Haleon at a glance

Haleon has a strong portfolio of brands and is well positioned to play a vital role for people all around the world, in a sector that is growing and more relevant than ever.

How we achieve our growth ambitions

We aim to outperform our competitors with a strategy focused on driving sustainable above-market growth and attractive returns, leveraging our portfolio and capabilities.

Our strength is in our world-class portfolio of brands, our attractive geographic footprint, and our competitive capabilities of deep human understanding and trusted science.

World-class portfolio

We have leading positions in five global market categories: Oral Health; Vitamins, Minerals and Supplements (VMS); Pain Relief; Respiratory Health; and Digestive Health and Other.

Our nine large-scale, multinational Power Brands are complemented by a strong set of 23 Local Growth Brands, which are iconic in their own markets.

>> See page 3

Attractive geographic footprint

2022 revenue

Developed markets	67%
Emerging markets	33%

Regional footprint

North America	38%
EMEA & LatAm	39%
APAC	23%

>> See page 11

Consumer healthcare: A £160bn+ market

The global consumer healthcare market is one of the largest, most resilient and fastest-growing across the consumer staples sector.

>> See page 8

+

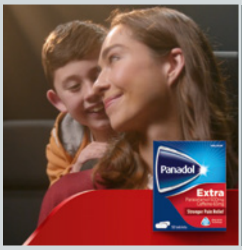
Competitive capabilities

We use technical and scientific talent, combined with data-driven consumer insights and expert engagement.

>> See page 10

Combination of deep human understanding and trusted science.

+



Strong brand building, innovation and digital capabilities combined with a leading route-to-market.

+

Strategy to outperform

Our strategy is designed to leverage our portfolio and capabilities and has four key pillars.

>> See page 18

1. Increase household penetration
2. Capitalise on new and emerging opportunities
3. Maintain strong execution and financial discipline
4. Run a responsible business

=

Growth ambitions

Our aim is to deliver strong performance and attractive returns, underpinned by a commitment to maintaining a strong investment grade balance sheet.

>> See pages 10 and 11.

4-6%
annual organic revenue growth[1]

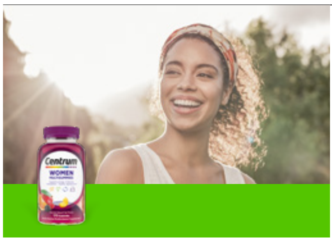
Sustainable moderate margin expansion[1]

High cash conversion[1]

Disciplined capital allocation

[1] Definitions and calculations of non-IFRS measures can be found on page 46.

Our leading brands span five market categories.

	Market categories	2022 Revenue	Example brands
	**Oral Health** As one of the world's largest providers of oral health, our science-based products are designed to fight against everyday oral health problems.	27%	Sensodyne, parodontax, Polident
	**Vitamins, Minerals and Supplements (VMS)** Our extensive range of vitamins, minerals and supplements is designed to improve people's everyday health and wellness.	15%	Centrum, Emergen-C, Caltrate

These three categories are collectively known as:

Over-the-Counter (OTC)

	**Pain Relief** We have a portfolio of leading brands to relieve pain and reduce inflammation, helping people manage their everyday pain.	24%	Panadol, Advil, Voltaren
	**Respiratory Health** Our respiratory health brands offer product solutions for a broad range of respiratory issues, including cold and flu, nasal congestion, coughs and allergies.	15%	Otrivin, Theraflu, Flonase Allergy Relief
	**Digestive Health and Other** Our digestive health brands have a strong heritage in treating heartburn and gastric discomfort. Our product offerings in this category also include skin health and smokers' health.	19%	Tums, Preparation H, ENO
		58%	

2022 highlights and achievements

Revenue

£10.9bn

(2021: £9.5bn)

Revenue growth

13.8%

(2021: (3.5)%)

Organic revenue growth[1]

9.0%

(2021: 3.8%)

Operating profit

£1.8bn

(2021: £1.6bn)

Adjusted operating profit[1]

£2.5bn

(2021: £2.2bn)

Operating profit margin

16.8%

(2021: 17.2%)

Adjusted operating profit margin[1]

22.8%

(2021: 22.8%)

Diluted earnings per share

11.5p

(2021: 15.1p)

Adjusted diluted earnings per share[1]

18.4p

(2021: 17.9p)

Final dividend per ordinary share

2.4p

Net cash inflow from operating activities

£2.1bn

(2021: £1.4bn)

Free cash flow[1]

£1.6bn

(2021: £1.2bn)

Net debt/Adjusted EBITDA[1]

3.6x

(as at 31 December 2022)

[1] Non-IFRS measures

We use certain non-IFRS alternative performance measures to provide additional information about the Company's performance. Non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS.

>> Non-IFRS measures are defined and reconciled to the nearest IFRS measure on page 46

Hello Haleon

On 18 July 2022, Haleon listed as an independent company on the London and New York stock exchanges.

The biggest UK listing in a decade, this milestone was the result of considerable effort, planning and collaboration by our dedicated employees around the world.

Strong growth

2/3

business gained or maintained share.

Note: Market share statements throughout this Annual Report and Form 20-F are estimates based on the Group's analysis of third-party market data of revenue for 2022, including IQVIA, IRI and Nielsen data. Represents percentage of brand-market combinations gaining or maintaining share (this analysis covers > 85% of Haleon's total revenue).

>> See page 12

Increased channel penetration

9%

of total sales from e-commerce.

>> See page 20

Successful innovation

52

product launches including new products, line extensions and upgrades.

>> See page 19

Commitment to health inclusivity

We supported the launch of the world's first global benchmark for measuring health inclusivity, published in October 2022 by Economist Impact.

>> See page 23

Enhanced product accessibility

In collaboration with Microsoft Corp., we made Haleon products more accessible for blind and visually impaired consumers in the UK and the US through the Microsoft Seeing AI app.

>> See page 23

Launched Global Parental Leave Policy

We announced fully paid 26-week equal parental leave for all permanent employees globally regardless of gender or sexuality, covering biological birth, surrogacy and adoption.

>> See page 27

Solar energy powered sites

We invested c.£9m in a solar farm for Guayama, Puerto Rico. In addition, we set up a Power Purchase Agreement for Oak Hill, US.

We now have installed solar energy capacity at 12 of our 24 sites.

>> See page 24

Chair’s statement

I’m pleased to present Haleon’s first Annual Report and Form 20-F

Sir Dave Lewis
Chair

In July 2022, Haleon successfully demerged from GSK plc, completing a multi-year journey to establish a world-leading, standalone global consumer health company. I’m honoured to serve as Haleon’s first Chair and, along with the newly established Board, am committed to ensuring we deliver superior value for all our stakeholders.

A compelling investment proposition

Haleon is an impressive business, with a clear strategy to drive sustainable above-market growth and attractive shareholder returns. Our ability to deliver consistently strong performance is driven by deep consumer understanding and investment in trusted science, coupled with strong operational focus and financial discipline.

Over the medium-term, the Board is confident that Haleon can deliver annual organic revenue growth of 4-6% while achieving sustainable moderate Adjusted operating margin expansion (at constant currency) and strong cash generation. We expect to reduce net debt/Adjusted EBITDA down to less than 3x during 2024.

An experienced Board

One of my priorities as Designate Chair ahead of the demerger was to appoint Haleon’s first Board of Directors and I’m delighted with the strength and calibre of the exceptionally talented and diverse Board we now have in place. Together, we have over 250 years of executive experience across c.30 listed companies, and over 70 years of non-executive experience across c.20 listed companies. We have two Pfizer Inc. non-independent board members, Bryan Supran and David Denton (who replaced John Young from 1 March 2023) and, with the appointment of Marie-Anne Aymerich and Asmita Dubey to our Board, introduced two new non-executive directors to the FTSE.

Alongside significant experience in governance and the global consumer sector, in selecting the Board we looked for specific skills to support and constructively challenge the Executive Team. This included a mix of skills across capital markets, digital, innovation and brand building in a Fast Moving Consumer Goods (FMCG) context, as well as first-hand experience of operating in the US, China, Asia and Europe.

>> See the skill set and diversity of our Board on page 64.

Building robust corporate governance

The Board is committed to ensuring that Haleon continues to build robust corporate governance. We have taken some important initial steps to achieve this. First, each member of the newly formed Board undertook a comprehensive induction on being appointed. As well as a deep-dive into Haleon, its strategy and operating model, the induction covered directors’ duties, regulations, and Haleon’s Code of Conduct, which all members of the Board are subject to.

Secondly, we established the necessary Board committees ahead of demerger, in accordance with the UK Corporate Governance Code.

Finally, we ensured that Haleon’s internal and external operational governance links directly to Board-level governance, enabling rapid escalation and visibility. This includes a focus on key performance indicators, principal risks and quality requirements, internal employee training and the use of responsibility scorecards to promote the right behaviours.

>> See our Corporate Governance Report from page 63.

Priorities for 2023 and beyond

In what will be our first full calendar year as a standalone business, the Board’s agenda will focus on three key areas:

- Constructively supporting and challenging the Executive Team to allow for the successful delivery of Haleon’s strategy.
- Continuing to embed the new Haleon corporate capabilities.
- Shaping Haleon’s medium- and long-term strategic vision as we look to solidify Haleon’s position as a leading consumer health company.

In addition, the Board will continue to have a relentless focus on instilling best practice corporate governance and providing guidance to the Executive Team as they navigate the uncertain macroeconomic environment.

Dividend

Consistent with our previous guidance, the Board has declared a final full year 2022 dividend of 2.4p per ordinary share, which represents approximately 30% of Adjusted earnings for the period since listing. In line with our capital allocation priorities to invest for growth, strengthen the balance sheet, explore acquisitions and return surplus capital to shareholders, our current intention is to maintain our pay-out ratio around the current level, subject to Board approval.

Thank you

Finally, the Board would like to thank Brian McNamara, the Executive Team and all employees across the company for their hard work over the last 12 months. A demerger is a significant undertaking and Haleon has executed it successfully, steering through the challenges we have all felt across the world whilst delivering consistently strong results.

Chief Executive Officer's review

A milestone year

Brian McNamara
Chief Executive Officer

It has been an extraordinary 12 months for Haleon. We created our own identity, demerged from GSK plc, listed on the London and New York stock exchanges and began trading as one of the world's largest standalone consumer health companies.

It was a time to reflect with pride on the business that we have carefully and purposefully built over many years. For me, it was also a personal highlight of my 18-year career in this industry, the last five leading this business.

It is a testament to the transformational work we undertook that Haleon now has strong foundations and an exceptional portfolio of brands, built around deep human understanding, trusted science and innovation, all of which we are confident will help create value for our stakeholders.

With a strong purpose of delivering better everyday health with humanity at our core, Haleon is primed and ready for the next stage of its remarkable journey.

Our Executive Team

I'm proud to lead an Executive Team that brings a wealth of relevant experience in consumer health and FMCG from some of the world's leading companies.

Our collective strength, relentless focus on growth and insight into the trends shaping the consumer landscape will be key drivers of our performance and ability to deliver on our purpose.

Strong performance against a challenging backdrop

In what continues to be a challenging macroeconomic environment, Haleon has shown its strength. For 2022, we reported strong revenue growth of 13.8% and organic revenue growth of 9.0%, driven by a combination of volume and price growth. This reflected the quality of our portfolio, successful innovation and excellent execution in market.

High inflation and increased living costs mean our consumers continue to face difficult decisions. Against this backdrop, Haleon has demonstrated agility; taking decisive action to adapt across our markets and categories, to ensure consumers can rely on the products they know and trust.

In 2023 and beyond, our unrelenting focus will remain on delivering great products and innovations that have real impact for consumers.

Delivering our growth ambitions

We remain focused on delivering our medium-term guidance of 4-6% annual organic revenue growth and are committed to our capital allocation priorities. 2023 will be no exception, driven by the quality of our brand portfolio, continued investment in our brands, and disciplined execution of our strategy to:

- Increase household penetration of our products.
- Capitalise on new and emerging opportunities across channels and geographies, and expanding our portfolio.
- Maintain a strong focus on both execution and financial discipline.
- Run a responsible business.

Haleon has leading positions in each of its five categories (see page 3). Our strong relationships with stakeholders, including consumers, customers, and Health Professionals, means we can capitalise on the opportunity ahead, which includes a growing global focus on health and wellness, an ageing population, an emerging middle class and sizeable unmet consumer needs as public health authorities face increasing pressure (see page 9).

Our impact

As a leading global player in consumer health, we are well positioned to recognise and understand the social and environmental barriers that hold people back from achieving better everyday health, and to empower and support them to take charge of their health and wellbeing. This lies behind our commitment to make everyday health more inclusive.

Working together with other organisations, we are also focused on reducing our environmental impact and doing business responsibly. Our commitments and goals in this area (see pages 22 to 25), drive us to not only meet the everyday health needs of people in new and better ways, but to develop innovations that are meaningful, relevant and impactful.

Evolution into an agile consumer health organisation

Looking ahead to the next phase of Haleon's journey, the Executive Team is more excited than ever about our future. As we worked towards our demerger from GSK, our focus was rightly on ensuring continuity for the business. Now fully running as an independent company, we will be taking advantages of opportunities to evolve and drive a more agile, productive and effective organisation. This includes:

- Increasing agility and productivity: We have identified opportunities to optimise existing processes and structures to become more agile. This will result in annualised gross cost savings of £300m over the next three years.
- Driving growth across our portfolio of brands and structural growth categories: We will invest behind identified opportunities and will be proactive in managing our portfolio. At the same time, we will be rigorous and disciplined where there are opportunities for bolt-on acquisitions and divestments.

Thank you

Our achievements in 2022 would not have been possible without the dedication and commitment of all our employees globally. Throughout the demerger and beyond, their focus on delivering for customers and consumers was unwavering, and for that I offer my sincere thanks. I also want to personally thank our Chair, Sir Dave Lewis, and the Board for their invaluable support during Haleon's first year as a standalone company and for recognising its potential.

Industry overview and competitive landscape

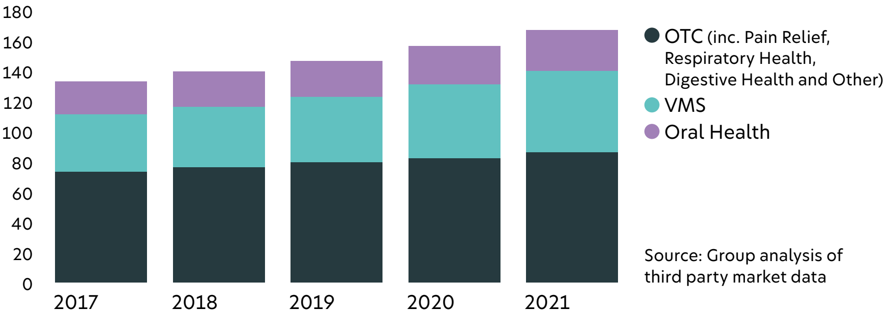
The global consumer healthcare market is one of the largest, most resilient and fastest-growing segments across the consumer staples space, reaching £160bn+ in global value in 2022.

The definition of consumer healthcare varies across competitors and industry data sources. We define it as consisting of Oral Health, VMS and Over-the-Counter (OTC). The US is the largest market making up c.27% of the total market with emerging markets, notably China and India, presenting attractive penetration opportunities.

The market is fragmented and highly competitive. Brands differentiate through scientific claims, innovation, premiumisation and distinguished branding.

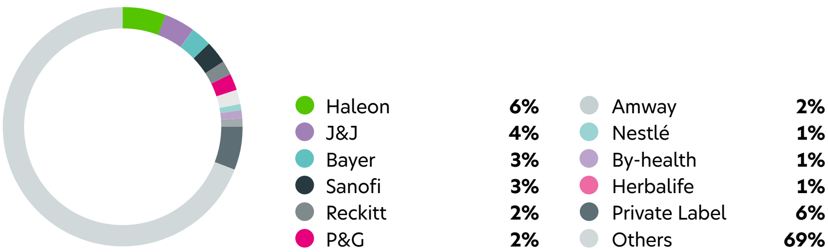
The OTC category is distinct, defined primarily by its regulatory status. OTC medicines are available in retail distribution channels (including pharmacies) without prescription. OTC comprises several categories defined by specific consumer needs with competition at category level. This includes, amongst others, respiratory health, pain relief, digestive, skin and smokers' health. Respiratory Health is Haleon's only category typically driven by seasonal demand, which has been impacted by COVID-19.

Consumer healthcare market 2017-2021 (£bn)



Source: Group analysis of third party market data

Global consumer health (retail value share 2021)



Source: Euromonitor

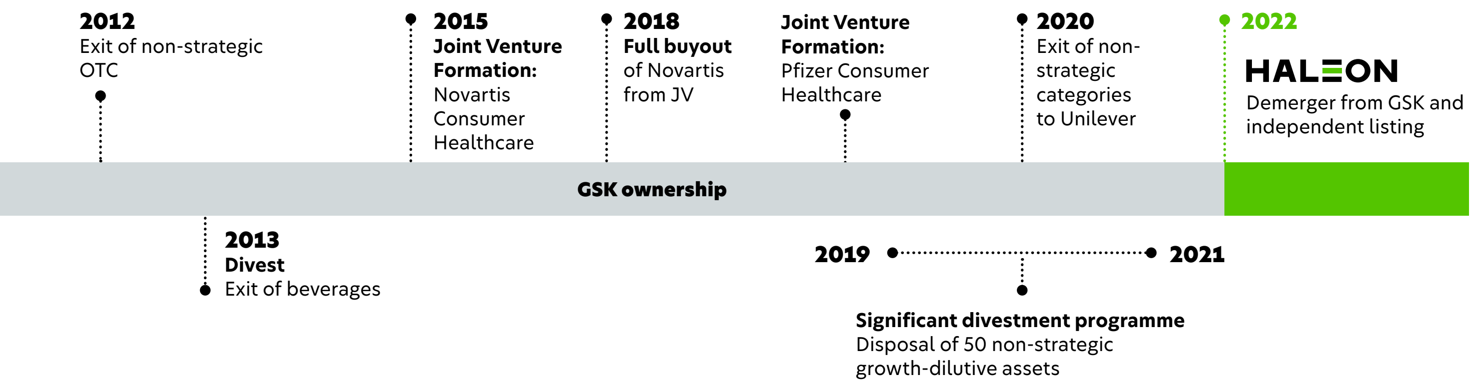
Formation of Haleon

Haleon is the result of the combination of three consumer health businesses over the last decade. The focus of the business has been sharpened through divestment of growth-dilutive brands and those outside of our core categories. In addition, the scientific and consumer products experience of its legacy businesses has been enhanced by investment in commercial and scientific capabilities, technologies and facilities, most notably in the digital sphere.

In July 2022, Haleon demerged from GSK creating a company with management, infrastructure, capital allocation and incentives focused specifically on consumer health.

The Group has a strong and established presence in all key channels relevant for consumer health and a scale which allows it to effectively engage with retail partners of all sizes, buying groups, distributors, pharmacy chains and individual pharmacies.

>> See page 201.



Market drivers

Understanding the multiple influences on our business enables us to be prepared for and respond quickly to change, and to create value for the long-term.

Long-term market drivers indicate a shift towards more self-care with consumers taking a more active role in their health, supported by advances in digital technologies.

At the same time, ageing populations and the rising cost of healthcare are putting pressure on health systems.

The macroeconomic environment remains volatile, including pressures from Russia's invasion of Ukraine. This has resulted in inflation, commodity and input cost increases, as well as the cost of living, and disrupted supply chains.

Increased consumer focus on health and wellness	The pandemic accelerated an already increasing trend of consumers actively managing their personal healthcare. Recent customer research found that 42% of consumers try to make wellness a priority in their day-to-day life, and 79% think wellness is important. 71% of those consumers place a higher priority on their health than they did two to three years ago, and 70% anticipate health growing in their list of priorities[1]. This represents an important driver in the growth of self-care and underpins favourable trends for the sector.
Ageing populations	The proportion of people aged 65 years and over is expected to increase from 9.3% of the global population in 2020 to 16%, or approximately one in six people globally, in 2050[2]. This change in demographics brings with it increased need for self-care and preventative care.
Emerging middle class	The emerging middle class in higher-growth economies has been a long-term growth driver for the consumer healthcare market as greater buying power has led to greater per capita usage. Emerging and higher-growth economies continue to represent a sizeable growth opportunity for the industry.
Increasing pressure on public health systems	Pressures on public health had already been rising before COVID-19. In the US, every $1 spent on OTC saves $7 for a total of >$100bn on the public healthcare systems[3]. In 2018, global spending on health reached $8.3 trillion, growing slightly below GDP for the first time in five years[4]. COVID-19 has had a significant adverse impact on health systems globally, and the aftermath of the pandemic may be accompanied by a potentially deep global economic crisis which could have a long-lasting impact on future health financing[4]. OTC products in particular provide affordable and accessible healthcare options for consumers and lowers the overall costs to health systems.
Sizeable unmet consumer needs	Competition in the consumer healthcare market is partly driven by innovation designed to meet unmet consumer needs. There is opportunity for further growth through targeted innovation to address emerging trends as well as premiumisation (where consumers switch their purchases to premium alternatives), increased consumer interest in personalised products, and emerging technologies that allow consumers to more directly manage their own health.

How we are responding

Our strategy is built around addressing these key drivers. It aims to meet the growing demand for self-care and recognises the opportunity to serve the unmet needs of consumers. We do this by increasing condition awareness, building brand relevance, innovation and capitalising on new trends.

By raising condition awareness among consumers, we can empower them to stay well or treat their symptoms and help to reduce demand on public healthcare. Our deep human understanding helps us to encourage people to change their health behaviours through campaigns and activations. This requires understanding of the person beyond the condition and into how they live their lives. Voltaren's 'More Than Movement' campaign illustrates how we inspire people to a better quality of life by connecting them to the joys of movement. We also work with Health Professionals to support consumers with everyday health needs, providing tools and insights for trusted advice and raising condition awareness.

Using our competitive capabilities, we build brand relevance and innovations that extend our brands across different need states and formats. For example, parodontax Gum+ paste was created to support the 47% of people with gum problems who also experience sensitivity and breath concerns; and Flonase Headache & Allergy Relief was formulated when we identified that 52% of allergy sufferers also experience headaches.

Driven by our purpose, we have set a goal for health inclusivity and identified a range of programmes to achieve this focusing on the barriers we are best placed to address: health literacy, healthcare accessibility and bias and prejudice.

In response to macroeconomic conditions, we continue to mitigate inflationary cost pressures with initiatives such as early forward buying, value engineering and supply chain improvements. We also remain focused on balancing price and volume with net revenue management and cost and cash management.

>> See also our strategy from page 18 and approach to risk from page 56.

[1] Source: McKinsey & Company, The Future of Wellness H1 2021 Report. Based on consumer research in Brazil, China, Germany, Japan, the US and the UK.
[2] Source: UN Population Facts, October 2020.
[3] Source: Consumer Healthcare Products Association 2022.
[4] Source: WHO, 2020.

Our business model

Haleon's competitive advantage is derived from combining deep human understanding with trusted science.

A combination of:

Deep human understanding

We invest in a suite of proprietary assets to generate deep human understanding to support brand innovation and enhance our engagement with Health Professionals to help educate consumers. This includes dedicated shopper research centres, consumer knowledge and social listening, all designed to generate and test new insights and identify consumer needs.

+

Trusted science

We leverage our technical and scientific expertise that comes from our 1,400 talented scientists with strong regulatory understanding. All underpinned by clinical trials and extensive studies. We continue to invest in R&D to support our innovation. In the last three years, we have delivered more than 19,000 regulatory approvals.

Enables us to:

Innovate

Through innovation, we address unmet consumer needs and emerging trends, target products towards a particular demographic and improve delivery mechanisms for existing products.

+

Create meaningful and distinctive brands

Our investment in Advertising and Promotion (A&P) activities such as paid media, in-store promotions, TV and print, coupled with a strong focus on digital capabilities has enhanced our brand equity with brands consumers trust, thereby empowering more people to self-care.

