1. The regulatory provisions relevant to this Final Notice are referred to in Annex A.

Listing Rule 9.2.8

5.2. Under LR9.2.8R a listed company must require every PDMR, including directors, to comply with the Model Code and must require them to take all proper and reasonable steps to secure their compliance.

5.3. The purpose of the Model Code is to ensure that PDMRs do not abuse, and do not place themselves under suspicion of abusing inside information that they may be thought to have, especially in periods leading up to an announcement of the company's results.

5.4. In the Authority's view, it is therefore reasonable to expect a listed company to take proactive steps to comply with LR9.2.8R and to have in place procedures, systems and controls that serve to facilitate and encourage the compliance of its PDMRs with the Model Code which enable the company to identify and deal promptly with instances of non-compliance.

5.5. The Authority accepts that RB provided sufficient information and guidance to its PDMRs to enable them to understand their obligations

regarding inside information and RB's policies on insiders and maintaining lists of insiders. The Authority further accepts that RB issued reminders to its PDMRs in advance of close periods (when RB's results would be announced) that they were prohibited from trading during such periods. The Authority further accepts that RB's annual certification process required all PDMRs to consider whether they adhered to RB's Code of Conduct (including its insider trading policy).

5.6. However, for the following reasons, the Authority is satisfied that RB failed to comply with LR9.2.8R:

Breaches of the Model Code

(1) Paragraph 3 of the Model Code states that PDMRs must not deal in shares of the company without obtaining clearance to deal in accordance with paragraph 4 of the Model Code.

(2) The processes in place at RB were such that it was possible for the PDMRs in certain instances (e.g. trading other than through RB's share plan administrator) to deal in RB shares without having sought clearance (for example, where their shares were held by a third party custodian and/or the transactions did not concern RB's share plan).

(3) RB placed an over-reliance on the share plan administrator to notify RB when dealing had taken place.

(4) PDMR A's share dealing on four occasions between 9 March 2010 and 4 September 2012 took place without clearance being obtained.

(5) Although the Authority notes the possibility that he failed to do so, PDMR B states that he sought and obtained clearance for his share dealing on 3 and 4 December 2008. It has not been possible to verify this by reference to documents due to RB's failure to the keep adequate records of the same as required by paragraph 6 of the Model Code.

Ensuring awareness and understanding of the Model Code

(6) While there was an expectation that the PDMRs would comply with RB's share dealing policy, the Model Code and DTR, the importance and necessity of doing so was not reinforced or emphasised to the PDMRs on any formal or regular basis during the relevant period with the exception of RB's reminders to its PDMRs in advance of close periods and the annual certification process.

(7) RB failed to issue any other reminders or training in relation to the clearance and notification requirements of the Model Code and the need to comply with it. It therefore failed to ensure that all of its PDMRs were aware of the application of the Model Code to different types of share dealing and of their ongoing obligations to comply with it and the DTR.

(8) PDMR A was unaware that pledging shares as security for a loan constitutes "dealing" within the Model Code definition, and was therefore unaware that the consequent requirements and obligations regarding clearance and notification also applied.

Reliance on knowledge and experience of PDMRs

(9) There were few if any requirements imposed on the PDMRs to ensure they took all proper and reasonable steps to secure their own compliance with the Model Code. It appears there was an assumption that the PDMRs were already familiar with, or would take steps to familiarise themselves with, their obligations under the Model Code and DTR.

(10) RB placed an over-reliance on the knowledge and experience of its PDMRs generally and the fact that its senior executives, including a number of individuals who were subsequently designated as PDMRs, had since 1999 been required to seek clearance for dealing in RB's shares.

Adequacy of share dealing policy and practice

(11) RB's processes were such that they were inadequate in terms of enabling it to identify or monitor trading other than through its share plan administrator and it therefore failed to identify in a timely manner that breaches of the Model Code had occurred.

