Strategic Report 2018

Creating sustainable value for all

PZ Cussons is a dynamic consumer products group and innovator of some of the world's best known and loved brands.

For more than 130 years, we have operated in selected developed and emerging markets that present the greatest strategic potential for future growth. Our agile operating model and world class supply chain and distribution networks enable us to meet consumer needs and deliver quality brands that add value and enhance everyday lives.

Why we exist

Purpose: Why we exist, our cause – the reason we come to work every day and our promise to consumers, customers, employees and the communities we serve. Enhancing everyday life, creating moments of delight.

Our ambition

Vision: To grow our business while staying true to our authentic family spirit.

Focusing on our consumers and local markets better than anyone else so we can respond quickly.

Because we want to leave a legacy for the next generation that we can all be proud of.

What we value

CANDO!: Our purpose and vision are underpinned by our CANDO values, which are at the core of PZ Cussons. They are the attributes that describe our culture and make us unique. These values are inspired by our founders' spirit and vision for the Company and are integral to the way we do business.

How our values are realised

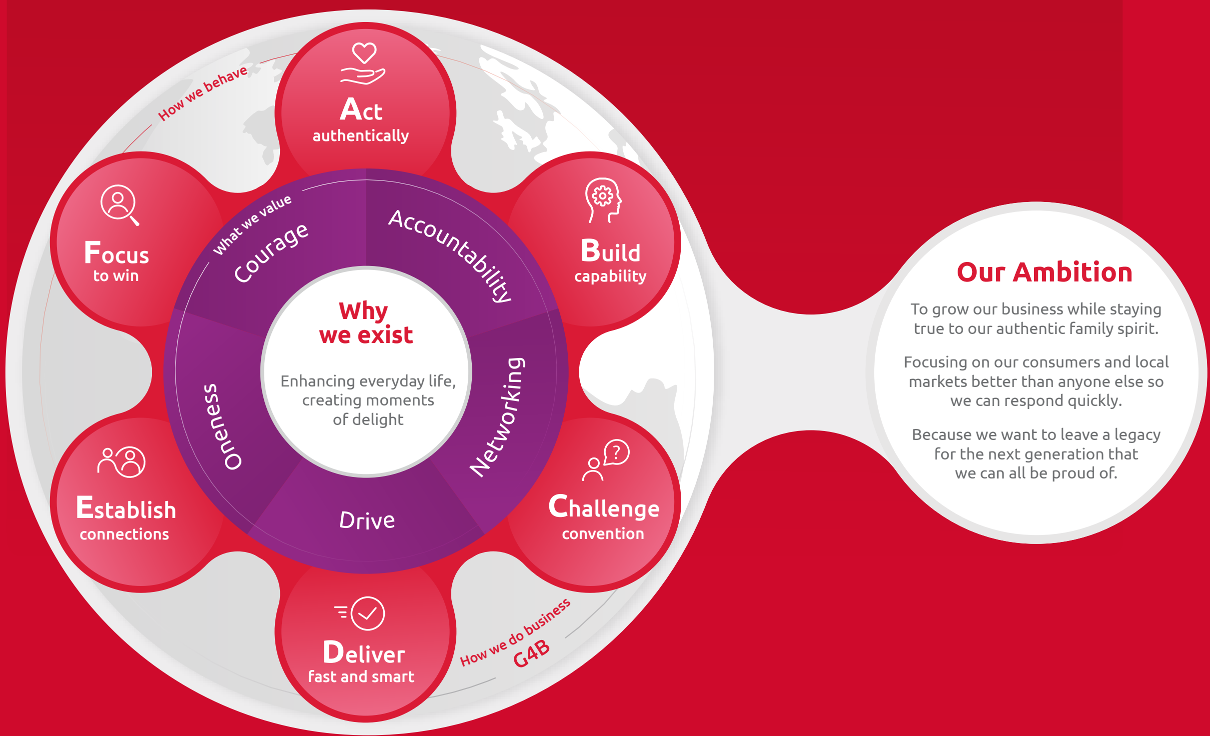
Behaviours: To help us thrive as a business and in our individual roles, our CANDO values are realised by demonstrating our behaviours. They dictate the ways of working and operating that will enable us to achieve our vision.

How we do business

Good4Business: We grow sustainably by being a force for positive change. Through the products we sell, the way they are designed, manufactured and packaged, and the contributions we make to our communities, we create shared value for all.

Everything we do is Good4Business – creating shared value for all through a focus on:

- Business Governance & Ethics;
- Environment;
- Sourcing; and
- Community & Charity



Contents

Our 2018 Report

Our Annual Report is split into two distinct reporting sections: a Strategic Report, and Governance and Financial Statements. These documents are to be read in conjunction with each other.

Strategic Report

The Strategic Report takes a strategic look at how the Group operates and provides insight into our strategy, business model, people and vision.

Governance and Financial Statements

The Governance and Financial Statements provides an in-depth analysis of the Group's annual results and governance processes.

Online

Digital, downloadable copies of the two reports are available online at:

www.pzcussons.com

Financial Highlights
Group-wide initiatives underway to strengthen brand portfolios

- Adjusted profit before tax lower than the prior year largely due to poor performance in Nigeria as a result of the macroeconomic situation
- Brand shares maintained or growing in most of the Group's major markets and categories
- Group-wide initiatives underway to strengthen brand portfolios and reduce cost base
- Strong balance sheet with net debt at 1.5 x EBITDA[6]
- Dividend maintained at prior year level

	Year ended 31 May 2018	(Restated)* Year ended 31 May 2017	Reported % change	Constant currency % change[3]	Like for like % change[4]
Adjusted results (before exceptional items[1])					
Revenue[2]	**£762.6m**	£809.2m	(5.8%)	(2.3%)	(2.3%)
Adjusted operating profit	**£85.7m**	£104.8m	(18.2%)	(15.9%)	(15.9%)
Adjusted profit before tax	**£80.1m**	£102.0m	(21.5%)	(19.0%)	(19.0%)
Adjusted basic earnings per share	**13.39p**	16.42p	(18.5%)		
Statutory results (after exceptional items[1])					
Revenue[2]	**£762.6m**	£809.2m			
Operating profit	**£72.2m**	£89.3m			
Profit before tax	**£66.6m**	£86.5m			
Basic earnings per share	**11.41p**	14.91p			
Total dividend per share	**8.28p**	8.28p			
Net debt[5]	**(£165.4m)**	(£143.8m)			

* Restated to reflect a change in accounting policy in relation to recognition of pension surpluses as further described in Note 1 of the Consolidated Financial Statements.

1 Exceptional items before tax (2018: costs £13.5m; 2017: costs £15.5m).

2 Revenue has been stated excluding joint ventures revenue of £141.6m (2017: £156.9m).

3 Constant currency comparison (2017 results retranslated at 2018 exchange rates).

4 Like for like comparison after adjusting 2017 for constant currency. There were no acquisitions or disposals in the current or prior year.

5 Net debt is defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings.

6 EBITDA (as used in this ratio calculation) is defined as statutory operating profit before charges for depreciation and amortisation for the 12 months to the reporting date, in this case the 12 months to 31 May 2018.

Chair's Statement
Growing and maintaining market share

"We remain focused on our innovation but with a sharpened lens on fewer, bigger, higher margin product launches"

Business performance

Whilst the Group has delivered good profit growth in Asia and a creditable result in Europe, macro conditions in Nigeria have resulted in a sharp decline in Africa profits for the year and hence a disappointing result for the Group as a whole.

Within Africa, and in particular Nigeria, it is important to note that there has been no structural change in the landscape of the categories in which we operate. We remain proud of our brand portfolios across Personal Care, Home Care, Electricals and Food & Nutrition and of our extensive manufacturing and logistics capability, and many of our brands have strengthened their No.1 or No.2 positions during the last year. However, a sustained lack of liquidity at both consumer and trade level has resulted in a significant contraction in the size of the market, resulting in lower volumes, prices and margins. In the absence of an indication as to when liquidity in Nigeria may improve ahead of the February 2019 general elections, we are taking steps to optimise further our overall product portfolio and to reduce our cost base.

Within Asia, our businesses in Australia and Indonesia have made sound progress in the year, setting good foundations for growth in the years to come.

In Europe, good growth in the Group's Beauty division has helped to partially offset the more challenging trading conditions faced in the UK Washing and Bathing division.

Furthermore, for all markets, we remain focused on innovation but with a sharpened lens on fewer, bigger, higher margin product launches that will differentiate further our brands, as well as a further reduction in overheads through optimising our operating model.

Outlook

The Group's balance sheet remains strong and we will continue to evaluate growth opportunities utilising the Group's brand portfolio and distribution capability.

Whilst we expect another challenging year ahead, the business is well placed to return to growth and consequently the Board has maintained the full year dividend.

Finally, I would like to take this opportunity to thank all of the Group's employees for their hard work and dedication. Their skill, resilience and commitment will be essential to our future growth and success and is very much appreciated by my fellow Directors and me.

Caroline Silver
Chair
24 July 2018

Chief Executive Officer's Review

Strengthening our portfolio amidst tough trading conditions

"Our renovation strategy keeps our brands alive and relevant to our international consumers, helping us to hold and grow brand shares in most of the Group's main markets and categories"

Review of the Year

It has been an extremely challenging year for the Group. Trading conditions in our largest market Nigeria have been the toughest we have experienced for many years. In our second largest market the UK, a tightening retail landscape significantly affected the performance of our Washing and Bathing division.

Nevertheless, brand shares in all our markets, including the UK and Nigeria, remain strong, demonstrating that our lower results have mainly arisen from the impact of macroeconomic factors.

However, we cannot simply wait for these macro conditions to improve and therefore a number of initiatives are underway to strengthen our brand portfolio and reduce our cost base.

Initiatives

- A further optimisation of the Group's operating model. This will reduce the overhead base, as well as improve the speed at which new products are brought to market. The cash cost will be circa £10m over the next two years, offset by lower capital expenditure requirements.
- A detailed review of the Group's product portfolio in Nigeria across the Home and Personal Care (HPC) and Nutricima milk businesses. The objective is to restore margins in the HPC business and restore the Nutricima business to profitability.
- A re-prioritisation of the Group's new product pipeline in all markets to focus on fewer, bigger projects requiring lower levels of complexity.
- A review of product costs across all categories with a focus on areas such as packaging reduction and in conjunction with a drive to reduce plastic consumption.
- An evaluation of other growth opportunities utilising the Group's product portfolio and distribution capability.

The Future

Despite the disappointing results for the year, the Group is energised to pursue the initiatives set out above and return the business to sustainable profitable growth.