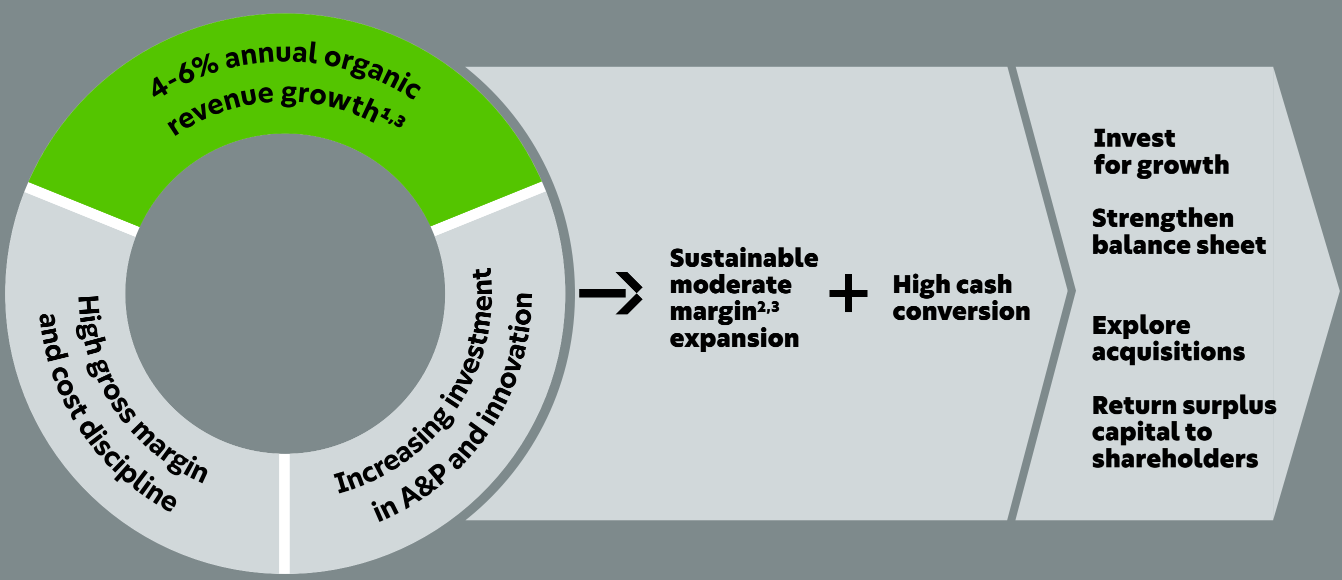
+

Drive Health Professional advocacy

We have direct and trusted relationships with more than three million Health Professionals, together with the largest network of pharmacies in the world who recognise the strength and efficacy of our products which they recommend to consumers, bringing new users to our brands and categories.

=

A sustainable model driving investment for growth delivering attractive returns



[1] Over the medium term.
[2] Adjusted operating margin in the medium term at CER.
[3] Definitions and calculations of non-IFRS measures can be found from page 46.

How we invest for the future and deliver value to our shareholders.

Revenue

Consumers have confidence in our world-class portfolio of brands designed to improve everyday health and wellbeing.

£10.9bn
(2021: £9.5bn)

By geography

North America	£4.1bn	**38%**
EMEA & LatAm	£4.3bn	**39%**
APAC	£2.5bn	**23%**

By market category

Oral Health	£2.9bn	**27%**
VMS	£1.7bn	**15%**
Pain Relief	£2.6bn	**24%**
Respiratory Health	£1.6bn	**15%**
Digestive Health and Other	£2.1bn	**19%**

Adjusted cost of sales[1]
Consisting of materials, conversion costs, costs related to quality operations, operating in a Good Manufacturing Practice (GMP) environment along with supply chain costs.

£4.1bn
(2021: £3.5bn)

Adjusted gross profit[1]
£6.8bn
(2021: £6.0bn)

Adjusted gross margin[1]
62.4%
(2021: 62.9%)

Advertising & Promotion (A&P)
18.7% of revenue

Adjusted Research & Development (R&D)[1]
2.8% of revenue

Adjusted selling, general & administration (SG&A)[1], (excluding A&P)
18.1% of revenue

Adjusted operating profit[1] **£2.5bn** (2021: £2.2bn)

Adjusted operating profit margin[1] **22.8%** (2021: 22.8%)

Net cash inflow from operating activities **£2.1bn** (2021: £1.4bn)

Free cash flow[1] **£1.6bn** (2021: £1.2bn)

How we used our cash

Reinvest in business
Focused reinvestment to drive sustainable growth.

Net capital expenditure: **£292m[1]**

(2.7% of revenue)

Pay down of debt
Following demerger, we repaid our £1.5bn term loan through a combination of operational cash flow and £0.3bn of commercial paper issuance. We finished the year with leverage of 3.6x net debt/Adjusted EBITDA (c.4.0x at point of demerger in July 2022).

Dividend
Haleon has a dividend policy that looks to balance all our stakeholders' interests while ensuring the long-term success of Haleon. The Board has declared a final full year 2022 dividend of 2.4p representing approximately 30% of Adjusted earnings for the period since listing.

[1] Definitions and calculations of non-IFRS measures can be found from pages 46.

>> See Business review from page 36 and Our approach to risk from page 56.

Key performance indicators (KPIs)

Our KPIs track and measure our performance, delivery against our strategic pillars and long-term success.

A note on our KPIs
As a new company, we only have three years of data available for our KPIs derived directly from our financial statements. For all other KPIs, we will gradually build up to provide three years of data over time.

How we determined our KPIs

Organised around our strategy, the measures included are those considered most relevant in tracking our performance and commitment to our key stakeholders. The Board and Executive Team review and endorse our KPIs annually to ensure continued alignment to our strategy and regularly monitor them as part of internal reporting. We also link our KPIs to our Executive Directors' remuneration.

Strategic pillars

1 Increasing household penetration
2 New and emerging opportunities
3 Strong execution and financial discipline
4 Responsible business

Key

● Annual Incentive Plan
◆ Performance Share Plan

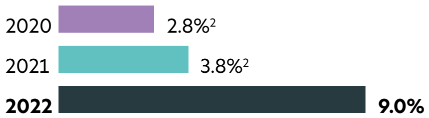
>> See the Directors Remuneration Report from page 82.

>> See also Forward-looking statements on page 228.

Financial

Organic revenue growth %[1] ●

1 2 3



This measures the strength of our existing portfolio, operations and resources.

The ability to meet our expectation to deliver medium-term annual organic revenue growth of 4-6%, that provides capacity for continued investment for growth, is a focus for all our stakeholders.

2023 priorities

Delivery on our 4-6% guidance.

>> See pages 38-44.

Net debt/Adjusted EBITDA[1] ◆

3

3.6x (at 31 December 2022)

Reducing our leverage strengthens our balance sheet and maintains our investment grade credit rating.

Since demerger, Haleon has repaid £1.5bn of its term loan through a combination of strong cash flow, disciplined capital allocation and commercial paper issuance. This impacts all our stakeholders.

2023 priorities

We aim to achieve less than 3x net debt/Adjusted EBITDA during 2024[3] through strong cash generation, Adjusted EBITDA growth and disciplined capital allocation.

>> See page 45.

Adjusted operating profit[1] ●

1 2 3

Our Adjusted operating profit is an important indicator of the strength of our business model.

Used by leadership to assess performance, understand the underlying trends in profitability, and is of interest to our investors.

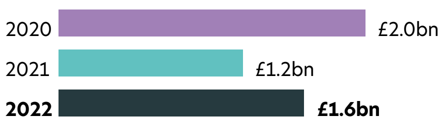
2023 priorities

Another year of profitable growth, maintaining broadly flat Adjusted operating profit margin with operating leverage and efficiencies offsetting increased investment, cost inflation and c.40 bps adverse transactional foreign exchange impact based on current market rates.[4]

>> See page 38.

Free cash flow[1] ◆

3



Free cash flow provides the business with capacity to invest in the business, pay down debt and shareholder returns.

This is a key component in measuring the viability of our business, and our capacity to invest for the long-term. It is of interest to all our stakeholders, particularly investors.

2023 priorities

Continue to focus on driving free cash flow through a combination of working capital management and creating efficiencies across the business.

>> See page 54.

Business gained or maintained share

1 2

2/3

This is based on the Group's analysis of third-party market data of revenue, including IQVIA, IRI and Nielsen data.

The attractiveness of Haleon products is key for all our stakeholders, particularly consumers, customers, suppliers and investors, giving them confidence in our ability to increase household penetration and find emerging opportunities.

2023 priorities

Continue to drive market share gains through brand building, innovation and increased investment in A&P and R&D.

>> See from page 18.

Responsible business

Carbon reduction[5]

4

41%

This represents the reduction in our net Scope 1 and 2 carbon emissions against our 2020 baseline.

Reducing carbon emissions is a focus area for all our stakeholder groups, including consumers, investors, governments and industry regulators. Decarbonising our operations is a key priority for Haleon.

2023 priorities

We aim to reduce our net Scope 1 and 2 carbon emissions by 100%, by 2030 versus our 2020 baseline. Having achieved 100% renewable electricity (across our directly owned and controlled sites), we are now focused on addressing our remaining Scope 1 carbon emissions.

>> See page 24.

Recycle-ready packaging[6]

4

65%

This represents the proportion of Haleon's packaging that is recycle-ready.

We recognise that recycle-ready packaging is an important priority for all stakeholder groups, with increasing focus from consumers, customers and investors, as well as employees. We are committed to playing our part to accelerate the transition to a circular economy.

2023 priorities

We aim to develop recycle-ready solutions for all product packaging by 2025, a key milestone towards our goal of making all our packaging recyclable or reusable.

>> See page 24.

Gender diversity

4

43.7%

Percentage of women in employee or fixed-term contract leadership roles[7].

We want our employees to reflect the diversity of the communities and society around us, and believe diversity is a source of competitive advantage and an important consideration for employees and investors.

2023 priorities

Our aim is to achieve gender parity globally by 2030 (48-52%). Gender goals are aligned to individual incentives, and Long Term Incentive payouts.

>> See page 27.

Employee engagement

4

80%

Percentage of employees who feel that Haleon is fulfilling its core index measures in the 2022 Employee Engagement Survey.

We want our employees to be proud to work at Haleon, feel inspired, challenged, supported, and have a sense of personal accomplishment. These form our core index measures.

2023 priorities

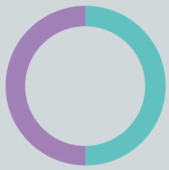
Our immediate focus is to address the areas identified in our 2022 survey where we can improve, including simplifying our work processes to support our strategy.

>> See page 27.

Link between KPIs and Executive Director remuneration

Measures included are those considered most relevant in assessing business performance and relate to our commitments to our stakeholders. To that end, elements of executive director remuneration are linked to the delivery of specific KPIs.

Performance Share Plan

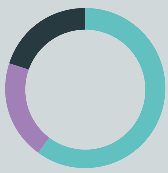


- 50% linked to net debt/Adjusted EBITDA
- 50% linked to cumulative free cash flow

ESG qualifier

The Performance Share Plan has an ESG qualifier with thresholds set for three measures. If any of the thresholds are missed, a reduction in the level of vesting of up to 10% could be applied for each missed threshold. Moreover if the metrics are static or go backwards compared to the baseline, a 25% reduction in the level of vesting could be applied for each measure (i.e. a potential overall reduction of up to 75%).

Annual Incentive Plan



- 60% linked to organic revenue growth
- 20% linked to adjusted operating profit
- 20% linked to individual business objectives

1 Organic revenue growth, Adjusted operating profit, free cash flow and net debt are non-IFRS measures. Definitions and calculations of non-IFRS measures can be found from page 46.
2 Haleon portfolio revenue growth in 2020 and 2021 was 4.9% and 3.9% respectively which illustrates the performance of the brands that make up the portfolio at the time of the demerger.
3 In February 2022, Haleon expected to reach leverage of <3x net debt/Adjusted EBITDA by the end of 2024 (as presented at its Capital Markets Day).
4 Based on rates as of 10 February 2023.
5 Reporting period runs from 1 December 2021 to 30 November 2022. Carbon offsets account for 15% of our market based Scope 1 and 2 carbon emissions.
6 Reporting period runs from 1 July 2021 to 30 June 2022.
7 Leadership roles is defined in our glossary.

Stakeholder engagement

Engaging with and understanding our key stakeholders and their priorities is fundamental to the performance and success of our strategy.

Key
- What matters to our stakeholders
- Why they matter to Haleon

We value engagement with key stakeholders, who were selected by the Executive Team and endorsed by the Board to reflect our strategic priorities and their importance to Haleon's long-term success.

Engagement is primarily at senior leadership and operational level, with oversight from the Board. At times members of the Board engage with stakeholders directly, including investors and customers.

This section should be read in conjunction with our Section 172 Statement, which sets out how the Board have considered the Company's stakeholders and other factors in their key decisions during the year.

>> See also page 71.

Consumers

- Consumers want brands they trust, that understand their needs and care about the environment and society.
- Consumers are at the heart of everything we do. We aim to provide products that better meet their needs.

Customers

- Customers want safe, accessible and reliable products that meet consumer needs, and support their environmental ambitions.
- Customers, such as mass market, pharmacies, drug stores and e-commerce retailers, are central to our business as they provide our products to consumers.

Suppliers

- Suppliers value trust-based relationships, underpinned by responsible practices, values and policies.
- Maintaining healthy long-term relationships with our suppliers helps us protect business continuity and achieve our environmental ambitions.

Employees

- Our employees value being part of a purpose-led company that provides a rewarding, safe, supportive and inclusive workplace.
- Our employees ensure our business operates effectively. It's essential we attract and retain the best people, and keep each other safe, healthy and well.

Investors

- Investors want sustainable performance for long-term shareholder value, strong corporate governance and commitment to the management of responsible business issues.
- We are committed to creating long-term sustainable growth and attractive returns for both our debt and equity investors delivered through the Group's strategy.

Health Professionals

- Health Professionals want effective and safe products supported by reliable scientific information and responsible sales and marketing practices.
- Engagement with Health Professionals, such as doctors, dentists and pharmacists drives, performance through recommendations and help us understand long-term trends.

Governments and industry regulators

- Effective, safe and accessible products help reduce the burden of healthcare costs and increase opportunities for innovation and business investment.
- Governments and industry regulators set the legal and regulatory environment in which we operate. We work with them to advance everyday health and manage risks.

Stakeholder	How we engaged with them in 2022	Outcomes of our engagement
Consumers >> Pages 19-24.	– In-house shopper research. – Future trend spotting and social media listening. – Advertising impact evaluation. – Research groups. – Direct feedback through email or social media. – Marketing campaigns and activations.	– Used consumer insights to develop campaigns to raise awareness of everyday health needs, remove barriers to alleviating their conditions and design new innovations. – Reflected consumers' interests in our environmental and health inclusivity strategy. – Developed plans to enhance dialogue with consumers, such as live chat functionality.
Customers >> Pages 19 and 21.	– Top level engagement between Haleon Executives and major customers. – Key account managers engaged with our customers at a strategic level. – Direct engagement with sales team and specialists. – Regular updates on demerger and associated changes provided.	– Customer satisfaction with system changeover which included little disruption to orders. – Focused improvement plans on areas highlighted by our customers such as e-commerce integration, category development and improving supply.
Employees >> Pages 16, 17, 26 and 27.	– Annual employee engagement survey. – Employee Assistance Programme. – Employee Resource Groups (ERGs). – Site visits and global broadcasts. – Internal communications and training. – Designated Non-Executive Director for Workforce Engagement met with employee groups.	– 2022 overall employee engagement index score of 80% with work processes and opportunities to grow and develop highlighted as areas for improvement. These areas will be prioritised in 2023. – Initiated campaigns and programmes to support safety, and wellbeing and enable work-life balance. – Continued to support our ERGs. – Simplified our learning offering and launched professional qualifications, such as a mini-MBA on deeper human understanding endorsed by University College London.
Governments and industry regulators >> Page 215.	– Direct meetings between Haleon Executives and relevant industry-specific individuals. – Trade meetings attended by Haleon leaders. – Participation in roundtables and bilateral meetings. – Liaison with regulators, including new and existing product reviews. – Responses to government consultations.	– Introduced Haleon as an independent company. – Delivered regulatory approvals and contributed to position papers. – Ensured continued compliance of our portfolio in line with updated regulatory standards. – Worked with regulators to help tackle continuity of supply, notably cold and flu products, impacted by pressures on drug shortages in markets such as Canada, UK and USA.
Health Professionals >> Pages 19 and 23.	– Face-to-face meetings with Haleon representatives. – Participation in global research and education initiatives. – Launched Haleon 'HealthPartner' portal. – Targetted social media activity.	– Launched our industry intent to support of Health Professionals and the everyday health of their patients. – Enhanced our digital offering for Health Professionals leading to 3.6m new users on the Haleon 'HealthPartner' portal and a total of 30,000 hours of webinar content engaged with. – Created the Centre for Human Sciences, a Health Professional community with the purpose of driving behaviour change in everyday health.
Investors >> Page 71.	– Capital Markets Day. – Ongoing dialogue with sell-side analysts and investors across equity and debt capital markets. – Press releases and results briefings. – Investor events including roadshows, fireside chats and conferences.	– Feedback to employees on shareholder and investor views on how external stakeholders see Haleon. – Considerations on strategy and our responsible business agenda following feedback from investors, analysts and shareholders. – Input into governance areas including Executive Directors' Remuneration Policy.
Suppliers >> Pages 21 and 25.	– Online supplier portal. – Workshops and sessions with selected suppliers focused on value engineering, growth, innovation and productivity. – Responsible business objective-setting workshops. – Top level engagement and/or quarterly business reviews with key suppliers. – Third-party risk management assessments.	– Assessed innovation ideas generated across all workshops with prioritised ideas progressing to the next stage of development. – Evolved procurement strategies to incorporate inclusion of diverse suppliers as options for sourcing, where viable. – Supporting suppliers to implement recommended changes identified in third-party risk assessments. – Worked with priority suppliers on decarbonisation planning and reporting.

We also engage with other stakeholders where applicable, regarding our business activities and value their views.

Our culture and behaviours

Our culture is driven by our behaviours and Code of Conduct. Together, they guide our approach to business, uphold our reputation as a well governed, trusted and ethical company, and influence how we engage with our stakeholders.

Our workplaces are designed to help empower our employees and support our culture.

Our culture is defined by three key behaviours:

→ Go beyond

→ Do what matters most

→ Keep it human

At Haleon, our purpose drives us to meet the everyday health needs of people in new and better ways, alongside our strategy which brings clarity to the choices we will make, what we do and will not do.

To have the impact we want in the world, we are consciously creating a culture that actively supports both our purpose and strategy.

Guided by this, our ambition is for our culture to be purpose-led, consumer-centric and performance-focused, enabling us to deliver our strategy.

Centred around our core value of seeking to always do the right thing, our culture is defined by three key behaviours:

- Go beyond: fostering the desire and energy to continuously strive for excellence and outperform ourselves and competitors.
- Do what matters most: using our purpose and strategy to help prioritise what's important and challenge the unnecessary.
- Keep it human: having greater understanding and empathy for our consumers, the environment and each other.

We are embedding these behaviours through leader-led engagement, employee storytelling and a dedicated suite of online resources.

Leaders role model our culture through additional leadership standards that set out expectations on how to:

- Drive growth.
- Deeply understand our consumers and customers.
- Build 'one' Haleon.
- Motivate and unleash potential.

Our Code of Conduct (Code), which underpins our culture and behaviours, promotes ethical business conduct, and comprises a mixture of written standards, a decision tree approach to making the right choices, and guidance on when to ask for advice. Available in 17 languages, it guides the Board and Executive Team, employees and contingent workers. Supported by annual mandatory elearning, it is part of the onboarding requirement for new starters. The Code is an integral part of our responsible business strategic pillar, as well as our culture. It is at the heart of our approach to compliance with applicable laws and regulations. The table on page 17 details some of our key policies.

The Board is responsible for ensuring our culture, core value and behaviours are embedded and aligned to our strategy and purpose. The Board, and Audit & Risk Committee receive regular reports on aspects of culture, including reports from our Speak Up channels, data and trends, and other metrics including scorecards and dashboards.

Day-to-day responsibility for our culture rests with the Executive Team who keep employees engaged via global broadcasts, fireside chats, our internal social media channel, onsite communications and newsletters.

Our culture is also driven by our organisational and governance structure, risk appetite, stakeholder engagement, workplace environment and the strength of our business model. The Executive Team's remit includes executing our strategic plan (agreed with the Board), monitoring the Group's performance and providing assurance to the Board on overall performance, risk management and our internal control framework. The Disclosure Committee ensures proper procedures are in place for statutory and regulatory disclosure requirements.

Our work environment and operating model, that support our culture, are organised around 14 business units, whose activities and performance are overseen by three regional Presidents. Our global category and brand teams are responsible for delivering long-term strategy, innovation agenda and global brand campaigns focused on Power Brands. Global functions, including key areas of compliance, communications, finance, human resources, legal, marketing, and R&D, focus on enterprise-wide strategy, policies, standards and capabilities.

Our culture, risk appetite and tolerance are cascaded through our Code and behaviours, and are embedded in our goals and targets, grant of authority, global policies, monitoring and assurance processes.

The demerger brought changes to our work environment and many of our workplaces. Some employees moved to new offices, others to a hybrid approach. Our 'Hybrid at Haleon' philosophy empowers managers and teams to trust each other and find the right approach to drive performance. Greater remote working involves more digitalisation, and we have activated and enhanced controls and systems to ensure our Company data is secure, including awareness campaigns.

>> See also our responsible business strategy, people and approach to risk sections on pages 22, 26 and 56. As well as Board activities from page 70.

>> The Group publishes its Code of Conduct on its website **www.haleon.com**

Speak Up	— The Haleon Speak Up channel allows anyone, whether working for Haleon or not, to raise concerns about misconduct, policy, procedure or regulatory breaches – confidentially or anonymously. We have zero tolerance for behaviour which could be perceived as retaliation or harassment during the course of, or after, raising a concern. — Anyone can access Speak Up via the web, email, telephone or post. These channels are managed independently and are available globally in multiple languages. Our Code and Anti-Bribery and Corruption (ABAC) training courses include when and how we should use Speak Up, and are mandatory for new starters. Annual refresher training is also required. — We take all concerns raised seriously and review every report to assess whether to investigate formally. A disciplinary committee is set up where necessary, and a stakeholder group may come together to determine lessons and take action to prevent future problems. Regular updates and investigation reports are reviewed by senior management and the Audit & Risk Committee. Where applicable, the Board receives reports.
Data privacy and data security	— We are committed to the responsible use, storage and protection of data and personal data, and comply with applicable local law. Our commitment is fundamental to maintaining trust with our stakeholders. We secure the privacy, availability and integrity of Haleon's data, and important data is safeguarded from corruption, compromise or loss. We have robust data retention schedules to guide us when to delete data. We run inherent risk assessments on key third-party suppliers with additional due diligence assessments completed for higher-risk suppliers. — Our Chief Information Security Officer frequently provides updates to the Executive Team as well as the Audit & Risk Committee, which has oversight for the Group's information security and cyber risk strategy. We have internal information security policies and maintain related standards and procedures, and we educate our employees on their role in securing our critical data and operations. We continue to mature our cyber security systems and controls to seek to keep pace with the threat landscape. Our preparedness activities include conducting cyber tabletop exercises and penetration testing to develop our response to potential incidents, such as ransomware attacks.
Health and safety	— As part of our responsible business strategy, we have a set of global standards, technical support documents, guidance and tools outlining our Environment Health Safety & Wellbeing (EHS&W) practices and processes. Our monitoring programme measures performance across our operations and facilities at three-yearly intervals, tracking corrective and preventative actions and risk reduction through to closure. A global Audit & Assurance team provides a further layer of protection performing EHS&W thematic risk-based audits across the organisation. We report on EHS&W measures to the Executive Team in monthly business scorecards and to the Board quarterly. — Our three-year strategy is to develop a zero-harm culture and reduce significant incidents. We set objectives each year to improve our results, and analyse our performance. In addition, we run risk-based health and safety training for employees, which covers how to identify measures to reduce workplace risks. Towards the end of 2022, we launched a new health and safety cultural programme, 'Leading with Care', which will continue to be deployed during 2023. Our 2022 reportable injury and illness rate was 0.17 per 100,000 hours worked[1] and there were no fatalities.

[1] For period 1 December 2021–30 November 2022.

Our strategy

Our strategy seeks to deliver sustainable above-market growth and attractive returns, while running a responsible business, which is integral to all we do.

Our purpose, together with our culture, commitment to stakeholders, core value and behaviours, strong governance and leadership standards, create the right environment where we can focus on delivering our strategic priorities.

Taken together, the four pillars of our strategy help drive both our reported revenue and 4-6% annual organic growth. Our annual organic revenue growth, combined with our attractive gross margins, allow us to invest in the business and deliver sustainable moderate Adjusted operating margin expansion, along with strong free cash flow. Progress against our strategy is tracked through our KPIs as set out in pages 12-13.