(12) RB did not review its PDMR share dealing policy during the relevant period to identify and mitigate risks arising from it. It therefore failed to identify the potential risks arising from situations where PDMRs held shares with custodians, other than in their own names or where dealing would take place other than through RB's share plan administrator.

(13) If a PDMR's shares were not held in his name or were held on his behalf by a third party custodian, the apparent safeguards offered by the share plan administrator (and relied upon by RB) would not be available because the share plan administrator would not process dealing in those shares. The lack of written clearance would not preclude such dealing, and there would be no automatic confirmation of dealing to RB after it occurred. During the relevant period RB did not give any or adequate consideration to the risks posed in such instances and did not have any procedures in place to deal with them.

(14) These risks crystallised with the result that share dealing by PDMR A breached the Model Code by his share dealings on four occasions between 9 March 2010 and 4 September 2012 and it is not possible to determine on the basis of RB's records whether PDMR B sought and obtained clearance and subsequently notified RB of his share dealing on 3 and 4 December 2008, as he was required to.

(15) Despite the requirement in RB's share dealing policy for PDMRs to complete an "Intention to Deal" form when seeking clearance to deal, it appears that an informal practice was sometimes adopted whereby PDMRs sought clearance orally instead. PDMR B recalls seeking clearance during a discussion with the CEO and is unsure whether a written form was also submitted.

(16) Paragraph 6 of the Model Code stipulates that a listed company must maintain a record of the response to a request for clearance to deal, and of any clearance given, and both must be provided to the PDMR. PDMR B stated that he may have received clearance for the share dealing in December 2008 either orally or by email although it has not been possible to confirm which was the case.

Listing Principles

5.7. The failures set out above also constitute breaches of Listing Principles 1 and 2 as they applied during the relevant period as RB:

(1) Failed to take reasonable steps to enable its directors to understand fully their responsibilities and obligations under the Model Code, in breach of Listing Principle 1; and

(2) Failed to take reasonable steps to maintain adequate procedures, systems and controls to enable it to comply with its obligations under LR9.2.8R in breach of Listing Principle 2.

Disclosure Rules and Transparency Rules

5.8. Having eventually become aware of the dealing by the two PDMRs referred to above, RB failed to make the required notifications to the market as soon as possible and, in any event, by no later than the end of the business day following receipt of the information, in breach of DTR3.1.4R.

5.9. The notifications which were made to the market did not contain all of the requisite information, in breach of DTR3.1.5R, as they did not provide the precise date and place of the dealing, details of the price (a nominal value was provided in one instance) and the dates RB became aware of the share dealing.

6. SANCTION

Financial Penalty

6.1. The Authority considered it appropriate in all the circumstances of the case to impose a financial penalty on Reckitt Benckiser Group Plc.

6.2. The principal purpose of imposing a financial penalty is to promote high standards of regulatory and market conduct by deterring persons who have committed breaches from committing further breaches, helping to deter other persons from committing similar breaches and demonstrating generally the benefits of compliant behaviour.

6.3. The relevant period during which the conduct in issue took place straddles both the old and new penalty regimes and, as stated at paragraph 2.7 of the Authority's Policy Statement 10/4, when calculating a financial penalty in such cases the Authority will have regard to both regimes.

6.4. The Authority adopted the following approach in this case:

(1) Calculated the financial penalty for the breaches from 1 July 2005 to 6 March 2010 by applying the old penalty regime;

(2) Calculated the financial penalty for the breaches from 6 March 2010 to 8 October 2012 by applying the new penalty regime; and

(3) Added the penalties calculated under the old and new penalty regimes to determine the total financial penalty applicable to the entirety of the relevant period.