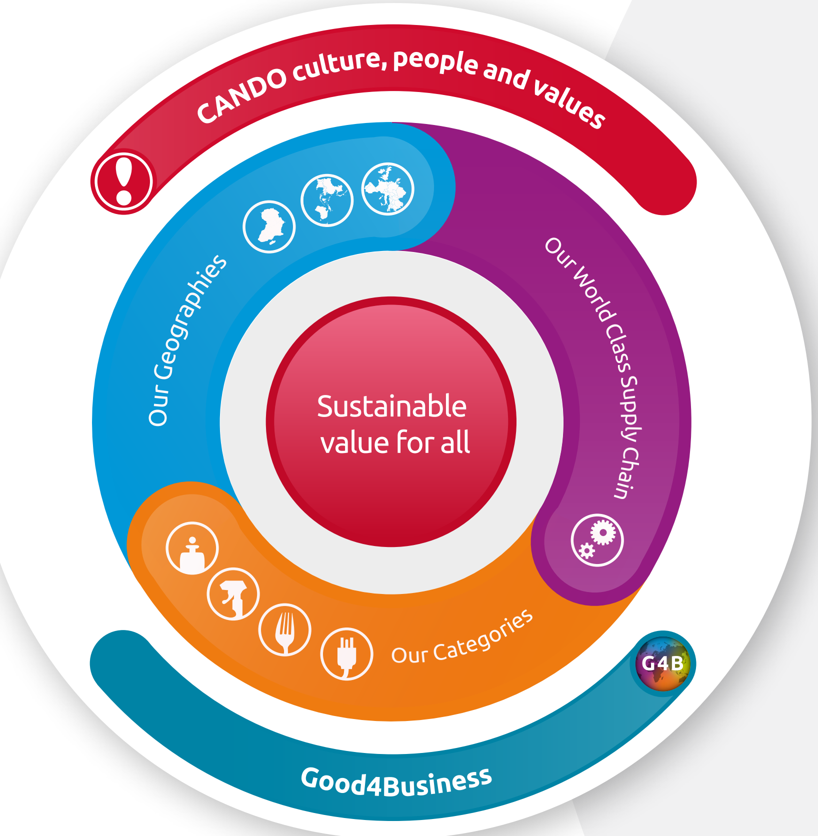
The CANDO spirit and determination of our people will allow us to successfully rise to this challenge and I am extremely proud of the potential that still lies ahead.

Alex Kanellis
Chief Executive Officer
24 July 2018


OCEAN
WAVES
bracing bergamot
& sea minerals
Cussons
IMPERIAL
LEATHER
foamburst
luxurious body wash
with
SKINNY DIP

Our Business Model

Creating value through our unique business model



Our Business Model

Our Geographies

Operations in a carefully selected balance of international geographies

- Africa: Nigeria, Ghana, Kenya
- Asia: Indonesia, Australia, Thailand, Middle East
- Europe: UK, Poland, Greece, US

Our Categories

Consumer brands, many of which occupy No.1 and No.2 leading market share positions in our four main categories

- Personal Care
- Food & Nutrition
- Home Care
- Electricals (Africa only)

Our World Class Supply Chain

Flexible supply chain capabilities reinforced by

- A modern factory footprint
- Excellent distribution networks

CANDO

Culture, people and values

- Living our CANDO values through our Behaviour Model

Good4Business

Further integration of sustainability throughout our business

- Business Governance & Ethics
- Environment
- Sourcing
- Community & Charity

Our Purpose

Enhancing everyday life, creating moments of delight.

Our Ambition

To grow our business while staying true to our authentic family spirit.

Focusing on our consumers and local markets better than anyone else so we can respond quickly.

Because we want to leave a legacy for the next generation that we can all be proud of.

Key Strategic Focus	Key Activities in FY18
Delivering growth and expansion across all our geographies with some delivering disproportionate growth and others delivering core growth	• Margin and cost base initiatives • Mitigation of cost increases through repricing and resizing • Expansion of Beauty in US geography
Leveraging our market-leading brands across all our categories	• Product innovation and renovation in all markets (read more on pages 14 & 15) • Improvement in product mix via new launches
Creating a world class supply chain to optimise business and operational efficiency	• Launch of energy saving Electricals in Nigeria (read more on page 18) • Full year benefit of SAP efficiencies across the Group
Driving our new ways of working that will enable us to achieve our ambition and deliver on our purpose	• Focus on talent development • Launch of new PZC Behaviour Model (read more on page 20)
Integrating Good4Business principles into our global operations	• Development towards securing long-term sustainable supply of palm oil • Creation of our "25 by 25" Plastic Promise (read more on page 41)

How we create value

For investors

Focus on sustainable dividend

Strong management structure

Stringent cost controls

For consumers

Innovative, quality market-leading brands

For employees

Living CANDO values

State-of-the-art factories and office facilities

And ensure sustainable growth

Good4Business policies, governance and strong business ethics

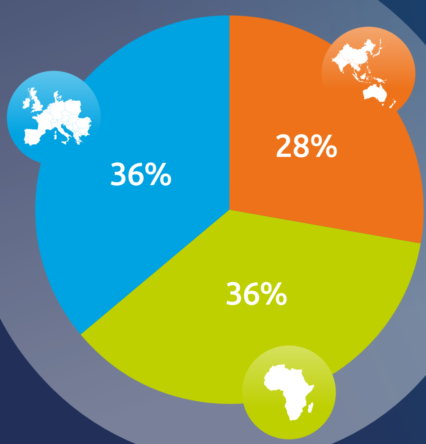
Our Geographies

Our diverse global operations…

We operate in a carefully selected balance of geographies in Africa, Asia and Europe.

Our largest markets are located in Nigeria, the UK, Indonesia and Australia.

Revenue by geography



Trading history

We have a long-standing trading history in all our markets and this plays a significant part in why we trade in the geographies that we do. In the Group's early days, our trade was focused solely on Africa, in particular West Africa, where our roots are deeply entrenched today. Within the African market we have operations in each of our four categories.

Our expansion into the diverse global balance of geographies in which we operate today started in the 1970s, through strategic acquisition when the Group expanded into new markets that included the UK, Australia and Kenya. This geographical expansion continued throughout the 1980s and 1990s into markets such as Poland, Thailand and Indonesia.

Maximising geographical opportunities

Our Group's business interests span the developed economies of the UK and Australia, as well as two of the world's largest emerging economies, Nigeria and Indonesia. Operating in both developed and emerging global economies helps us to balance our risk profile.

Over the years, strategic acquisitions have reduced our dependence on the Nigerian market. Careful rebalancing and expansion into new categories have provided us with a greater proportion of profit and cash flow from developed markets to balance the short-term volatility in emerging markets, which offer medium- and long-term growth opportunities.

We have built an effective model that enables us to capitalise on brand expansion opportunities as they arise in neighbouring geographies without establishing a significant presence on the ground. This model uses third party distributors and is working well for us within South East Asian markets for our Food & Nutrition products and also in the US and Canada for our Beauty ranges.


Europe
Revenue
£275.0m
(2017: £280.9m)
Read more on pages 32 to 33
Asia
Revenue
£212.0m
(2017: £222.7m)
Read more on pages 30 to 31
Africa
Revenue
£275.6m
(2017: £305.6m)
Read more on pages 28 to 29
UK
Poland
Greece
Middle East
Ghana
Nigeria
Kenya
Thailand
Indonesia
Australia
New Zealand

Our Geographies

…balancing local and global brand reach

Our diverse geographies spanning developed and emerging economies provide significant consumer and market knowledge, balancing local and global reach and providing opportunities for our Group brands.

St. Tropez launches first-to-market 1 Minute Tan

Building on the success of its In-Shower franchise, which revolutionised the tanning category, St. Tropez has this year launched the world's first 1 Minute Tan. Gradual Tan 1 Minute Pre-Shower Mousse offers a natural-looking light sunkissed glow, while seamlessly fitting into consumers' busy lifestyles. Simply apply, wait just one minute and shower as normal for the quickest way to a golden glow.

The patent-pending luxurious foam formula encapsulates 100% natural tanning actives and Rapid Rinse technology, to quickly penetrate the skin and develop over time, even after showering – and with regular everyday use, consumers are able to control their depth of tan to suit them.

Mamador enters the Margarine and Spreads category

As part of its Masterbrand development plan, Mamador has extended into the Margarine and Spreads category. Consistent with Mamador's positioning of 'Food Enjoyment without worries', in the new category, Mamador provides 'Triple Benefits of Health' (cholesterol free), a yummy buttery taste and is easy to spread to make breakfast enjoyable. Mamador will offer Classic and Low Fat Spread variants in two pack sizes. The mission for Mamador is to make breakfast in Nigeria healthy every day.

Cussons Baby Sensicare, expert care for sensitive baby skin

With an evidently growing number of babies born with sensitive and eczema-prone skin, Cussons Baby saw this as an opportunity to launch Cussons Baby Sensicare, a specialised premium range for sensitive skin. The range was developed using extensive consumer and technical research and was launched in 2018. With Derma-Soft™ complex, a combination of natural organic ingredients and ceramide, this product has been proven and approved by pediatricians and dermatologists. The range includes Gentle Hair & Body Wash, 24h Daily Moisturising Lotion and Intensive Soothing Cream.

Our Categories

No.1 or No.2 leading market share positions…

We create consumer brands to remember and enjoy and operate in four main categories where our brands have a distinct strategic advantage and occupy No.1 or No.2 leading market share positions.

Personal Care

In our Personal Care category we manufacture and sell bar soap, liquid hand wash, shower gel, skincare and haircare products in each of our Africa, Asia and Europe geographies.

The Group's Beauty division is included within this category with brands such as St. Tropez, Sanctuary Spa and Being by Sanctuary Spa.

In this category we have a diverse portfolio split into international, regional and local brands. An example of an international brand is Imperial Leather as this brand is marketed globally. Cussons Baby is one of our regional brands and is available within Asia and Africa. A local brand example is Venus, which is only marketed in Nigeria.

In all of our operating markets we aim to take advantage of the Group's supply chain and distribution synergies and, where possible, we market our brands across multiple geographies. We match the needs of our local, regional and international consumers to our brand portfolio, helping to balance the demand through group sourcing, including common formulations, packaging, fragrances and the fulfilment capabilities of our supply chain.

Home Care

Home Care

In our Home Care category we sell brands that fall into two segments: Dish Care and Fabric Care.

Dish Care

Our Dish Care brand is called Morning Fresh and is sold in most of our geographies. It is also an example of where we utilise our liquid production synergies across Personal Care and Dish Care.

Fabric Care

We have Fabric Care brands in both developed and emerging markets. The majority of the Group's Fabric Care brands of laundry soap and branded bulk and packaged washing powders are sold in our emerging markets, particularly in Nigeria. Examples of our main African brands are Canoe, Zip and Tempo. In our developed Australian market we have two Fabric Care brands, Radiant and Duo.

Electricals (Africa only)

Nigeria is the home of our Electricals operations and where we are in partnership with Haier, the world's largest producers of white goods. Products are sold under the brand names of Haier Thermocool and Thermocool and they are designed specifically for the African market. We are No.1 in Nigeria for refrigerators, freezers and washing machines.

To retail and market these products, we operate the largest electrical retail outlets in Nigeria through partnerships and also own Coolworld stores (instore and online retail lines). Our sales through Coolworld stores account for around 5% of total Electricals sales.

Food & Nutrition

Our Food & Nutrition category is where we have seen the most expansion in recent years, adding to our brand portfolio through acquisition. The focus in this category is on value-add nutritional or organic products and we have brands in three segments: dairy products, cooking ingredients and baby food.

Dairy products

Our largest dairy market is in Nigeria, served by our Nutricima business. Here we sell powdered, evaporated and UHT dairy-based products under the brands Nunu and Olympic.

Australia is the base for our other dairy business five:am, which we acquired in 2014. The core product range was originally organic yoghurt, however in the past year we have extended the portfolio to include granolas and smoothies.

Cooking ingredients

We have two cooking ingredients businesses, located in Nigeria and Greece. Our largest cooking ingredients operation is in Nigeria through our joint venture partnership with Wilmar International (PZ Wilmar). Here we sell cooking oil under the brands of Mamador and Devon King's.

Our food and cooking ingredients business in Greece operates under the Minerva brand and offers oils, spreads, vinegars and cheeses.

Baby food

Our baby food brand Rafferty's Garden was acquired in 2013 and is based in Australia. Our products are made from natural ingredients and sold in pouch format. The brand has successfully expanded its product range to include snacks and currently sells its product range in Australia, New Zealand and China.

Our Categories

...winning through innovation

We win by keeping our brands fresh and relevant for consumers through a programme of renovation and innovation.