>> See Business review and Our approach to risk from page 36.

1 Increase household penetration

- Maximise significant growth opportunities across our categories by applying our proven approach to penetration-led growth.

>> See page 19

2 Capitalise on new and emerging opportunities

- Increase growth of our brands across channels, routes-to market and geographies.
- Expand our portfolio through new and emerging consumer trends and by pursuing Rx-to-OTC switches.

>> See page 20

3 Maintain strong execution and financial discipline

- Focus on driving efficiency, effectiveness, and agility to make every investment count.

>> See page 21

4 Run a responsible business

- Make everyday health more inclusive.
- Protect the environment and address social sustainability barriers to everyday health.
- Embed strong governance and ethical business behaviours.

>> See pages 22-25

Progress against our strategy

1 Increase household penetration

We believe there are significant opportunities to drive greater growth across our categories by reaching more consumers and fulfilling their unmet needs. We have a clear approach to driving penetration growth using our key capabilities in deep human understanding and trusted science, supported by innovation, marketing and commercial excellence.

Our focus for 2023

- Continue to drive penetration with new audiences by further enhancing our brands' visibility and relevance to their unmet needs.
- Continue to build an innovation pipeline focusing on specialist solutions.
- Maximise relationships with Health Professionals to increase consumer reach through trusted experts.

Meaningful and distinctive brands

- Aligned to our purpose, our approach is to use consumer insights, data and analytics to ensure we understand consumer needs. In 2022, Haleon's bespoke trend-spotting tool, which analyses data from industry intelligence, social media listing and search queries, was rolled out for use globally.
- In 2022, we continued to drive awareness of health conditions, such as tooth sensitivity and pain management, demonstrating how our brands can help consumers as part of our strategy to increase household penetration. For example, the Panadol 'Take Care' campaign successfully launched in over 10 markets amplifying brand activation and relevance during a key COVID-19 vaccination period.

Innovation

- R&D is core to our innovation which underpins key elements of our strategy to increase growth. With Adjusted R&D expenditure of £303m in 2022, we launched 52 new innovations and are progressing over 250 active projects, including new products, line extensions and upgrades across all our categories.
- In the US, Emergen-C continued to see growth with younger households through innovations such as Emergen-C Kidz. In China, a gummy innovation for Caltrate enabled the brand to reach new younger consumers.

Expert advocacy

- As part of our purpose and growth strategy, we have a focus on Health Professionals as recommendations from these trusted experts can increase our brand reach and act as a driver of brand choice.
- To increase expert advocacy in 2022, our representatives led 5.9m interactions with Health Professionals to improve their knowledge of our products and the conditions they treat.
- Based on research and Health Professional's feedback, in 2022, we launched the Haleon HealthPartner portal, where members can access key services and content such as webinars, training and sample ordering. We also launched the Haleon Centre for Human Sciences, a collaborative community for Health Professionals dedicated to addressing consumer behaviour challenges impacting everyday health.

Commercial excellence

- Effective commercial execution, both online and in-store, is a key driver to increasing household penetration. To do this, we have focused on ensuring that our brands have the right levels of visibility and the right assortment of packs to support commercial opportunities.
- Haleon has been recognised for its commercial work across all channels in 2022 including Best of the Best Digital Collaboration at A.S. Watson's Global Supplier Conference in Asia; Dollar General's Supplier of the Year and Walgreen's Customer Centricity Award in the US; and Tesco's 'Best in Class' packaged good supplier in the UK.

Progress against our strategy continued

2 Capitalise on new and emerging opportunities

We aim to use our world-class portfolio and competitive capabilities to expand the reach of our brands, grow the market and capitalise on new consumer trends. This includes continued channel expansion with a focus on e-commerce, geographical expansion of our key brands leveraging our extensive scale and powerful routes-to-market, and portfolio expansion including Rx-to-OTC switches.

Our focus for 2023

- Grow e-commerce with sustained investment and building capability.
- Explore and act on untapped growth opportunities - considering channels, routes-to market, geographies and trends where we are under indexed or don't compete today.
- Continue to progress Rx-to-OTC switch opportunities.

Channel expansion: e-commerce

- We are committed to expanding our channel footprint, with a focus on growing e-commerce as a percentage of group sales to mid-teens by 2025. To do this, in 2022, we improved content, optimised media, increased investment in high traffic events and refreshed 'brand stores'.
- E-commerce grew 16% to 9% of total sales in 2022. In the US and China, Haleon's two largest e-commerce markets, sales grew 7% and 40% respectively.
- We recognise that our categories, particularly OTC, are more regulated than most consumer staples. This currently leads to us having a lower proportion of e-commerce sales here so we will continue to build our capabilities via strategic relationships with leading e-commerce companies.

Geographic expansion

- To support our growth strategy, we continually assess opportunities to introduce or grow our brands in existing and new markets. To do this, we explore opportunities and considerations for growth depending on local market competition, regulatory restrictions on OTC products and unmet consumer needs.
- In 2022, parodontax, one of the fastest-growing toothpaste brands globally, launched in South Africa and saw double digit organic revenue growth in the Middle East and Africa.
- In VMS, Centrum was launched in Egypt and India, which is the world's sixth largest VMS market[1] and where we see strong structural growth opportunities.

Portfolio expansion: emerging consumer trends

- In line with our purpose and strategy to identify and support new and emerging health trends, we launched natural variants across a number of markets in 2022, which also allows us to expand demographically as our natural launches often target a younger consumer base.
- In 2022, our natural launches included Theraflu Naturals, Robitussin Elderberry and Emergen-C Botanicals in the US, as well as Otrivin Breathe Clean and Theraflu Pro-Naturals in Central and Eastern Europe. We will be applying learnings from these launches for future initiatives.
- We are also investing in the future of everyday health with our global incubator programme, NEXT Re/Wire Health Studio. This supported 12 new consumer health start-ups in 2022 with mentorship, R&D support and commercialisation opportunities.

Portfolio expansion: Rx-to-OTC switches

- We are committed to progressing switch opportunities, recognising that it is a long-term commitment requiring specific capabilities, expertise and resource to manage the regulatory and clinical process.
- As part of our strategy to expand our portfolio, we continued to work on our two active switch projects led by our dedicated in-house team and further explored potential other opportunities.

3 Maintain strong execution and financial discipline

We fuel our growth agenda through strong execution and disciplined cost management. In combination with sales growth, this approach enables us to free up resources for reinvestment, while creating value for our stakeholders.

Our focus for 2023
- Simplify and future proof our supply chains.
- Build more responsive and agile systems to improve visibility, insights and operations.
- Continue to focus on financial discipline to improve profitability and sustain reinvestment in solid growth opportunities.

Quality and supply chain (QSC)
- In 2022, we successfully began operating as a standalone company and focused on evolving our supply chain following the pandemic to improve customer service, continuity of supply and address challenges such as commodity inflation.
- With more than 70% of product supply sourced in the same region as the consumer, we are able to manufacture at scale, while retaining the cost and responsiveness benefits of local sourcing.
- We continued to improve productivity while building a programme of value engineering, supply chain efficiency and procurement initiatives that aim to deliver increased value through cost savings in 2023.
- Safety and quality in our supply chain operations is essential both for running a responsible business and managing cost control. In 2022, we had fewer reportable incidents and recalls than target, as well as 75 inspections by national regulatory bodies with a 100% success rate across the internal supply network.
- Like most industries, our supply chain faces challenges due to volatile demand levels, as well as the cost and availability of materials and logistics. We have plans to increase capacity for key constrained products and to enhance the agility and resilience of our supply chain.

Marketing execution
- In 2022 we focused on improving marketing effectiveness in line with our purpose and strategy. This included an assessment of our approach to media spend which is split 50:50 (online: offline channels).
- Our revised media strategy rolled out across 90+ markets and we launched Lumina, a state of the art tool to increase our ability to monitor and evaluate spend.
- With our purpose at their core, our marketing campaigns have been recognised with multiple awards, including Cannes Lions, The Internationalist, US Self-Care, MMA Smarties and I-COM's data creativity award.

Commercial execution
- As part of our commercial execution priority, we maintained strong relationships with customers throughout the demerger providing continuous updates on timings, benefits and clarity on changes.
- We continued to leverage our specialised tools to enable better execution, including our in-house shopper science labs, digital customer relationship management systems, image recognition and machine learning.
- We also carefully managed price and volume-led growth through targeted costing programmes. This sharp focus on net revenue management has helped optimise margins and supported a healthy balance of organic growth in 2022 with 4.3% price and 4.7% volume/mix.

Cash and cost control
- As part of our strategy to focus on driving efficiency, effectiveness and agility, we delivered incremental Pfizer synergies during the year, taking the aggregate annual synergies to over £600m.
- In 2022, we continued to look for opportunities to rationalise our SKU portfolio and improved logistics productivity through warehousing and outbound freight consolidation which helped to partially offset freight and distribution cost inflation. Simultaneously, the business continued its insourcing initiatives, improved return on investment on promotional spend and optimised price-pack architecture across the portfolio.

Progress against our strategy continued

4 Run a responsible business

True to our purpose, our responsible business strategic pillar is committed to making everyday health more inclusive, reducing our environmental impact, and operating with ethical and responsible standards of business conduct. We are a member of the United Nations Global Compact (UNGC) and are committed to aligning ourselves with its 10 principles.

>> These pages should be read in conjunction with our other disclosures that relate to this strategic pillar including KPIs, our culture and behaviours, people, TCFD and our approach to risk.

Our focus areas

During 2022, we engaged with our internal and external stakeholders and refreshed our ESG materiality assessment, to ensure our continued commitment to areas where we can make the greatest impact. Our focus areas are outlined in the graphic and our activities and 2023 priorities are detailed in the following pages, as well as in our culture and behaviours, and people sections.

Governance

Day-to-day responsibility for setting and embedding responsible business targets sits at Executive Team level. Responsible business is managed through executive-led steering committees covering environment, health inclusivity and human rights. Haleon's Board receives updates on progress towards Haleon's 2025 and 2030 responsible business commitments on a regular basis. In March 2023, the Board established an Environmental & Social Sustainability Committee.

We have responsible business scorecards at enterprise and business unit levels to track progress on a quarterly basis. Measures include carbon reduction, recycle-ready packaging, people empowered through our health inclusivity initiatives, leadership gender diversity, health and safety, and regulatory inspection compliance.

>> See also pages 13, 16, 26,28, 59 and 81.

Health inclusivity

We have set ourselves the goal of helping millions of people to be more included in opportunities for better everyday health. We do this through inclusive products, educational programmes and services. Our aim is to reach 50m people a year by 2025. We track the number of people engaging with a Haleon brand or expert initiative, to improve their self-care in a calendar year. We empowered 22.4m people in 2022.

Below are the key areas we are looking at, they focus on the socially marginalised, including those who are discriminated against because of disability, age, race and ethnicity, gender and sexuality.

Investing in research and action

- Haleon supported Economist Impact's publication of the world's first Health Inclusivity Index. The Index is a comprehensive review that analyses efforts to improve health inclusivity around the world, focusing on 40 countries. It looks at a range of factors, from policies to healthcare provision, and whether health interventions are designed to be inclusive, accessible, and tailored for individuals, communities and vulnerable groups.
- Findings from the 2022 Index show that empowering people, including from marginalised and vulnerable communities, to engage in their health is key to improving health inclusivity. 80%[1] of the countries in the top 10 overall also scored highest in the 'People and Community Empowerment' Index category.
- We have convened several policy workshops with health inclusivity experts to discuss the Index results. Internally, we are using the results to inform our health inclusivity activities, including community investment.
- In 2023, we will continue to support Economist Impact as they deepen the research in year two to focus on how policy is translated into practice to drive health inclusivity on the ground.

Empowering self-care

- Working with Health Professionals, we aim to help improve health knowledge and understanding, helping consumers to improve their own health via self-care. One of the ways we engage is through our HealthPartner portal, an online database of tools and materials to support Health Professionals when they have conversations with patients.
- One of our activities involves Caltrate, a calcium supplement in China. The brand has run several initiatives to raise awareness of the risks of osteoporosis and how to actively prevent and manage it. This includes working with Health Professionals to reach more consumers through online education, in-person outreach and bone density tests.
- In 2023, we plan to continue to expand our educational content and reach with the aim of engaging more Health Professionals through the HealthPartner portal and reaching more people directly through current and new brand programmes.

Driving change through our purposeful brands

- We have a number of initiatives across our brands to help tackle specific barriers to better everyday health. For example, to help make our brands more accessible, we have collaborated with Microsoft on expanding the functionality of their Seeing AI app for Haleon products. Seeing AI is a free mobile app that scans the information on product labels and reads it out loud. Consumers can scan the barcode on UK and US Haleon products and hear crucial information such as name, ingredients, and usage instructions.
- Otrivin, our nasal decongestant brand, has collaborated with the National Schools Partnership to help educate young people on the actions they can take each day to minimise the health impacts of air pollution. To date, the Otrivin educational programme has reached 3,000 school children and is now being rolled out widely across the UK, Poland, India and Egypt.
- In 2023, we are looking to launch more initiatives across more of our brands while continuing to grow existing projects.

Building healthy communities

- Haleon works to build healthier communities as part of our commitment to make everyday health more inclusive.
- We identify opportunities where we can have the most impact, providing local and global voluntary donations to charities, through monetary, product, time, and in-kind donations.
- For example, during 2022 we donated over £1.7m to the British Red Cross Ukraine Crisis Appeal. And we established our volunteering programme, 'Haleon Helps', launched in February 2023. This aims to encourage employees to volunteer time to their local communities in a variety of ways.
- 2023 will be an important year for us to embed our community investment strategy and governance structure, as well as scale our community investment and volunteering efforts.

[1] Source: Economist Impact Health Inclusivity Index.

Progress against our strategy continued

Run a responsible business continued

Environment

Haleon is focused on continually reducing the environmental impact of its products and operations, whilst equally focusing on positive impacts and identifying opportunities.

We are working with leading standards and industry groups to do this. This includes the Roundtable on Sustainable Palm Oil (RSPO) and Action for Sustainable Derivatives (ASD) for sustainable sourcing of palm oil derivatives, and also the Climate Pledge and Sustainability Consortium to drive recycling of small format packaging.

Our purpose, culture and behaviours underpin our drive to be a net zero carbon company. Our long-term aim is to achieve net zero carbon emissions from source to sale by 2040, aligned to guidance from The Climate Pledge and Race to Zero, versus our 2020 baseline. We have submitted our Scope 1, 2 and 3 goals to the Science Based Targets initiative for verification and have registered our commitment to net zero.

>> This page should be read in conjunction with our TCFD and SECR disclosures.

Tackling carbon emissions

- We have set emissions reductions targets aligned to the Intergovernmental Panel on Climate Change (IPCC) pathway to 1.5°C. Using 2020 as our baseline, we aim to reduce by 100% our net Scope 1 and 2 carbon emissions by 2030.
- In our 2022 reporting period (1 December 2021 to 30 November 2022), we reduced our net Scope 1 and 2 carbon emissions by 36,000 tCO_2e, a 41% reduction versus our 2020 baseline. We did this through achieving 100% renewable electricity across our directly owned and controlled sites.
- In alignment with PAS 2060, we achieved our first carbon neutral site in Suzhou, China. We invested c.£9m in procuring a solar farm in Guayama, Puerto Rico. In addition, we set up a long-term Power Purchase Agreement in Oak Hill, US.
- Our plans for 2023 include continuing to install site-based solar energy systems and addressing Scope 1 carbon emissions by transitioning our sites to renewable energy powered systems for heating and cooling.

Making our packaging more sustainable

- We are working to reduce the amount of virgin petroleum-based plastic we use by 10% by 2025 and a third by 2030, based on our 2020 baseline.
- To transition our packaging to a more circular model, we aim to develop solutions for all product packaging to be recycle-ready by 2025 where safety, quality and regulations permit.
- Healthcare packaging currently has limited recyclability, which is why our recycle-ready goal is a key milestone towards making all product packaging recyclable or reusable by 2030, where safety, quality and regulations permit. We are driving global and local initiatives to collect, sort and recycle our packaging at scale by 2030, by collaborating with industry peers and coalitions.
- Our estimated virgin petroleum-based plastic footprint has increased by 3% in our 2022 reporting period (1 July 2021 to 30 June 2022) from our 2020 baseline, due to high revenue growth and increased inventory related to the pandemic not being fully offset by our packaging reduction initiatives. We remain confident of delivering our 2025 ambition based on a pipeline of projects to reduce and move out of virgin petroleum-based plastic into alternatives, e.g. recycled and bio-based plastic. 65% of our packaging in our 2022 reporting period (1 July 2021 to 30 June 2022), was recycle-ready, thanks to our continued roll-out of recycle-ready toothpaste tubes and the launch of recycle-ready sachets with ENO in India.
- Our aims for 2023 and beyond are to further reduce our usage of virgin petroleum-based plastic, use more post-consumer recycled, bio-sourced and paper pulp-based packaging, and swap multi-layer laminates for more recyclable mono-layer materials.

Sourcing trusted ingredients sustainably

- Our goal is that all key agricultural, forest and marine-derived materials used in our ingredients and packaging are sustainably sourced and deforestation-free by 2030.
- Haleon is a member of ASD, and we now have greater transparency of our palm oil supply chain and suppliers through ASD's Sustainable Palm Index.
- We also support the ASD Impact Fund and other initiatives that aim to protect the environment, support nature and biodiversity and local communities.
- Our focus on sustainably sourced palm oil derivatives continues to have a positive impact. In our 2022 reporting period (1 July 2021 to 30 June 2022), 92% of our palm oil derivatives were mass-balance RSPO certified.
- During 2023, we are focusing on other key material supply chains including paper, corn and wheat derivatives, soy and mint.

Integrating water stewardship and waste circularity

- Haleon sends zero waste to landfill from its own manufacturing sites, (where laws allow), and is moving towards greater circularity in its manufacturing waste management as a whole. We support TRUE, a certification programme dedicated to measuring, improving and recognising zero waste performance.
- In addition, we are reducing the environmental impact of the water we use, and are a member of the Alliance for Water Stewardship (AWS), a global network promoting the responsible use of fresh water.
- We plan to achieve TRUE Certification at our own manufacturing sites by 2030, and achieve the AWS standard at those sites by 2025, as well as water neutrality at all our manufacturing sites in water-stressed basins by 2030.
- In 2022, we worked with WWF South Africa to support its water replenishment activities. We expect our Cape Town site to become water-neutral during 2023.
- In 2023, and beyond, we will focus on certifying our manufacturing sites to TRUE and AWS standards.

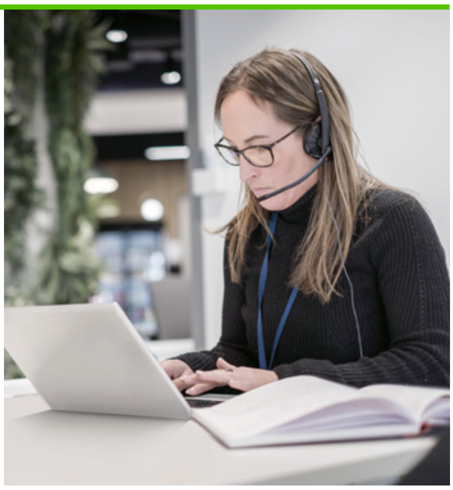
Upholding our standards

What we do matters. So does how we do it. Our aim is to always ensure we are a trusted company with high standards of business conduct. We are committed to consumer satisfaction, safety and compliance with good practice regulations. These assure the quality, safety and efficacy of our products. We have consumer, pharmacovigilance and quality policies and processes established to manage this and have portals for consumers to get product information and report adverse reactions.

Below are further key policies from our Code of Conduct that are core to our responsible business strategy and should be read in conjunction with the policies outlined in our culture and behaviours and people sections.

>> See pages 16, 26 and 70.

>> Our Modern Slavery Statement and Code of Conduct are available at **www.haleon.com**



Anti-bribery and corruption (ABAC)	– We have zero tolerance of all forms of corruption. Haleon is committed to acting with honesty, transparency and integrity in all business dealings, and to complying with all relevant laws and regulations. Our ABAC policy sets out our global principles, standards, and requirements. Haleon employees and contingent workers must observe and uphold the policy. – All employees receive ABAC refresher training annually, and new employees and contingent workers are required to complete ABAC training within four weeks of joining Haleon. – We run regular ABAC checks internally as part of our financial control procedures, and due diligence checks are performed on all high-risk suppliers. – ABAC compliance is reported to the Executive Team and Audit & Risk Committee at least annually, as part of wider policy compliance.
Human rights	– We have policies and procedures in place that seek to uphold the UN Guiding Principles on Business and Human Rights and the Organisation for Economic Co-operation and Development's (OECD) guidelines for multinational enterprises. We are committed to upholding the Universal Declaration of Human Rights and the core labour standards set out by the International Labour Organization (ILO). Our Human Rights Policy sets out how we integrate human rights into our business operations and our relationships with suppliers. – Ahead of demerger, we conducted a human rights risk assessment. Our assessment included internal stakeholder participation, looking at our risks across our value chain, and a country and business activity risk analysis. Going forwards, we will undertake human rights risk assessments annually. – Our January 2022 human rights gap assessment informed our human rights strategy and where we need to focus our efforts to be more effective in risk management. We have developed key actions across three workstreams: building our capacity to understand human rights risks, strengthening due diligence processes and investing in partnerships to prevent and mitigate risks and, where necessary, to remediate impacts. – Our Human Rights Steering Committee, comprised of members of our Executive Team and senior management, meet quarterly to provide oversight and support on issues in key areas. They are responsible for approving and embedding our human rights action plan, which is reported to the Board annually. – We will be rolling out training on human rights across key parts of the business, and in particular to teams that support supplier management, in 2023. Advanced training and a suite of resources will be provided to those whose roles require it. Human rights is also included as part of our Code training.
Working with responsible suppliers	– Our supply chain is vital to our continued success - it is complex and has significant scale, and includes a mixture of direct and indirect supplies and services such as raw materials and logistics. We are committed to safe, responsible and transparent business practices and follow set processes for contracting with new suppliers, and those we continue to work with, including due diligence processes and using approved buying channels. Our Working with Responsible Third Parties position paper outlines our expectations of suppliers and other third parties. Haleon is also a member of Manufacture 2030, a platform to drive consistency and transparency of supplier sustainability reporting. – Our Third-Party Risk Management (TPRM) process seeks to proactively assess risks across our supply chain, and where necessary we undertake targeted in-depth due diligence. We use a combination of EcoVadis assessments and Pharmaceutical Supply Chain Initiative audits to assess risks. – The Board considered our supply chain as part of its key considerations during 2022, see page 71.

Our people

People at Haleon are motivated by and engaged with their new company, its exceptional brands and strong purpose.

Our people comprise permanent and fixed-term direct employees. Our business is also supported by third-party contingent workers and contractors.

Our focus

Our aim is to have people policies and initiatives that are designed to provide equal opportunities, create an inclusive culture, and support our purpose, strategy and long-term success. They reflect relevant employment law, including the provisions of the Universal Declaration of Human Rights and ILO Declaration on Fundamental Principles and Rights at Work. We review our policies regularly, including by our Board and Remuneration Committee where relevant.

Attracting, fostering and developing talent

We are committed to investing in and building high performing, diverse teams to meet our strategic and long-term ambitions. We have a comprehensive and inclusive approach, including apprenticeship and mentoring programmes, and an open, inclusive culture that promotes career development and equal opportunities.

During 2022, we launched 'The Haleon Experience', our employee value proposition designed to help current and potential employees understand Haleon culture. The demerger provided a unique opportunity to amplify this proposition with key launch events and employee input into the brand and Haleon headquarters. Employee representatives helped design the Haleon culture and branding, including a crowdsourcing campaign to create the 'Haleon Sonic' (the audible sound at the end of advertisements) sung by employees.

We hosted briefings specifically for hiring managers focusing on how to introduce Haleon to external candidates, and drove external awareness of Haleon as an employer of choice with our social employer brand strategy and will monitor outcomes to determine the effect of the employee value proposition on our hiring goals.

We offer a suite of tools to help our people get the most out of their careers at Haleon, from learning and development to our annual performance review process and leadership development programmes. Every employee has access to our internal development portal with its extensive development courses, videos and articles on a range of topics including decision making, building change capability, coaching, influencing others and health and wellbeing. Based on recent feedback, we continue to evaluate how we can better support employees.

As a driver of our culture, we have articulated a set of leadership standards for Haleon that captures the expectations of leaders at Haleon. The Haleon Leadership Standards are a benchmarkable set of descriptions against which we can assess our current leaders, promotable talent and external hires in a globally consistent way.