Financial penalty under the old penalty regime

6.5. The Authority's policy on the imposition of financial penalties relevant to the misconduct prior to 6 March 2010 is set out in the version of Chapter 6 of DEPP that was in force prior to that date. For the purposes of calculating the financial penalty under the old penalty regime, the Authority considered the factors set out below:

(1) The significant period during which the various breaches occurred, from 1 July 2005 to 6 March 2010;

(2) The failings in RB's internal processes including:

(a) The absence of any reinforcement of the need to comply with the share dealing policy and the Model Code;

(b) The absence of any training to assist understanding of the requirements of the Model Code;

(c) The consequent failure to comply with the share dealing policy, in the form of the breaches of the Model Code which took place in connection with PDMR B's share dealings on 3 and 4 December 2008, which went undetected by RB for a considerable period; and,

(d) The failure to review the share dealing policy and to put in place measures to identify and mitigate the risks arising from it, particularly with regard to shares held by third parties on behalf of PDMRs.

(3) The breaches may undermine public confidence that the affairs of a premium listed company are in order;

(4) During the relevant period the Authority published a number of documents regarding PDMRs and the importance of complying with the Model Code, including a statement published on 9 January 2009 reminding companies and their PDMRs that any grant of security over their shareholdings is dealing under the Model Code which must be notified to the market.

(5) The need for a strong deterrence with regard to failures in listed companies' compliance with the Listing Rules, the Model Code and the Disclosure and Transparency Rules including failures to require the compliance of their PDMRs with the Model Code.

6.6. The Authority also had regard to the following factors:

(1) The breaches were not deliberate or reckless;

(2) None of the dealings took place on the basis of inside information;

(3) RB did not benefit financially from the misconduct;

(4) RB did not dispute the facts and cooperated fully with the Authority's investigation;

(5) RB did take some steps to make PDMRs aware of the Model Code – for example, by circulating a copy to them in July 2005 and by making it available on the intranet – and issued reminders to staff in advance of close periods reminding them that they were prohibited from dealing;

(6) None of the breaches caused any significant loss or risk of loss to investors, and no financial crime took place as a result of the breaches;

(7) No previous disciplinary action has been taken against RB;

(8) RB immediately brought the breaches to the attention of the UKLA (via its broker); and

(9) As noted above, RB took a number of remedial actions on its own initiative.

6.7. Having regard to all the circumstances and the factors set out above, the Authority considered that the appropriate financial penalty under the old penalty regime was £350,000.

6.8. As Reckitt Benckiser Group Plc agreed to settle at an early stage of the investigation it qualified for a 30% (stage 1) discount. The financial penalty under the old penalty regime is therefore £245,000.

Financial penalty under the new penalty regime

6.9. Under the new penalty regime the Authority applies a five step framework to determine the appropriate and proportionate level of financial penalty.

DEPP 6.5A sets out the details of the five-step framework that applies in respect of financial penalties imposed on firms.

Step 1: Disgorgement

6.10. For the purpose of DEPP6.5A.1, Step 1, the Authority seeks to deprive the company concerned of the financial benefit derived directly from the breach. RB did not benefit from the breaches described above. The Step 1 figure is therefore £0.

Step 2: The seriousness of the breach

6.11. For the purpose of DEPP 6.5.A.2, Step 2, the Authority determines a figure to reflect the seriousness of the breach. This is usually based on a percentage of the company's revenue from the relevant product or business area, unless this is not an appropriate indicator, in which case the Authority will determine an appropriate alternative.

6.12. In this case revenue is not an appropriate indicator and accordingly the Authority considered that the appropriate indicator from which to assess the seriousness of the breaches was the value of the transactions undertaken by PDMR A between 9 March 2010 and 4 September 2012 as they fall within the new penalty regime.

6.13. The Authority considered that a 0-20% penalty range was appropriate to ensure that the penalty properly reflected the seriousness of the breaches and the relevant levels are as follows:

(1) Level 1 – 0%

(2) Level 2 – 5%

(3) Level 3 – 10%

(4) Level 4 – 15%

(5) Level 5 – 20%

6.14. The Authority is of the view that the level of seriousness is level 2, in particular, because of the following:

(1) There is potential for breaches such as those in this case to reduce investor confidence in the markets if the ability of a premium listed company to adhere to its listing obligations is called into question, particularly with regard to ensuring the transparency of share dealing by its PDMRs (DEPP 6.5A.2G(6)(f));

(2) The length of time during which RB had inadequate procedures, systems and controls is significant, as is the lapse of time before RB became aware of the share dealing by the PDMRs (DEPP 6.5A.2G(7)(b));

(3) The breaches were not deliberate or reckless (DEPP 6.5A.2G(8), (9) and (11)(f)); and

(4) There is no information to suggest that there was a significant loss or risk of loss to investors or other market users (DEPP 6.5A.2G(11)(a)).