Launch of Original Source Foaming Shower Gel

Mornings have got seriously foamy with the 2018 launch of new Original Source Foaming Shower Gel, promising our consumers a superior shower experience. Taking our unique gel-foam technology, as seen in Imperial Leather Foamburst, Original Source Foaming Shower Gel delivers '10x More Foam' than our regular shower gel, with 100% intense natural fragrances that pack a real punch. Following a successful launch in Germany, the UK has established strong distribution across all major retailers with four intense, natural fragrance variants.

Morning Fresh achieves 40% market share

Morning Fresh has continued to dominate as the category leader of manual dish wash in Australia, increasing market share for the third year running despite intense competition. Our communications campaign, the launch of premium Morning Fresh Ultimate, together with consumers up-trading from standard formulations to better performing concentrates has resulted in strong sales growth. After 38 years, Morning Fresh is still recognised as Australia's most trusted washing-up liquid, winning a suite of consumer-voted awards in 2018 such as Choice, Canstar and Reader's Digest.

HPZ delivers a win for consumers, the environment and the business

The Haier Thermocool brand has further developed its leadership position in the Electricals category by moving to more environmentally friendly refrigerant gases. Significant capital investment in our Nigerian manufacturing facilities was completed in July 2017 and we have now moved our full range of fridge freezers to R600a. This will bring benefits to consumers as they enjoy an up to 35% reduction in running costs due to increased energy efficiency. Our business has also benefited because the environmental and consumer benefits are now a key part of the selling proposition for the refrigerators and freezers in our Coolworld chain of stores. Taken together, this is a win for consumers, the environment and the business.

Rafferty's Garden strengthens leadership in baby food

In Australia, Rafferty's Garden continues to strengthen its leadership position in the baby food category through the continued partnership with parents, offering insightful products and support for every age or stage of their child's food journey. In FY18 new range launches included My First, a range of single ingredients designed for starting solids; cereal converted into convenient formats; and, in an innovative first, no-added-sugar yoghurt for children 6 months plus with 60% less sugar. In addition, the brand has continued our rapid expansion into New Zealand gaining market share, which now stands at circa 10%.

Our World Class Supply Chain

Modern supply chain operations…

Our flexible supply chain capabilities are the backbone of our international businesses, reinforced by a modern factory footprint and excellent distribution networks.

Our manufacturing processes

We manufacture products throughout Europe, Asia and Africa. We source our products through a combination of our own factories, whilst also outsourcing production to carefully selected third party manufacturers. In this way we ensure that we maximise efficiencies and can flex our production output to meet our future short- to medium-term needs.

Our modern factory footprint spans:

Africa

In Nigeria the Group operates three large factory sites serving our West Africa consumers. These factory operations represent one of our key strengths within the region and are significant Group assets.

Our largest site is at Ikorodu just outside Lagos. This is where most of our Personal Care and Home Care products are manufactured. It is also the home of our Food & Nutrition operations. Our second factory facility is located at Aba in South East Nigeria and is responsible for our laundry and toilet soap manufacture.

Our third location is in Lagos next to the Group's Nigeria headquarters and contains our white goods production facility. Also in Lagos is the centre of our multi-depot logistics footprint.

Europe

In the UK we operate an integrated centre of excellence and state-of-the-art liquid manufacturing facility in Agecroft, Greater Manchester, which mainly supplies our UK and Polish markets. To maximise efficiencies, this facility operates on a "just-in-time basis".

Our in-house perfumery Seven Scent is also located at Agecroft and focuses on fragrance innovation and manufacturing for the majority of the Group's product portfolio. Our personal wash innovation facility is also housed on the Agecroft site and gives the Group an integrated centre of excellence for personal wash research, development and manufacture.

In Greece our modern food production facilities produce a range of edible oils, vinegars, spreads and cheeses.

Asia

Manufacturing activities at our Thailand factory concentrate on bar soap production for both Europe and Asia markets. Liquid products for all our Asian Personal Care markets are produced in our Jakarta factory in Indonesia.

Global procurement

Singapore is the headquarters of our global procurement operations and covers all categories and markets across the Group.

Managing regional challenges

Within our African operations we encounter a number of regional challenges including inconsistency of power and raw material supply. To ensure the continuity of production, we run on-site electricity generators and, where possible, have introduced vertical integration for raw material and packaging supply.

In Kenya our production facility focuses on Personal Care products for the East Africa region.

Regional product distribution

We tailor our regional product distribution to the needs of our local markets.

Our developed market distribution process for consumers in Europe and Asia is mainly through supermarkets and other retail chains, utilising third party logistics providers to dispatch products direct from our factories and third party manufacturers to retailers.

For the emerging markets of Nigeria, Ghana, Kenya and Indonesia, we believe our supply chain footprint and local regional know-how is one of the Group's greatest assets. In these markets we have tailored our logistics model to specific markets. An example of this is in Nigeria where there are very few supermarket chains and consumers shop in a mix of open "wet" markets, individual traders and small stores. In recent years, to successfully serve the region's vast geography and respond to the needs of the consumer and the market traders, we have developed a comprehensive Active Distributor network. This means our factories or distribution centres dispatch direct to a network of approved Active Distributors, who then supply locally to smaller retailers and wet markets.

Our World Class Supply Chain

…flexible, agile and world class

Supported by new technology and processes, we are building a world class supply chain. We are delivering increased business flexibility, greater agility to market and a first class distribution network.

Haier Thermocool first to market with energy-saving benefits in all its refrigerators, freezers and air conditioner sizes

Haier Thermocool is changing the game in the Nigerian home appliances market with its recently launched energy-saving refrigerators, freezers and air conditioners.

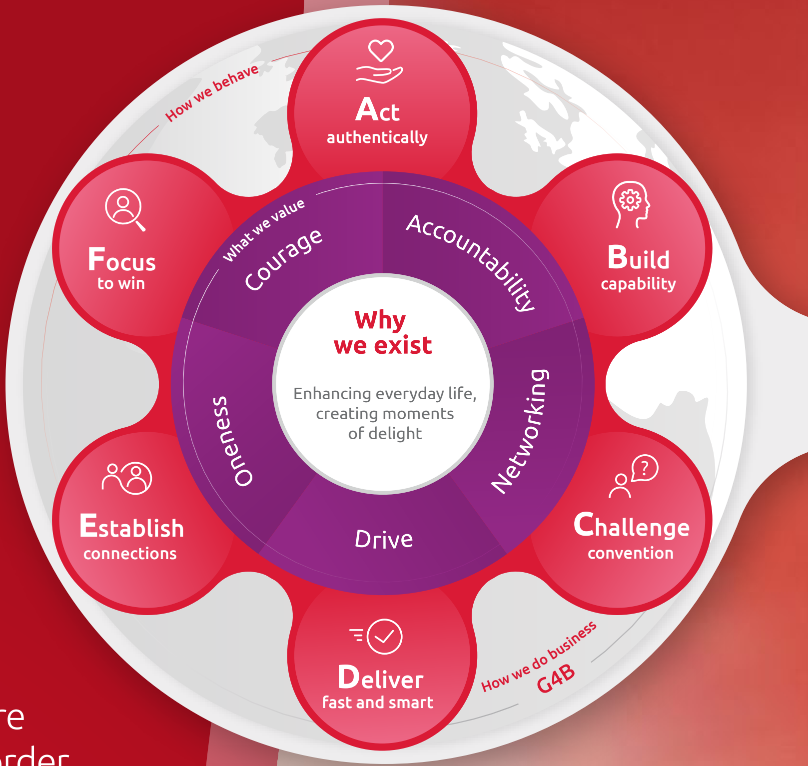
Haier Thermocool leads the pack in the home appliances sector of the Nigerian market with over 44 years of heritage second to none. The brand has distinguished itself from other brands with its consistency in the delivery of durable and quality home appliances to Nigerian consumers. These qualities are further strengthened as the brand once more demonstrates its commitment to walking miles in consumers' shoes to understand their pain points and understand the particular needs of its customers through consumer-driven insights. The persistent poor power supply and electrical outages as well as the issue of consistent rises in the cost of power have all combined to effectively limit the full utilisation of air conditioners and refrigerators in Nigeria. As such, product innovations in areas of low energy consumption, lower running and maintenance costs have become great vehicles to demonstrate brand innovation and differentiation.

In line with this consumer-centric commitment, Haier Thermocool unveiled a new range of refrigerators, freezers and air conditioners that is already capturing the attention of technology-savvy and cost-conscious Nigerian consumers. The new energy-saving Haier Thermocool refrigerators and freezers save up to 35% on annual energy consumption and are made with improved R600a refrigerants – an environmentally friendly gas that poses no harm to the ozone sphere while also reducing the carbon footprint by 97%.

In the same vein, the new Haier Thermocool GenPAL Inverter Air Conditioner saves up to 60% on energy consumption using variable speed compressor technology. It delivers 47% faster cooling performance than non-inverter models and has a low voltage function allowing it to work with voltage as low as 140V. The Haier Thermocool GenPAL Inverter Air Conditioner can work conveniently on any generator size and is available in various sizes.


LINE 4
pure
LINE 4
LINE 3
LINE 4
IMPERIAL LEATHER
Carex

CANDO



Culture, people and values

Over the past four years, we have been transforming our organisation to work more effectively both globally and regionally in order to promote sustainable growth.

Moving to an integrated matrix organisation has required a shift in skills, capabilities and behaviours. Supporting this shift has been at the heart of our talent activities, from early career development, through to in-function and leadership development.

Our competitive apprenticeship and internship programmes in the UK have enabled us to leverage the diversity of talent that exists within our markets, particularly within our Supply Chain and Beauty business. Our graduate trainee programmes in Nigeria and Indonesia are coveted due to the in-depth experience that is gained, attracting hundreds of applicants every year. These early career programmes have been particularly successful in attracting female talent. This year all graduate trainees in Indonesia were female, as were 50% of trainees in Africa.

Building the skills, capabilities and mindsets needed to successfully lead in our matrix organisation continues to be an area of focus, with over 95% of our senior and mid-level leaders attending our global leadership curriculum, The PZ Way of Leading. A year on, and changes are being observed. We will continue to build this capability by introducing The PZ Way of Leading – Emerging Leaders programme throughout the next financial year.

Alongside building leadership capability, we have focused on defining the key experiences and competencies needed to be successful in a number of critical senior roles. This has allowed us to get even sharper in identifying the development actions that our future leaders need to assume next-level roles. In fact 75% of our senior talent pool have had significant development opportunities within the last 3 years, helping us strengthen our talent pipeline for the future.

In addition to leadership development, we have continued to build sales capability in traditional and modern trade across commercial teams in Africa and Asia, and will shortly be launching a programme focused on building channel and category sales development capabilities.

Most significantly, we have redefined the key differential behaviours that are needed by all employees to be successful today and in the future. Aimed to help us thrive as a business and in our individual roles and underpinning our CANDO values, our new PZC Behaviour Model dictates our new ways of working that will enable us to achieve our priorities and ambitions. As such they are at the core of all of our people processes, from who we recruit to how we develop and reward.

Our Ambition

To grow our business while staying true to our authentic family spirit.

Focusing on our consumers and local markets better than anyone else so we can respond quickly.

Because we want to leave a legacy for the next generation that we can all be proud of.

Values and behaviours as enablers

Living CANDO through how we behave is a critical enabler to delivering on our ambition and purpose and guides how we do business. It is what sets us apart from our competitors and helps us create value for all.

It is these enduring values that make PZ Cussons the unique business it is today. It is also these values that attract people to PZ Cussons as an employer and motivate people to want to stay with us. Over 31% of our employee population has over 15 years' service with the business, and following a period of significant change, our overall employee retention is still greater than 90%. For details on diversity and inclusion see page 6 of Report of the Directors included in the Governance and Financial Statements.

Good4Business

Good4Business

We believe passionately that business can be a force for positive change. More than that, we believe that businesses have an active obligation to make a positive contribution to society and to minimise any negative impacts on the environment from their operations.