Our 2023 approach (subject to ongoing consultation in some regions), includes increasing the frequency of conversations (at least quarterly), increasing feedback opportunities across the year and a simpler process, with managers trusted to apply their own judgement using principles and guidance rather than following strict policies.

Employee health and wellbeing

As a company with a focus on everyday health with humanity, the health and wellbeing of our employees is one of our top priorities. We offer a number of tools and initiatives to support this including:

- A free, confidential global Employee Assistance Programme (EAP) for personal, workplace, relationship breakdown, financial and crisis issues.
- Mindfulness training for managers
- Mental health and resilience training, along with webinars on topics such as men's mental health.
- Access to local occupational health teams.
- Leadership development standards on how to care for and inspire teams.
- A Partnership for Prevention programme giving employees and eligible family members access to a core set of preventive healthcare services at little to no cost.
- Global No Meetings days for office-based employees to give people protected time to focus.

In 2022, we introduced a Global Caregiver Leave Policy which provides four weeks fully paid leave for employees within a calendar year when they need to care for a loved one, providing them with financial stability and security when they need it most.

We are in the early stages of developing plans and policies aimed at supporting women in the workplace during various phases of their lives, including menopause and perimenopause, and are looking to provide constructive and supportive activities during the coming year.

Strong culture with engaged employees

Keeping our employees up to date with Company strategy, performance and progress, as well as listening to our employees is vital to the health of our culture and Company performance. We do this via a number of formal channels, including: global broadcasts, site visits, mentoring, employee communications, performance check-ins, ERGs, a Workforce Engagement Director and our annual employee engagement survey. We also engage informally through our internal social media tools and face to face engagement with senior leaders.

The main route to capturing and measuring employee engagement levels is our annual survey. Our 2022 results showed that on average 80% of employees feel that Haleon is fulfilling its core engagement values. The survey highlighted areas where we do well, including our commitment to our core Code of Conduct intent to always do the right thing and our understanding of our consumer and customer needs. Areas where we can do better include work processes that enhance productivity and opportunities to grow and develop. We are prioritising these areas in 2023 and have identified further opportunities to optimise existing processes and structures to become more agile. We acknowledge employee feedback about development opportunities and are actively considering ways to address it.

>> See Directors' Remuneration Report for details about employee remuneration from page 82.

>> See also related disclosures in our KPI, stakeholders, responsible business strategy, approach to risk, and Board activities sections, including Workforce engagement, pages 12, 14, 22, 56 and 70.

Company gender diversity

As at 31 December 2022	Men	Women	Other	Non-disclosed	Total
Directors	6	5	-	-	**11**
Executive Team[1]	8	6	-	-	**14**
Executive Team direct reports	59	52	-	1	**112**
Senior managers[2]	990	770	-	6	**1,766**
All employees	12,802	11,587	9	224	**24,622**

1 At 20 March 2023, the Executive Team comprised seven males, six females and 13 members overall.
2 Comprised of Leadership roles as defined in our glossary.

Diversity, equity and inclusion (DEI)

We want Haleon to be a place where all our employees feel they truly belong and can be their authentic selves. We are committed to creating a diverse, inclusive and respectful workplace, and view this as key to delivering our purpose.

As part of our responsible business strategy, we are committed to ensuring our business reflects the diversity of the communities within which we operate and we support regular internal and external reporting to ensure transparency. We have a number of DEI policies and initiatives that incorporate key areas of diversity (race, disability, LGBTQ+ gender), and are driven by strong focus areas in ethnicity and gender.

Our aspiration is to achieve gender parity in our leadership community globally by 2030 (48-52%); proportionate to the percentage in society. Gender goals apply to all our leadership population which is defined as employees in regular or fixed-term contracts. Gender goals are aligned to leader's individual incentives and Long-Term Incentive (LTI) pay-outs.

Our 2022 DEI initiatives include:

- Using data and analytics to strengthen our recruitment practices, where legally permitted.
- Recruiting from more diverse talent pools and channels.
- Embedding inclusion and diversity in talent management frameworks and processes.
- ERGs, including four global ERGs on ethnicity, gender, LGBTQ+ and disability
- Embedding DEI into learning and development, including annual inclusion and diversity training for all employees and modules on representation and unconscious bias.
- Gender pay gap reports (where local law requires them).
- Our Global Parental Leave Policy.

Haleon is committed to supporting the recommendations of the FTSE Women Leaders Review and promoting gender balance throughout the business. We are proud to be acknowledged as one of the top 10 performers in 2022.

We have established a Global DEI Council, with endorsement and sponsorship from the CEO and Executive Team, which meets quarterly to set priorities and drive accountability to initiate, fund and oversee the implementation of Haleon's global DEI activities. Regular discussions are held at Board level, (further details are on page 81).

During 2022, Haleon announced its Global Parental Leave Policy. All new parents, regardless of gender and sexuality, where they live, or how long they have worked with us, are entitled to 26-weeks fully paid parental leave. It means that all employees, whether having a child biologically, via surrogacy or through adoption, do not have to choose between raising a young family and progressing their careers.

We appreciate DEI is an area that we continually need to prioritise. At the end of 2022 we introduced a range of measures to track our initiatives, so that in the future we will be able to report our progress.

In 2023, we intend to develop a Haleon DEI Policy and key objectives to support our DEI goals, further embed our existing initiatives, and explore ways where we can support diversity, for example better supporting those with disabilities.

Task Force on Climate-related Financial Disclosures (TCFD)

Our purpose underpins our drive to tackle carbon emissions. We aim to achieve net zero carbon emissions from source to sale by 2040 aligned to guidance from The Climate Pledge and Race to Zero.

Our approach

We are committed to continually reducing our environmental footprint and the impact of our operations and products (see page 22-25). In 2022, we conducted a detailed analysis of our business following the TCFD recommendations. This process improved our understanding of the strength and resilience of our business under different climate scenarios, and emphasised the importance of having risk mitigation plans. Our knowledge of physical and transition risks and opportunities linked to climate change, and the expectations of investors, customers and consumers will continue to evolve. Therefore, we plan to refine our analysis and strategy regularly. The effects of climate change, such as extreme weather conditions, temperature rises or water scarcity, impact people's daily lives and companies such as Haleon.

Being a responsible business is one of Haleon's four key strategic priorities. Our responsible business strategy consists of three elements: environment, health inclusivity, and upholding our standards. It plays an integral role in fulfilling our purpose of delivering better everyday health with humanity. The environment pillar of our responsible business strategy covers climate change and includes targets which drive our actions to tackle carbon emissions and make our business more resilient to the impacts of climate change.

Compliance

We comply with the FCA's Listing Rule 9.8.6R(8), and make disclosures consistent with the SEC's Guidance Regarding Disclosure Related to Climate Change (2010), and 2021 TCFD guidance and recommended disclosures across all four of the TCFD pillars, as set out on pages 28-35. Haleon was established as a standalone business in July 2022 and is working to fully adopt all TCFD recommendations. The 'comply or explain' obligation has been considered, and due to the ongoing development of internal processes and data verification, we have chosen to explain our current position in Strategy, parts B (page 33) and C (page 33), and Metrics and Targets parts A (page 35) and C (page 34). We aim to be consistent with all TCFD recommendations and disclose these in our 2023 Annual Report. The rationale for explaining Haleon's plans are provided within respective disclosures.

Next steps

Within each responsible business target we have established focus areas for 2023, which are described on pages 23-25.

Governance

Board's oversight of climate-related risks and opportunities

The Board oversees the Group's risks and opportunities, including climate change. Haleon has an Audit & Risk Committee (ARC) that supports the Board in risk-related responsibilities. The ARC's responsibilities include oversight of the Group's risk management system. It receives regular reports from the Head of Audit & Risk, which include climate-related risks. Further information about risk governance is set out on page 56. In September 2022, the Board approved Haleon's climate strategy and carbon-emission targets. Subsequently, the carbon-emissions targets were submitted to the Science Based Targets initiative (SBTi) for validation.

Together, the Executive Team and Heads of Audit & Risk and Ethics & Compliance form the Enterprise Risk and Compliance Committee (ERCC). The ERCC meets quarterly and ensures that risks are managed effectively. The ERCC discusses principal and emerging risks, including reviewing industry trends, regulatory developments, high-profile incidents, and critical audit findings. Each principal risk has an assigned ERCC member responsible for designing and implementing a risk mitigation strategy and regularly reporting risk updates to both ARC and ERCC. This structure and process is applied to Haleon's environmental, social and governance (ESG) principal risk, which covers climate-related risks (see page 59). This is owned by the Head of Transformation and Sustainability and monitored through Haleon's risk management framework and processes built into the global functions' and business units' day-to-day activities.

Working groups in our global functions, categories and business units integrate responsible business targets, principles and initiatives (including climate change) into Haleon's strategic business planning process, capital planning and budgeting, day-to-day responsibilities and key performance indicator (KPI) management. This ensures that the Executive Team considers climate-related factors and monitors performance against metrics and targets as part of our core business activities. Climate change and wider responsible business considerations will be incorporated into the decision-making process for future potential divestments or acquisitions. Haleon was formed in July 2022 and at the date of publication of this Annual Report has not yet undertaken any significant divestments or acquisitions.

Day-to-day responsibility for setting and embedding responsible business targets, which include climate change, sits at the Executive Team level. Business scorecards at Enterprise and business unit levels are used to track KPI delivery and progress towards our external sustainability targets on a quarterly basis across both our environmental and social targets, including our targets to reduce carbon emissions. The Executive Team and regional leadership teams review scorecard performance quarterly and KPI delivery is linked to employee personal objectives and individual performance where relevant. Additionally, performance against our Scope 1 and 2 carbon emission reduction goal is linked to Haleon's Long Term Incentive Performance Share Plan.

The Executive Team receives quarterly updates on the status of KPIs measured on Haleon's responsible business scorecard and progression towards Haleon's 2025 and 2030 responsible business targets.

Responsible Business governance structure

Cross-functional steering committees help deliver our strategies and action plans and embed responsibility into our business and investment decisions.

Board of Directors
Overall responsibility for Haleon's responsible business strategy.

Haleon Executive Team
Responsible for overseeing and driving responsible business performance and execution of the strategic initiatives.

Environment Steering Committee
Sets strategic direction of Haleon's environmental strategy.

Health Inclusivity Steering Committee
Sets strategic direction of Haleon's health inclusivity strategy.

Human Rights Steering Committee
Oversight on human rights strategy and action plan.

Management's role in assessing and managing climate-related risks and opportunities

Responsible business governance is an Executive Team responsibility managed via three executive-led committees (see diagram, right). These are the Environment, the Health Inclusivity, and the Human Rights Steering Committees. Our Head of Transformation and Sustainability (member of the Executive Team) chairs our Environment Steering Committee that makes strategic recommendations on managing our environmental footprint for approval by the Executive Team and the Board. It also monitors climate-related issues and works to integrate our sustainability strategy into our broader organisation. The Environment Steering Committee meets at least quarterly and regularly reviews our climate performance and other environmental KPIs. It is composed of members of senior management, including the Vice President of Sustainability, representatives from our categories and business units, the Chief Supply Chain Officer, the Chief Corporate Affairs Officer, the Chief Scientific Officer, the Chief Procurement Officer, the R&D Head of Packaging, the Head of Global Ethics & Compliance plus appropriate experts from the Sustainability team. Members of the Environment Steering Committee were chosen due to their functional expertise, and ownership of and responsibility for delivering our responsible business targets, including carbon emissions reduction targets.

To embed risk management in day-to-day business, a series of Compliance and Risk Forums (CRF) is run by our functional teams, categories and business units, including the sustainability team. The Sustainability CRF is responsible for monitoring, assessing, and mitigating potential risks that may impact Haleon's responsible business strategy delivery, including risks associated with climate change. The Sustainability CRF meets monthly and consists of the Vice President of Sustainability, the members of the sustainability team and the Director of Sustainability Corporate Affairs. The outputs from the Sustainability CRF across the organisation feed into the ERCC as detailed above.

Strategy

Climate-related risks and opportunities

In 2022, with support from EY, we conducted a detailed analysis using TCFD's recommendations. The aim was to determine Haleon's risk resilience and identify the opportunities associated with transitioning to a low-carbon economy. We used three time horizons: short term (0-20 years), medium term (20-50 years) and long term (50-80 years). Going forward, Haleon will look to align the time horizons to our 2030 and 2040 carbon emissions reduction targets. We used three different scenarios:

- 'Business As Usual' (BAU) scenario with a +4.5°C temperature rise by 2100. In line with the Intergovernmental Panel on Climate Change (IPCC) RCP8.5 and the Network for Greening the Financial System (NGFS) scenario: Current Policies and Nationally Determined Contributions (NDCs).
- 'Policy-led transition' scenario with a temperature rise well below 2°C by 2100. In line with IPCC RCP2.6 and the NGFS scenarios: Divergent Net Zero and Delayed Transition.
- 'Consumer-led transition' scenario with +1.5°C temperature rise by 2100. In line with IPCC RCP2.6 and the NGFS scenario: Net Zero 2050.

The Representative Concentration Pathways (RCPs), developed by the IPCC, were used for the physical risks. We chose the IPCC scenarios because they are commonly known, used and provide a high level of granularity. We used the NGFS scenarios for the transition risks. The NGFS is a common starting point for analysing economic and financial climate risks. However, due to the complex nature and interconnectedness of climate policy, technological progress and consumer preferences, transition risk may materialise in ways that are difficult to foresee, and this is a limitation of this scenario analysis. Within the scenarios, we established the key factors driving exposure to risks and opportunities:

- Environmental factors: impact of climate change on business and society.
- Regulatory factors: implementation of carbon-related regulation, investment in low-carbon technologies.
- Competition: sustainable consumption trends, with new entrants from FMCG industries and the rise of e-commerce.

The team, which consisted of critical functions (including Finance, Sustainability, Risk Management, Procurement, Insurance, and Global Categories) and was supported by EY consultants, identified, and assessed Haleon's climate-related risks and opportunities. Our analysis was conducted at geographical level and covered Haleon's manufacturing sites, key third-party contract manufacturing organisations (CMOs) and key direct suppliers selected based on strategic importance. We used the expertise of these stakeholders combined with relevant data and tools such as EY Predict to assess the potential impact of identified risks. We did this in line with the process described in the 'Risk Management' TCFD disclosure on page 33.

As a result of the above process, we identified a group of risks and opportunities related to climate change:

- Increased occurrence of extreme-climate events (heavy rainfall, flooding, storm) impacting operations and supply chain.
- Impact of chronic and acute climate change on nature-based raw materials

Task Force on Climate-related Financial Disclosures (TCFD) continued

– Impact of increased extreme temperatures on demand for respiratory products.
– Increase in fossil energy costs.
– Limited ability of strategic suppliers/ CMOs to quickly adapt to increased regulatory pressure.
– Increase in carbon pricing.
– Growing demand for sustainable and zero-deforestation raw materials.
– Increasing sustainability competition in the consumer healthcare segment.
– Strengthening of climate-related regulations (corporate-level requirements and mandates on products).
– Increasing customer expectations on sustainability and demand for sustainable products.
– Strengthening of relationship with strategic suppliers/CMOs around sustainability issues.
– Decreasing cost of renewable and energy-efficient technologies.

Haleon assessed the likelihood and impact of the risks and opportunities to understand their materiality. Specific climate-related issues potentially arising in each time horizon that could have a material fiscal impact on Haleon are described in the table below. Haleon, aware that the risks may increase in impact, or coincide, will continue to work with the relevant functions internally to ensure proper risk management is in place.

Climate-related risks and opportunities

Risk or opportunity	Potential impact	How it is managed

Physical risks

Risk or opportunity: Damage and disruption caused by extreme weather events

Potential impact:

All our manufacturing sites were included in the scope of the analysis with the aim of understanding the potential impact of risks caused by acute (flooding, heavy precipitation, extreme winds) and chronic (drought and water stress, temperature variations) extreme weather events. The main outcomes were:

– Flooding risk (flash flood and riverine flooding) that may impact our largest sites remains the main risk in terms of potential property damage and business interruption.
– Drought risk that may impact our largest sites remains the main risk in terms of potential increase of operating expenses and capital expenditures, and reduced labour/capital productivity.
– Drought risks and temperature-induced increase in operating expenses can be exacerbated by local water stress context leading to restrictions and strengthened regulations.

Risk	Sites with the highest potential exposure
Flood	TSKF (China), Dungarvan (Ireland), Nyon (Switzerland), Suzhou (China)
Extreme wind	Guayama (Puerto Rico), Mount Lavinia (Sri Lanka), Hsinchu (Taiwan), Suzhou (China)
Drought	Aprilia (Italy), Suzhou (China), TSKF (China)

This analysis covered Haleon's key third-party manufacturing organisations and suppliers. It was identified that:

– 61 out of 67 strategic CMO and suppliers' locations could be impacted by 2050 by acute climate-related risks.
– 33 out of 67 strategic CMO and suppliers' locations selected could be impacted by 2050 by chronic climate-related risks.

This physical risk is expected to have the highest potential impact under the assumptions of the BAU scenario and to materialise at the short- to mid-term time horizon.

How it is managed:

Production sites are all included within a loss-prevention survey programme and are routinely visited to ensure appropriate resilience measures are in place, including flood, wind and storm protection. A continuous improvement programme is in operation to further enhance the ability of the sites to withstand extreme weather events. Our manufacturing sites have emergency plans, disaster recovery plans (DRPs) and business continuity plans (BCPs). DRPs cover recovery plans for any type of disaster. BCPs, where appropriate (especially for sites previously affected by climate-related events, such as hurricanes (Guayama, Puerto Rico site in 2017) or floods (Nyon, Switzerland site in 2015 and 2018)), have guidelines for environmental events. We established BCPs to:

– Set out strategy and tactical steps to ensure business operations can recover in an appropriate time frames aligned with company objectives.
– Minimise supply chain impact and time disruption through effective contingency and recovery of strategies
– Allow for a quick and organised response.

Our BCPs include options for multiple sourcing for manufacturing of our products. This is achieved by using a combination of Haleon or key third-party manufacturing organisations sites spread across different geographies. This strategy is supporting Haleon's supply continuity and aims to protect revenue, margin and market share. In response to the potential increase and impact of the physical risks we regularly review our network strategy. Over the coming years, we may need to relocate manufacturing sites or find alternative supply routes.

To understand and manage water risks, we have two operational water targets which guide sites to consider their water use and impacts, and work collaboratively and transparently with others to address shared water challenges at the catchment-scale. Currently, we are working on a value-chain water footprint analysis which will help us better understand potential physical risks related to water in specific geographies and prioritise actions.

The 'How it is managed' section of the risk 'Reduced availability and increased price volatility of raw materials due to climate change' describes how we are ensuring supply continuity. However, Haleon needs to engage with strategic suppliers and CMOs to assess their awareness and readiness to respond to the potential physical risks related to climate change.

Key

Risks' financial impact: Low risk £10m-£40m | Medium risk £40m-£80m | High risk >£80m | Opportunity

Time horizon for impact: Short-term 0-20 years | Medium-term 20-50 years | Long-term 50-80 years

Risk or opportunity	Potential impact	How it is managed
Physical risks continued		
Reduced availability and increased price volatility of raw materials due to climate change	Within the scope of this risk assessment were the materials from which we source key derivatives: corn, mint, palm oil and cellulose. Derivatives of these crops account for more than 95% of Haleon's key agricultural, forest and marine materials. We used qualitative analysis for all of the materials above. For corn, due to the high importance of corn derivatives (such as sorbitol), a quantitative analysis was also carried out. The table below is a summary of key findings for each raw material. The highest exposure to the physical risks is expected to materialise in the BAU scenario at short- to medium-term time horizon.	Continuity of supply is a priority for our procurement team. The strategy involves multiple sourcing from different geographical regions and holding materials' safety stocks where feasible. The effects of climate change and the need to comply with global legislation and NGOs' requirements have influenced the development of a Sustainable Sourcing, Scope 3 carbon emissions and Sustainable Packaging strategy. All programmes involve work between the Sustainability, Procurement and R&D teams and our suppliers. Our aim is to deliver on our responsible business targets and, through this, reduce our carbon emissions, source key agricultural, forest and marine-derived materials sustainably and deforestation free and make our packaging more sustainable. We are aware that physical risks may impact material availability and price, therefore we may need to reformulate our products to overcome long-term supply issues. Progress against our sustainable sourcing strategy is described on page 24.

Raw material	Key findings
Corn	– By 2050, up to 30% of corn yield loss could occur in the most exposed sourcing regions (US, China, France). – Significantly, a 1% decrease in yield induces a corresponding increase in corn prices from 0.3% up to 5% (depending on the country). – NGFS modelling anticipates a potential 25% yield gap for cereal by 2050 between a low (Consumer-led/Policy-led transition) and high (BAU) carbon emissions scenarios (RCP2.6 Vs. RCP8.5).
Mint	– Mint sourcing locations are expected to be under a very high exposure to water stress (India, US) and flooding (US) within the medium-term horizon in the BAU scenario. – India is the main global sourcing region for mint and is already suffering from high levels of water stress that will continue. Sourcing locations within India will be highly exposed, while the increased frequency and intensity of drought events will further increase the wildfire susceptibility (more than 150 days per year under a very high likelihood of wildfire within Barabanki region, for instance). – Moreover, as most of India's mint oil comes from smallholder farms, this might lead to increased vulnerability due to smallholders having less mature adaptation and monitoring plans compared to large growers.
Palm oil	– Palm oil mills from which Haleon sources from are mostly located in Asia (Indonesia, Malaysia), in areas very highly exposed to flooding and heavy precipitations. – Some mills in Indonesia and the southern part of Malaysia are exposed to coastal flooding events or riverine flooding events.
Cellulose	– Cellulose sourcing regions are located all over the world, therefore it was challenging to cover them all. We conducted analysis for sourcing based in the US. It was found that flooding (riverine and coastal) and heavy precipitation are the main physical risks.

Key

Risks' financial impact
Low risk £10m-£40m
Medium risk £40m-£80m
High risk >£80m
Opportunity

Time horizon for impact
Short-term 0-20 years
Medium-term 20-50 years
Long-term 50-80 years

Task Force on Climate-related Financial Disclosures (TCFD) continued

Climate-related risks and opportunities continued

Risk or opportunity	Potential impact	How it is managed
Transitional risks and opportunities		
Carbon pricing regulations (Medium risk; Short-term, Medium-term, Long-term)	The strengthening of carbon emissions control by introducing and increasing carbon taxes could expose Haleon to an increase in direct operating costs and an increase in the costs of purchasing carbon-intensive raw materials. Suppliers could pass on their increase in production costs to Haleon. Haleon and its suppliers have manufacturing, R&D and sales operations across the globe. Carbon taxes on energy supply already exist in several countries e.g., UK and some EU countries. Haleon used two forward-looking scenarios (Consumer-led transition and Policy-led transition) to calculate the potential impact of carbon price changes in the short-term (£78-113/tCO_2e by 2030). Analysis of the trends related to carbon pricing regulations found that: – Carbon price is expected to be higher in the Policy-led transition scenario to incentivise investment in low-carbon technologies in the absence of strong market pressure. – Carbon price will not significantly increase in the BAU scenario, only geographical coverage will evolve. – Evolution of the sectoral coverage of the EU Emissions Trading System (ETS) and UK-ETS in 2025 is the main short-term risk. – Extension of carbon pricing regulation to new states/ provinces in the US and China is the main risk in the short-term.	Haleon has committed to reducing net Scope 1 and 2 carbon emissions by 100% by 2030, versus its 2020 baseline. This target is underpinned by a 95% absolute reduction target. Delivering these targets will mitigate our operations' exposure to future carbon pricing and environmental taxation. Haleon has an ambitious aim to reduce its Scope 3 carbon emissions by 42% by 2030, versus its 2020 baseline. Carbon emissions from purchased goods and services account for over half of our carbon emissions across Scope 1, 2 and 3. Therefore, we are working with our suppliers and partners like Manufacture 2030 to help suppliers map their carbon emissions and take actions to reduce them by: switching to renewable electricity and energy, making efficiency improvements and by identifying low or no greenhouse gas alternatives to feedstocks they use to make raw and packaging materials. More details about our Scope 1, 2 and 3 carbon emissions reduction strategy can be found in the 'Strategy' part of the TCFD disclosure on page 33.
Risk/ Opportunity		
Loss of attractiveness due to consumers' increasing expectations described, not quantified Additional revenue with sustainable products (Opportunity; Short-term, Medium-term, Long-term)	Consumers' and customers' expectations and demand for sustainable products are increasing. We analysed the relationship between sustainability and market share and estimated potential opportunities associated with improved sustainability performance. Investing in sustainability is expected to positively impact Haleon's performance in all three scenarios we tested. In the short-term (2030), demographic evolutions and regional growth differences will drive an increase in sustainably marketed products and services. Currently OECD and Europe represent the largest sustainability market. High consumer concern for sustainability issues in emerging economies, where fast market growth is expected and among generations Z and Alpha whose purchasing power is increasing over time, will accelerate the shift toward more sustainable products. The expansion and high growth rates of retailer-led sustainable choices ranges will also drive sustainability market growth.	We strive to always meet or exceed legal requirements and the expectations and requirements of our investors, NGOs, consumers, and customers. As part of this, we are fully committed to deliver on our responsible business strategy and targets (for details, see pages 22-25). We have carried out life cycle assessments for 11 key products across our top brands to better identify the risks and opportunities across their life cycle stages. Through collaborations with suppliers, external stakeholders, and organisations we are making progress within Scope 3 carbon emissions, sustainable sourcing and packaging workstreams which will help reduce our overall Haleon environmental impact and the impact of the key products across our top brands. Sustainability claims help make it easier for our consumers to fulfil their growing desire to buy sustainably. We are participating in externally verified sustainable choice ranges such as Amazon's Climate Pledge Friendly Programme and other customers' sustainable ranges (e.g. A.S. Watson Sustainable Choices), as well as making direct claims on our products and at point of sale. Where we do this, we see higher growth - driven by increased consumer appeal and preferential display and shelf position in retail. Our social strategy is focused on improving health inclusivity - empowering millions of people to be more included in opportunities for better everyday health. The health of people is inextricably linked to the health of the planet and our social target actions include equipping consumers and Health Professionals with advice on how to mitigate the impacts of climate change and related health impacts such as rising levels of air pollution on their everyday health (for more details, see page 23).