6.15. The value of PDMR A's share transactions was approximately £8,423,807. Therefore the financial penalty after Step 2 is £421,190.

Step 3: Mitigating and aggravating factors

6.16. At Step 3 the Authority may increase or decrease the amount of financial penalty to take account of any mitigating or aggravating factors. In accordance with DEPP 6.5A.3(1) any adjustment must be made by way of a percentage of the Step 2 figure.

6.17. There are no aggravating or mitigating factors in this case.

6.18. The penalty after Step 3 is therefore £421,190.

Step 4: Adjustment for deterrence

6.19. Pursuant to DEPP 6.5A the Authority may increase the penalty if it considers that the figure arrived at after Step 3 is insufficient to deter the

company that committed the breach, or others, from committing further or similar breaches.

6.20. The Authority considered that the Step 3 penalty was sufficient to achieve deterrence. The penalty after Step 4 is therefore £421,190.

Step 5: Settlement discount

6.21. Pursuant to DEPP 6.5A.5, if the Authority and the company concerned agree the amount of the financial penalty and other terms, the amount of the penalty will be reduced to reflect the stage at which agreement is reached, in accordance with DEPP 6.7.

6.22. The Authority and Reckitt Benckiser Group Plc reached agreement at Stage 1 and therefore a discount of 30% applies to the Step 4 penalty.

6.23. The penalty after Step 5 is therefore £294,800 (rounded down to the nearest £100).

Conclusion on financial penalty

6.24. The Authority considered that combining the penalties reached under the old and new penalty regimes produced a financial penalty which was appropriate and proportionate, and consistent with the Authority's statements that the new penalty regime may lead to increased penalty levels.

6.25. The Authority therefore imposes on Reckitt Benckiser Group Plc a financial penalty of £539,800 (after the Stage 1 settlement discount and rounding the figure down to the nearest £100).

7. PROCEDURAL MATTERS

Decision maker

7.1. The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.

7.2. This Final Notice is given under, and in accordance with, section 390 of the Act.

Manner of and time for Payment

7.3. The financial penalty must be paid in full by RB to the Authority by no later than 27 January 2015, 14 days from the date of the Final Notice.

If the financial penalty is not paid

7.4. If all or any of the financial penalty is outstanding on 28 January 2015, the Authority may recover the outstanding amount as a debt owed by RB and due to the Authority.

Publicity

7.5. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the Authority must publish such information about the matter to which this notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.

7.6. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

7.7. For more information concerning this matter generally, contact Dave Edmondson (direct line: 020 7066 6896 / fax: 020 7066 6897) of the Enforcement and Market Oversight Division of the Authority.

Mario Theodosiou

Project Sponsor
Financial Conduct Authority, Enforcement and Market Oversight Division

ANNEX A

The regulatory provisions relevant to this Final Notice as they were in force at 8 October 2012 are set out below. Previous versions of the below provisions issued since 1 July 2005 included certain differences which do not impact on the contents of this Final Notice. Subsequent changes are not reflected here.

LR7.2.1R - The Listing Principles in force during the relevant period

Listing Principle 1: "A listed company must take reasonable steps to enable its directors to understand their responsibilities and obligations as directors."

Listing Principle 2: "A listed company must take reasonable steps to establish and maintain adequate procedures, systems and controls to comply with its obligations."

LR 9.2 - Compliance with the Model Code

LR9.2.8R: "A listed company must require every person discharging managerial responsibilities, including directors to comply with the Model Code and to take all proper and reasonable steps to secure their compliance."