For us at PZ Cussons, this is not something new or unusual – it has been a key part of our culture and of who we are ever since the business was founded in Africa in the 1880s. We have always aimed to make a positive impact on society through the products that we sell, the way in which our products are designed, manufactured and packaged and through the contributions we make to the communities in which we operate.

We do this because we know that it is the right thing to do. But also because we believe that it is Good4Business. By forging strong links with our local communities and mutually beneficial relationships with our business partners, by conducting our activities with integrity and responsibility and by helping to conserve the planet's precious natural resources, we are creating sustainable value for all our stakeholders, now and into the future. And by creating situations where everyone benefits – the planet, our consumers, our shareholders and our employees – we can be confident that this value will endure.

Our Good4Business (G4B) approach is at the heart of everything we do. It provides four areas of focus – what we call "lenses" – through which we can assess our business and ensure that we are driving sustainable value and growth through our day-to-day decision-making:

- Business Governance & Ethics;
- Environment;
- Sourcing; and
- Community & Charity

G4B draws on the values and experience that have made PZ Cussons the company it is today. Our core values and convictions will remain at the heart of our business as the Group develops and grows in the future. We are resolved to continue to be a company that our shareholders, customers and consumers, business partners, local communities and our employees can be proud of.

Read more on pages 40 to 43

Palm oil

Securing a long-term sustainable supply of palm oil for our global operations is a priority for PZ Cussons. During the year, we have undertaken a rigorous review of our approach to this issue and resolved that, by 2020, the palm oil used in our range of Personal Care, Home Care, Beauty and Food & Nutrition products will meet our No Deforestation/No Peat/No Exploitation (NDPE) commitment. Partnering with the Forest Trust, we have developed a detailed action plan to achieve this and we will be working with our suppliers to play our part in the reform of the palm oil industry.

Plastic

We are committed to conserving the planet's precious natural resources, safeguarding the environment for future generations and limiting any negative impact on the lives of our consumers and communities. Plastic pollution is one of the most important sustainability challenges confronting all of us and so we recently launched our PZC Plastic Promise. This is focused on reducing plastic in our business and driving positive change in society. To focus our activities, we have set ourselves a "25 by 25" challenge, reducing the amount of plastic we use by 25% by 2025 and ensuring that any remaining plastic we use will be recyclable, reusable or compostable. By 2025, 30% of our plastic packaging will come from recycled materials.

Health & Safety

During the year we have continued our investment in Health & Safety programmes across all parts of our business. Continuing our plan to certify all of the Group's manufacturing sites to the international OHSAS18001 safety standard by June 2019, our Nutricima and HPZ factories were certified during the year, with the result that all of our sites in Africa have been now been accredited.

Being and The Mix

A high percentage of those in their late teens and early 20s experience mental health issues. So, when we launched our new Being brand – a range of products created for Generation Z, 18-25 year olds – at the end of last year, we chose to partner with The Mix, a UK charity that provides support for young people across a wide range of issues affecting them.

Being has supported the great work that The Mix does through fundraising events and by donating a proportion of the sales on sponsored products.

THE MIX
Essential support for under 25s

Q&A with Alex Kanellis

Finding solutions and reacting quickly to opportunities is fundamental to the way we do business

What are your views on the business's performance this year?

The results are clearly disappointing and are not reflective of the hard work that has been put in by our staff over recent years. The situation in Nigeria has been the worst we have known for a long time with peak season simply not occurring as expected in the second half of the year. However, emerging markets by definition go through cycles, and given that Nigeria has a population of circa 200 million and a strong foreign exchange reserve position, we remain confident that the categories in which we operate there will return to growth. Our brand positions in Nigeria remain strong and we are in a unique position to have No.1 and No.2 shares across four categories of Personal Care, Home Care, Electricals and Food & Nutrition. This is an unrivalled position compared to other companies who tend to operate in Nigeria with a narrower focus.

How will the brand portfolio be strengthened to better weather current trading conditions?

Our focus will be to accelerate the pace of our new product launches and to ensure that these launches have more scale as well as being margin accretive. This means that whilst all brands and products will still be renovated on an ongoing basis, new launches will be required to deliver higher revenue and margin targets than before. This will have the added benefit of reducing complexity both in supply chain and in support functions, thereby allowing us to bring these launches to market even quicker. We will also partner more with third parties via co-branding and on-pack promotion to improve consumer engagement and to stand out on shelf or online.

Will the current economic conditions impact the Group's supply chain?

We believe the investments made over the last decade in our factories and also in our SAP system are serving us well for these challenging times. Having our larger factory operations in our key markets of the UK, Indonesia and Nigeria gives us certainty of local supply and provides a natural hedge against volatile exchange rates and customs duties. The investments made in our factories mean we have good production capacity for many years to come. This also means that Group capital expenditure will be lower for the next few years, freeing up cashflow that we can divert to support other sources of growth.

How important have CANDO and Good4Business been in the last year?

Our CANDO values have served us well in the last year. Having successfully completed the implementation of SAP across the Group, which completed on 1 June 2017, our staff then had to re-energise to tackle the very challenging trading conditions that quickly emerged for the new financial year, particularly in the UK and Nigeria. Whilst each day brought a new challenge, our staff followed the principles of our CANDO values and pressed ahead to realise the best possible outcome in the macroeconomic situation that persisted.

Of course there were many successes throughout the year, which have helped make us stronger for the future. During this period, we never strayed from our Good4Business principles and stayed true to doing business in the right way. This will always be the case as it is the core principle of sustainable long-term growth.

How important is balance sheet strength to the Group?

The strength of the Group's balance sheet remains extremely important. The philosophy has been that the inherent nature of the risks facing the Group from its emerging market presence means that the balance sheet must be strong to see the Group through challenging times. In recent years that philosophy has been tested with Nigeria unable to source US Dollars throughout the 2017 financial year and then with profitability being reduced throughout the 2018 financial year. Having successfully grown our European and Asian businesses over the last decade, this has ensured that cash flows remain healthy even when trading conditions are tough. At the same time, the Group's major capital investment programme to upgrade factories and IT systems and infrastructure has been completed, thereby reducing ongoing capital expenditure outlay. Consequently, even after a tough year, the balance sheet remains strong with net debt at only 1.5 x EBITDA.

Has the Group's appetite for acquisitions and joint ventures changed?

The Group's immediate focus is to grow the current portfolio of brands, which all have significant potential to move into adjacent categories and in some cases into new geographies. We will still consider acquisitions of brands that can enhance our portfolio and that are differentiated and have good potential for growth, however we will be extremely selective and not overpay for these assets. In the meantime, our preference is to look at other growth opportunities that can utilise the Group's existing brand portfolio and distribution capability.

Financial Overview

There are a number of initiatives underway to improve the efficiency of the business given the challenging macroeconomic environment

Group Results

Adjusted results (before exceptional items[1])	Year ended 31 May 2018	(Restated)* Year ended 31 May 2017	Reported % change	Constant currency % change[3]	Like for like % change[4]
Revenue[2]	**£762.6m**	£809.2m	(5.8%)	(2.3%)	(2.3%)
Adjusted operating profit	**£85.7m**	£104.8m	(18.2%)	(15.9%)	(15.9%)
Adjusted profit before tax	**£80.1m**	£102.0m	(21.5%)	(19.0%)	(19.0%)
Adjusted basic earnings per share	**13.39p**	16.42p	(18.5%)		
Statutory results (after exceptional items[1])					
Revenue[2]	**£762.6m**	£809.2m			
Operating profit	**£72.2m**	£89.3m			
Profit before tax	**£66.6m**	£86.5m			
Basic earnings per share	**11.41p**	14.91p			
Total dividend per share	**8.28p**	8.28p			
Net debt[5]	**(£165.4m)**	(£143.8m)			

Regional Results

Performance by region

Revenue[2]	Year ended 31 May 2018	(Restated)* Year ended 31 May 2017	Reported % change	Constant currency % change[3]	Like for like % change[4]
Africa	**£275.6m**	£305.6m	(9.8%)	(2.0%)	(2.0%)
Asia	**£212.0m**	£222.7m	(4.8%)	(1.8%)	(1.8%)
Europe	**£275.0m**	£280.9m	(2.1%)	(3.0%)	(3.0%)
	£762.6m	£809.2m	(5.8%)	(2.3%)	(2.3%)
Adjusted operating profit (before exceptional items[1])					
Africa	**£6.3m**	£28.3m	(77.7%)	(76.1%)	(76.1%)
Asia	**£18.6m**	£15.9m	17.0%	21.6%	21.6%
Europe	**£60.8m**	£60.6m	0.3%	0.4%	0.4%
	£85.7m	£104.8m	(18.2%)	(15.9%)	(15.9%)

* Restated to reflect a change in accounting policy in relation to recognition of pension surplus as further described in Note 1 of the Consolidated Financial Statements.

1 Exceptional items before tax (2018: costs £13.5m; 2017: costs £15.5m).

2 Revenue has been stated excluding joint ventures revenue of £141.6m (2017: £156.9m).

3 Constant currency comparison (2017 results retranslated at 2018 exchange rates).

4 Like for like comparison after adjusting 2017 for constant currency. There were no acquisitions or disposals in the current or prior year.

5 Net debt is defined as cash, short-term deposits and current asset investments, less bank overdrafts and borrowings.

Basis of Presentation

In our Financial Statements we use alternative performance measures that are not recognised under IFRS. These metrics are used to allow the readers of the Financial Statements to obtain a more meaningful comparison of the underlying performance of the Group by adjusting for certain items that, if included, could distort the understanding of the Group's performance and comparability between periods.

The Directors believe that the adjusted presentation (and the columnar format adopted for the Group income statement) assists shareholders by providing a more meaningful basis upon which to analyse underlying business performance and make year-on-year comparisons. The same measures are used by management for planning, budgeting and reporting purposes and for the internal assessment of operating performance across the Group. The adjusted presentation is adopted on a consistent basis for each of the half year and full year results.

Adjusted results are presented before exceptional items, which in the current period include certain restructuring costs, net profits on the sale of assets, impairment of assets and certain foreign exchange losses.

Where relevant, comparative IFRS measures have also been presented.

The reported results for the current year are presented with variances to reported prior year results and also as variances between the current and prior year on a constant currency basis. The constant currency impact was derived by retranslating the 2017 result using 2018 foreign currency exchange rates. The adverse translational impact on revenue and operating profit was £28.3m and £2.9m respectively. As there were no acquisitions or disposals in the current or prior period, the like for like impact is equal to the constant currency impact.

Group Overview

Group revenue was 5.8% lower on a reported basis and 2.3% lower on a constant currency basis. Very tough trading conditions in Nigeria accounted for the majority of the reduction in adjusted operating profit, which was 18.2% lower on a reported basis and 15.9% lower on a constant currency basis. After higher interest charges for the year, adjusted profit before tax was £80.1m versus a prior year result of £102.0m. Statutory operating profit and profit before tax, after exceptional items, were £72.2m and £66.6m respectively.

Whilst Asia contributed good profit growth and Europe delivered a creditable result given the challenging trading conditions in the UK, the sharp decline in Africa profits resulted in a disappointing outcome for the Group as a whole.

The markets in which the Group operates in Nigeria contracted sharply as a result of a lack of liquidity at both consumer and trade level. Nevertheless, the Group's No.1 and No.2 brand shares remain healthy and well placed for when growth returns to the market.

As macro conditions remain challenging in most of the markets in which the Group operates, further margin improvement initiatives are being implemented across all aspects of the supply chain. In addition, a further optimisation of the Group's operating model is underway to reduce the overhead base as well as to improve the speed at which new products are brought to market.