Key

Risks' financial impact
- Low risk £10m-£40m
- Medium risk £40m-£80m
- High risk >£80m
- Opportunity

Time horizon for impact
- Short-term 0-20 years
- Medium-term 20-50 years
- Long-term 50-80 years

Strategy continued

Impact of climate-related risks and opportunities

Where relevant, knowledge of how the risk or opportunity impacts our supply chain, operations or adaptation and mitigation activities is provided (see the table on the previous page). Haleon will assess how climate-related risks and opportunities may affect the remaining areas of our business, strategy, and financial planning: products and services, investment in research and development, acquisitions or divestments and access to capital. Climate-related issues are currently being considered as part of our manufacturing site network strategy and investment plans. Going forward we aim to integrate climate-related issues more widely into Haleon's financial planning process. As part of the TCFD analysis, the potential fiscal impact of climate-related issues was estimated using different scenarios as described in the tables on pages 30-32. Haleon provided this information using low, medium, and high-risk financial ranges. We see this as a first step towards considering climate-related issues as an input to financial planning.

Haleon's carbon emissions reduction targets are detailed on pages 24 and 34.

We aim to meet our Scope 1, 2 and 3 commitments by the following actions.

Scope 1. We have completed a desktop analysis of our Scope 1 footprint and created a bespoke high-level decarbonisation route map for each of our manufacturing sites. From this, we have built a high-level investment plan for capital planning purposes, which has been included in our strategic planning process. In 2023 and 2024, we will develop the decarbonisation route map into a fully costed plan and detailed engineering designs that will be taken forward into execution in time to meet our targets. The decarbonisation solutions combine technologies, including: heat pumps, steam generators and renewable fuels, including green gas and hydrogen.

Scope 2. In the 2022 reporting period (1 December 2021 to 30 November 2022), we achieved our target of using 100% renewable electricity across all of Haleon's manufacturing sites (where we have operational control). This has been achieved through the procurement of renewable electricity via RECs, solar installation at 12 of our 24 sites and two flagship projects in North America (see page 199). Where we have generated electricity on site, we have procured carbon offsets to cover the fossil fuels we have used. We have a small amount of municipal steam and minimal fugitive emissions remaining.

Scope 3. We updated our 2020 scope-3 carbon-emission baseline and calculated our 2022 carbon-emission footprint (reporting period 1 July 2021 to 30 June 2022). The result shows that in the 2022 reporting period, our Scope 3 carbon emissions from source to sale had decreased marginally by c.5,000 tonnes, a ~0% change versus our 2020 baseline. This modest reduction in Scope 3 carbon emissions, despite strong sales volume growth and an increase in strategic inventory of raw and packaging materials linked to the Pandemic, shows we are starting to decouple business growth from Scope 3 carbon emissions. To build on this our priority focus is on reducing carbon emissions from purchased goods and services, which account for over half of our total carbon emissions across scope 1, 2, and 3. Our action plan includes working with third-party manufacturing organisations and critical raw and packaging materials suppliers to drive their transition to renewable electricity. Our medium-term action plan includes removing, reducing, and replacing carbon-intensive raw and packaging materials and is likely to require us to offset residual emissions, to achieve our aim of reducing our Scope 3 carbon emissions from source to sale by 42% by 2030, versus our 2020 baseline. To fulfil our 2040 Net Zero carbon emissions target from source to sale will require significant development work across our product portfolio and innovation in new formats and alternative raw and packaging materials. Given the development, testing and regulatory lead times associated with this, work is starting now to identify low/no carbon sources alternatives. Haleon has decided to 'explain' its current position on this recommendation. In the future, where we determine that carbon offsets are required, we will consider the Climate Pledge and Race to Zero guidance on appropriate practice.

Resilience of the organisation's strategy

The TCFD analysis conducted in 2022 provided Haleon with many insights on how climate change may impact Haleon under assumptions of different scenarios. Haleon used three scenarios: one 'high carbon' (BAU) and two 'low carbon' (Consumer-led and Policy-led transition). Information on how our strategy and its resilience may be impacted by climate change is captured on pages 30-32. The column 'Potential impact' explains scenarios and how our strategy may be affected. The column 'How it is managed' explains how resilient the strategy is and what solutions Haleon has. Haleon has decided to 'explain' its current position on this recommendation.

Risk management

Organisation's processes for identifying and assessing climate-related risks

Functional groups in Haleon, including the Sustainability team, have regular CRF meetings. As described in the 'Governance' section, the Sustainability CRF consists of the Vice President of Sustainability, experts from the Sustainability team, including experts in climate, water, sustainable sourcing and nature/biodiversity and the Corporate Affairs team representative.

At Haleon, continual assessment and management of risk are embedded in our strategy to achieve our long-term targets, including climate-related targets. We continuously assess and evaluate the risks posed by the changing environments in which we operate to ensure an appropriate, measured, and timely response by considering potential impacts and most likely scenarios.

The Sustainability CRF, used its team of experts to map the circumstances that could lead to failure or delay in delivering our responsible business targets, including climate-related targets. This involved asking a series of questions: What could go wrong? Therefore, what risk does this create? Resulting in an impact/consequence/likelihood of? This resulted in a risk rating that guided prioritisation. This top-down process is complemented by horizon scanning to identify external trends, such as legal and regulatory developments, evolving customer and consumer expectations and opportunities, and emerging science/expert opinion. In addition, inputs from CRFs in different parts of the organisation were sought to help identify risks and opportunities.

Task Force on Climate-related Financial Disclosures (TCFD) continued

Risk management continued

Organisation's processes for managing climate-related risks

The purpose of CRFs is to stimulate the identification of risks using a combination of internal knowledge and external factors and to develop action plans to mitigate, transfer or accept the risks. The Sustainability CRF is dedicated to identifying and managing risks impacting the responsible business strategy, including transition and physical climate-related risks. In addition, thanks to the tiered accountability for risk management across the organisation, other groups may identify climate-related risks and discharge them to the appropriate CRF where the risk is best managed (e.g., Sustainability, Procurement, Supply Chain CRFs). Identified risks are then processed to establish materiality using an internally documented process.

Integration of climate-related risks into the organisation's overall risk management

Haleon's procedure for risk management, including climate-related risks, uses an internal control framework (ICF) methodology based on recognised international standards (e.g., ISO31000, COSO) and is used at all levels of the organisation. Haleon's ICF helps identify, prioritise, and mitigate risks as follows. Firstly, the ICF quantifies the risk's likelihood and its impact, then it applies a series of checks and balances designed to reduce the likelihood of any risk materialising and its impact as well as tracking that planned mitigations are working. Combining these elements produces a risk heat map and classifies the risks as 'low', 'medium', 'high', or 'very high'. For TCFD, we are treating 'high' and 'very high' risks as one category: 'high'. Risks classified as 'high' are prioritised, and mitigating action plans are developed to reduce such risks' impact, likelihood, or both. The next step is to record the risk rating rationale and assign an action owner. With support from the Sustainability CRF's members and other relevant stakeholders, the risk owner proposes risk mitigation actions. The Sustainability CRF meets monthly and assesses the progress of risk mitigation plans to ensure these are effective and that the risk is controlled. If necessary, the Sustainability CRF can escalate unresolved issues (including climate-related issues) to senior leaders via the Environment Steering Committee and onwards to the Executive Team, ARC and the Board, if needed.

Metrics and targets

Targets used by the organisation to manage climate-related risks and opportunities

In September 2022, the Board approved Haleon's responsible business targets (including climate-related targets that are part of the Environment pillar). Haleon's 2022 performance and focus areas for 2023 are described on pages 22-25. Haleon's responsible business scorecards, described in the 'Governance' section of the TCFD disclosure on page 28, are used to track, and performance-manage progress against our external targets. We do not have a target regarding avoided carbon emissions through the entire product life cycle or net revenue targets for products and services designed for a low-carbon economy. However, as part of our innovation process, we have developed a quantitative impact assessment tool which enables the team to quantify the carbon, packaging and trusted ingredient impact of product and packaging design choices. Results are reviewed as part of Project Management Board meetings (PMB meetings) to ensure the climate impact of design choices is considered when progressing projects. Haleon has decided to "explain" its current position on this recommendation.

Haleon's targets

We aim to:

- Reduce our net Scope 1 and 2 carbon emissions by 100% by 2030.[1]
- Reduce our Scope 3 carbon emissions from source to sale by 42% by 2030.[1]
- Achieve Net Zero carbon emissions by 2040 aligned to guidance from The Climate Pledge and Race to Zero.
- Reduce our use of virgin petroleum-based plastic by 10% by 2025 and a third by 2030.[2]
- Develop solutions for all product packaging to be recycle-ready by 2025 and recyclable or reusable by 2030.[3]
- Work with partners to drive global and local initiatives to collect, sort and recycle our packaging at scale by 2030.
- Ensure that all of our key agricultural, forest and marine-derived materials used in our ingredients and packaging are sustainably sourced and deforestation free by 2030.[4]
- Achieve TRUE certification at our own manufacturing sites by 2030.
- Achieve the Alliance for Water Stewardship standard at all our own manufacturing sites by 2025 and to achieve water neutrality at all our own manufacturing sites in water-stressed basins by 2030.

1 Versus our 2020 baseline. Our goal to reduce net Scope 1 and 2 carbon emissions by 100% by 2030 is underpinned by a 95% absolute reduction target. We have submitted our Scope 1, 2 and 3 goals to the Science Based Targets initiative for verification and have registered our commitment to Net Zero.
2 Versus our 2020 baseline.
3 Where safety, quality and regulations permit.
4 Scope includes Haleon's globally managed spend on key materials which are agricultural, forestry or marine-derived. Globally managed spend covers the majority of our internal spend and expands across some of our third-party manufacturing network.

Metrics used by the organisation to assess climate-related risks and opportunities

Since its creation in 2022, Haleon has made rapid progress in establishing its standalone responsible business strategy, targets, delivery plans, performance and risk management forums, and processes. However, we are still developing some metrics recommended by TCFD: transition risks (amount and extent of assets or business activities vulnerable to transition risks), climate-related opportunities (proportion of revenue, assets, or other business activities aligned with climate-related opportunities), capital deployment (amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities). Currently, we are measuring our carbon emissions (disclosed, in the table on the right) and the number of sites under water-stress (now four out of 24 sites). Regarding remuneration, at Haleon, specific responsible business-related (including climate-related) KPIs are built into individuals' objectives and performance where relevant. Additionally, performance against our Scope 1 and 2 carbon emission reduction target is linked to Haleon's Performance Share Bonus Plan. During the TCFD analysis, to understand our exposure to carbon pricing regulations, we used the following carbon prices £78-£113/tCO_2e. In 2023 and 2024, we will focus on developing the remaining metrics recommended by TCFD. Haleon uses metrics related to renewable energy and electricity (as shown below).

	2020 Baseline Year	2021	2022
% Renewable electricity consumed	85	86	100
% Renewable energy consumed	47	47	55

Additionally, Haleon has started to measure progress against waste reduction and circularity, water reduction and energy reduction. Haleon has decided to 'explain' its current position on this recommendation.

Scope 1, Scope 2 and Scope 3 disclosure

Haleon calculates and discloses Scope 1, 2 and 3 carbon emissions, on page 199, where we disclose Scope 1 and 2 in line with Streamlined Energy and Carbon Reporting guidance. We used carbon emissions calculated based on 2020 data as the baseline for determining our targets related to carbon emissions. This data was crucial for determining our exposure to carbon pricing regulations risk. The analysis showed that this risk is the most material for Haleon. The potential impact and risk management are described on page 32.

	2020 Baseline Year	2021	2022
Total Scope 1 emissions (thousands of tonnes CO_2e, including on-site fuel use, fleet mileage and refrigerant losses)	57	60	55
Total Scope 2 emissions (location-based) (thousands of tonnes CO_2e)	141	145	137
Total Scope 2 emissions (market-based) (thousands of tonnes CO_2e)	32	15	7
Total Scope 1 & 2 emissions (location-based) (thousands of tonnes CO_2e)	198	205	192
Total Scope 1 & 2 emissions (market-based) (thousands of tonnes CO_2e)	89	75	62
Total Scope 3 emissions (thousands of tonnes CO_2e)	1,755	1,830	1,721

Our Net Zero Commitment

Net Zero Goal

We aim to achieve Net Zero carbon emissions from source to sale by 2040 aligned to guidance from The Climate Pledge and Race to Zero (versus our 2020 baseline). We have submitted our Scope 1, 2 and 3 goals to the Science Based Targets initiative for verification and registered our commitment to Net Zero carbon emissions*.

- Our short-term action plan includes working with suppliers to accelerate their transition to renewable electricity
- Our medium-term action plan includes reducing and/or replacing carbon emission intensive raw and pack materials, to achieve our aim of reducing our Scope 3 emissions from source to sale by 42% by 2030.

Impact on our business

Achieving Net Zero carbon emissions from source to sale by 2040 requires significant change in our upstream supply chain.

- We are focusing first on Purchased Goods and Services (over half of our total carbon emissions across Scope 1, 2 and 3), building joint action plans with suppliers to address our highest carbon emission intensive raw and pack materials.
- Challenges include the availability at affordable cost and scale of low/no carbon emission intensive raw and pack materials

Progress

In our first reporting year, our Scope 3 carbon emissions from source to sale decreased marginally by about 5,000 tonnes, a 0% change from our 2020 baseline.

- This modest reduction in Scope-3 carbon emissions, despite high volume growth and increased inventory related to the pandemic shows we are starting to decouple business growth from Scope 3 carbon emissions.

* Scope-3 carbon emissions are reported in line with the Greenhouse Gas Protocol Corporate Standard | Greenhouse Gas Protocol (ghgprotocol.org), the industry standard for corporate reporting on scope-3 carbon emissions. Our Net Zero and Scope 3 carbon emissions targets span all carbon-emission categories from source to sale (excluding GHG-protocol categories 6, 7, 10-15).

2022 Business review

Chief Financial Officer's review

Tobias Hestler
Chief Financial Officer

2022 was a landmark year for Haleon. Over the last decade, we have been focused on integrating the Novartis and Pfizer Consumer Healthcare businesses and devoted significant energy towards separating the business from GSK.

Ahead of the demerger, we put in place new functions and structures to be fit for life as a standalone company and built out processes and capabilities across the business. I am pleased to report that all integration and separation projects were successful, and we became an independently listed company on 18 July 2022. We have done this while also ensuring that the business remained competitive, delivered market share gains and strong profitable growth along with healthy cash flow. This was a significant undertaking, and I would like to thank everyone at Haleon for helping in this effort and ensuring our long-term success.

Delivering value

We remain focused on driving value for our stakeholders, which starts with our medium-term guidance of delivering 4-6% annual organic revenue growth and, coupled with our strong gross margin, provides us with capacity to invest in A&P and R&D ahead of sales growth. This affords us sustainable moderate Adjusted operating margin expansion, (constant currency), over the medium term with high cash conversion.

Organic revenue growth ahead of medium-term guidance

Trading throughout the year was strong, with reported revenue growth of 13.8% and organic revenue growth of 9.0%. We delivered good growth across all regions and categories, demonstrating the long-term attractiveness of our brands and geographic presence. Our organic growth was balanced, with price of 4.3% and volume/mix 4.7%.

We are structurally advantaged given that commodity and commodity-related costs make up less than 10% of revenue, meaning that we can be thoughtful about how we price our products. Given inflationary pressures, we took increasing incremental pricing over the course of the year and were able to deliver volume growth and market share gains.

Delivering profitable growth

Operating profit was £1.8bn and Adjusted operating profit was up 13.8% (AER) and 5.9% (CER) to £2.5bn. Adjusted operating profit growth was driven by healthy revenue growth and strong cost management which combined with Pfizer synergies allowed us to absorb higher commodity related and raw material costs, freight cost inflation, £0.2bn of incremental costs for operating as a standalone company and increased investment in R&D. This resulted in operating profit margin of 16.8% (2021: 17.2%) and Adjusted operating profit margin of 22.8%, flat year on year (down 60bps constant currency).

Focus on costs

Across the business, we remain focused on driving efficiency, effectiveness, and agility to make every investment count. In 2022, we delivered ahead of our targeted Pfizer synergies, taking the combined total to over £600m, up from our initial expectation of £500m at the time of the Pfizer Transaction.

Initiatives to drive value from third-party expenditure and offset strong headwinds from input prices and commodity inflation were a key focus area, which included forward buying, value engineering and new supplier introduction, and initiatives to ensure continuity of supply. This, along with pricing and efficiencies, enabled us to deliver a healthy gross margin.

Healthy investment in the business

Our A&P spend was up 4% at actual exchange rates (AER) and flat at constant currency (CER) for the year. We drove further efficiencies in spend from bringing production in house. Importantly, consumer facing A&P spend, excluding Russia, was up 6% (CER) for the year, showing our continued commitment to invest in our brands, with spend focused on Power Brands and Local Growth Brands which drive our revenue growth ambitions.

Adjusted R&D expenditure totalled £303m, up 22.2% and 16.1% at CER (2021: £248m) and included the transfer of additional activities to the R&D functions, following the implementation of a new operating model in Q4 2021.

Net capex was £292m which we believe represents a healthy level of investment in our business for long-term growth. Spend was focused on manufacturing sites, supply chain resilience, technology, and automation.

Strong cash generation and liquidity

Prior to demerger, Haleon raised £9.2bn in notes across US Dollar, Euro and Pound Sterling at attractive rates and long duration, and we drew down £1.5bn on a term loan. Proceeds were used to pay pre-separation dividends of £11bn to GSK and Pfizer.

As a result, following the demerger, we had total borrowings of £11.8bn and net debt of £10.7bn, representing around 4x net debt/Adjusted EBITDA. Strong cash generation following separation allowed us to fully repay the £1.5bn term loan through a combination of strong operational cash flows and commercial paper issuance. As a result, we were able to finish the year with a significantly reduced leverage of 3.6x net debt/Adjusted EBITDA. Reflecting our stated priorities on uses of cash, the Board has declared a final full year 2022 dividend of 2.4p per ordinary share, which represents approximately 30% of Adjusted earnings for the period since listing.

Confidence in future growth

Looking to the future, we are encouraged by the strength of our portfolio, our geographic footprint and the categories in which we operate, as well as by the resilience of the broader consumer health industry.

We expect to see another year of profitable growth, with operating leverage from revenue growth along with efficiencies offsetting increased investment in the business and cost inflation. If current exchange rates hold (as at 10 February 2023), this will result in a broadly flat Adjusted operating margin after absorbing around 40bps of adverse transactional foreign exchange impact.

Beyond this, we have identified further opportunities to optimise existing processes and structures to become more agile. This will lead to annualised gross cost savings of c.£300m over the next three years, with the benefits largely in 2024 and 2025. We expect to incur c.£150m restructuring costs in both 2023 and 2024. These initiatives give us the capacity to invest and fuel our confidence in delivering 4-6% organic top line growth, whilst delivering on our guidance of sustainable moderate margin expansion and continued strong cash conversion. Our priorities for uses of cash are to invest for growth, strengthen the balance sheet, explore acquisitions and return surplus capital to shareholders.

2022 Highlights

Strong growth with a healthy balance of price and positive volume/mix
- Reported revenue +13.8% (£10,858m), organic growth +9.0% with 4.3% price and 4.7% volume/mix.
- 2/3 of our business gained or maintained market share in the period ended 31 December 2022.

Pricing and efficiencies offsetting inflationary pressures
- Reported operating profit increased 11.4% to £1,825m.
- Adjusted operating profit increased 13.8% to £2,472m, up 5.9% at constant currency.
- Operating profit margin 16.8%, down 40bps and Adjusted operating profit margin 22.8%, flat on a reported basis.

Continued high cash generation
- Net cash flow from operating activities was £2,063m, which included £435m related to the net cash outflow from separation, restructuring and disposals; free cash flow of £1,579m.
- Total borrowings were £10,440m, with 9.3x total borrowings/profit after tax. Net debt was £9,868m with 3.6x net debt/ Adjusted EBITDA.
- Final full year 2022 final dividend proposed of 2.4p per ordinary share in respect of trading since demerger.

Reported results

For the year ended 31 December	2022	2021	Change
Revenue (£m)	**10,858**	9,545	13.8%
Revenue growth	**13.8%**	(3.5)%	17.3%
Operating profit (£m)	**1,825**	1,638	11.4%
Operating profit margin	**16.8%**	17.2%	(40)bps
Earnings per share (pence)[1]	**11.5**	15.1	(23.8)%
Net cash inflow from operating activities (£m)	**2,063**	1,356	707

Adjusted results

For the year ended 31 December	2022	2021	Change
Organic revenue growth[2]	**9.0%**	3.8%	-
Adjusted operating profit (£m)[2]	**2,472**	2,172	5.9%[3]
Adjusted operating profit margin[2]	**22.8%**	22.8%	(60)bps[3]
Adjusted earnings per share (pence)[2]	**18.4**	17.9	2.8%
Free cash flow (£m)[2]	**1,579**	1,173	406

1 Earnings per share calculation for the year ended 31 December 2021 has been adjusted retrospectively as required by IAS 33 'Earnings per share' due to the increase in the number of ordinary shares outstanding as a result of the demerger activities that took place in July 2022.
2 Definitions and calculations of non-IFRS measures can be found from page 46.
3 Change at constant currency exchange rate.

2022 Business review continued

Income statement summary

	2022 £m	2021[3] £m	% change
Revenue	**10,858**	**9,545**	**13.8**
Revenue growth	**13.8%**	(3.5)%	17.3%
Organic revenue growth[1]	**9.0%**	3.8%	–
Gross profit	**6,577**	**5,950**	**10.5**
Adjusted gross profit[1]	**6,772**	6,002	12.8
Operating profit	**1,825**	**1,638**	**11.4**
Adjusted operating profit[1]	**2,472**	2,172	13.8
Net finance costs	**(207)**	**(2)**	**NM**
Profit before tax	**1,618**	**1,636**	**(1.1)**
Adjusted profit before tax[1]	**2,265**	2,170	4.4
Profit after tax attributed to shareholders of the Group	**1,060**	**1,390**	**(23.7)**
Adjusted profit after tax attributed to shareholders of the Group[1]	**1,700**	1,652	2.9
Earnings per ordinary share[2]			
Basic and Diluted (pence)	**11.5**	15.1	(23.8)
Adjusted[1] (pence)	**18.4**	17.9	2.8

1 Definitions and calculations of non-IFRS measures can be found from page 46.
2 Earnings per share calculation for the year ended 31 December 2021 have been adjusted retrospectively as required by IAS 33 Earnings per share due to the increase in the number of ordinary shares outstanding as a result of the demerger activities that took place in July 2022. Diluted earnings per share for the year ended 31 December 2022 has been calculated after adjusting the weighted average number of shares used in the basic calculation to assume the conversion of all potential dilutive shares. There were no dilutive equity instruments for the year ended 31 December 2021.
3 For a discussion of the Group's financial and operating performance for the year ending 31 December 2020 and 31 December 2021, see the Group's registration statement on Form 20-F, pages 161-187, filed with the SEC on 1 June 2022.