LR9 Annex 1 - The Model Code (R)

Introduction

"This code imposes restrictions on dealing in the securities of a listed company beyond those imposed by law. Its purpose is to ensure that persons discharging managerial responsibilities do not abuse, and do not place themselves under suspicion of abusing, inside information that they may be thought to have, especially in periods leading up to an announcement of the company's results.

Nothing in this code sanctions a breach of section 118 of the Act (market abuse), the insider dealing requirements of the Criminal Justice Act or any other relevant legal or regulatory requirements."

Paragraph 1: Definitions

"1)… (c) dealing includes: (v) using as security or otherwise granting a charge, lien or other encumbrance over the securities of the company;

…(f) restricted person means a person discharging managerial responsibilities…"

Paragraph 3: Dealing by restricted persons

"3) A restricted person must not deal in any securities of the company without obtaining clearance to deal in advance in accordance with paragraph 4 of this code."

Paragraphs 4-7: Clearance to deal

"4) (a) A director (other than the chairman or chief executive) or company secretary must not deal in any securities of the company without first notifying the chairman (or a director designated by the board for this purpose) and receiving clearance to deal from him.

…. (e) Persons discharging managerial responsibilities (who are not directors) must not deal in any securities of the company without first notifying the company secretary or a designated director and receiving clearance to deal from him.

5) A response to a request for clearance to deal must be given to the relevant restricted person within five business days of the request being made.

6) The company must maintain a record of the response to any dealing request made by a restricted person and of any clearance given. A copy of the response and clearance (if any) must be given to the restricted person concerned.

7) A restricted person who is given clearance to deal in accordance with paragraph 4 must deal as soon as possible and in any event within two business days of clearance being received."

DTR3.1

Notification of transactions by persons discharging managerial responsibilities

DTR 3.1.2R: "Persons discharging managerial responsibilities and their connected persons, must notify the issuer in writing of the occurrence of all transactions conducted on their own account in the shares of the issuer, or derivatives or any other financial instruments relating to those shares within four business days of the day on which the transaction occurred. [Note: Article 6(4) Market Abuse Directive and Article 6(1) 2004/72/EC]"

DTR 3.1.3R: "The notification required by DTR 3.1.2 R must contain the following information:

(1) the name of the person discharging managerial responsibilities within the issuer, or, where applicable, the name of the person connected with such a person;

(2) the reason for responsibility to notify;

(3) the name of the relevant issuer;

(4) a description of the financial instrument;

(5) the nature of the transaction (e.g. acquisition or disposal);

(6) the date and place of the transaction; and

(7) the price and volume of the transaction. [Note: Article 6(3) 2004/72/EC]

Notification of transactions by issuers to a RIS

DTR 3.1.4R: "(1) An issuer must notify a RIS of any information notified to it in accordance with:

(a) DTR 3.1.2 R (Notification of transactions by persons discharging managerial responsibilities);

…(2) The notification to a RIS described in paragraph (1) must be made as soon as possible, and in any event by no later than the end of the business day following the receipt of the information by the issuer.

DTR 3.1.5R: The notification required by DTR 3.1.4 R must include the information required by DTR 3.1.3 R together with the date on which the notification was made to the issuer."

FCA Handbook Glossary

Person Discharging Managerial Responsibilities

A "person discharging managerial responsibilities" is (in accordance with section 96B(1) of the Act):

"(a) a director of an issuer:

(i) registered in the United Kingdom that has requested or approved admission of its shares to trading on a regulated market; or

(ii) not registered in the United Kingdom or any other EEA State but has requested or approved admission of its shares to trading on a regulated market and for whom the United Kingdom is its Home Member State; or,

(b) a senior executive of such an issuer who:

(i) has regular access to inside information relating, directly or indirectly, to the issuer; and

(ii) has power to make managerial decisions affecting the future development and business prospects of the issuer."