Financial Position Overview

The Group's balance sheet remains strong with net debt at 1.5 x EBITDA at the year end. The key elements that affect the Group's net debt position are working capital movements and capital expenditure. During the year, there was an overall working capital outflow of £24.5m (2017: £10.1m inflow), an improvement from the outflow of £44.8m reported at the half year to 30 November 2017. This outflow is mainly driven by a significant reduction in trade creditors, which were higher than usual at the end of 2017 due to the implementation of SAP. Capital expenditure was £22.2m, £6.8m of which reflects the final costs of the SAP project, which went live on 1 June 2017, the balance reflecting non-SAP-related capital spend.

Change in Accounting Policy

During the year, the Group revised its accounting policy for the recognition of surpluses in its defined benefit pension schemes: in particular, the policy for determining whether or not it has an unconditional right to a refund of surpluses in its employee pension funds. This change in accounting policy has resulted in the Group de-recognising the pension surplus in relation to the expatriate defined benefit scheme. In accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the amended policy has been applied retrospectively and the prior year restated.

Change in Accounting Estimate

Judgement is required in selecting the rate at which to translate US Dollar denominated balances held in the Group's Nigerian entities into Naira and the results of the Nigerian businesses into Sterling for consolidation purposes. At 31 May 2017, the rate used by management was the Central Bank of Nigeria rate.

After closely monitoring the profile of exchange rates accessed by the Group for settlement of transactions throughout the year, and observing a trend towards the majority of the Group's transactions being settled at NIFEX rates that is anticipated to continue, the Group has concluded that NIFEX is the most appropriate rate to translate US Dollar denominated balances in Nigeria as at 31 May 2018. Results for the new financial year beginning 1 June 2018 will be translated at the average NIFEX rate for the relevant reporting period.

Exceptional Items

A net exceptional charge of £13.5m before tax was recorded during the year (2017: charge of £15.5m), relating to previously announced items, being the current year cost of the Group Structure and Systems project (£11.6m), costs relating to the impairment of a non-operational European fixed asset (£3.7m), income relating to the sale of land relating to a redundant manufacturing site in Australia (£8.1m) and foreign exchange losses resulting from a change in the exchange rate used to translate the Nigerian Naira (£6.3m).

Taxation

The effective tax rate before exceptional items was 27.6% (2017 restated: 27.5%).

Dividend

The Group aims to pay an attractive, sustainable and growing dividend. The Board is recommending a final dividend of 5.61p (2017: 5.61p) per share, making a total of 8.28p (2017: 8.28p) per share for the year.

The overall dividend remains approximately 1.6 times covered by adjusted earnings per share. Subject to approval at the Annual General Meeting, the final dividend will be paid on 4 October 2018 to shareholders on the register at the close of business on 10 August 2018.

Initiatives

There are a number of initiatives underway to improve the efficiency of the business given the challenging macro environment. These include a further optimisation of the Group's operating model, a review of the Group's product portfolio to focus on fewer, bigger projects and a review of product costs across all areas of the business. The cash cost of the further changes to the Group's operating model is expected to be circa £10m over the next two financial years, offset by lower capital expenditure requirements.

Outlook

We expect macro conditions to remain challenging in most of the markets in which we operate, with general elections in Nigeria and Indonesia falling in the second half of the new financial year. Commodity costs and exchange rates are expected to remain volatile.

We have a strong brand portfolio and innovation pipeline, an extensive logistics and distribution capability and a strong balance sheet, which, together with the initiatives outlined above, will ensure that the Group is well placed to take advantage of any improvement in the economic climate.

Brandon Leigh
Chief Financial Officer

Financial Review
Africa

Regional highlights

- Significantly lower profits in Nigeria due to market contraction as a result of lack of liquidity in the trade and reduced consumer disposable income
- Market shares remain strong in all categories of Personal Care, Home Care, Food & Nutrition and Electricals

Revenue

£275.6m

(2017: £305.6m)

Regional update

In **Nigeria**, whilst higher oil prices have contributed to increased foreign exchange reserves for the country and a relatively stable exchange rate regime, liquidity has not flowed down into the economy. In addition, wage inflation has continued to remain well behind the significant cost inflation of recent years, resulting in consumer discretionary income under pressure with subdued buying levels.

This produced extremely challenging trading conditions throughout the year with volumes, prices and margins being impacted across most areas of the Nigerian portfolio. The Nutricima milk business was hardest hit by these conditions resulting in an operating loss for the year.

There has been no structural change in the landscape of the categories in which we operate with No.1 and No.2 brand shares remaining strong.

In Personal Care and Home Care, pack resizing and new product launches have taken place across the portfolio of brands which in Personal Care include Premier, Joy and Imperial Leather in soaps, Cussons Baby in baby care, Robb in medicaments and Stella and Venus in skincare and haircare. In Home Care, these include Canoe, Zip and Tempo in laundry and Morning Fresh in dish care.

In Nutricima, aggressive competitor discounting throughout most of the financial year resulted in significantly lower revenue and the business moving from an operating profit to an operating loss. A full reassessment of the business model has taken place with greater focus now being placed on consumer pack innovation.

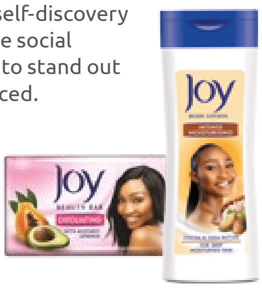
In Electricals, lower discretionary spend levels for the consumer led to reduced revenue and profitability, although market shares across refrigerators, freezers and air conditioners have either been held or grown. A new range of energy efficient models has been launched with technology that is a first to the Nigerian market and will offer consumers significant savings on their energy consumption.

Revenue and profitability in the PZ Wilmar joint venture were slightly lower than the prior year mainly due to continued restrictions on the import of palm oil into the country. The business is now diversifying its portfolio into adjacent product categories with a range of consumer margarine and spreads products launched in the new financial year.

Overall profitability for our smaller African businesses in **Ghana** and **Kenya** was ahead of the prior year.

Joy range relaunch

The iconic Joy brand has been relaunched in Nigeria and Kenya. We have refreshed the entire pack design and identity with a new model to drive appeal and relevance for younger female consumers. We have also expanded the range, leveraging the equity and heritage of the Joy brand, including the addition of an exfoliating soap variant and the introduction of a range of moisturising lotions. These are all uniquely formulated with natural ingredients and inspiring fragrances for the new generation of "Joy girls" who are on a journey of self-discovery and seek the social confidence to stand out and be noticed.



New Premier Cool deodorant sprays and roll-ons

We recently launched the Premier Cool deodorant sprays and anti-perspirant roll-ons in Nigeria. We are leveraging the success and equity of Premier Cool soap to drive the wash-to-care strategy, using the unique “Cooling” proposition to deliver freshness and confidence and meet the evolving needs of middle-class consumers seeking a complete solution for their body care needs. Our plans are supported by a fully integrated promotional campaign, anchored on the partnership with Manchester City Football Club. This campaign will ensure that we continue to drive the right association for our target audience with requisite brand support that continues to drive awareness and loyalty.

Premier soap relaunch

In Nigeria we relaunched Premier, our flagship brand and Nigeria’s No.1 toilet soap. The new pack design comes with a new Masterbrand logo and stronger call-out of key consumer benefits and product claims. The move ensures that Premier continues to innovate and lead the soap category in the market, with sustained consumer and trade loyalty, while continuing to deliver strong growth and improved year-on-year performance. Tied in to this launch is the migration of our Antiseptic Liquid into the Premier brand as we continue to develop the Premier Masterbrand franchise to become Nigeria’s truly No.1 Washing and Bathing solution.

Financial Review
Asia

Regional highlights

- Continued improvement in profitability in Australia across all categories of Personal Care, Home Care and Food & Nutrition
- Good mix improvement in Indonesia driven by successful new product launches across Cussons Baby, Cussons Kids and Imperial Leather

Revenue

£212.0m

(2017: £222.7m)

Regional update

In **Australia**, profitability has continued to improve with new product launches and margin improvement initiatives across the key categories of Personal Care, Home Care, Beauty and Food & Nutrition. Significant new product developments have been delivered across the portfolio including new ranges under the Rafferty's Garden brand and new packaging and flavours under the five:am brand.

In **Indonesia**, whilst consumer discretionary spending is under pressure, profitability has been good with mix improvement across both the core Cussons Baby range as well as from recent new product launches under Imperial Leather and Cussons Kids. The development of the non-baby brands has successfully contributed to a broadening of the overall portfolio.

Overall profitability in our smaller Asian markets of **Thailand** and the **Middle East** was ahead of the prior year.

Cussons Baby for every baby's life stage

Cussons Baby understands the different life stages that every baby goes through and aims to be by the side of mothers as "a friend or partner" to rely on in their journey of motherhood. To consistently grow the business, Cussons Baby will introduce two ranges in the beginning of FY19 to fulfil different needs within every baby's life stage: Newborn Range and Happy Fresh Range for toddlers. The products are equipped with unique selling points such as 0% soap, 0% alcohol and 0% colourant claims and a 12 hour freshness claim with Freshboost technology. The new ranges will be supported by integrated communications and activities under the campaign strategy Sense of a Mother.

Cussons Baby Natural Hair Oil

Dark, thick, healthy hair is what every mother in Asia wants for her baby. Embracing a strong consumer insight passed down from grandmothers and mothers and settling on the well-established beliefs of the goodness of natural ingredients, Cussons Baby introduced Natural Hair Oil with 100% natural candlenut oil and 100% natural coconut oil to complete the baby haircare regime. The launch has been supported by integrated communications and activities such as TV commercials, digital media, sampling and visibility in order to introduce Natural Hair Oil as a prewash treatment, followed by shampoo and finished by using hair lotion as a complete hair regime.

Fudge capturing strong growth in hair care

Fudge Shampoo and Conditioner has made significant market gains. Our strong growth in Australia has improved brand presence by 37% compared to prior year and is significantly outpacing category competition. Driving this growth is our focus on the blonde segment with Fudge Clean Blonde Shampoo and Conditioner, which continues to command a premium price position.

Throughout the year, the brand has been fuelled by best-in-class retailer partnerships in the Pharmacy Channel and a continued focus on key influencers to drive product preference.

Financial Review
Europe

Regional highlights

- UK Washing and Bathing performance lower than the prior year due to tighter UK retail landscape
- Good performance in Beauty division across all brands and in both UK and US markets

Revenue

£275.0m

(2017: £280.9m)

Regional update

Revenue and profitability in the **UK Washing and Bathing** division have been affected by the tightening UK retail landscape, with consumers shopping more cautiously as a result of economic uncertainty and inflation outstripping wage growth. Whilst new product launches have been well received during the year, these were not sufficient to compensate for the wider volume and margin shortfall, with volumes remaining very sensitive to price points and discounting. Brand initiatives were accelerated in the second half of the year across Imperial Leather, Carex and Original Source with innovation increasingly important to secure distribution, deliver stand-out on shelf and to attract and retain consumers. Initiatives included the launch of Original Source Foamburst, the introduction of special edition Unicorn packs and partnerships with the Merlin Entertainment Group and Skinny Dip.

The **Beauty** division has performed well across all brands of St. Tropez, Sanctuary, Charles Worthington and Fudge. New product launches have played a key role in demonstrating that all four brands have significant potential from portfolio expansion. In addition, expanding distribution both in store and online continues to play an important part in the growth strategy, both in the UK and in the US market.