Revenue

Group revenue of £10,858m (2021: £9,545m) reflects an increase of 13.8% on a reported basis and 9.0% on an organic basis. Favourable foreign exchange added £478m to total revenue, mainly due to strengthening of the US Dollar and Chinese Renminbi against Sterling.

Gross profit

Reported gross profit increased by 10.5% to £6,577m (2021: £5,950m) with gross profit margin down 170bps at 60.6%. Similarly, Adjusted gross profit increased by 12.8% with Adjusted gross profit margin of 62.4% (2021: 62.9%).

Gross profit growth and Adjusted gross profit growth were each largely driven by pricing, favourable mix, Pfizer synergies and ongoing supply chain and manufacturing efficiency benefits. This was offset by higher commodity related costs and freight cost inflation along with transactional foreign exchange losses.

Operating profit and operating profit margin

Operating profit increased by 11.4% to £1,825m (2021: £1,638m) and operating profit margin decreased by 40bps to 16.8% (2021: 17.2%). Adjusted operating profit increased by 13.8% to £2,472m (2021: £2,172m) and Adjusted operating profit margin at actual exchange rates was flat at 22.8% and declined by 60bps at CER.

Adjusting items within operating profit totalled £647m in 2022 (2021: £534m), representing £41m (2021: £195m) of costs related to restructuring activities largely associated with the Pfizer Transaction (see History and development of the Group on page 201) at a reduced level as we concluded the programme. Separation and admission costs of £411m (2021: £278m) represented the culmination of costs relating to separating the business from GSK and listing. Amortisation and impairment of £172m (2021: £16m) including intangible amortisation of £43m (2021: £40m) and an impairment charge of £129m largely relating to Preparation H and a brand primarily sold in Ukraine. Disposals and others totalled £15m (2021: £45m) which included £20m of net gains related to the disposal of assets and business changes, offset by other items including a legal provision with respect to the Proton Pump Inhibitor (PPI) litigation. Beyond this, transaction-related costs were £8m (2021: £nil).

Adjusted operating profit growth was driven by strong revenue growth including a healthy balance of price and volume/mix, combined with Pfizer synergies partly offset by higher commodity-related and raw material costs, freight cost inflation, incremental costs of operating as a standalone company and increased investment in R&D.

For the year, A&P spend was up 4% and flat at CER representing 18.7% of revenue (2021: 20.3%). A&P spend was flat due to scale benefits from bringing production in-house and ceasing advertising in Russia. Consumer facing A&P spend excluding Russia was up 6% at CER. R&D expenditure was £300m and Adjusted R&D expenditure totalled £303m, up 22.2% and 16.1% at CER (2021: £248m). R&D included the transfer of additional activities following the implementation of a new operating model in Q4 2021.

Net finance costs

Net finance costs increased to £207m (2021: £2m), reflecting interest of £258m primarily related to the issuance of £9.2bn in notes in March 2022 offset partly by interest income of £51m mainly related to the on-lend of funds to GSK and Pfizer before demerger.

Tax charge

The statutory tax charge of £499m (2021: £197m) represented an effective tax rate on IFRS results of 31% (2021: 12%). The 2022 tax charge included a £102m non-cash charge due to the revaluation of US deferred tax liabilities given the increase in the blended rate of US state taxes expected to apply as a result of the demerger. In 2021, the tax charge included a £164m non-cash credit relating to an uplift in the tax basis of certain intragroup brand transfers. The tax charge on an Adjusted basis was £506m (2021: £469m) and the effective tax rate on an Adjusted results basis was 22% (2021: 22%).

Earnings per share

Diluted earnings per share decreased by 3.6 pence to 11.5 pence (2021: 15.1 pence). Adjusted diluted earnings per share increased by 0.5 pence to 18.4 pence (2021: 17.9 pence).

Net capital expenditure

Net capital expenditure of £292m (2021: £149m) included £328m (2021: £298m) related to the purchase of property, plant and equipment and software. Proceeds from disposals of intangible assets declined to £36m (2021: £137m). There were no proceeds from the sale of property, plant and equipment (PP&E) (2021: £12m).

Geographical segment performance

Revenue by geographical segment for the year ended 31 December

	Revenue (£m)		Revenue change (%)				
	2022	2021	Reported	Constant currency[1]	Organic[1]	Price[1]	Vol/Mix[1]
North America	**4,116**	3,525	16.8%	5.6%	5.9%	2.9%	3.0%
EMEA & LatAm	**4,270**	3,877	10.1%	10.0%	10.9%	6.4%	4.5%
APAC	**2,472**	2,143	15.4%	11.6%	10.6%	2.6%	8.0%
Group	**10,858**	**9,545**	**13.8%**	**8.7%**	**9.0%**	**4.3%**	**4.7%**

1 Price and volume/mix are components of organic revenue growth. Definitions and calculations of non-IFRS measures can be found from page 46.

Adjusted operating profit by geographical segment for the year ended 31 December

	Adjusted operating profit (£m)		YoY change	YoY constant currency[1]
	2022	2021	2022	2022
Group operating profit	**1,825**	1,638	11.4%	2.3%
Reconciling items between Adjusted operating profit and operating profit[2]	**647**	534	21.2%	17.0%
Group Adjusted operating profit[3]	**2,472**	**2,172**	**13.8%**	**5.9%**
North America	**1,070**	828	29.2%	11.4%
EMEA & LatAm	**977**	960	1.8%	1.1%
APAC	**506**	461	9.8%	5.2%
Corporate and other unallocated	**(81)**	(77)	5.2%	0.0%
Group Adjusted operating profit	**2,472**	**2,172**	**13.8%**	**5.9%**

1 Definitions and calculations of non-IFRS measures can be found from page 46.
2 Reconciling items for these purposes are the Adjusting Items, which are defined under Use of non-IFRS Measures. A reconciliation between operating profit and Adjusted operating profit is included under Use of non-IFRS Measures.
3 On a segment basis, Adjusted operating profit is the measure of segment profit or loss reviewed by the Company's chief operating decision maker. Adjusting items are not allocated by segment, as these items are managed centrally by the Group, and therefore are not part of the measure of segment profit or loss reviewed by the Company's chief operating decision maker.

2022 Business review continued

Geographical segment performance continued

North America

	2022 £m	2021 £m	change (%) YoY	Constant currency[1]	Organic[1]	Price[2]	Vol/Mix[2]
Revenue	**4,116**	3,525	16.8%	5.6%	5.9%	2.9%	3.0%
Adjusted operating profit[1]	**1,070**	828	29.2%	11.4%	n/a	n/a	n/a
Adjusted operating profit margin[1]	**26.0%**	23.5%	2.5%	1.3%	n/a	n/a	n/a

[1] Definitions and calculations of non-IFRS measures can be found from page 46.
[2] Price and volume/mix are components of organic revenue growth.

Revenue was £4,116m (2021: £3,525m), a growth of +16.8% on a reported basis, driven largely by favourable exchange rate impact, with revenue growth on a constant currency basis of +5.6%. Revenue growth was +5.9% on an organic basis (with 2.9% price and 3.0% volume/mix), excluding, among others, an +11.2% increase in revenue growth as a result of favourable exchange rate movements (included in revenue at AER).

Drivers of revenue at AER (including the favourable impact of foreign exchange movements), CER and organic revenue included Oral Health, where reported revenue was up double-digit and organic revenue was flat with Sensodyne flat due to changes in retailer inventory patterns. Consumption of Sensodyne for the year was up mid-single digit. Low double-digit growth was seen in parodontax and mid-single digit growth in Denture Care offsetting a decline in Aquafresh.

In VMS, revenue declined by low-single digit with low-single digit growth in Emergen-C offset by a modest decline in Centrum. Underlying consumption in Centrum has remained broadly steady throughout the year and the brand continues to see market share gains.

High-single digit revenue growth in Pain Relief was underpinned by Advil benefiting from price increases and market activation combined with increased demand during periodic COVID-19 waves. Voltaren was up high-single digit.

In Respiratory Health, revenue was up mid-30s percent underpinned by sustained incidences of cold and flu, including some benefit from new COVID-19 variants with similar symptoms, and successful market activation. During Q4, elevated incidences of cold and flu led to mid-20s percent growth across Respiratory Health, with the cold and flu sales being significantly ahead of 2019 levels. Theraflu and Robitussin were particularly strong helped by new innovations including Theraflu Max.

In Digestive Health and Other, revenue was up low-single digit with strong growth in ChapStick offset by mid-single digit decline in Smokers' Health and a slight decline in Digestive Health.

Adjusted operating profit margin increased 250bps at AER to 26.0% and by 130bps at CER. Margin expansion was driven by pricing as well as benefits from productivity improvements, portfolio optimisation and strong cost management. This was partially offset by commodity and freight headwinds and costs incurred as a standalone company. The prior year reflected a favourable comparative following site investments and one-time manufacturing write offs.

Revenue growth

16.8%

Organic revenue growth[1]

5.9%

Adjusted operating profit margin[1]

26.0%

2022 Revenue

North America **38%**

Europe, Middle East & Africa (EMEA) and Latin America (LatAm)

	2022 £m	2021 £m	change (%) YoY	Constant currency[1]	Organic[1]	Price[2]	Vol/Mix[2]
Revenue	**4,270**	3,877	10.1%	10.0%	10.9%	6.4%	4.5%
Adjusted operating profit[1]	**977**	960	1.8%	1.1%	n/a	n/a	n/a
Adjusted operating profit margin[1]	**22.9%**	24.8%	(1.9)%	(2.0)%	n/a	n/a	n/a

1 Definitions and calculations of non-IFRS measures can be found from page 46.
2 Price and volume/mix are components of organic revenue growth.

Revenue was £4,270m (2021: £3,877m), a growth of +10.1% on a reported basis, +10.0% on a constant currency basis and +10.9% on an organic basis (with 6.4% price and 4.5% volume/mix), excluding an +0.1% increase in revenue growth as a result of favourable exchange rate movements (included in revenue at AER), and decreases in revenue growth of 0.4% from the effect of disposals and 0.5% from the effect of manufacturing service agreements (MSAs).

Drivers of revenue at AER (including the favourable impact of foreign exchange movements), CER and organic revenue included Oral Health, where revenue grew high-single digit with good parodontax growth, robust recovery in Denture Care and continued Sensodyne growth, up mid-single digit.

In VMS, revenue up high-single digit driven by high-single digit growth in Centrum supported by entry into new markets including Egypt in November 2022 along with high single digit growth from Local Growth Brands.

Pain Relief experienced mid-single digit revenue growth largely reflecting double-digit Panadol growth.

In Respiratory Health, revenue was up low-thirties percent due to a strong cold and flu season significantly ahead of 2019 levels.

Digestive Health and Other revenue was up double digits with good results in all categories.

Particularly strong double digit revenue growth was seen in LatAm and Middle East & Africa (MEA) underpinning full year revenue. Additionally, Europe saw high-single digit revenue growth in Northern Europe and Southern Europe, along with double digit growth across Central and Eastern Europe. This was partly offset by challenging performance in Germany, albeit with a marked improvement during the fourth quarter.

Adjusted operating profit margin decreased by 190bps at AER or 200bps at CER largely driven by costs incurred as a standalone company and adverse transactional foreign exchange. Beyond this, higher commodity and freight costs were largely offset by pricing and operational efficiency improvements across the business.

Revenue growth

10.1%

Organic revenue growth[1]

10.9%

Adjusted operating profit margin[1]

22.9%

2022 Revenue

2022 Business review continued

Geographical segment performance continued

Asia Pacific (APAC)

	2022 £m	2021 £m	change (%) YoY	Constant currency[1]	Organic[1]	Price[2]	Vol/Mix[2]
Revenue	**2,472**	2,143	15.4%	11.6%	10.6%	2.6%	8.0%
Adjusted operating profit[1]	**506**	461	9.8%	5.2%	n/a	n/a	n/a
Adjusted operating profit margin[1]	**20.5%**	21.5%	(1.0)%	(1.2)%	n/a	n/a	n/a

[1] Definitions and calculations of non-IFRS measures can be found from page 46.
[2] Price and volume/mix are components of organic revenue growth.

Revenue was £2,472m (2021: £2,143m), a growth of +15.4% on a reported basis (including exchange rate impact of +3.8%, with revenue growth on a constant currency basis of +11.6%) and +10.6% on an organic basis, excluding the +3.8% exchange rate movement (included in revenue at AER) and included a one-off benefit of c.1% related to separation from changes in distribution in Vietnam with 2.6% price and 8.0% volume/mix.

Drivers of revenue at AER (including the favourable impact of foreign exchange rate changes), CER and organic revenue included Oral Health where high-single digit revenue growth was underpinned by double digit growth in Sensodyne. Results reflected strong growth in India, partly offset by some weakness in China from COVID-19-related lockdowns.

In VMS, high-single digit revenue growth was supported by strong growth in China and South East Asia and Taiwan (SEAT) along with momentum following the launch of Centrum in India. Innovations around gender-based vitamins and probiotics contributed to growth. Caltrate continued to see strong growth with high single digit growth in China.

Pain Relief saw revenue growth in the twenties percent, benefitting from over 20% growth across Panadol with strong growth in SEAT and Australia. Voltaren was up mid-single digit with good growth in China.

In Respiratory Health, a rebound in cold and flu season resulted in revenue up mid-20s percent.

Digestive Health and Other revenue was slightly down due to weakness in Smokers' Health and Skin Health brands.

Performance in SEAT and India were particularly strong during the year, up over 20%. Revenue in China increased high single digit for the year reflecting softness in the second quarter from COVID-19-related lock downs and a progressive recovery during the second half of the year.

Adjusted operating profit margin decreased by 100bps at AER to 20.5% or 120bps at CER due to higher A&P investment and costs incurred to be a standalone company, more than offsetting positive operating leverage from strong revenue growth.

Revenue growth

15.4%

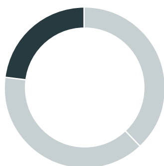
Organic revenue growth[1]

10.6%

Adjusted operating profit margin[1]

20.5%

2022 Revenue



Asia Pacific **23%**

Revenue by product category

Revenue by product category for the year ended 31 December 2022

	Revenue (£m)		Revenue change (%)		
	2022	2021	Reported	Constant currency[1]	Organic[1]
Oral Health	**2,957**	2,724	8.6%	5.8%	5.6%
VMS	**1,675**	1,501	11.6%	5.3%	5.0%
Pain Relief	**2,551**	2,237	14.0%	9.4%	8.9%
Respiratory Health	**1,579**	1,132	39.5%	32.6%	32.6%
Digestive Health and Other	**2,096**	1,951	7.4%	0.9%	2.9%
Group revenue	**10,858**	**9,545**	**13.8%**	**8.7%**	**9.0%**

[1] Price and volume/mix are components of organic revenue growth. Definitions and calculations of non-IFRS measures can be found from page 46.

Oral Health
Revenue was £2,957m (2021: £2,724m), a growth of +8.6% on a reported basis (including exchange rate impact, with revenue growth on a constant currency basis of +5.8%) and +5.6% on an organic basis.

Organic revenue growth was primarily driven by the same principal factors, but notably excluded a +2.7% increase in revenue growth as a result of favourable exchange rate movements (included in revenue at AER), among others.

Growth in revenue at AER (in addition to the impact of foreign exchange rate movement), CER and organic revenue was driven by Sensodyne, whose strong performance reflected its underlying brand strength, continued innovation and strong growth across key markets particularly India and MEA. Sales in China declined mid-single digit driven by lockdown restrictions.

parodontax delivered high-single digit organic revenue growth, with low-teens percent organic revenue growth in North America. Throughout the year, consumption remain strong, running at approximately three times that of the global oral health market.

Denture care organic revenue was up high-single digit as a result of strong growth in EMEA and LatAm driven by easing of lockdown restrictions coinciding with strong innovation and marketing around the product.

VMS
Revenue was £1,675m (2021: £1,501m), a growth of +11.6% on a reported basis (including exchange rate impact, with revenue growth on a constant currency basis of +5.3%) and +5.0% on an organic basis.

Organic revenue growth was primarily driven by the same principal factors, but notably excluded a +6.4% increase in revenue growth as a result of favourable exchange rate movements (included in revenue at AER), among others.

Growth in revenue at AER (including the favourable impact of foreign exchange rate changes), CER and organic revenue was driven by Centrum revenue's mid-single digit growth reflecting good growth across APAC and EMEA & LatAm with global market share gains across the year.

Emergen-C revenue also grew organically by low-single digit with consumption skewed towards COVID-19-related demand and benefiting from new innovations including Emergen-C Kidz.

Caltrate saw organic revenue growth in mid-single digit given growth in China with a slight slowdown in December reflecting COVID-19 lockdowns resulting in decreasing traffic to pharmacies.

Pain Relief
Revenue was £2,551m (2021: £2,237m), a growth of +14.0% on a reported basis (including exchange rate impact, with revenue growth on a constant currency basis of +9.4%) and +8.9% on an organic basis.

Organic revenue growth was primarily driven by the same principal factors, but excluded, among others, a +4.7% increase in revenue growth as a result of favourable exchange rate movements (included in revenue at AER).

Growth in revenue at AER (including the favourable impact of foreign exchange rate changes), CER and organically was driven by Panadol. Revenue grew organically by high-teens percent with double digit growth organically across all three regions and particular strength in MEA, Australia and SEAT.

Advil organic revenue growth was in the low-double-digit percent benefiting from increased incidences of flu, COVID-19 and Respiratory Syncytial virus (RSV). The latter particularly led to strong growth and market share gains for Advil Kids in the US.

Low single digit organic revenue growth from Voltaren with high single digit organic revenue growth in US and mid-single digit organic revenue growth in China partly offset by a decline in Germany.

2022 Business review continued

Revenue by product category continued

Respiratory Health

Revenue was £1,579m (2021: £1,132m), a growth of +39.5% on a reported basis (including exchange rate impact, with revenue growth on a constant currency and organic basis of +32.6%).

Organic revenue growth was primarily driven by the same principal factors, but excluded a +6.9% increase in revenue growth as a result of favourable exchange rate movements (included in revenue at AER).

A strong cold and flu season, well ahead of the historically low season in 2021 underpinned the results across all regions with sales up c.30% compared to 2019. This added 3% to group revenue growth in 2022.

Theraflu and Robitussin were up over 50% and Otrivin was up over 30%. Results were underpinned by a number of new innovations including the launch of Theraflu Max in the US which drove incremental share and penetration gain for Theraflu.

Digestive Health and Other

Revenue was £2,096m (2021: £1,951m), a growth of +7.4% on a reported basis (including significant exchange rate impact, with revenue growth on a constant currency basis of +0.9%) and +2.9% on an organic basis.

Organic revenue growth was primarily driven by the same principal factors, but excluded a +6.7% increase in revenue growth as a result of favourable exchange rate movements (included in revenue at AER) and decreases in revenue growth of 2.2% from the effect of organic adjustments 0.8% from the effect of disposals and 1.4% from the effect of MSAs.

Growth in revenue at AER (including the favourable impact of foreign exchange rate changes), CER and organic revenue was driven by Digestive Health, which is around half of this reported product category, and saw growth in Eno. Smokers' health revenues declined slightly and Skin Health brands were up high-single digit.

Indebtedness, liquidity and financial risk management

Indebtedness

At 31 December 2022, the Group's total borrowings were £10,440m (£11,765m on 18 July 2022 and £166m on 31 December 2021), and the Group's net debt was £9,868m (£10,707m on 18 July 2022 and £(246)m on 31 December 2021).

In July 2022 the Group drew down £1,493m under a three-year term loan to complete the financing required for payment of the separation dividends. This term loan was fully repaid by 31 December 2022 as a result of the issuance of commercial paper and the operational strength of the business.

Long-term financing consists of $8,750m in USD bonds, as well as €2,350m Euro bonds and £700m GBP bonds issued in March 2022 under a £10,000m Euro Medium Term Note programme.

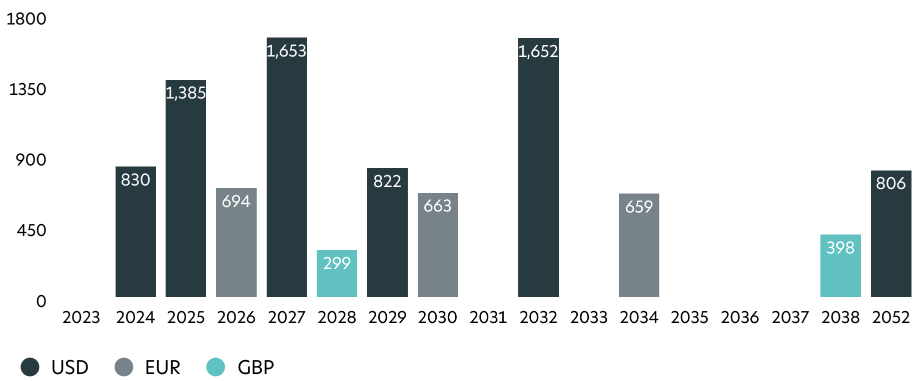
As at 31 December 2022, the Group's long-term and short-term credit ratings were Moody's: Baa1/P-2 and S&P: BBB/A-2.

Total borrowings/profit after tax was 9.3x and net debt/Adjusted EBITDA was 3.6x as at 31 December 2022. Haleon expects to reduce the ratio of net debt/Adjusted EBITDA to less than 3.0x during 2024.

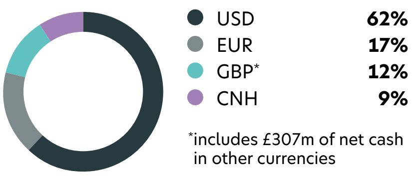
	2022 £m	2021 £m
Profit after tax	**1,119**	1,439
Add Back: Income tax	**499**	197
Add Back: Net finance expense	**207**	2
Operating profit	**1,825**	**1,638**
Add Back: Adjusting items[1,2]	**647**	534
Adjusted operating profit	**2,472**	**2,172**
Add Back: Depreciation and impairment	**258**	241
Adjusted EBITDA	**2,730**	**2,413**
Net debt	**9,868**	(246)
Net debt to adjusted EBITDA	**3.6x**	NM

1 Definitions and calculations of non-IFRS measures can be found from page 46.
2 Reconciling items for these purposes are the Adjusting items, which are defined under Use of non-IFRS Measures. A reconciliation between operating profit and Adjusted operating profit is included under Use of non-IFRS Measures.

Bond Debt Maturity Profile (£m)

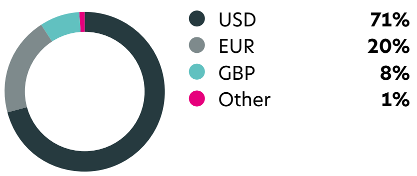


Currency mix of net debt (including swaps)



*includes £307m of net cash in other currencies

Currency mix of total borrowings (as issued)



Cash generation

Net cash from operating activities totalled £2,063m in 2022 (2021: £1,356m), which included a net cash outflow of £435m related to separation, restructuring and disposals. Free cash flow was £1,579m, a £406m increase versus 2021.

Liquidity

At 31 December 2022, the Group had total liquidity of £2,472m comprising £2,163m of bank facilities and £684m of cash and cash equivalents, less £73m of bank overdrafts and £302m of commercial paper outstanding. The $1,400m and £1,000m Revolving Credit Facilities are undrawn.

The Group uses short-term financing to manage working capital requirements and has access to a $10,000m US commercial paper programme and a £2,000m Euro commercial paper programme.

Management believes that the Group has sufficient working capital for present requirements and to minimise liquidity risk, the Group has policies to limit the amount of debt maturing in any year. In addition, policies require the Group to always maintain a minimum available liquidity, including undrawn revolving credit facilities and available cash, less commercial paper issued.

Interest rate risk

The Group's strategic priorities are to minimise interest costs and minimise income statement volatility arising from interest rates.

The Group has a policy to limit the amount of floating rate debt it holds to manage the amount of income statement volatility. The Group will regularly assess its interest rate profile in light of changes to market interest rates.

At 31 December 2022, 87% of debt was fixed with the balance being exposed to floating rates.

Foreign exchange translation risk

The Group's policy is to manage Group net debt such that the currency mix of debt broadly aligns with the currency mix of earnings, considering relative interest costs and practical implications.
The currency mix of debt includes the impact of foreign exchange and cross-currency swaps.

Use of non-IFRS measures

We use certain alternative performance measures to make financial, operating, and planning decisions and to evaluate and report performance. We believe these measures provide useful information to investors and as such, where clearly identified, we have included certain alternative performance measures in this document to allow investors to better analyse our business performance and allow greater comparability. To do so, we have excluded items affecting the comparability of period-over-period financial performance. Adjusted results and other non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. Additionally, we are unable to present reconciliations of forward-looking information for non-IFRS measures because we are unable to forecast accurately certain adjusting items required to present a meaningful comparable IFRS forward-looking financial measure.

Constant currency

The Group's reporting currency is Pound Sterling, but the Group's significant international operations give rise to fluctuations in foreign exchange rates. To neutralise foreign exchange impact and to better illustrate the change in results from one year to the next, the Group discusses its results both on an "as reported basis" or using actual exchange rates (AER) (local currency results translated into Pound Sterling at the prevailing foreign exchange rate) and using constant currency exchange rates (CER). To calculate results on a constant currency basis, the Group restates current year comparatives translating the income statements of consolidated entities from their non-Sterling functional currencies to Pound Sterling using prior year exchange rates. The currencies which most influence the constant currency results of the Group and their exchange rates are shown in the table below.

Average rates:	**2022**	2021	2020
USD/£	**1.24**	1.38	1.29
Euro/£	**1.17**	1.16	1.13
CNY/£	**8.31**	8.86	8.91
CHF/£	**1.18**	1.25	1.21

Adjusted results

Adjusted results comprise Adjusted cost of sales, Adjusted gross profit, Adjusted gross profit margin, Adjusted selling, general and administration (SG&A), Adjusted research and development (R&D), Adjusted other operating income/(expense), Adjusted operating expenses, Adjusted operating profit, Adjusted operating profit margin, Adjusted net finance costs, Adjusted profit before tax, Adjusted income tax, Adjusted effective tax rate, Adjusted profit after tax, Adjusted profit attributable to shareholders, Adjusted diluted earnings per share. Adjusted results exclude net amortisation and impairment of intangible assets, restructuring costs, transaction-related costs, separation and admission costs, and disposals and others, in each case net of the impact of taxes (where applicable) (collectively the Adjusting items).

We believe that Adjusted results, when considered together with the Group's operating results as reported under IFRS, provide investors, analysts and other stakeholders with helpful complementary information to understand the financial performance and position of the Group from period to period and allow the Group's performance to be more easily comparable.

Adjusting items

Adjusted results exclude the following items (net of the impact of taxes, where applicable):

Net amortisation and impairment of intangible assets

Net impairment of intangibles, impairment of goodwill and amortisation of acquired intangible assets, excluding computer software. These adjustments are made to reflect the performance of the business excluding the effect of acquisitions.

Restructuring costs

From time to time, the Group may undertake business restructuring programmes that are structural in nature and significant in scale. The cost associated with such programmes includes severance and other personnel costs, professional fees, impairments of assets, and other related items.

Transaction-related costs

Transaction-related accounting or other adjustments related to significant acquisitions including deal costs and other pre-acquisition costs when there is certainty that an acquisition will complete. It also includes costs of registering and issuing debt and equity securities and the effect of inventory revaluations on acquisitions.

Separation and admission costs

Costs incurred in relation to and in connection with separation, UK Admission and registration of the Company's Ordinary Shares represented by the Company's American Depositary Shares (ADSs) under the US Exchange Act of 1934 and listing of ADSs on the NYSE (the US Listing). These costs are not directly attributable to the sale of the Group's products and specifically relate to the foregoing activities, affecting comparability of the Group's financial results in historical and future reporting periods.

Disposals and others

Includes gains and losses on disposals of assets, businesses and tax indemnities related to business combinations, legal settlement and judgements, impact of changes in tax rates and tax laws on deferred tax assets and liabilities, retained or uninsured losses related to acts of terrorism, significant product recalls, natural disasters and other items. These gains and losses are not directly attributable to the sale of the Group's products and vary from period to period, which affects comparability of the Group's financial results. From period to period, the Group will also need to apply judgement if items of unique nature arise that are not specifically listed above.

The following tables set out a reconciliation between IFRS and Adjusted results for the year ended 31 December 2022:

2022 £m	IFRS Results	Net amortisation and impairment of intangible assets[1]	Restructuring costs[2]	Transaction-related costs[3]	Separation and Admission costs[4]	Disposals and others[5]	Adjusted results
Revenue	10,858	–	–	–	–	–	10,858
Gross profit	6,577	172	19	–	4	–	6,772
Gross profit margin %	*60.6%*						*62.4%*
Operating profit	1,825	172	41	8	411	15	2,472
Operating profit margin %	*16.8%*						*22.8%*
Net finance costs	(207)	–	–	–	–	–	(207)
Profit before tax	1,618	172	41	8	411	15	2,265
Income tax	(499)	(37)	(7)	(2)	(55)	94	(506)
Effective tax rate %	*31%*						*22%*
Profit after tax for the year	1,119	135	34	6	356	109	1,759

The following table shows the adjusting items to reconcile cost of sales to Adjusted cost of sales:

2022 £m	IFRS Results	Net amortisation and impairment of intangible assets[1]	Restructuring costs[2]	Transaction-related costs[3]	Separation and Admission costs[4]	Disposals and others[5]	Adjusted results
Cost of sales	(4,281)	172	19	–	4	–	(4,086)
Cost of sales	**(4,281)**	**172**	**19**	**–**	**4**	**–**	**(4,086)**

The following table shows the adjusting items to reconcile operating expenses to Adjusted operating expenses among the relevant components thereof:

2022 £m	IFRS Results	Net amortisation and impairment of intangible assets[1]	Restructuring costs[2]	Transaction-related costs[3]	Separation and Admission costs[4]	Disposals and others[5]	Adjusted results
Selling, general and administration	(4,483)	–	25	8	407	44	(3,999)
Research and development	(300)	–	(3)	–	–	–	(303)
Other operating income/(expense)	31	–	–	–	–	(29)	2
Operating expenses	**(4,752)**	**–**	**22**	**8**	**407**	**15**	**(4,300)**

The following table shows the adjusting items used to reconcile diluted earnings per share to Adjusted diluted earnings per share:

2022	IFRS Results	Net amortisation and impairment of intangible assets[1]	Restructuring costs[2]	Transaction-related costs[3]	Separation and Admission costs[4]	Disposals and others[5]	Adjusted results
Profit attributable to shareholders (£m)	1,060	135	34	6	356	109	1,700
Weighted average number of shares (millions)	9,239						9,239
Diluted earnings per share (pence)	11.5	1.4	0.4	0.1	3.8	1.2	18.4

1 **Net amortisation and impairment of intangible assets:** includes impairment of intangible assets of £129m and amortisation of intangible assets excluding computer software of £43m.
2 **Restructuring costs:** includes amounts related to business transformation activities.
3 **Transaction-related costs:** includes amounts related to acquisition of a manufacturing site.
4 **Separation and Admission costs:** includes amounts incurred in relation to and in connection with the separation and listing of the Group as a standalone business.
5 **Disposals and others:** includes net gains on disposals of assets and business changes totalling £20m, offset by other items including a provision with respect to PPI litigation. The tax effect includes a £102m tax charge related to the revaluation of US deferred tax liabilities due to the increase in the blended rate of US state taxes expected to apply as a result of the demerger.

Use of non-IFRS measures continued

The following tables set out a reconciliation between IFRS and Adjusted results for the year ended 31 December 2021:

2021 **£m**	IFRS Results	Net amortisation and impairment of intangible assets[1]	Restructuring costs[2]	Transaction-related costs	Separation and Admission costs[3]	Disposals and others[4]	Adjusted results
Revenue	9,545	–	–	–	–	–	9,545
Gross profit	5,950	8	44	–	–	–	6,002
Gross profit margin %	*62.3%*						*62.9%*
Operating profit	1,638	16	195	–	278	45	2,172
Operating profit margin %	*17.2%*						*22.8%*
Net Finance costs	(2)	–	–	–	–	–	(2)
Profit before tax	1,636	16	195	–	278	45	2,170
Income tax	(197)	8	(36)	–	(47)	(197)	(469)
Effective tax rate %	*12%*						*22%*
Profit after tax for the year	1,439	24	159	–	231	(152)	1,701

The following table shows the adjusting items used to reconcile cost of sales to Adjusted cost of sales:

2021 **£m**	IFRS Results	Net amortisation and impairment of intangible assets[1]	Restructuring costs[2]	Transaction-related costs	Separation and Admission costs[3]	Disposals and others[4]	Adjusted results
Cost of sales	(3,595)	8	44	–	–	–	(3,543)
Cost of sales	**(3,595)**	**8**	**44**	**–**	**–**	**–**	**(3,543)**

The following table shows the adjusting items to reconcile operating expenses to Adjusted operating expenses among the relevant components thereof:

2021 **£m**	IFRS Results	Net amortisation and impairment of intangible assets[1]	Restructuring costs[2]	Transaction-related costs	Separation and Admission costs[3]	Disposals and others[4]	Adjusted results
Selling, general and administration	(4,086)	–	150	–	278	76	(3,582)
Research and development	(257)	8	1	–	–	–	(248)
Other operating income/(expense)	31	–	–	–	–	(31)	–
Operating expenses	**(4,312)**	**8**	**151**	**–**	**278**	**45**	**(3,830)**

The following table shows the adjusting items used to reconcile diluted earnings per share to Adjusted diluted earnings per share:

2021	IFRS Results	Net amortisation and impairment of intangible assets[1]	Restructuring costs[2]	Transaction-related costs	Separation and Admission costs[3]	Disposals and others[4]	Adjusted results
Profit attributable to shareholders (£m)	1,390	24	159	–	231	(152)	1,652
Weighted average number of shares (millions)	9,235						9,235
Diluted earnings per share (pence)	15.1	0.2	1.7	–	2.5	(1.6)	17.9

1 **Net amortisation and impairment of intangible assets:** includes impairment of intangible assets of £12m, reversal of impairment of £36m and amortisation of intangible assets excluding computer software of £40m.
2 **Restructuring costs:** includes amounts related to business transformation activities.
3 **Separation and Admission costs:** includes amounts incurred in relation to and in connection with the separation and listing of the Group as a standalone business.
4 **Disposals and others:** includes net gains on disposals of assets and businesses totalling £31m, offset by tax indemnities related to business combinations and other expense items totalling £76m. Income tax includes a £164m tax credit related to an uplift of the tax basis of certain intra-group brand transfers.

The following tables set out a reconciliation between IFRS and Adjusted results for the year ended 31 December 2020:

2020 £m	IFRS Results	Net amortisation and impairment of intangible assets[1]	Restructuring costs[2]	Transaction-related costs[3]	Separation and Admission costs[4]	Disposals and others[5]	Adjusted results
Revenue	9,892	–	–	–	–	–	9,892
Gross profit	5,910	81	89	91	–	2	6,173
Gross profit margin %	*59.7%*						*62.4%*
Operating profit	1,598	97	411	91	66	(189)	2,074
Operating profit margin %	*16.2%*						*21.0%*
Net finance costs	(7)	–	–	–	–	–	(7)
Profit before tax	1,591	97	411	91	66	(189)	2,067
Income tax	(410)	(19)	(90)	(20)	(13)	69	(483)
Effective tax rate %	*26%*						*23%*
Profit after tax for the year	1,181	78	321	71	53	(120)	1,584

The following table shows the allocation of the adjusting items used to reconcile cost of sales to Adjusted cost of sales:

2020 £m	IFRS Results	Net amortisation and impairment of intangible assets[1]	Restructuring costs[2]	Transaction-related costs[3]	Separation and Admission costs[4]	Disposals and others[5]	Adjusted results
Cost of sales	(3,982)	81	89	91	–	2	(3,719)
Cost of sales	**(3,982)**	**81**	**89**	**91**	**–**	**2**	**(3,719)**

The following table shows the adjusting items to reconcile operating expenses to Adjusted operating expenses among the relevant components thereof:

2020 £m	IFRS Results	Net amortisation and impairment of intangible assets[1]	Restructuring costs[2]	Transaction-related costs[3]	Separation and Admission costs[4]	Disposals and others[5]	Adjusted results
Selling, general and administration	(4,220)	–	314	–	66	21	(3,819)
Research and development	(304)	16	8	–	–	–	(280)
Other operating income/(expense)	212	–	–	–	–	(212)	–
Operating expenses	**(4,312)**	**16**	**322**	**–**	**66**	**(191)**	**(4,099)**

The following table shows the adjusting items used to reconcile diluted earnings per share to Adjusted diluted earnings per share:

2020	IFRS Results	Net amortisation and impairment of intangible assets[1]	Restructuring costs[2]	Transaction-related costs[3]	Separation and Admission costs[4]	Disposals and others[5]	Adjusted results
Profit attributable to shareholders (£m)	1,145	78	319	71	53	(120)	1,546
Weighted average number of shares (millions)	9,235						9,235
Diluted earnings per share (pence)	12.4	0.7	3.5	0.8	0.6	(1.3)	16.7

[1] **Net amortisation and impairment of intangible assets:** includes impairment of intangible assets of £47m and amortisation of intangible assets excluding computer software of £50m.
[2] **Restructuring costs:** includes amounts related to business transformation activities.
[3] **Transaction costs:** includes unwinding of inventory fair value uplift.
[4] **Separation and Admission costs:** includes amounts incurred in relation to and in connection with the separation and listing of the Group as a standalone business.
[5] **Disposals and others:** includes net gains on disposals of assets and businesses totalling £212m, offset by tax indemnities related to business combinations and other expense items totalling £23m.

Use of non-IFRS measures continued

Organic revenue growth

Organic revenue growth represents the change in organic revenue at CER from one accounting period to the next.

Organic revenue represents revenue, as determined under IFRS and excluding the impact of acquisitions, divestments and closures of brands or businesses, revenue attributable to manufacturing service agreements (MSAs) relating to divestments and the closure of sites or brands, and the impact of currency exchange movements.

Revenue attributable to MSAs relating to divestments and production site or brand closures has been removed from organic revenue because these agreements are transitional and, with respect to production site closures, include a ramp-down period in which revenue attributable to MSAs gradually reduces several months before the production site closes. This revenue reduces the comparability of prior and current year revenue and is therefore adjusted for in the calculation of organic revenue growth.

Organic revenue is calculated period to period as follows, using prior year exchange rates to restate current year comparatives:

- Current year organic revenue excludes revenue from brands or businesses acquired in the current accounting period.
- Current year organic revenue excludes revenue attributable to brands or businesses acquired in the prior year from 1 January to the date of completion of the acquisition.
- Prior year organic revenue excludes revenue in respect of brands or businesses divested or closed in the current accounting period from 12 months prior to the completion of the disposal or closure until the end of the prior accounting period.
- Prior year organic revenue excludes revenue in respect of brands or businesses divested or closed in the previous accounting period in full.
- Prior year and current year organic revenue excludes revenue attributable to MSAs relating to divestments and production site closures taking place in either the current or prior year, each an Organic Adjustment.

To calculate organic revenue growth for the period, organic revenue for the prior year is subtracted from organic revenue in the current year and divided by organic revenue in the prior year.

The Group believes that discussing organic revenue growth contributes to the understanding of the Group's performance and trends because it allows for a year on year comparison of revenue in a meaningful and consistent manner.

Organic revenue growth by individual geographical segment is further discussed by price and volume/mix changes, which are defined as follows:

- Price: defined as the variation in revenue attributable to changes in prices during the period. Price excludes the impact to organic revenue growth due to (i) the volume of products sold during the period and (ii) the composition of products sold during the period. Price is calculated as current year net price minus prior year net price multiplied by current year volume. Net price is the sales price, after deduction of any trade, cash or volume discounts that can be reliably estimated at point of sale. Value added tax and other sales taxes are excluded from the net price.
- Volume/mix: defined as the variation in revenue attributable to changes in volumes and composition of products sold in the period.

The following tables reconcile reported revenue growth for the years ended 31 December 2022, 31 December 2021 and 31 December 2020 to organic revenue growth for the same period by geographical segment and by product category.

Geographical segments

	North America	EMEA & LatAm	APAC	Total
2022 vs 2021 (%)				
Revenue growth	**16.8**	**10.1**	**15.4**	**13.8**
Organic adjustments	0.3	0.9	(1.0)	0.2
of which:				
Effect of Acquisitions	–	–	(1.1)	(0.3)
Effect of Divestments	0.1	0.4	–	0.2
Effect of MSAs	0.2	0.5	0.1	0.3
Effect of Exchange Rates	(11.2)	(0.1)	(3.8)	(5.0)
Organic revenue growth	**5.9**	**10.9**	**10.6**	**9.0**
Price	**2.9**	**6.4**	**2.6**	**4.3**
Volume/mix	**3.0**	**4.5**	**8.0**	**4.7**

	North America	EMEA & LatAm	APAC	Total
2021 vs 2020 (%)				
Revenue growth	**(6.7)**	**(4.5)**	**4.3**	**(3.5)**
Organic adjustments	2.4	3.4	2.0	2.7
of which:				
Effect of Acquisitions	–	–	–	–
Effect of Divestments	2.5	3.1	2.2	2.7
Effect of MSAs	(0.1)	0.3	(0.2)	–
Effect of Exchange Rates	5.6	4.6	2.8	4.6
Organic Revenue Growth	**1.3**	**3.5**	**9.1**	**3.8**
Price				**2.2**
Volume/mix				**1.6**

	North America	EMEA & LatAm	APAC	Total
2020 vs 2019 (%)				
Revenue growth	**31.2**	**4.1**	**20.7**	**16.7**
Organic adjustments	(32.1)	(5.0)	(15.9)	(16.6)
of which:				
Effect of Acquisitions	(33.9)	(8.8)	(19.9)	(19.7)
Effect of Divestments	1.2	4.5	4.0	3.2
Effect of MSAs	0.6	(0.7)	–	(0.1)
Effect of exchange rates	1.6	4.0	0.9	2.7
Organic revenue growth[1]	**0.7**	**3.1**	**5.7**	**2.8**

[1] Organic revenue growth for the year ended 31 December 2020 excludes revenue attributable to brands acquired as part of the Pfizer Transaction for the period 1 January 2020 to 31 July 2020 and includes revenue attributable to these brands for the period 1 August 2020 to 31 December 2020. Sales patterns during these two periods were materially impacted by the COVID-19 pandemic with increased sales during the former period driven by accelerated purchases by consumers combined with increased consumption and sales during the latter period negatively impacted by a reduction in consumer inventories and weak cold and flu incidence.

Use of non-IFRS measures continued

Product categories

	Oral Health	VMS	Pain Relief	Respiratory Health	Digestive Health and Other	Total
2022 vs 2021 (%)						
Revenue growth	**8.6**	**11.6**	**14.0**	**39.5**	**7.4**	**13.8**
Organic adjustments	(0.3)	(0.2)	(0.4)	–	2.2	0.2
of which:						
Effect of Acquisitions	(0.3)	(0.3)	(0.5)	–	–	(0.3)
Effect of Divestments	–	0.1	0.1	–	0.8	0.2
Effect of MSAs	–	–	–	–	1.4	0.3
Effect of exchange rates	(2.7)	(6.4)	(4.7)	(6.9)	(6.7)	(5.0)
Organic revenue growth	**5.6**	**5.0**	**8.9**	**32.6**	**2.9**	**9.0**

	Oral Health	VMS	Pain Relief	Respiratory Health	Digestive Health and Other	Total
2021 vs 2020 (%)						
Revenue growth	**(0.8)**	**0.5**	**2.1**	**(12.8)**	**(9.8)**	**(3.5)**
Organic adjustments	–	0.3	0.3	6.4	7.6	2.7
of which:						
Effect of Acquisitions	–	–	–	–	–	–
Effect of Divestments	–	0.3	0.3	6.4	7.5	2.7
Effect of MSAs	–	–	–	–	0.1	–
Effect of exchange rates	5.2	3.4	4.1	4.6	5.3	4.6
Organic revenue growth	**4.4**	**4.2**	**6.5**	**(1.8)**	**3.1**	**3.8**

	Oral Health	VMS	Pain Relief	Respiratory Health	Digestive Health and Other	Total
2020 vs 2019 (%)						
Revenue growth	**3.3**	**150.3**	**25.8**	**(1.5)**	**(0.1)**	**16.7**
Organic adjustments	–	(133.5)	(23.5)	(6.7)	(5.4)	(16.6)
of which:						
Effect of Acquisitions[1]	–	(133.9)	(23.7)	(10.5)	(14.2)	(19.7)
Effect of Divestments	–	0.4	0.2	3.8	9.4	3.2
Effect of MSAs	–	–	–	–	(0.6)	(0.1)
Effect of exchange rates	2.6	2.5	2.6	1.9	3.0	2.7
Organic revenue growth[1]	**5.9**	**19.3**	**4.9**	**(6.3)**	**(2.5)**	**2.8**

1 Organic revenue growth for the year ended 31 December 2020 excludes revenue attributable to brands acquired as part of the Pfizer Transaction for the period 1 January 2020 to 31 July 2020 and includes revenue attributable to these brands for the period 1 August 2020 to 31 December 2020. Sales patterns during these two periods were materially impacted by the COVID-19 pandemic with increased sales during the former period driven by accelerated purchases by consumers combined with increased consumption and sales during the latter period negatively impacted by a reduction in consumer inventories and weak cold and flu incidence.

Adjusted EBITDA

Adjusted EBITDA is calculated as profit after tax excluding income tax, finance income, finance expense, Adjusting items (as defined on page 46), depreciation of property, plant and equipment and right-of-use assets, amortisation of computer software, impairment of property, plant and equipment, right-of-use assets and computer software net of impairment reversals. Adjusted EBITDA does not reflect cash expenditures, or future requirements for capital expenditures or contractual commitments. Further, Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs, and although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised are likely to be replaced in the future and Adjusted EBITDA does not reflect cash requirements for such replacements.

Adjusted EBITDA eliminates differences in performance caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of net operating losses against which to relieve taxable profits), the cost and age of tangible assets (affecting relative depreciation expense) and the extent to which intangible assets are identifiable (affecting relative amortisation expense). As a result, we believe that Adjusted EBITDA provides useful information to understand and evaluate the Group's operating results.

The reconciliation between profit after tax for the year and Adjusted EBITDA for the years ended 31 December 2022, 31 December 2021 and 31 December 2020 is provided below:

£m	2022 £m	2021 £m	2020 £m
Profit after tax	**1,119**	**1,439**	**1,181**
Add Back: Income tax	**499**	197	410
Less: Finance income	**(51)**	(17)	(20)
Add Back: Finance expense	**258**	19	27
Operating profit	**1,825**	**1,638**	**1,598**
Net amortisation and impairment of intangible assets	**172**	16	97
Restructuring costs	**41**	195	411
Transaction-related costs	**8**	–	91
Separation and admission costs	**411**	278	66
Disposals and others	**15**	45	(189)
Adjusted operating profit	**2,472**	**2,172**	**2,074**
Add Back: Depreciation of property, plant and equipment	**142**	139	167
Add Back: Depreciation of right of use assets	**38**	35	48
Add Back: Amortisation of computer software	**64**	54	40
Add Back: Impairment of property, plant and equipment, rights of use assets and computer software net of impairment reversals	**14**	13	22
Adjusted EBITDA	**2,730**	**2,413**	**2,351**

Use of non-IFRS measures continued

Free cash flow

Free cash flow is calculated as net cash inflow from operating activities plus cash inflows from the sale of intangible assets, the sale of property, plant and equipment and interest received, less cash outflows for the purchase of intangible assets, the purchase of property, plant and equipment, distributions to non-controlling interests and interest paid.

We believe free cash flow is meaningful to investors because it is the measure of the funds generated by the Group available for distribution of dividends, repayment of debt or to fund the Group's strategic initiatives, including acquisitions. The purpose of presenting free cash flow is to indicate the ongoing cash generation within the control of the Group after taking account of the necessary cash expenditures for maintaining the capital and operating structure of the Group (in the form of payments of interest, corporate taxation and capital expenditure).

The reconciliation of net cash inflow from operating activities to free cash flow for the years ended 31 December 2022, 31 December 2021 and 31 December 2020 is provided below:

£m	2022	2021	2020
Net cash inflow from operating activities	**2,063**	1,356	1,407
Less: Net capital expenditure[1]	**(292)**	(149)	612
Less: Distributions to non-controlling interests	**(48)**	(35)	(31)
Less: Interest paid	**(163)**	(15)	(19)
Less: Interest received	**19**	16	19
Free cash flow	**1,579**	**1,173**	**1,988**

[1] Refer to Net capital expenditure below for calculation.