A sprinkle of unicorn magic

We win by keeping our brands fresh and relevant for consumers, by keeping close to what matters to consumers and delivering moments of excitement to their daily routine. When the unicorn trend started in early 2017, we engaged our loyal fans on Facebook to get their thoughts on launching an Imperial Leather Foamburst Unicorn variant. The response was so overwhelmingly "yes" that we extended the concept to Carex Fun Editions. Our unique Unicorn Marshmallow Foamburst Body Wash launch was supported by Imperial Leather's #MakeMondaysMagic campaign to introduce a new, younger consumer group to our Imperial Leather brand. Meanwhile Carex launched Unicorn Magic Hand Wash and Body Wash products through a channel-exclusive retail partnership, supported on social and digital channels. By being relevant and on-trend, these products offer something distinctive, are attractive to a younger consumer group and create a great deal of organic social media coverage.

Escape to paradise with St. Tropez

No.1 global tanning brand St. Tropez introduced two new vegan-friendly bronzing waters to the category this year, to great acclaim. Featuring a new tropical fragrance with green mandarin water and hibiscus extract to refresh and revive skin, the already award-winning Self Tan Purity range is designed to transport you to paradise in just one application. With no need to rinse off, the clear water-to-foam Bronzing Mousse and lightweight Face Mist allow users to simply apply and glow for a natural-looking, long-lasting golden tan, and that holiday feeling all year round.

Decadent shower experiences

Sanctuary Spa elevates the shower moment with two new super-foamy body washes, both with unique added benefits and the classic signature fragrance. The Long Lasting Moisture Shower Burst contains a nourishing blend of gold of pleasure oil and sweet almond oil, enveloping the skin in luscious peaks of whipped foam. This cloud of cleansing lather will leave skin moisturised for up to 3 days. Alternatively the Charcoal Detox Shower Burst awakens and refreshes the senses with a deeply cleansing duo of charcoal and menthol. It dramatically transforms from a black gel into white, fluffy foam to leave skin feeling super clean, refreshed and purified of daily grime.

Financial KPIs
Group key focus

Our strategic objectives and business model are aligned to our overall financial goal to deliver an increasing return to our shareholders over the longer term. Below are the internal and external investor KPIs that the Board has measured and monitored throughout the year.

Our KPI results reflect the extremely challenging year we have had. A number of initiatives are underway to strengthen our brand portfolio and reduce our cost base as discussed in our CEO's report on pages 4 and 5.

Internal key performance indicators

What we measure	Why we measure	Performance	
Revenue £m Revenue net of discounts, rebates and sales taxes (does not include joint venture revenue)	Revenue growth is a key strategic aim	**2018** 762.6 2017 809.2 2016 821.2 2015 819.1 2014 861.4	Reported revenue down 2.3% on a constant currency basis
Adjusted Operating Profit £m Operating profit before exceptional items	Measures operating performance prior to exceptional items, financing and taxation costs	**2018** 85.7 2017 104.8 2016 108.5 2015 114.4 2014 116.4	18.2% lower than prior year mainly driven by poor performance in Nigeria
Adjusted Operating Profit % Operating profit before exceptional items as a % of revenue	Indicator of the return on sales prior to exceptional items, financing and taxation costs	**2018** 11.2 2017 13.0 2016 13.2 2015 14.0 2014 13.5	1.8 percentage points lower than prior year
Closing Net Working Capital % Net working capital as a % of revenue	Indicator of the working capital (stock, debtors, creditors) required to support the sales that we make	**2018** 16.0 2017 12.9 2016 14.8 2015 15.0 2014 10.9	3.1 percentage points higher than prior year

External investor key performance indicators

What we measure	Why we measure	Performance	
Dividend per share pence Dividend per share	Dividend growth is a key performance indicator in terms of tangible return to shareholders	**2018** 8.3 2017 8.3 2016 8.1 2015 8.0 2014 7.8	Dividend maintained at prior year level
Adjusted basic EPS pence Adjusted earnings per share	A key indicator of value enhancement to shareholders	**2018** 13.4 2017 16.4 2016 17.2 2015 17.9 2014 18.0	3.03p lower than prior year

Our environmental KPIs covering carbon, water and waste are included in our Good4Business report on page 40.

Principal Risks and Uncertainties
Insight for effective risk management

The Audit & Risk Committee assumes accountability for reviewing the effectiveness of the Group's risk management and internal control systems. See page 28 of our 2018 Governance and Financial Statements for further information.

Viability statement

PZ Cussons has over 130 years of trading history with a long standing tradition of sustainable growth in our key regions of Europe, Africa and Asia. Our in-depth local understanding, strong brand position and robust infrastructure within these markets, allied to a strong Group balance sheet, enable us to withstand short-to-medium-term political and financial instabilities that may adversely impact the Group.

The Directors have assessed the prospects of the Group over a period of three years from the balance sheet date. A three year period is considered appropriate for this assessment because it is consistent with the period over which we consider risks covered by the risk register and it enables a high level of confidence in assessing viability, even in the extreme scenarios described below.

Assessment

The business model and strategy as set out on pages 6 and 7 are central to an understanding of the Group's prospects and provide the framework for the strategic plan that is reviewed and approved annually by the Board, including detailed trading and cash flow forecasts covering that period.

In order to report on the viability of the Group, the Directors:

- Considered the Group's revenue / profit projections, cash generation and financing position (including headroom and covenants on existing facilities). It was assumed that funding facilities will continue to be available and that the facility that expires in February 2020 will be renewed on a similar basis as there is nothing to indicate that this would not be the case. The cost savings expected from the further optimisation of the Group's operating model were included in the first year only; and
- Carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency and liquidity.

The viability assessment has two parts:

1. The Directors considered the period over which they have a reasonable expectation that the Group will continue to operate and meet its liabilities; and
2. The Directors considered the potential impact of severe but plausible scenarios over this period. Alternative forecasts have been prepared that take account of the Group's principal risks and uncertainties and the impact they could have, both individually and taken in aggregate, on the Group's performance.

Of these, the most severe but plausible scenarios (or combinations thereof) reviewed were as follows:

Scenario	Link to principal risk(s)
A global economic downturn leading to a material reduction in profitability in our main markets of Nigeria, the UK, Indonesia and Australia	Consumer, Customer and Economic Trends
A devaluation of the currency and a reduction in liquidity in Nigeria leading to nil profit from this market, combined with an increase in funding costs	Treasury and Tax
A reduction in profit due to a one-off charge received from a regulatory body	IT and Information Security Treasury and Tax Legal and Regulatory Compliance

Findings

The alternative scenarios assumed reductions in revenue, margin, net profit and cash flow over the three year period. In all cases the Group remained viable. The scenarios modelled did not account for mitigating actions that the Group could take, such as a reduction in capital expenditure, reduction in overhead spend and increasing the Group's financing facilities.

Conclusion

Based on their assessment of prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 31 May 2021.

Principal Risks and Uncertainties continued

Identifying and assessing risk and implementing effective risk mitigation activities is an essential element of ensuring that we are able to deliver on our strategy.

Our Approach

The Board has ultimate responsibility for effective risk management of the Group's strategic objectives. During the year we refreshed our Risk Management Policy and strengthened the common risk framework utilised throughout the Group. This covers initial risk identification and assessment through to planning and implementing effective risk mitigation activities, and finally defining a disciplined timetable to routinely monitor and report the risk profile for the Group. The Board has considered and approved the risk management policy and the risk appetite for the Group, and has delegated the review of risk management effectiveness to the Audit & Risk Committee.

The Audit & Risk Committee assesses and reviews the effectiveness of the Group's risk management framework by routinely receiving analysis and assessment of the principal risks facing the Group, to ensure, where possible, that appropriate action is being taken to manage and mitigate those risks.

The Group operates both top-down and bottom-up approaches to ensure that both significant strategic and operational risks are identified. The Executive Committee performs an assessment of all principal risks facing the Group including consideration of any internal or external risk trends that may give rise to new risks. In addition, "deep-dive" reviews of specific principal risks are performed to ensure that the controls are adequately resourced and are effective to maintain exposure within the defined risk appetite parameters. Each principal risk is owned by an Executive Committee member.

The process and timetable are replicated at regional business levels and the regional teams report the outcome of their risk management process to the Executive Committee to ensure the capture of both the significant Group-wide risks, along with any specific risks that apply to a particular market. Again, each risk identified and responsibility for mitigating actions is owned by a designated senior member of local management.

Group Internal Audit provides independent assurance to both the Executive Committee and the Audit & Risk Committee on the effectiveness of the Group's risk management framework and that sound internal control systems operate to mitigate these risks.

Our Group risk management processes are designed to manage rather than eliminate the risk of failure to achieve its strategic objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

Our Risk Management Framework

Bottom up

Top down

Board of Directors

Defines policy, sets risk appetite and assesses principal risk for the Group. Maintains overall responsibility for sound risk management and internal controls.

Audit & Risk Committee

Assesses and reviews the effectiveness of the Group's risk management framework and internal control systems.

Executive Committee

Ensures that the risk management framework is embedded and operates throughout the Group. Regularly reviews the regional and consolidated risk registers and ensures that mitigation activities are in place.

Regional and Operating Unit Management

Ensures that the risk management framework is embedded at a regional and local level. Regularly reviews the risk register and ensures that mitigation activities are in place.

Internal Audit

Changes to our Risk Profile

As part of our risk management process, we not only identified the risks most significant for our business, but also whether we believe the gross level for each risk is increasing or decreasing. Those risks that we believe are most prominent or increasing in profile to the Group are:

- Consumer, Customer and Economic Trends: as noted in both the Chair's and Chief Executive Officer's statements, the year has been particularly challenging in our largest market Nigeria and in our UK Washing and Bathing division. We believe these factors will not decrease in the short-term and therefore maintain an elevated risk status; and
- IT and Information Security: the prevalence and sophistication of cybersecurity incidents in general for all companies continues to elevate. Consequently there is both an increased risk of disruption to our operations, or unauthorised access and misuse of our sensitive information as a result of our systems being attacked.

Principal Risks and Uncertainties continued

Link to strategy key

- Delivering growth and expansion across all of our geographies
- Leveraging our market-leading brands across all our categories
- Creating a world class supply chain to optimise business and operational efficiency
- Embracing our CANDO spirit and culture to build clear differentiation
- Integrating Good4Business principles into our global operations

Risk	Description of risk	Measures to manage risks
Consumer, Customer and Economic Trends	In an environment where consumer preferences and behaviours are changing more rapidly, and the channels by which our consumers purchase our products evolve, there is a risk that we neither meet our consumers' needs nor ensure that our brands are well presented and easily available to purchase. In addition, we operate in a number of markets that are exposed to elevated economic and political volatility that can impact our consumers' purchasing ability.	We actively listen to our consumers via social listening, market research and shopper insights to ensure that our product development pipelines respond rapidly and meet our consumers' needs. Examples of our new products brought to market are included in the regional reviews on pages 28 to 33 for our main three markets. During the year we focused on maintaining strong relationships with our existing customers and built relationships with new customers, which range from centrally managed large "modern" retailers to small "traditional" traders accessed via distributors in developing countries. Joint business plans are in place with our key customers, with agreed KPIs that are subject to regular monitoring and performance reviews. By operating across a number of both developed and developing markets we are able to mitigate, to a degree, regionalised risks. In addition, our long-established history of operating in these markets has also allowed us to distinctively understand our consumers and evolve our product portfolio accordingly.
IT and Information Security	We communicate with our customers and suppliers electronically and our manufacturing, sales and distribution operations are dependent on reliable IT systems and infrastructure. Prolonged disruption to these systems could have a significant negative impact on the performance of the Group. Additionally, cybersecurity threats are becoming more prevalent and sophisticated in nature, which could lead to unauthorised access to our systems and loss of sensitive information.	A centrally governed IT function continually monitors known and emerging threats that may impact us. We have refreshed our IT policy framework, which includes both protection of business and personal information and elevated awareness including cyber-risk to our employees. Processes are in place to ensure that our critical data is backed up and recoverable. Ongoing investment in upgrades/patches of our systems and the applications we use ensures their security and reliability. We routinely test our systems to ensure that they remain robust.
Sustainability and Environment	The need to find more sustainable ways of doing business is vital. This includes ensuring the raw materials we need are responsibly sourced and efficiently used and that we are responsible and an integral part of the communities in which we operate. Failure to do so risks us not achieving our stated our stated Purpose, Ambition and Values. This could consequently limit our ability to grow and create value and may potentially damage our reputation.	Our Good4Business strategy, and in particular our Environment, Sourcing and Community & Charity programmes, that are led and monitored by a Board Committee, ensures that we commit to our sustainability objectives for all our stakeholders. *Read more about our G4B Environment programmes, including our "25 by 25" Plastic Promise initiative to reduce use of plastics, in the G4B section on page 41.*
Legal and Regulatory Compliance	We are subject to a wide spectrum of legislation, regulation and codes of practice that can vary between the geographies in which we operate. Examples include product safety, competition, anti-bribery and corruption, Health & Safety and employment. Failure to adhere to such laws can result in reputational damage, as well as significant fines and the possibility of criminal liability.	Our legal, regulatory and safety specialists both at a Group and regional level monitor and review the external legal and regulatory environment to ensure that we remain aware of and up to date with all relevant laws and legal obligations. They are also supported by a network of external experts who can be engaged as required. In addition, we operate a confidential global whistle-blower hotline, which is widely communicated and available to all our employees. *For further information, see our Business Governance and Ethics programme within the G4B section on page 40.*

Risk	Description of risk	Measures to manage risks
Talent Retention	We recognise that in order to deliver sustained growth, we require the best calibre of people. Failure to attract, develop and retain the correct combination of appropriately qualified, experienced and motivated employees could jeopardise our ability to meet our strategic objectives.	We regularly review our reward programme, which combined with our CANDO culture provides an attractive employment proposition to current and prospective future employees. Our global appraisal and employee management process allows us to identify training requirements and validate succession plans, as well as identify our future leaders and critical talent that needs to be retained within the business. *See the CANDO section on page 20 for further details of how we have enhanced our talent development and retention programmes.*
Business Transformation	As we further optimise our operating model, and continue to leverage additional cost synergies from the recent completion of our globally deployed SAP system, there is a risk that failure to execute these initiatives effectively could result in under-delivery of the expected benefits and consequently impact the return we are able to make to our shareholders.	Dedicated programme management teams have been established that include Executive Committee members, with key initiative progress routinely reported to the Board. *For further information on the business transformation initiatives see the Chief Executive Officer's review on page 4.*
Consumer Safety	The safety and quality of our products is of paramount importance to us to ensure the well-being of our consumers. A failure in the practices we adopt to ensure product safety may result in reputational damage, significant financial loss from product recalls and fines from regulators together with possible criminal liability for the Group.	We apply robust quality management standards and systems, rigorously monitoring them throughout all stages of the supply chain. This not only applies to our own production facilities but to our third-party manufacturers as well. We also maintain a dedicated consumer complaints hotline. Any incidents relating to the safety of our consumers or quality of our products are actively investigated to ensure that timely and effective action is undertaken. *Read more about our Consumer Safety programmes in the Business Governance and Ethics section of Good4Business on page 40.*
Supply Chain and Logistics	Our production and distribution facilities could be severely impacted by adverse effects, such as a failure of a key supplier, a Health & Safety incident, or an environmental catastrophe.	We undertake a rigorous selection process prior to engaging with new third party suppliers and perform ongoing audit and performance monitoring to ensure that contracted standards are being maintained or exceeded. We use multiple suppliers where possible. Our dedicated Group Procurement team has specialist knowledge and understanding of key raw materials and commodities markets and our systems allow us to review forward requirements and to obtain value. *See further details of our modern supply chain operations on page 18.*
Treasury and Tax	The international nature of our operations gives rise to both transaction exchange rate risk and translation exposure when the results, assets and liabilities of foreign subsidiaries are translated into Sterling. In addition, in the event of tax authority challenge to a filed tax position in a jurisdiction in which we operate, there is a risk of an unplanned charge and resulting cash outflow.	We maintain an established Group Treasury function and our Group Treasury Policy defines our non-speculative approach to the management of foreign currency exposures. Currency exposures are managed within prescribed limits with short- to medium-term forward exchange contracts taken to reduce our exposure to fluctuations. A Group Taxation Policy is in place (available on our website), which defines the way in which we conduct ourselves with respect to our tax affairs. Our in-house taxation expertise is also complemented by the use of specialist tax consultants and advisers to ensure compliance with all local and international tax regulations and treaties.

Brexit

The impact of the UK's exit from the EU has been considered as part of the risk management process. Whilst we do not see this as requiring a separate defined risk area, it has been considered as an element of other principal risk areas. The introduction of trade tariffs, further volatility in Sterling and limits to the free movement of people could particularly impact our European-based operations, including both our suppliers and the purchasing ability of our consumers located within the region. We will continue to monitor the potential impact of Brexit and take proactive steps to mitigate any risks that may emerge.

Good4Business
Business Governance & Ethics

We look at our business through our G4B lenses of Business Governance & Ethics, Environment, Sourcing and Community & Charity to find ways of delivering profitable growth that do not come at the expense of the environment or local people but which benefit all of our stakeholders.

The Good4Business Committee is one of the principal standing committees of the Board. The Committee is chaired by independent Non-executive Director John Nicolson and is responsible for agreeing and overseeing a programme of specific G4B activities for each financial year and for ensuring that our G4B principles are reflected in our Group strategy and that the Group's social, environmental and economic activities are aligned.

Business Governance & Ethics

Business conduct

Our Good4Business ethics and principles apply to all our Group global operations and to every Board member and employee. We encourage and motivate everyone in the business to use these principles in their day-to-day working lives.

We operate in a business environment that is carefully created to be open, honest and fair with our suppliers, customers and business partners. We show respect and integrity in our dealings with all our stakeholders in the active pursuit of our G4B values.

We do not tolerate corruption in any part of PZ Cussons. We regularly review our activities across the Group to ensure that we are fully compliant with the UK Bribery Act, the corporate criminal offence of failing to prevent the facilitation of tax evasion and other relevant legislation around the world and also that we are living up to our CANDO and G4B values in every operation. During the year, we initiated a comprehensive risk assessment exercise, working with external advisors, to ensure our continuing compliance and we will be concluding this and refreshing training across the Group over the coming months.

Consumer safety

We put safety first and will never compromise on it. The sectors in which we operate are generally highly regulated and we ensure that we are fully compliant at all times with local and international regulations. But, where we feel that it is appropriate, we will apply our own standards and protocols in excess of local requirements to ensure consumer safety or to respond to consumer concerns.

To that end, we regularly review the ingredients used within our range of global products. Our Materials of Concern Committee monitors the materials that we use in the light of evolving scientific evidence, regulatory opinion and the views and concerns of our consumers. Where the science supports the safe use of an ingredient but there are consumer concerns, we take this into consideration and aim to find alternative ingredients.

Against animal testing

We are against all forms of animal testing in the development and marketing of our products. We do not test ingredients on animals. We do not commission or request any of our suppliers or associates to test ingredients or our products on animals.

It has been some years since animal testing on cosmetic products and ingredients in EU countries was prohibited. We fully support the stance taken by governing bodies, such as the European Union, and the changes being made in this direction in other regulatory environments in China, India, the US and elsewhere to eradicate the use of animals in the testing of cosmetics globally. During the year, we chose not to trade in any countries or product categories or via distribution / retail channels where our products might be tested on animals by the authorities.

To safeguard our consumers, we recognise the need for reliable, fully validated non-animal testing methods and we support Fund for the Replacement of Animals in Medical Experiments (FRAME). We help to fund their independent research activities and support their campaign for better science and the advancement of non-animal methods, which we believe will benefit the whole cosmetics and household products industry.

Environment

We care about how our business may impact the environment, from the way we manufacture products and bring them to market to the way in which consumers use them. We are focused on a programme of constant improvement within our global operations and we are committed to yearly reductions in our water and carbon consumption and waste generated.

Water

Water conservation has been a key G4B focus for some years, reducing consumption by millions of tonnes of water. As part of our continuous improvement programme, all factories are required to have a plan to reduce water consumption. Typically, this is achieved through focused improvements in operating methods and targeted investment in water-saving technologies.

Examples include our Ikorodu factories where, despite growing production volumes, the local team has reduced water consumption by 15% during the year,

Good4Business
Environment

Water
7% Absolute reduction year on year

Carbon
3% Absolute reduction year on year

Waste
21% Absolute reduction year on year

delivered in part by recycling good quality water from the outlet of the recently constructed effluent treatment plant.

Our Tangerang factory has reduced water use per tonne by 11% by developing a detailed "map" of water consumption on the site. Our Ilupeju factory site in Nigeria achieved an impressive 73% reduction in water consumption year on year with savings achieved both on the manufacturing lines and in the staff kitchens.

Carbon

We have continued to focus on our carbon footprint to identify areas for improvement. This year we have achieved an absolute carbon reduction of 3%, attaining our target for the year.

Carbon emission reduction activities have been undertaken at all sites. In Thailand, we increased the running speed of the soap finishing lines significantly, enabling production to be consolidated from 6 lines to 4, contributing to a reduction in energy and carbon per tonne by 9%.

At our Indonesian factory at Tangerang and our factory in Aba in Nigeria, increased efficiencies in our soap driers have driven reductions in energy consumption, with the Indonesian team achieving a reduction in energy per tonne of 13% year on year. The improvements were achieved through collaboration and knowledge transfer across the sites, with local teams finding and sharing ways to reduce the amount of steam required in the manufacturing process.

Our Ikorodu factories in Nigeria were able to reduce energy by 11% during the year despite there being a 3% increase in production tonnage. This was accomplished by involving all members of the supply chain teams, with strong contributions from engineering, technical and production teams. The reductions resulted from a range of initiatives including the reformulation of detergents to recipes that are less energy intensive to manufacture.

Over and above the carbon reduction activities described and our 3% reduction year on year, we have also introduced more environmentally friendly refrigerant gases in our market-leading Haier Thermocool products in Nigeria. See page 18 for further details.

Waste

We have built on the impressive achievements of recent years by delivering a further 21% reduction in solid and liquid waste produced during the year. Our local factory team at HPZ in Nigeria played a significant role by reducing landfill waste by 77%. This was achieved by moving from regular waste collections to a Kanban approach, which increased visibility and improvements in the method of measurement. The factory's continuous improvement programme led to further reductions and the factory has now engaged a company to recycle defective parts rather than sending them to landfill.

Carbon Disclosure Project (CDP)

The Group has been a participant in the Carbon Disclosure Project for over ten years, currently reporting our Scope 1 and 2 emissions. The CDP is an internationally renowned not-for-profit organisation that provides an independent global system for companies and cities to measure, disclose, manage and share vital environmental information.

Plastic

On 1 June 2018, PZ Cussons launched a global "25 by 25" Plastic Promise campaign to reduce plastic in our business. By 2025:

- we will reduce the amount of plastic we use by 25%;
- any remaining plastic we use will be recyclable, reusable or compostable; and
- 30% of our plastic packaging will come from recycled materials.

Our focus on plastic is part of our G4B environmental policy. We are committed to playing our part in conserving the planet's precious natural resources, safeguarding the environment for future generations and limiting any negative impact on the lives of our consumers and communities.

Recycling and reuse will be important elements of our programme but reducing the amount of plastic we use will be our priority. As such, our "25 by 25" campaign builds on the significant work that we have undertaken in recent years to reduce plastic in our products. Through light-weighting bottles and introducing refills, over recent years we have reduced plastic in our business by hundreds of tonnes across Europe and Asia. We are now redoubling our efforts to reduce our use of plastic by identifying more projects to optimise structural and material design to eliminate unnecessary packaging materials, as well as looking at more innovative ways of delivering our products without relying on plastic.