Free cash flow conversion

Free cash flow conversion is calculated as free cash flow, as defined above, divided by profit after tax. Free cash flow conversion is used by management to evaluate the cash generation of the business relative to its profit, by measuring the proportion of profit after tax that is converted into free cash flow as defined above.

The reconciliation of free cash flow conversion for the years ended 31 December 2022, 31 December 2021 and 31 December 2020 is provided below:

£m	2022	2021	2020
Free cash flow	**1,579**	1,173	1,988
Reported profit after tax	**1,119**	1,439	1,181
Free cash flow conversion	**141%**	**82%**	**168%**

Net capital expenditure

Net capital expenditure includes purchases net of sales of property, plant and equipment and other intangible assets. Net capital expenditure is used by management to measure capital invested in the operating activities of the Group's business.

The reconciliation of net capital expenditure for the years ended 31 December 2022 and 31 December 2021 is provided below:

£m	2022	2021	2020
Purchase of property, plant and equipment	**(304)**	(228)	(222)
Proceeds from sale of property, plant and equipment	**-**	12	6
Purchase of intangible assets	**(24)**	(70)	(96)
Proceeds from sale of intangible assets	**36**	137	924
Net capital expenditure	**(292)**	**(149)**	**612**

Net debt

Net debt at a period end is calculated as short-term borrowings (including bank overdrafts and short-term lease liabilities), long-term borrowings (including long-term lease liabilities), and derivative financial liabilities less cash and cash equivalents and derivative financial assets.

We analyse the key cash flow items driving the movement in net debt to understand and assess cash performance and utilisation in order to maximise the efficiency with which resources are allocated. The analysis of cash movements in net debt allows management to more clearly identify the level of cash generated from operations that remains available for distribution after servicing the Group's debt. In addition, the ratio of net debt to Adjusted EBITDA is used by investors, analysts and credit rating agencies to analyse our operating performance in the context of targeted financial leverage.

The reconciliation of net debt to the different balance sheet items as at 31 December 2022 and 31 December 2021 is provided below:

£m	2022	2021
Short-term borrowings	(437)	(79)
Long-term borrowings	(10,003)	(87)
Derivative financial liabilities	(206)	(19)
Cash and cash equivalents	684	414
Derivative financial assets	94	17
Net debt[1]	**(9,868)**	**246**

[1] The sum of the Group's cash and cash equivalents and derivative financial assets exceeded the sum of its short-term borrowings, long-term borrowings and derivative financial liabilities as at the year ended 2021 (a net cash position).

Our approach to risk

We understand the challenges and uncertainties we face and take a proactive approach to risk management to maximise opportunities, drive informed commercial decision-making, and protect our people and assets.

Risk management framework

At Haleon, continual assessment and management of risk is embedded in our strategy to achieve our long-term goals. The nature of these risks is diverse, and we need to have the appropriate processes and tools to identify risks before they materialise.

We have implemented a risk management framework which ensures accountability for the identification, assessment, monitoring and mitigation of risks aligned with the strategic objectives of our new global company. The framework supports information flow and open communication between the Board, the Audit & Risk Committee (ARC), the Executive Team, our functions, business units, markets and sites.

Our Internal Control Framework (ICF) defines the essential elements of the Group's risk management and compliance programmes, ensuring risks associated with conducting business activities are effectively controlled, in line with the Board's risk appetite and compliance with regulatory requirements.

The ICF is aligned to the Three Lines of Defence model which assigns roles and responsibilities for risks and controls within Haleon. Our business leaders are responsible for risk management and control execution (First Line of Defence). Management is supported by dedicated risk, control and compliance functions providing expertise, oversight and management monitoring (Second Line of Defence). Our internal audit function (Third Line of Defence) independently and objectively assesses the adequacy and effectiveness of our risk management programme and the ICF.

Risk governance

The Board has ultimate accountability for managing the Group's risks and setting our risk appetite in line with our strategic objectives. The Board ensures appropriate oversight through various mechanisms, including strategy meetings, management reports and reviews of selected risk areas.

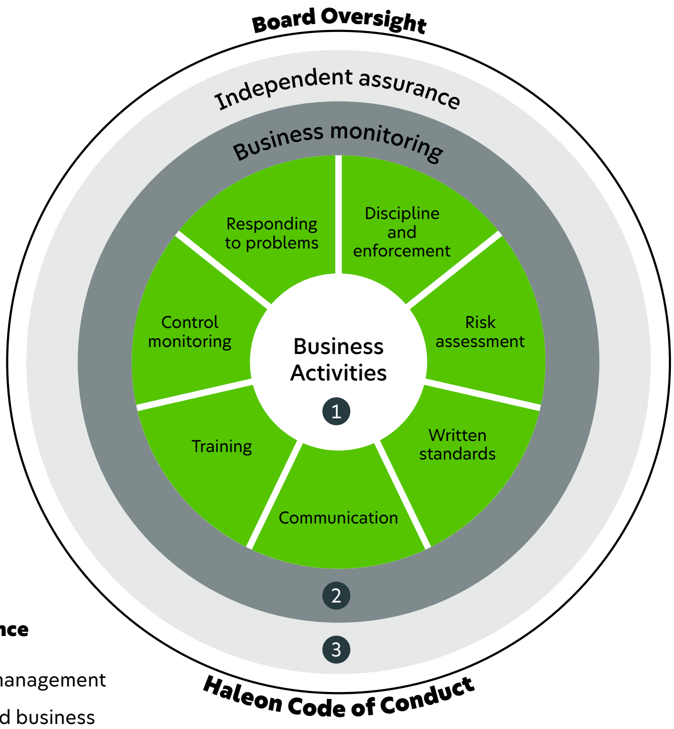
To assist the Board in discharging its responsibilities, the ARC is responsible for reviewing and assessing the effectiveness of the Group's risk management and internal control systems, covering the Group's principal risks, financial and operational controls and procedures.

The Executive Team is joined by the Heads of Audit & Risk and Ethics & Compliance to form the Enterprise Risk and Compliance Committee (ERCC). The ERCC meets quarterly and ensures that risks are adequately managed and the risk management framework is effectively deployed throughout the Group. The ERCC discusses principal and emerging risks, including reviewing industry trends, regulatory developments, high-profile incidents, and critical audit findings. Each principal risk is owned by an ERCC member, who is accountable for designing and implementing risk mitigation strategies and regularly reporting risk updates to the ARC and ERCC.

At a functional, business unit, market and site level, regular Compliance and Risk Forum (CRF) meetings ensure a more granular review of the enterprise risks and operationalise the strategies defined by the ERCC. These governance forums provide the ERCC with the bottom-up escalation of risks and issues, reporting on risk mitigation plans, and corrective and preventative actions to address issues. As such, communication and adequate reporting remain essential to ensure Haleon's leaders keep a sound risk culture and are kept informed to allow swift decisions and meaningful actions.

An annual management confirmation review across each business unit and function ensures key risks are well managed and that corrective and preventative actions are in place to address any significant gaps.

Internal Control Framework



Three Lines of Defence

1. Risk taking and management
2. Risk oversight and business monitoring
3. Independent assurance

Assessing risk

We continuously assess and evaluate the risks posed by the changing environments in which we operate to ensure an appropriate, measured, and timely response by considering potential impacts and most likely scenarios.

In 2022, we conducted our first annual enterprise risk assessment (ERA), which gave us a top down, strategic view of risk at the enterprise level. This assessment included a risk survey with our top 40 leaders, followed by interviews with Board and Executive Team members to identify and evaluate both current and emerging risks, and to inform the 2023 internal audit plan. The ERA outcome also reflects on whether we think the impact and likelihood associated with each of our principal risks are increasing or decreasing.

The top-down process is complemented by horizon scanning to identify external trends, and inputs from Compliance and Risk Forums at all levels of the organisation help us identify opportunities and/or emerging risks.

The ERA results have been shared with the Audit & Risk Committee and the Board to confirm the principal risks and agree on the Group's risk management priorities for 2023.

Our principal risks

The Board considers the following principal risks to be the most significant risks faced by the Group, including those that can materially impact our performance and/or reputation and could threaten our long-term business model or liquidity. They are not listed in any particular order and do not comprise an exhaustive list of risks associated with the business. While the Directors have carried out a robust assessment of these risks, additional risks not known to the Board or assessed to be less significant may also materialise and result in an adverse effect on the business. Following demerger, the Board no longer considers separation and listing related issues as a principal risk.

Risks recorded in the June 2022 Prospectus and the half year results have been incorporated into the Group's risk management framework, where applicable post listing. Haleon also faces other enterprise risks that we manage as part of our integrated risk management framework, such as employee health and safety, regulatory and legal compliance, product quality and safety.

Strategy key
- 1 Increase household penetration
- 2 New and emerging opportunities
- 3 Strong execution and financial discipline
- 4 Responsible business

Trend key
- ↑ Increasing risk
- ↓ Decreasing risk
- ↔ Unchanged

Principal risk and link to strategy	Description and risk development	Mitigation
1 2 3 4 **Growth model** Our success depends on our ability to identify and explore business opportunities to deliver organic growth. ↔	The risk of not meeting our medium-term organic growth objectives means that we could become less relevant, resulting in erosion of shareholder value and damage to our reputation as a leading consumer health business which can ultimately jeopardise our prospects as a standalone company. As one of the fastest growing and most resilient consumer staples within FMCG segments, the consumer healthcare market will continue to attract competitors at a global and local level. This exposes us to the risk of our product portfolio not being aligned to consumer needs or demands, and innovation not being responsive to competitor offerings, changes in consumer preference or market structure. In addition, the risk of increasing customer concentration, market consolidation and shifts in sales channel structures can lead to increasing pressure on pricing, margins and product distribution.	We have implemented a clear strategy to achieve our organic growth objectives by increasing household penetration and capitalising on new and emerging opportunities. This is underpinned by detailed category, brand and market strategies. We continuously review and benchmark our performance against competitors, analysing internal and external data when performing our annual business planning and budgeting process, and monthly business reviews. Our business unit leaders are aligned to execute our growth strategy, capitalising on our Power Brands and expanding them across geographies and leading markets. This approach has simplified the forecast and demand planning process while keeping discipline in pricing drivers across markets and driving efficient commercial execution. Global and local teams are mobilised and functioning to deliver effective growth across all product portfolio categories. We continue to foster trust when engaging with Health Professionals leveraging expert advocacy and delivering multi-channel experiences through the Haleon HealthPartner portal. We remain resilient in our value proposition across sales channels, exploring opportunities in established routes to market and working to grow the e-commerce presence through investments in our digital capabilities. >> See Our business model from page 10.

Our approach to risk continued

Principal risk and link to strategy	Description and risk development	Mitigation
3 4 **People and organisation** Talent attraction and retention is pivotal towards a Haleon fit for the future. ↔	The risk of being unable to attract, develop and retain a diverse range of skilled employees means we could miss our strategic objectives and downgrade our corporate reputation in a highly competitive market. Employee requirements have evolved to include hybrid ways of working as a consequence of COVID-19. If we do not promote and execute talent recognition, career progression and people engagement, we will not be successful in establishing our employer position. Failing to pursue a fit for the future, efficient organisation in a fast-paced environment could impair the achievement of our objectives and prevent employees from realising their full potential. >> See Our people on page 26.	We continuously work to attract and retain the best talent. Our first Haleon employee survey saw high-level participation (82%) and provided valuable insights that will drive our actions. We have developed and launched our Haleon Leadership standards and a new approach to talent management. Further, we are have implemented a new competitive approach to performance management and long-term incentives (LTI) to reward our talent. We implemented a global hybrid working model and are launching other progressive measures to enable work flexibility. Our Employer Value Proposition initiatives through social media channels further develop our corporate brand and reputation. As a modern employer, our purpose is central to everything we do. It continuously shapes the brand, community and employee strategies with DEI and running a responsible business acting as pivotal commitments. We continue to embed our culture and develop our structures towards a rewarding workplace that delivers a fit for the future consumer organisation focused on simplification and investment for growth.
2 4 **Trusted ingredients** Haleon's brands must reflect trusted science and ingredients to consumers. ↔	The risk of not pursuing best-in-class science or not monitoring and responding to emerging ingredient data and changes in consumer perception of product ingredients has the potential to negatively impact our brands and reputation. There is increased regulatory and public scrutiny of the safety, purity and potential environmental impact of ingredients in healthcare products. Failure to actively monitor ingredient-related risks and address emerging ingredient regulations and industry and market trends can negatively impact our business and reputation. Among our priority areas: responsible practices to address active pharmaceutical ingredients in the environment; appropriate use of titanium dioxide inclusive of nanomaterials; and monitoring the potential for nitrosamine formation in our products. We take these responsible business actions to ensure our products are safe when used as directed and compliant with existing regulations. >> See The Group may incur liabilities or be forced to recall products as a result of real or perceived product quality or other product-related issues on page 205.	Our approach and success as a global consumer health company is underpinned by our understanding of the evolving science of ingredients and deep human understanding of consumer needs and preferences. We have extensive controls in place designed to evaluate benefits and risks and identify potential concerns about ingredients. Whenever we introduce a new ingredient into our portfolio, we conduct an independent evidence-based review of the ingredient's safety. We manage ingredient-related risks through an established Trusted Ingredients Framework, enabling us to collect intelligence from multiple external sources, anticipating and detecting early signals to inform our approach and action plans to tackle ingredient risk. We have cross-functional dedicated resources across Haleon that provide expertise in informing our choices of active ingredients and excipients/additives. We actively participate in industry associations to gain insights and to impact the environment we operate in for the benefit of consumers. >> Find more information on Haleon's Trusted ingredients, sustainably sourced on **www.haleon.com**.

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Principal risk and link to strategy	Description and risk development	Mitigation
1 2 3 4 **Supply chain resilience** Continued challenges to our supply chain capacity test our resilience to ensure we meet increasing customer demand. ↑	The risk of supply disruption or constraints in our global sourcing and supply network due to external or internal factors or insufficient capacity leading to the inability to meet customer demand and desired service levels. Several of our manufacturing sites are heavily utilised, especially for the production of Panadol, for which customer demand has doubled over the last five years. In 2022, we faced unprecedented demand uplift for Panadol and other cold and flu products due to a very strong season in the US and Europe and China's COVID-19 strategy change, which has impacted our ability to achieve our desired customer service level. The end-to-end supply chain has also been impacted by rising commodity and energy costs. While our consumer health portfolio has proven to be less exposed to cost increases than other consumer staples businesses within FMCG, this remains a key area of focus and requires procurement and value management activities.	We are working to grow our capacity to respond to future needs and deliver to customers efficiently while adhering to local regulations and safety standards. We continue to invest in internal and third-party capacity and alternate raw material suppliers. This includes significantly increasing our cold and flu manufacturing capacity compared to pre-COVID-19 levels, installing additional Panadol packaging lines in our manufacturing sites in Ireland and Malaysia, and further regionalising our supply base. Similarly, we have implemented dual sourcing for the most critical raw materials to increase supply chain resilience and accommodate changes in our portfolio and geopolitical and market conditions. The programme is dynamic and is expected to further mature in 2023 and beyond. Crisis and business continuity management plans are in place and tested every year with different scenarios. These are opportunities for continuous improvement, enabling teams to respond to incidents. We rely on transparent team communication to support swift decision-making towards recovering critical business functions and assets after a disruption. Such a structured approach allowed an effective response to severe weather event disruption in sites (e.g. the Puerto Rico hurricane and Pakistan floods).
2 4 **Environmental, social and governance** Sustainability and climate-related risks are integrated into our business and investment decisions. ↑	The risk of missing our responsible business goals could materially damage our reputation leading to significant financial losses. This is because responsible performance is critical to our investors, customers, consumers and employees. We are partially reliant on infrastructure changes and external factors to achieve our goals. Important dependencies include the pace at which global energy supplies switch to renewables, the recycling industry developing technology to recycle small formats, the availability of responsibly and sustainably sourced or recycled materials and the rapidly changing regulatory and legislative environment. The uncertain nature of climate change, governmental response and consumer behaviour bring additional challenges and opportunities.	Our responsible business strategy is central to Haleon's purpose, underpinned by robust Executive Team sponsorship and governance processes. When setting our responsible business goals, we completed detailed analyses, benchmarking, and materiality assessments to ensure that our goals were ambitious, relevant, and achievable. Our responsible business goals cover the key areas of carbon, plastics/packaging, responsible, sustainable sourcing, waste, water and health inclusivity. We have developed collaborative relationships with external partners and organisations to find solutions for complex interconnected issues. We are proactively working on health inclusivity initiatives representing opportunities to build relevance and loyalty through our brands with customers and consumers. >> See Environment page 24 and TCFD disclosures from page 28.

Strategy key

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Our approach to risk continued

Principal risk and link to strategy	Description and risk development	Mitigation
4 **Cyber security** Haleon's operations depend on robust and secure IT systems and information management.	The risk of a major disruption to our IT systems, including through cyber attacks, could materially impact our operations, harm our reputation and lead to significant financial losses. Cyber security threats with misuse of sensitive information and unauthorised access attempts continue to grow in number, velocity, and sophistication. As our activities rely on digital services, such adversity could disrupt our global business, our research and development, supply chain and sales, ultimately impacting our results. The likelihood of such threats is increasing due to our extended public profile as a large new organisation. We therefore regard cyber security as a key risk and continue to respond accordingly.	We remain focused on ensuring Haleon operates with secure, resilient IT systems and manages information adequately. We operate and continuously improve the maturity of our Technology Control Framework. In addition, we have embedded best-in-class tooling in areas such as identity and access management, vulnerability management, endpoint protection, and logging and monitoring. We are harnessing a resilient, cloud-first architecture to identify and remove dependencies on individual components and locations, reducing outages in our most critical applications. We monitor key risk indicators covering end-to-end cyber security to facilitate targeted intervention as necessary. We engage leading external organisations to optimise our cyber defences and the maturity of our operating practices. This includes regular assurance of our cyber maturity, independent security and penetration testing and crisis response tabletop exercises.
2 3 4 **Geopolitical instability** Our operations benefit from a reliable and cooperative global environment.	The risk of current and increasing geopolitical tensions could destabilise key markets, impair our ability to conduct our globally connected business, challenge the exchange of products and services, and restrict the movement of talent. The Russian invasion of Ukraine has resulted in additional supply and pricing uncertainties in tight energy and commodity markets. International cooperation remains under pressure, including the increasingly complex political relationship between China and the US, our two largest markets, which may hinder the prospects of current trade deals and increase retaliation. Increased sanctions, other supranational guidelines and the imposition of tariffs raise our risk profile and could lead to severe trade disruptions, cash flow constraints, and restricted opportunities for strategic growth.	The consideration and effective mitigation of geopolitical risks has become a critical factor within our continuity planning for both our internal resilience and the resilience of our extended supply chain. We remain vigilant in monitoring the geopolitical trends and how they are likely to impact our business from a people, cashflow and access to products perspective. Our leadership teams are connected to assess the robustness of crisis management and business continuity plans which are in place for all key markets and sites. We apply scenario analysis in our planning processes to assess potential impacts. Our trade compliance and sanctions teams monitor upcoming changes in regulation and oversee import and export activities. Alongside the global community, we share the deep concern about the ongoing war in Ukraine. We continue to take actions guided by our purpose to deliver better everyday health with humanity, putting our employees' safety, security and wellbeing first. We remain focused on ensuring access to our essential health products and providing humanitarian support. In Russia, we stopped advertising in March 2022, reduced our portfolio and prioritised importing our medicines. To the best of our knowledge, we fully comply with all applicable global sanction requirements.

Emerging risks

We define emerging risks as uncertainties or potential disruptors that have not yet crystallised into specific risks whose potential impact is difficult to predict. Emerging risks are reviewed by the Board alongside our principal risks.
Macroeconomic uncertainty represents challenging conditions that affect the economies where we operate.
For instance, significant increases in energy costs and inflationary pressures, including materials, wages and transportation costs, may adversely impact consumer behaviours and our cost structure. A continued rise in interest rates could result in higher financing costs and cash outflows. As governments and Central Banks seek to address budget challenges, changes to the fiscal and monetary policies may lead to unexpected tax exposure for the Group. Fluctuations between trading currencies introduce exposure to transactional and translational currency risks.

While global financial institutions cannot accurately predict a medium-term economic outlook, a macroeconomic downturn in key markets remains an uncertain scenario for 2023. We remain proactive and vigilant in monitoring the financial conditions and assessing the potential impact of these scenarios on our business model and financial targets.

>> See also Run a responsible business from page 21, Our people page 26, TCFD from page 28 and Risk factors from page 202.

>> See Audit & Risk Committee Report from page 74.

Viability statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Group by considering the activities and principal risks together with factors likely to affect the Group's future development, performance, financial position, cash flows, liquidity position and borrowing facilities as described in the Annual Report.

The Directors' assessment of viability has been made over a three-year period, which corresponds to the Group's planning cycle. Additionally, the Directors believe this presents the readers of the Annual Report with a reasonable degree of confidence over the period assessed.

The assessment considered the Group's prospects related to revenue, operating profit and free cash flow. The Directors considered the maturity dates for the Group's debt obligations and its access to public and private debt markets, including its committed credit facilities. The Directors also carried out a robust review and analysis of the principal risks facing the Group, including those risks that could materially and adversely affect the Group's business model, future performance, solvency and liquidity.

Stress testing was performed on a number of scenarios, including the potential impact of severe but plausible scenarios over the viability period for each potential combination of principal risks identified below. In total, four individual scenarios have been created incorporating a combination of principal risks, with a fifth collective scenario, which combines all the individual scenarios. Mitigating actions for such scenarios include reducing A&P spend, reducing capital spend, pausing M&A activity and cancelling shareholder dividends.

Based on the assessment described above and considering the Group's current financial position, debt maturity profile, stable cash generation, access to liquidity, geographic diversification and lack of concentration of supply, the Directors have a reasonable expectation that the Group is well positioned to manage principal risks and potential downside impacts of such risks materialising, and that the Company will be able to continue in operation and meet its liabilities as they fall due over the assessment period.

Scenario modelled	Key assumptions	Link to principal risks
Scenario 1: A breakdown of a major manufacturing site resulting in a closure of the site for 18 months and causing a disruption to the supply chain increasing commodity, freight and labour costs and a Group-wide cyber event which would cause lost sales for two weeks.	- Decrease in net revenue and gross profit as a result of a loss of product sales. - Increase in commodity, freight and labour costs of other manufacturing sites.	- Supply chain resilience. - Trusted ingredients. - Environmental, social & governance. - Cyber security.
Scenario 2: No sales price increases and volume growth over the forecast period across all product categories to reflect slower economic growth and competitor activity.	- No price increases and forecasted growth, with a corresponding impact on cost of goods sold due to lower volumes.	- Growth model. - Geopolitical instability. - Macroeconomic uncertainties (emerging risk).
Scenario 3: Other sensitivities to reflect inflationary pressure, foreign currency volatility, interest and tax risks, geopolitical risks (Russia-Ukraine) and inability to refinance.	- Increase in tax charges resulting from an increase in the effective tax rate of 5%. - No revenue and operating profit generated from Russia, Ukraine and Belarus across the plan period. - Failure to refinance bonds in 2025. - Double interest costs on floating rate debt bonds. - Depreciation of pound sterling against major local currencies impacting the Group by 5%.	- Geopolitical instability. - Macroeconomic uncertainties (emerging risk).
Scenario 4: A significant incident that leads to a product recall and reputational damage of a key brand resulting in nil sale of products from this brand for six months.	- 75% decrease in sales and operating profit for a Power Brand for six months. - Write off all inventories relating to the product of the above Power Brand. - Additional investment in A&P to rebuild the brand.	- Growth model. - Supply chain resilience. - Trusted ingredients.
Scenario 5: Combination of all the above scenarios together with mitigating actions that could reasonably be implemented.	- Reduced A&P spend, reduced capital spend, pause in M&A activity, and cancellation of shareholder dividends.	- All the above risks.

Statement of compliance

Section 172 statement

Details of how the Directors have had regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006 is provided on page 71.

Non-financial and sustainability information statement

Non-financial and sustainability information, including a description of policies, due diligence processes, outcomes and risks and opportunities can be found as set out below. Internal verification and disclosure controls apply to all the information covered in these areas.

>> Key policies are available at **www.haleon.com**

The Strategic Report on pages 2 to 62 was approved by the Board on 20 March 2022.

Amanda Mellor,
Company Secretary