As such, our focus on reducing plastic in our business is a good example of our G4B approach in practice. Our "25 by 25" Plastic Promise campaign will create sustainable value for all our stakeholders by aligning:

- respect for the environment;
- consumer benefit delivered through innovative design; and
- margin improvement through packaging cost reduction.

We are committed to reporting on our progress, regularly and transparently, including within our annual G4B report.

Good4Business
Sourcing

Sourcing

Strengthening our commitments on palm oil

Building on our 2014 PZ Palm Oil Promise, we published our 2020 strategy and action plan on palm oil in July 2018. This sets out five strategic objectives to help us meet our No Deforestation/No Peat/No Exploitation (NDPE) commitment:

1. Reinforcing good governance to drive NDPE compliance
2. Achieving full traceability of our entire palm oil supply chain
3. Investing in transformation and independent verification of the palm oil industry
4. Taking a lead in developing Nigeria's palm oil sector
5. Taking an open and transparent approach to reporting on progress

Our aim is that by 2020 100% of the palm oil used in our Personal Care, Home Care, Beauty and Food & Nutrition products will come from producers whose entire operations have been independently verified as compliant with NDPE standards.

Greenpeace has been a critical friend since the beginning of our NDPE journey and continues to be a valuable source of knowledge and guidance.

Playing our part

PZ Cussons uses less than 0.001% of the world's supply of palm oil. However, we hold ourselves accountable for the palm oil we source and are fully committed to playing our part in the reform of the industry. We do not believe that switching to an alternative ingredient would have a positive impact, as alternatives, such as soy or vegetable oil, require more land to produce the equivalent amount of oil.

Making progress

Since 2014 we have reduced the number of palm oil suppliers we buy from, ensuring that our key direct suppliers have made their own NDPE commitments that align with ours.
In FY18, working with our suppliers, joint venture partners and non-governmental organisation (NGO) partner The Forest Trust, we have:

- Traced 86% of our palm oil back to the mill – we have had full traceability back to the refinery since 2016; and
- Disclosed all our key direct palm oil suppliers and the mills from which they source and parent company and location details for our biggest supplier.

We are now working collaboratively with our suppliers, NGOs and other brands to address non-compliance in the wider supply chain and the regeneration of previously cleared forests.

Working with suppliers

We enjoy working with like-minded suppliers and contractors who are diligent, responsible, honest and fair. We expect them to mirror our high ethical standards and we scrutinise how suppliers work when establishing or continuing business relationships.

We have developed robust procedures to govern how suppliers are selected, our engagement with them and how we monitor and conduct audits. Our Global Technical Team uses the Supplier Ethical Data Exchange (SEDEX) to drive improvements and standardise how we work with suppliers. In a programme of continuous improvement we screen our supplier landscape to check SEDEX membership status and to monitor ethical and environmental compliance via this industry platform.

Health & Safety update

During the year, we have continued our focus on Health & Safety as a critical priority for the Group. Our business spans diverse geographies with differing levels of regulation and we are committed to delivering globally consistent and excellent standards of Health & Safety across all operations. We seek to provide safe working environments for all our employees, contractors and visitors. To that end, our operations meet local rules and regulations but also comply with our robust Group-wide standards, which invariably exceed local law.

This year, we made further progress towards achieving international safety certification for all our sites around the world. Following the accreditation of our Nutricima and HPZ factories in

	2014/15	2015/16	2016/17	**2017/18**	Change from 11/12 baseline	Change year on year
Fatalities	0	0	0	**0**	0	0
LTI (Absolute number)	14	7	15	**13**	-20	2
LTIFR (frequency rate)	0.17	0.12	0.29	**0.27**	-0.14	0.02
AAIR (Absolute number)			158	**109**		49
AAIFR (frequency rate)			3.05	**2.26**		0.79

Notes

The AAIR measure includes: All reportable incidents, Lost Time Incidents (LTIs) including all Health & Safety occurrences that result in one or more days' absence from work (excluding the day of the incident), LTIs per 200,000 hours worked and First Aid Cases (FACs), being all Health & Safety occurrences (including LTIs) that result in the employee being given first aid. FACs include cases where employees are treated for incidents that occur outside of the workplace, as any treatment given may enable us to reduce the number of employee days lost. AAIR was measured for the first time in 2016/17.

Good4Business
Community & Charity

Nigeria, all of our African sites are now accredited to the internationally recognised Occupational Health & Safety Management System OHSAS18001. This process will be completed during the FY20 financial year so that all Group sites will be accredited to OHSAS18001 by 31 May 2020. We employ a team of Health & Safety specialists to develop, monitor and implement best practices and we empower and encourage our employees to identify and report hazards or near misses.

We regard Health & Safety as a fundamental business responsibility and the Group's Health & Safety performance and its regulatory compliance are regularly scrutinised by both the Group's Executive Committee and the Board.

Reporting our progress

The business tracks and reports on key Health & Safety performance indicators, enabling us to review our progress, identify any issues and trends and develop strategies to address areas for improvement. We follow industry practice and focus on the All Accident Incident Frequency Rate (AAIFR), which includes: all reportable incidents, all Lost Time Incidents and all First Aid Cases, i.e. incidents that result in the employee being given first aid. We also continue to track and report the Lost Time Incident Frequency Rate (LTIFR). Lost Time Incidents include all Health & Safety occurrences that result in one or more days' absence from work (excluding the day of the incident).

The frequency rate for both measures is calculated as the number of incidents per 200,000 hours worked.

Community & Charity

Showing our Inner Hearts

Our focus on Community & Charity seeks to help and support the local communities that surround our factories and offices. Our activities centre on enhancing lives and securing futures for families, with an emphasis on education, well-being and hygiene.

Our Inner Hearts programme was born in Nigeria and has been adopted by all our global operations. The programme encourages our employees to become involved with initiatives that they care about, giving them support and a framework to benefit local communities and charities.

Saving lives through handwashing initiatives

In October 2017 our Carex brand once again joined forces with United Purpose, our international development charity partner, to support Global Handwashing Day. This annual event, which was started by the United Nations nearly ten years ago, touches over 200 million people and promotes a simple and life-saving message that handwashing with soap saves lives. In Nigeria, 200 schools nationwide were directly engaged, with students inspired and empowered to become "Hygiene Heroes", trained to encourage their schoolmates, families and communities to make handwashing a habit.

Ten year anniversary

In Nigeria, the PZ Cussons Nigeria Foundation celebrated its ten year anniversary. PZ Cussons has been in Nigeria for more than a hundred years and has always recognised its responsibilities as one of Nigeria's leading companies and employers. The Foundation was established in 2007 to assist the development of better transport links and roads, fresh water, sanitation, health and education and to improve the quality of life of its citizens.

The Foundation funds and implements projects that promote the well-being of local people, are sustainable and produce innovative solutions that can be easily replicated throughout the country.

Projects undertaken during the year included:

- Construction of a block of classrooms at Goron-Dutse Women's Centre, Kano State;
- A hostel project at the Leprosy Rehabilitation Centre, Oji, Enugu State; and
- Establishment of a mobile maths and science project in Katsina State

Strategic fundraising partner

A long-time charity partner in the UK is the Seashell Trust, which is located close to our Manchester headquarters.

Throughout the year, many of our employees have been involved with fundraising activities, such as sponsored runs, bike rides and cake bake sales, to raise money for Seashell Trust students who have severe learning and physical challenges.

In addition to direct funding, we have also been involved on a strategic level to help the charity to secure funding for their Transforming Lives Appeal. The appeal seeks to secure donations for 17 new children's homes and the £45m needed for the new Royal School Manchester special school campus redevelopment.

Finally, we have been privileged to sponsor a series of drama workshops, run by the fantastic TripleC organisation, a collective of disabled and non-disabled creatives including Cherylee Houston of Coronation Street, helping to prepare Seashell Trust students for the world of work and for paid employment after they graduate.

Board of Directors
Strong leadership

Key
1 Executive Committee
2 Nomination Committee
3 Good4Business Committee
4 Remuneration Committee
5 Audit & Risk Committee
● Chair

We operate within a flat management structure led by a small leadership team. We are unconstrained by large company bureaucracy, which enables us to act fast and make efficient management decisions.

The Executive Plc Board has a long history of service within PZ Cussons with all members having worked their way up through the Company to their present positions. We operate a diverse Board, Executive Committee and Senior Leadership Team across the globe with members having extensive knowledge of our businesses and the fast-moving, competitive industries and markets in which we operate.

Together, our diverse team and flexible management style continues to create an environment of opportunity and stability to deliver results.

Plc Board

Alex Kanellis 1 3
Chief Executive Officer
Year appointed to the Board – 2003
25 years with PZ Cussons

Brandon Leigh 1 3
Chief Financial Officer
Year appointed to the Board – 2006
21 years with PZ Cussons

Caroline Silver 2 3
Non-executive Chair
Year appointed to the Board – 2014
4 years with PZ Cussons

Helen Owers 2 4
Non-executive Director
Year appointed to the Board – 2012
6 years with PZ Cussons

John Nicolson 3 5
Senior Independent Director
Year appointed to the Board – 2016
2 years with PZ Cussons

Jez Maiden 4 5
Non-executive Director
Year appointed to the Board – 2016
2 years with PZ Cussons

Tamara Minick-Scokalo 3 5
Non-executive Director
Year appointed to the Board – 1 May 2018

Dariusz Kucz 2 4
Non-executive Director
Year appointed to the Board – 1 May 2018

Executive Committee

Sam Plant
Corporate Services Director
Company Secretary
10 years with PZ Cussons

Cathy Doyle-Heffernan
Group HR Director
5 years with PZ Cussons

George Kostianis
Global Supply Chain Director
28 years with PZ Cussons

Alan Bergin
Group Commercial Finance Director
2 years with PZ Cussons

8 Board members

6 Executive Committee members

60 years of combined PZ Cussons Plc Board service

91 years of combined PZ Cussons Executive Committee service

105 years of combined PZ Cussons service

The Group's Strategic Report incorporates the Chair's statement, the Chief Executive Officer's review, business model, key performance indicators, financial review, business reviews, principal risks and uncertainties and those areas incorporated by cross reference.

By order of the Board

Alex Kanellis
Chief Executive Officer
24 July 2018

Shareholder Information & Contacts

Annual General Meeting

The Annual General Meeting will be held at 10.30am on Wednesday 26 September 2018 at:

PZ Cussons Plc
Manchester Business Park
3500 Aviator Way
Manchester
M22 5TG

Financial calendar

The key dates for PZ Cussons' financial calendar are available on our website **www.pzcussons.com**

Registered office

PZ Cussons Plc
Manchester Business Park
3500 Aviator Way
Manchester
M22 5TG

Tel: 0161 435 1000

www.pzcussons.com

Registered number

Company registration number – 00019457

Registrars

Computershare Investor Services Plc
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

www.computershare.com

Company Secretary

S P Plant

Read more about our Directors on pages 2 and 3 of the Governance and Financial Statements.

This report has been printed in the UK. Our printers are accredited with ISO14001 and hold FSC® chain of custody certification. They are also carbon neutral. All inks used are vegetable-based. The paper is fully recyclable and biodegradable and is an FSC®-certified material.

If you have finished reading this report and no longer wish to retain it, please pass it on to other interested readers, or recycle it. Thank you.

This Strategic Report is available at **www.pzcussons.com**

Designed and produced by Instinctif Partners **www.creative.instinctif.com**

MIX
Paper from responsible sources
FSC® C005244

PZ Cussons Plc
Manchester Business Park
3500 Aviator Way
Manchester
M22 5TG

Tel: 0161 435 1000

www.pzcussons.com